





## Qrf City Retail

### **Annual Report 2018**

This annual financial report of Qrf Comm. VA (hereinafter indicated as “Qrf”, “Qrf City Retail” or the “Company”) is a registration document within the meaning of Article 28 of the Act of 16 June 2006 on the public offering of investment instruments and the admission of investment instruments to trading on a regulated market.

The Dutch version was approved by the FSMA, pursuant to Article 23 of the aforementioned act, on 9 April 2019. The approval of the registration document by the FMSA does not imply any judgement on the condition of the Company.

Qrf City Retail has opted for Dutch as the official language whereby the annual financial report in Dutch has probative value.

The French<sup>1</sup> and English versions are translations of the Dutch<sup>2</sup> original. The annual financial report was translated under the responsibility of Qrf City Retail. Investors can invoke the translated version in the context of the contractual relationship with the company.

Chapters 3, 4, 5 and 11 of this annual financial report constitute the annual report within the meaning of Article 96 and Article 119 of the Companies Code.

Cover photo: Roel Meertens - Urban Art, drawing of Maastricht

---

1 Ce rapport financier annuel est également disponible en français.

2 Dit financieel jaarverslag is ook beschikbaar in het Nederlands.



Ostend  
Adolf Buylstraat  
Belgium

# Table of Contents

- 1 Risk factors ..... 1
- 2 Message from the Chairwoman ..... 17
- 3 Consolidated key figures ..... 21
- 4 Notes to the consolidated results 2018 ..... 25
- 5 Transactions and achievements ..... 33
- 6 Who is Qrf City Retail? ..... 41
- 7 Corporate Governance Statement ..... 53
- 8 Qrf City Retail on the stock exchange ..... 101
- 9 Property report ..... 109
- 10 EPRA – Key Performance Indicators ..... 127
- 11 Annual financial statements ..... 133
- 12 Permanent document ..... 199
- 13 APM – Alternative Performance Measures ..... 219
- 14 Glossary ..... 223





# 1

## Risk factors



Mechelen

Bruul 15 - Botermarkt 1

Belgium



# 1 Risk factors

The Executive Management and the Board of Directors of the Statutory Manager of Qrf City Retail are aware of the specific risks associated with the management of a property portfolio. They endeavour to manage and, where possible, to limit such risks in optimal fashion.

An overview of the most important risks confronting the company is given below, together with the possible impact on the company and the measures taken to limit and manage risks and their impact.

The first column of the risk matrix below names the risk factor. The second column describes the possible impact of the risk. Finally, the third column provides an overview of the measures that Qrf City Retail considers to limit and manage the risk as adequately as possible.

## MARKET RISKS

| RISK FACTOR                                  | POSSIBLE IMPACT  | LIMITING FACTORS AND ACTIONS  |
|--|--|---|
| General downturn of the economic conjuncture | 1. Decline of rent levels upon reletting or possible requests for rent discounts or reductions.                    | Focus on properties within the <i>Golden Mile</i> <sup>1</sup> of their catchment area so that the decline in value and vacancy rate can be limited to some degree. (1, 2, 3)                                       |
|  | 2. Decline of the Fair Value of investment properties and consequently of equity and the net asset value.          | Geographic spread of the property portfolio. <sup>2</sup> (1, 2, 3)   |
|  | 3. Chance of the risks described below materializing as a direct or indirect consequence of the economic downturn. | Continuous monitoring of the strategic, operational, financial and compliance risks to keep track of the results and the financial situation. (3)<br><br>Development and utilization of market knowledge. (1, 2, 3) |

1 Cf. Chapter 6.4 for further details.

2 Cf. Chapter 9.1.1 for more information on the geographic spread of the portfolio.

## MARKET RISKS

| RISK FACTOR  | POSSIBLE IMPACT   | LIMITING FACTORS AND ACTIONS  |
|--|---|---|
| General downturn in the retail sector or a specific subsector with a negative impact on the financial capacity of tenants of retail premises | 1. Possible bankruptcy of tenants.  | Permanent contacts with the leading brokerage firms in commercial real estate and the (expansion) managers of major chains active in the Belgian and Dutch market. (2, 3)   |
|  | 2. Possible decline of the net rental income attributable to a rise in non-payments or a decline of the collection rate.                                  | Qualitative and professional tenants, mainly national and international chains, where the risk of bankruptcy and non-payment is lower than in shops run by self-employed persons. (1, 2)  |
|  | 3. Increase in the vacancy rate <sup>3</sup> owing to the inability to find candidate tenants or (re)letting at a lower rent than the existing situation. | Diversification of the tenant portfolio at sector level, thereby limiting the impact of sector-based results. (1, 2, 3)<br><br>Limiting the share of one tenant in the overall rental income and, insofar as possible, the spreading of rental income per tenant over various properties. <sup>4</sup> (1, 2)<br><br>Active monitoring of the tenant base and collection. Concluding rent guarantees where possible, as well as allocating an annual provision for doubtful debtors. (2)<br><br>Clear collection procedure which provides in particular for correct payment of the rent in advance, as well as a correct monitoring of rent guarantees, as stipulated in the lease. <sup>5</sup> (1, 2)<br><br>Conducting external credit risk analyses on customers before they are accepted. Regular contacts with tenants to get an idea of how they adjust to the changed economic context in particular with more e-commerce and the experience aspects, which is gaining in importance for retail. (1, 2)<br><br>Using direct debit for receivable rental income as much as possible. (2) |
| General decline of the financial capacity of tenants who rent other real estate <sup>6</sup> than retail premises                            | 1. Possible increase in non-payments and a decline in the collection rate.  | Limiting the share of "other real estate" in the portfolio. <sup>7</sup> (1, 2)   |
|  | 2. Increase in the vacancy rate owing to the inability to find candidate tenants or (re)letting at a lower rent than the existing situation.              |   |

<sup>3</sup> An increase in the vacancy rate can (in the long run) lead to a decline in the Fair Value of the investment properties. An increase in the vacancy rate can also lead to a decline in the rental income.

Cf. Operational risks for further possible impact by the vacancy rate.

<sup>4</sup> Cf. Chapter 9.1.1 for more information on the spreading of the portfolio among tenants.

<sup>5</sup> In principle, tenants have to provide a rent guarantee in the form of a bank guarantee of three to six months' rent.

<sup>6</sup> Non-retail premises such as residential properties or offices.

<sup>7</sup> On 31 December 2018, the Contractual Rent was generated (rounded off) as follows: 95% from retail premises, 3% from parking facilities (linked to commercial activities), and 2% from other categories such as residential properties and offices.

## MARKET RISKS

| RISK FACTOR   | POSSIBLE IMPACT   | LIMITING FACTORS AND ACTIONS   |
|---|---|--|
| Declining or insufficient demand for retail premises or retail premises within the <i>Golden Mile</i> on the rental market or the investment market | 1. Decline in the Fair Value of the real estate and, as a result, in the net asset value also.  | Active management of the properties, in cooperation with the tenants, cities and stakeholders, to maintain the value per property and the attraction of the location. (1, 2, 4)  |
|   | 2. Increase in vacancy rate owing to the inability to find (candidate) tenants or (re) letting at a lower rent than the existing situation. | Diversification of the real estate portfolio, in geographic terms and per type of property, with focus on properties within the <i>Golden Mile</i> of their catchment areas, on the assumption that these locations are very attractive. (1, 2, 4)   |
|   | 3. As a result of not finding (candidate) tenants: missing out on rental agreement.   | Active cooperation with real estate brokers and utilization of modern ICT tools to increase visibility and to measure the appeal per property. (2, 4)  |
|   | 4. Not being able to sell real estate for strategic or diversification reasons.   | Active cooperation with regional and large cities and interest in taking part in urban projects to bring down the vacancy rate so as to keep the visibility and value of properties intact. (1, 2, 3, 4)<br><br>Clear investment and maintenance criteria with attention for the structural functionality and quality of the properties. (1, 2, 3, 4)<br><br>Planning a temporary occupation of the property in the form of pop-ups, marketing actions or other forms of occupation. (1, 2, 3) |
| Deflation risk  | 1. Decline in consumption owing to consumer speculation on further reductions of prices where the turnover of the tenant retailer drops.    | Quality and professional tenants, primarily national and international chains, where the risk of bankruptcy and non-payment is lower. (1)  |
|   | 2. Possible decline of rental income due to negative indexing.  | Maintaining, insofar as feasible, the indexing option in the leases exclusively for the lessor, so that a negative indexing can be avoided. (2)  |
| Inflation risk  | 1. Increase of financing costs due to a rise in interest rates.   | Hedging against such fluctuations through derivatives (such as <i>Interest Rate Swaps</i> ). <sup>8</sup> (1)  |
|   | 2. Increasing discrepancy between the actual rent collected and the ERV <sup>9</sup> .  | Providing indexing clauses in leases as a standard. (2)  |
| Volatility of the short- and/or long-term interest rates on the (international) financial market  | 1. Increase of the net interest costs.  | Diversifying the different sources of capital. (1, 2, 3)   |
|   | 2. Fluctuations in the value or revaluation of the financial instruments. <sup>10</sup>   | Sufficient number of financial partners and, insofar as possible, checking the financial rating of the credit institutions, and setting high requirements thereupon. (1, 3)  |
|   | 3. As a result of 1 or 2: possible decline in the net asset value and an increase of the Debt ratio.  | Hedging against fluctuations in interest rates through derivatives (such as <i>Interest Rate Swaps</i> ). (1, 3)   |

<sup>8</sup> Cf. Chapter 4.3.2 for further details.

<sup>9</sup> *Estimated Rental Value* (cf. Glossary).

<sup>10</sup> Cf. also "Risk when using (complex) derivatives (e.g. IRS)" under "Financial Risks".

## MARKET RISKS

| RISK FACTOR  | POSSIBLE IMPACT  | LIMITING FACTORS AND ACTIONS   |
|--|--|--|
| Volatility and uncertainty on the (international) financial markets  | 1. Limited possibilities to attract new capital in the form of equity or loan capital.   | Expanding solid long-term relations with investors and credit institutions whereby dialogue can take place on a regular basis. (1, 2, 3)                 |
|  | 2. An ensuing increase in the Debt ratio and a limitation of growth possibilities.   | Systematic and effective communication on the financial outlook to all stakeholders concerned. (1, 2, 3)   |
|  | 3. Volatility in share prices.   | Application and compliance with the RREC legislation. (3)<br>Endeavouring to maintain a sufficient level of available lines of credit. <sup>11</sup> (2) |
| (Inter)(national) political instability, the splitting up, exit of countries, the disappearance of the monetary union (or consequences of speculation thereon) or terrorist threat | 1. Increase of financing costs due to a rise in interest rates.  | Focus on the retail property market in politically stable and safe countries with a relatively long history of open trade relations. (1, 2, 3)           |
|  | 2. Potential increase of customs costs or international transport costs whereby omni-channel retail entails a higher cost burden for tenant-retailers. |  |
|  | 3. Decrease in the number of passers-by in shopping streets due to a wait-and-see attitude towards consumption.  |  |

<sup>11</sup> Cf. Chapter 4.3.1 for further details.

## OPERATIONAL RISKS

| RISK FACTOR  | POSSIBLE IMPACT   | LIMITING FACTORS AND ACTIONS   |
|--|---|--|
| Risks of (complex) real estate or share transactions where strategic, economic, fiscal or legal aspects are assessed wrongly or not completely | 1. Impacted by certain concealed economic, fiscal and legal deficiencies or inconsistencies that might arise.                     | Comprehensive fiscal, accounting, legal and technical <i>Due Diligence</i> in cooperation with external advisors. (1, 2, 3)  |
|  | 2. The acquisition of properties which, if correctly assessed, would not have withstood the test against the investment criteria. | Comprehensive analysis and formal approval procedure for the acquisition by the investment committee and the Board of Directors. (1, 2, 3)   |
|  | 3. Expected return not attained.  | Spreading of the real estate portfolio as provided in the RREC legislation <sup>12</sup> to limit the impact of risks of one property as a whole in the portfolio. (1, 2, 3)   |
| Suboptimal strategic and investment choices  | 1. Expected return not attained.  | Defining (and assessing on a regular basis) a clear investment strategy with a long-term vision and effective management of the capital structure, where each investment is tested against pre-established investment criteria. (1, 2, 3, 4)   |
|  | 2. Reduction in the stability of the income stream and a decline of income potential.   | Monitoring changes in economic, real estate and regulatory trends (in particular as regards taxation law, companies law, regulation concerning RREC status, etc.). (2, 3, 4)   |
|  | 3. The real estate portfolio is not adapted to the market demand, leading to potential rental vacancy.                            | An experienced management team and supervision by the Board of Directors. (3, 4)   |
|  | 4. Revision of the company's risk profile.  | Appointing an independent real estate expert who provides information on the expected real estate yield and the long-term rental income level for the property concerned (on the basis of recent similar market transactions), as well as a quarterly valuation of the real estate portfolio by an independent real estate expert. (1, 2, 3, 4, 5) |
|  | 5. Decline in the Occupancy rate.   | Requiring, where possible or expedient, a rent guarantee from sellers to compensate for any vacancy and thus guarantee cash flows for a certain period.  |
| Regulatory, technical, budgetary and financial setbacks when (re) developing or renovating for one's own account                               | 1. Inability to develop or renovate a project because the required permits were not obtained.                                     | An experienced management team and supervision by the Board of Directors. (1, 2, 3, 4, 5, 6)   |
|  | 2. Loss of income.  | Intention to cultivate a good relationship and communication with governmental authorities and regional stakeholders. (1, 6)   |
|  | 3. Material overrun of the estimated budget and costs.  | Supervision and cooperation with the Property Manager and external advisors on the monitoring of such projects. (1, 2, 3, 4, 5)  |
|  | 4. Result cannot withstand the test of desired structural and technical quality.  | If necessary, calling on specialized consultants. (1, 3, 4)  |
|  | 5. Expected return not obtained.  | Although it can engage in development for its own account, this is not the organization's core activity. (1, 2, 3, 4, 5, 6)  |
|  | 6. Risk of frictional or structural vacancy.  |  |

<sup>12</sup> Pursuant to Article 30. § 1, 1° and 2° of the RREC Act, without prejudice to Article 29, no transaction carried out by a public regulated real estate company may lead to: 1) more than 20% of its consolidated assets in real estate being invested in one property as a whole, or 2) this percentage being exceeded further, if it already amounts to more than 20%, irrespective of the cause of the original overrun of this percentage in the latter case.

## OPERATIONAL RISKS

| RISK FACTOR   | POSSIBLE IMPACT  | LIMITING FACTORS AND ACTIONS   |
|---|--|--|
| Ageing of the properties                                | 1. Rising maintenance costs.   | Annual plan and budget drawn up for the structural maintenance and renovation of the portfolio. (1, 2, 3)  |
|   | 2. Declining Occupancy rate.   | Sale of certain properties which are no longer in line with the investment strategy, so as to maintain the Occupancy rate of the portfolio in the event of (impending) vacancy. <sup>13</sup> (2)  |
|   | 3. Reduced appeal for tenants and therefore missed or reduced rental income.     | <p>Focus on properties within the <i>Golden Mile</i> of their catchment area, assuming that the appeal of these locations remains guaranteed. (2, 3)</p> <p>Regular testing of the afore-discussed strategy (focus on the <i>Golden Mile</i>) and the set criteria to ascertain whether the appeal of these locations meets the stated expectations. (2, 3)</p> <p>Strict internal coordination by management, as well as monitoring in cooperation with the Property Manager. (1, 2, 3)</p> |
| Buildings destroyed fully or partially by force majeure | 1. Loss of construction value of assets.   | Qrf City Retail has taken out the customary insurance coverage for a total of ca. 122 MEUR on 31 December 2018, which covers the destruction risk in most cases. The portfolio's insured value is based on the estimated new built value, i.e. the cost for the reconstruction of the building as new, including the architects' fees and VAT. This amount represents ca. 45% of the Fair Value of the investment properties on 31 December 2018. (1)  |
|   | 2. Potential (temporary) loss or reduction of rental income and tenant turnover. | The value of the inner-city retail premises is largely location based. (1)   |
|   | 3. Building can no longer be used.   | <p>Using the long-term tenant relationship for relocation or temporary solution. (2)</p> <p>Insurance for rental loss due to the full or partial destruction of the building. Qrf City Retail has taken out insurance that covers the estimated rent for a period of 3 years maximum. (2)</p>  |
| Buildings destroyed fully or partially by terror attack | 1. Loss of construction value of assets.   | The general coverage of Qrf City Retail provides for limited protection against terror. Since 1 January 2016, Qrf City Retail has covered its insurance with a specific "terrorist threat" clause for certain specific properties in the portfolio. (1)  |
|   | 2. Potential (temporary) loss or reduction of rental income and tenant turnover. |  |
|   | 3. Building can no longer be used.   |  |
|   | 4. Increase in maintenance costs.  |  |

<sup>13</sup> Cf. Chapter 9.1.2 for a discussion of the Occupancy rate.

## OPERATIONAL RISKS

| RISK FACTOR                                       | POSSIBLE IMPACT   | LIMITING FACTORS AND ACTIONS  |
|---|---|---|
| Vacancy risk                                      | 1. Decline in the Occupancy rate.   | Focus on properties within the <i>Golden Mile</i> of their catchment area, assuming that the appeal of these locations remains guaranteed. (1, 2, 3, 4)   |
|   | 2. Decline in the Fair Value of the real estate and, as a result, in the net asset value also.  | Active management of the properties, in cooperation with the tenants, cities and stakeholders to maintain the value per property and the attraction of the location. (1, 2, 3, 4)   |
|   | 3. Missing out on rental income and a possible downward revision of the ERV.  | Planning a temporary occupation of the property in the form of pop-ups, marketing actions or other forms of occupation. (1, 2, 3, 4)  |
|   | 4. Increase in the unforeseen or normal costs to be passed on such as (but not limited to) advance levy on income derived from real estate, vacancy tax, commercial costs for letting, etc. | Active cooperation with regional and large cities and interest in taking part in urban projects to bring down the vacancy rate so as to keep the visibility and value of properties intact, and in certain cases, where so provided by the legislation, to obtain an exemption to the vacancy tax. (1, 2, 3, 4) |
| Negative revaluation of the real estate portfolio |   | Active cooperation with real estate brokers and utilization of modern ICT tools to increase visibility and to measure the appeal per property so as to be able to capitalize thereon. (1, 2, 3, 4)  |
|   |   | Spreading of the real estate portfolio as provided in the RREC legislation to limit the impact of risks of one property as a whole in the portfolio, and the consequences thereof. (1, 2, 3, 4)   |
|   | 1. Decline of the net result.   | An investment strategy geared to high quality real estate within the <i>Golden Mile</i> , ideally with growth potential. (1, 2, 3)  |
| Concentration risk of tenants and properties      | 2. Impact on the capacity to pay out a dividend if the negative value of the accumulated changes exceeds the payable reserves.  | A well-diversified portfolio. (1, 2, 3)   |
|   | 3. Increase of the Debt ratio.  | A clearly defined and prudent managed capital structure. The intent not to let the consolidated Debt ratio rise above 55%, considerably below the legal maximum of 65%. (1, 2, 3)   |
| Concentration risk of tenants and properties      | 1. Material decline of rental income in case of departure, bankruptcy or drop in collection concerning a tenant.  | Risk spreading via diversification of generated revenues per tenant, in compliance with the relevant legal provisions. <sup>14</sup> (1, 2)   |
|   | 2. Material decline in the Fair Value of the real estate.   | Spreading of the real estate portfolio as provided in the RREC legislation <sup>15</sup> to limit the impact of risks of one property as a whole in the portfolio, and the consequences thereof. (1, 2)   |

14 The two most important tenants of Qrf City Retail are H&M, who (spread over 4 locations) represents 15,8% of the Contractual rents on an annual basis, followed by Galleria Inno, representing 10,8% of the Contractual rents on an annual basis. For more information in respect to tenant concentration risk, reference is made to Chapter 9.1.1 of this report. We also specifically point out to the shareholder the current legal proceedings with H&M. For more information about this, please refer to Note 30.1 under Chapter 11 and Chapter 12.7 of this annual financial report.

15 Pursuant to Article 30. § 1, 1° and 2° of the RREC Act, without prejudice to Article 29, no transaction carried out by a public regulated real estate company may lead to more than 20% of its consolidated assets in real estate being invested in one property as a whole or this percentage being exceeded further, if it already amounts to more than 20%, irrespective of the cause of the original overrun of this percentage in the latter case.

## OPERATIONAL RISKS

| RISK FACTOR   | POSSIBLE IMPACT   | LIMITING FACTORS AND ACTIONS  |
|---|---|---|
| Early termination or non-renewal of the contract  | 1. Chance of vacancy with a decline in the Occupancy rate as a result.  | If possible, call on rent sureties or rent guaranties. (1, 2, 3)  |
|   | 2. Reduction of rental income.  | Continuing canvassing for new or alternative tenants. (1, 2, 3)   |
|   | 3. Increase in the unforeseen or normal costs to be passed on such as (but not limited to) advance levy on income derived from real estate, vacancy tax, commercial costs for reletting, etc. | Assertion of contractual rights. (1, 2, 3)  |
| Developments and trends with strong potential impact on the retail or real estate sector in general | 1. Sudden disruption of the retail real estate market, for example by e-commerce, strengthening the impact, chance or speed of the other risks.   | The Executive Management of Qrf City Retail tries to stay informed of the latest trends and (technological) evolutions in the retail and real estate sector, for example by maintaining regular contacts with retailers and sector specialists, conducting market studies, and monitoring of literature and seminars. |
| Destruction or defect of operating equipment  | 1. Loss of documentation and contact data.  | Comprehensive, independent ICT and CRM storage system. (1, 2)   |
|   | 2. Loss of know-how in the organization.  | Back-ups on a regular basis. (1, 2)   |
| Staff turnover  | 1. Negative impact on existing business relations.  | Active monitoring of staff satisfaction. (1, 3)   |
|   | 2. Loss of forcefulness in the management decision-making process.  | Clear and consistent procedures to guarantee continuity. (1, 2, 3)  |
|   | 3. Loss of know-how in the organization.  | Team work is put centre stage to avoid that a single individual is responsible for a concentration of important and strategic tasks. (2, 3)<br>Market-based staff remuneration. (1, 2, 3)   |
| Interruption of the continuity in Risk and Compliance Management due to force majeure <sup>16</sup> | 1. Temporarily enhanced chance that risks will materialize.   | Internal training to teach the staff the principles of Compliance and Risk Management and in so doing support the continuity thereof. (1)   |
|   |   | An experienced management team and internal supervision by the Board of Directors. (1)  |
| External service providers do not comply correctly with the service agreement                       | 1. Possible negative effect on income and cost streams, efficiency of the organization and the overall reputation of the company.   | Audit of the activities of important suppliers and providers of services on the basis of clear KPIs <sup>17</sup> with an obligation of results where possible. (1)   |
|   |   | Possibility to put an end to the service agreement in the event of gross negligence or fraud. (1)   |

<sup>16</sup> In view of the fact that the Risk Manager and the Compliance Officer have to be natural persons, continuity in Risk and Compliance Management could be impaired in the event of force majeure (e.g. illness, death, etc.), taking account of the period needed to replace the person in question.

<sup>17</sup> KPIs (i.e. *Key Performance Indicators*) are measurable criteria used by Qrf City Retail as a basis for assessing the quality of the service.



## FINANCIAL RISKS

| RISK FACTOR  | POSSIBLE IMPACT  | LIMITING FACTORS AND ACTIONS   |
|--|--|--|
| Counterparty risk –<br><i>Possible solvency risk of financial or banking counterparties/partners</i>   | 1. Loss of deposits.   | Sufficient number of different financial partners, and especially ascertaining and comparing the financial ratings of the credit institutions, if possible. (1, 2, 3, 4)                     |
|  | 2. Higher or unforeseen (financial) costs.   | Striving to maintain sufficient availability margins on confirmed lines of credit. For more information on the financing policy, cf. chapters 3.4.1 and 6.4.1.4 of the annual report. (3, 4) |
|  | 3. Cancellation or termination of existing lines of credits or Interest Rate Swaps (IRS) and thus a (temporary) limitation of financial resources. |  |
|  | 4. Negative impact on the income.  |  |
| Liquidity risk –<br><i>unavailability of sufficient (financial) resources to meet direct obligations; Drying up of commercial paper market</i> | 1. Inability to achieve growth/acquisitions.   | Maintaining sufficient lines of credit available to finance foreseen outlays and planned investments. (1, 2, 3, 4, 5)  |
|  | 2. Reduction in the profitability of acquisition as a result of an increased financing cost.   | Expanding solid long-term relations with investors and credit institutions. (1, 2, 3, 4, 5)  |
|  | 3. Force sale of (strategically expedient) real estate (whether or not at a price lower than the Fair Value).                                      | Active monitoring of cash flows, pool of tenants and collection. The conclusion of rent guarantees, insofar as necessary, and provisions for doubtful debtors. (1, 2)                        |
|  | 4. Unforeseen increase of the Debt ratio owing to temporary non-payment, which results in an increased solvency ratio.                             | Monitoring of the operational risk and clear real estate policy. (5)   |
|  | 5. Contractual (repair) obligations incumbent upon tenants that cannot be fulfilled (in time), which can result in claims for compensation.        | Full coverage of the commercial paper program through available credit lines. (1, 2, 3, 4, 5)  |
| Solvency risk – <i>incapacity to meet obligations in the long term</i>   | 1. Bankruptcy.   | Quarterly valuation of the real estate portfolio by an independent real estate expert. (1)   |
|  | 2. Proportionally increasing Debt ratio.   | Striving in the (medium) long term for a consolidated Debt ratio of 55% maximum, considerably lower than the legal maximum of 65%. (2)   |
| Exchange rate risk   | 1. Decline of income.  | Conducting activities within the European Monetary Union. (1, 2)   |
|  | 2. Decline in the value of the investments.  |  |

## FINANCIAL RISKS

| RISK FACTOR   | POSSIBLE IMPACT  | LIMITING FACTORS AND ACTIONS  |
|---|--|---|
| Risk when using (complex) derivatives (e.g. IRS)                                      | 1. Decline in equity.  |   |
|   | 2. Decline in the net result and the EPRA earnings.  | In particular, checking and comparing the financial ratings of financial institutions and setting high requirements in that respect. (1, 2)   |
|   | 3. If the interest rates were to drop, the interest rate hedges could lead to a higher market interest rate having to be paid. Furthermore, this situation can lead to a situation where the Market value of the hedge instruments becomes highly negative. This can have a negative impact on the income statement. | Cooperation with professional and reputable financial institutions and intermediaries who can provide the right advice and support for derivatives. (1, 2)  |
| Dividend risk – <i>Lower than expected or no dividend (yield) for the shareholder</i> | 1. Decline of the share price.   | Development of solid long-term relations with investors and financial institutions whereby a dialogue can take place on a regular basis. (1, 2, 3)  |
|   | 2. General decline of confidence in the share or the company.  | At least 80% of the corrected positive net result, less the net drop in the debt burden in the course of the financial year, must be paid out as compensation of the capital. <sup>18</sup> (1, 2, 3) |
|   | 3. An ensuing higher risk for other financial risks.   |   |

<sup>18</sup> As regards the limitations on the dividend payment, cf. the calculation of Article 617 of the Companies Code in conjunction with Chapter 4 of Annex C of the GVV Royal Decree (point 11.4.9 of the annual report). It is not certain that in the future, the Company will be able to pay a dividend to the shareholders. The possibility exists that the Company, despite the realization of a good level of Rental income and a positive EPRA result, cannot pay a dividend to the shareholders as a result of Article 617 W. Venn. In particular, a decrease in the Fair Value of investment properties may result in the impossibility to payment of the dividend, despite a positive EPRA result.

## REGULATORY RISKS

| RISK FACTOR  | POSSIBLE IMPACT  | LIMITING FACTORS AND ACTIONS   |
|--|--|--|
| Not (being able to) comply with the legislation applicable on Regulated Real Estate Companies or changes in the legislation applicable in future | 1. Change of status to an ordinary real estate company or an AIF with possible loss of fiscally transparent status as a result. Furthermore, this could have possible implications on the cost structure of the company as well as accelerated due payment of financial debts. | Continuous assessment of changes relating to legal requirements and compliance therewith, supported by external, specialized advisors and advice gathering from sector bodies. (1, 2, 3)                     |
|  | 2. A possible impact on reporting, capital requirements, use of derivatives, credit agreements and general operational organization of the company. As a result thereof, impact on the obtained yield and results and possibly the valuation.                                  | An experienced management team and supervision by the Board of Directors to comply with the relevant legislation. (1, 2, 3)  |
|  | 3. Sanctions and/or enhanced supervision of the FSMA if certain legal (financial) parameters are not met.  |  |
|  | 4. Organizing of an Extraordinary General Meeting to approve an alternative structure to ensure the continuity of the operations of the Company.   |  |
| Changes in international financial reporting standards (IFRS)  | 1. Impact on reporting, capital requirements, use of derivatives and the organization of the company.  | Continuous assessment of changes relating to legal standards, assisted by external, specialized advisors and advice gathering from industrial bodies. (1,2)  |
|  | 2. Direct and indirect impact on the real estate valuation as well as on the operational activities.   | An experienced management team and supervision by the Board of Directors to comply with the relevant legislation, as well as to coordinate and assess the strategy depending on the specific impact. (1, 2)  |
| Change of the tax regulation or interpretation thereof by the administration or the courts <sup>19</sup>   | 1. Possible impact on prices for the purchase and sale of real estate.<br>2. As a result thereof, possible impact on the valuation and consequently on the net asset value and profitability.  | Ongoing assessment of changes relating to legal requirements and compliance therewith, assisted by external, specialized advisors. (1, 2)  |
| Changes in various legislation   | 1. Must comply with legislation with adverse implications for the Company and/or its stakeholders.   | Staying constantly abreast of new legislation by attending seminars, assistance by specialists and self-study. (2, 6)  |
|  | 2. Not prepared for or estimate wrongly the impact of the practical application of the new legislation.  | An experienced management team and supervision by the Board of Directors to comply with the relevant legislation and to coordinate and assess the strategy depending on the specific impact. (1, 2, 3, 4, 5) |
|  | 3. Impact on the purchase and sale prices of immovable properties.   |  |
|  | 4. Reduction of yield and consequently of the appeal of the share.   |  |
|  | 5. Decline in the Fair Value of the real estate portfolio.   |  |

<sup>19</sup> Cf. in particular as to Circular Ci.RH.423/567.729 of 23 December 2004 of the Belgian Ministry of Finance concerning the calculation of the exit tax. This determines in particular the actual value of the properties which is used to calculate the basis of the exit tax, is determined by the registration duties or the VAT to be taken into account which would be applied for a sale of the properties in question. This value may differ from the Fair Value of those assets as determined for IFRS purposes in the finance statements.

## REGULATORY RISKS

| RISK FACTOR  | POSSIBLE IMPACT  | LIMITING FACTORS AND ACTIONS   |
|--|--|--|
| Change of the legislation on town and country planning or the environment  | 1. Increase in operating costs.  | Staying constantly abreast of new legislation by attending seminars, assistance by specialists and self-study. (1, 2, 3, 4, 5)<br><br>An experienced management team and supervision by the Board of Directors to comply with the relevant legislation and to coordinate and assess the strategy depending on the specific impact. (1, 2, 3, 4, 5)<br><br>Building up and maintaining a good relationship and communication with the governmental authorities and regional stakeholders. (1, 2, 3, 4, 5) |
|  | 2. Expansion of the surface areas or volume boundaries on the basis whereof legal provisions apply to a property.  |  |
|  | 3. Ensuing from 2: falling under (a section of) legislation where no compliance was required previously, resulting in reduced appeal for the property.   |  |
|  | 4. Decline of the Occupancy rate.  |  |
|  | 5. Decline of the Fair Value of the investment properties.   |  |
| The new Companies and Associations Code has been approved and is to enter into force as follows:<br>- Opt-in regime as of 1 May 2019; and<br>- Obligation to bring the articles of association fully in line with the new code (i) at first alteration of the articles of association which is to take place after 1 January 2020, and (ii) by 31 December 2023 at the latest. | The new code provides that the partnership limited by shares, the current legal form of Qrf, is no longer a valid legal form. Consequently the legal form of Qrf will have to be changed. The biggest risk here is the situation in which Qrf Management NV would no longer be the statutory manager of Qrf (the possibility of appointing a single statutory manager in a listed company exists at present only for the partnership limited by shares). This however is compensated by the possibility of opting for a public limited company with only one director under the new code, and in so doing modelling the public limited company on what currently applies to a partnership limited by shares. At the time that Qrf has to alter its articles of association and adopt a form other than a public company with a single director, it is highly likely that change of control clauses in certain financing (or other) agreements are activated, which may make certain loans or other obligations of Qrf payable earlier. | Qrf will prepare the conversion to a public limited company with one director thoroughly so as to prevent any eventuality of change of control.  |

## THIRD-PARTY RISKS

| RISK FACTOR  | POSSIBLE IMPACT                | LIMITING FACTORS AND ACTIONS   |
|--|--------------------------------|--|
| Conflict of interest with affiliated companies or parties. | 1. Adverse decisions.          | Sound integrity policy and settlement of conflicts of interest as provided in particular in the RREC Act and the Companies Code. <sup>20</sup> (1)                   |
| Sale of a large number of Shares in the short term.        | 1. Decline of the stock price. | Permanent efforts to enhance liquidity. Qrf City Retail concluded a liquidity agreement with KBC Securities NV in 2017 to promote the tradeability of the share. (1) |

The list of risks is not exhaustive and was drawn up on the basis of the information known at this time. Other unknown or improbable risks may exist, as well as risks for which, on the date of this registration document, is not assumed that, if they should occur in future, they would have an unfavourable impact on the company, its activity or financial situation.

The permanent developments on the real estate and financial markets require continuous monitoring of the strategic, operational, financial and compliance risk to keep track of the results and the financial situation of Qrf City Retail.

<sup>20</sup> Cf. Chapter 7.3 of this report.





## 2 Message from the Chairwoman



Ghent  
Lange Munt 61-63  
Belgium



# 2 Message from the Chairwoman

Dear Shareholder,

Last year was one in which “Rebalancing for future growth” was the central theme. Although we faced various challenges during the year, a transaction to strengthen the company’s capital by 23.8 million euro was announced in December. This was made possible through the contribution in kind of nine retail premises in two important cities: Antwerp and Ostend. This contribution in kind not only strengthens the balance sheet, but also furthers diversifies our Tenant-base and lowers the portfolio’s dependence on the fashion sector.

With the arrival of the Vanmoerkerke family as Reference Shareholder, in addition to their acquisition of the Statutory Manager, the objectives of the Shareholders and those of the management have further aligned.

As directors and management, we have the responsibility to our Shareholders of growing sustainably in the years to come. Bringing in a Reference Shareholder has been an important step in the process. Furthermore, we also intend to further reduce our debt ratio, as well as to further decrease the risks inherent to the real estate portfolio. Therefore, we are critically examining further optimisations, both through possible sales and growth of the real estate portfolio.

It has been decided to pay a dividend of 0.80 EUR gross dividend per share to those Shareholders who are entitled to a dividend. This dividend reflects our confidence in the future.



**Inge Boets**  
Chairwoman of the Board of Directors

Qrf City Retail believes more than ever in the future of the inner city and the role of real estate in enhancing the liveability and economic strength of our cities. We intend to play an active role in the latter. Against a background of changing market conditions, this active role will require Qrf City Retail to take advantage of locations with upward potential, as well as attract Tenants operating an omnichannel business model.

It is not the responsibility of Qrf City Retail to think out business models for Retailers or to try and form the city marketing strategy, but Qrf City Retail does have the responsibility of acquiring and managing properties in cities that offer attractive prospects. We also need to maintain these properties in good condition and let them to tenants with whom a long-term relationship is possible.

Even more than in previous years, keeping an eye on the diversity of tenants and maintaining a critical view of the locations where Qrf City Retail owns real estate is and will continue to define the company’s strategy.

So, to use a retail term , we can say:

“We’re open for business.”





# 3 Consolidated key figures

# Key figures in 2018



Debt ratio

**52.1%**

EPRA  
earnings

**8.60** MEUR  
1.52 EUR  
per share

Contractual  
rents on an  
annual basis

**15.39** MEUR

Gross  
dividend

**0.80** EUR  
per share

NAV  
per share

**22.82** EUR (IFRS)  
**23.11** EUR (EPRA)

Fair Value of  
the real estate  
portfolio

**271.79** MEUR

Number of  
retailers who are  
Qrf customers

**> 100**

Share of inner-  
city retail  
properties

**89%**

Gross rental  
income

**5.7%**

Occupancy  
rate

**94.8%**



## About Qrf City Retail

Qrf City Retail is a listed Belgian REIT (BE-REIT) specializing in the niche market of retail properties in Belgium and the Netherlands. More specifically, the company focuses on the acquisition, development and leasing of centrally located city premises within areas known as the "Golden Mile" – inner-city streets which are dominant in their catchment areas.

On 31 December 2018, the real estate portfolio consisted of 48 retail properties with a total Fair value of more than 271 MEUR. Qrf City Retail has been listed on Euronext Brussels (QRF:BB) since December 2013.

On 31 December 2018, the company's market capitalization amounted to 78 MEUR.

# 3 Consolidated key figures

The financial year 2018 covers the period from 1 January to 31 December 2018.

| <b>CONSOLIDATED KEY FIGURES</b>   |                   | <b>2018</b>  | <b>2017</b>  | <b>2016</b> |
|---|-------------------|--------------|--------------|-------------|
| <b>REAL ESTATE PORTFOLIO</b>  |                   |              |              |             |
| Fair value of the real estate portfolio <sup>1</sup>  | (KEUR)            | 271,794      | 287,404      | 250,724     |
| Total gross surface area  | (m <sup>2</sup> ) | 87,116       | 91,573       | 89,185      |
| Contractual rents on an annual basis <sup>2</sup>   | (KEUR)            | 15,391       | 16,025       | 14,220      |
| Estimated Rental Value of vacant property   | (KEUR)            | 842          | 417          | 462         |
| Gross portfolio yield <sup>3</sup>  |                   | 5.66%        | 5.58%        | 5.67%       |
| Occupancy rate <sup>4</sup>   |                   | 94.82%       | 97.47%       | 96.85%      |
| <b>PROFIT-AND-LOSS ACCOUNT</b>  |                   |              |              |             |
| Net rental income   | (KEUR)            | 15,441       | 14,940       | 13,581      |
| Operating result before result on the portfolio   | (KEUR)            | 11,930       | 11,726       | 10,526      |
| Operating margin <sup>5</sup>   |                   | 77.3%        | 78.5%        | 77.5%       |
| Portfolio result  | (KEUR)            | -7,100       | -3,605       | 373         |
| Financial result  | (KEUR)            | -4,045       | -2,952       | -2,722      |
| Taxes   | (KEUR)            | -145         | -412         | -407        |
| Net result (group share)  | (KEUR)            | 607          | 4,766        | 7,782       |
| <i>Adjustment for portfolio result</i>  | <i>(KEUR)</i>     | <i>7,100</i> | <i>3,605</i> | <i>-373</i> |
| <i>Adjustment for changes in the fair value of the financial assets and liabilities (non-effective interest rate hedging)</i> | <i>(KEUR)</i>     | <i>936</i>   | <i>-40</i>   | <i>0</i>    |
| <i>Deferred tax relating to EPRA changes</i>  | <i>(KEUR)</i>     | <i>-44</i>   | <i>0</i>     | <i>0</i>    |
| EPRA earnings <sup>6</sup>  | (KEUR)            | 8,599        | 8,332        | 7,409       |

- 1 Fair Value of the real estate portfolio = the investment value as defined by an independent chartered surveyor, from which the transfer costs are deducted. The Fair Value is equivalent to the book value under IFRS.
- 2 Contractual rents on an annual basis = The index-adjusted base rental prices as contractually set in the rental contract before the deduction of gratuities or other incentives allowed to the tenant.
- 3 Gross portfolio yield = (Contractual rents on an annual basis) / (Fair Value of the real estate portfolio).
- 4 Occupancy rate = (Contractual rents on an annual basis) / (Contractual rents on an annual basis including the Estimated Rental Value of vacant property).
- 5 Operating margin = (Operating result before result on the portfolio) / (Net rental income).
- 6 EPRA earnings = Net result (group share) excluding the portfolio result and changes in the fair value of the non-effective interest rate hedges. This term is used in accordance with the *Best Practise Recommendations* of the EPRA.

**CONSOLIDATED KEY FIGURES****BALANCE SHEET**

|   |        | 2018    | 2017    | 2016    |
|---|--------|---------|---------|---------|
| Shareholders' equity (excl. minority interests) | (KEUR) | 129,272 | 134,710 | 122,776 |
| Debt ratio (under the RREC Act) <sup>7</sup>    |        | 52.12%  | 52.69%  | 49.76%  |

**KEY FIGURES PER SHARE**

|  |       |           |           |           |
|--|-------|-----------|-----------|-----------|
| Total number of shares outstanding at the end of the period      |       | 5,665,822 | 5,665,822 | 5,129,802 |
| Weighted average number of shares <sup>8</sup>                   |       | 5,665,822 | 5,224,997 | 4,653,684 |
| Net earnings per share   | (EUR) | 0.11      | 0.91      | 1.67      |
| EPRA earnings per share  | (EUR) | 1.52      | 1.59      | 1.59      |
| Gross dividend per share   | (EUR) | 0.80      | 1.35      | 1.34      |
| Pay-out ratio <sup>9</sup>                                       |       | 52.7%     | 84.7%     | 84.2%     |
| Gross dividend yield (on closing price at the end of the period) |       | 5.8%      | 5.5%      | 5.0%      |
| Closing price of the share at the end of the period              | (EUR) | 13.80     | 24.38     | 26.9      |
| IFRS NAV per share <sup>10</sup>                                 | (EUR) | 22.82     | 23.78     | 23.93     |
| Premium/discount to IFRS NAV <sup>11</sup> (end of period)       |       | -39.5%    | 2.5%      | 12.4      |
| EPRA NAV per share <sup>12</sup>                                 | (EUR) | 23.11     | 24.12     | 24.46     |
| Premium discount to EPRA NAV <sup>13</sup> (end of period)       |       | -40.3%    | 1.1%      | 9.9%      |

7 Calculated according to the Royal Decree of 13 July 2014 pursuant to the Regulated Real Estate Companies Act of 12 May 2014.

8 Shares are counted *pro-rata temporis* as of the time of issue. The time of issue may differ from the time of profit sharing.

9 Price-earnings ratio = (Gross dividend per share) / EPRA earnings per share.

10 IFRS NAV per share = *Net Asset Value* per share according to IFRS.

11 Premium/Discount to IFRS NAV = (Closing price of the share at the end of the period) / (IFRS NAV per share at the end of the period) -1.

12 EPRA NAV per share = *Net Asset Value* per share according to EPRA *Best Practices Recommendations*.

13 Premium/Discount to EPRA NAV = (Closing price of the share at the end of the period) / (EPRA NAV per share at the end of the period) -1.



# 4 Notes to the consolidated results 2018

|                                  |    |
|----------------------------------|----|
| 4.1 Results .....                | 27 |
| 4.2 Balance sheet .....          | 29 |
| 4.3 Financial structure .....    | 29 |
| 4.3.1 Debt structure .....       | 29 |
| 4.3.2 Interest rate hedges ..... | 31 |



Antwerp  
Wiegstraat 4  
Belgium



# 4 Notes to the consolidated results 2018

Annual results on 31 December 2018: 3.2% increase in EPRA earnings to 8.60 MEUR in 2018 – decrease in the Fair Value of the real estate portfolio to 271.79 MEUR.

## 4.1 Results

**Net rental income** rose by 3.4% from 14.94 MEUR in 2017 to 15.44 MEUR in 2018. This rise is mainly attributable to the full contribution in 2018 of premises purchased by Qrf City Retail in 2017.

The **operating margin** dropped from 78.5% in 2017 to 77.3% in 2018.

As a result, the **operating result before the result on the portfolio** increased by 1.7% from 11.73 MEUR in 2017 to 11.93 MEUR in 2018.

The **portfolio result** for 2018 amounted to -7.1 MEUR, consisting of:

- a positive result on the sale of investment properties of 0.25 MEUR (properties situated in Sint-Niklaas, Marche-en-Famenne, Mons and Ostend); and
- negative changes in the Fair Value of the real estate portfolio for an amount of 7.35 MEUR.

These negative changes in the Fair Value are attributable to:

- a negative change in the Fair Value of the existing portfolio in Belgium (-3.3%); and
- a positive change in the Fair Value of the existing portfolio in the Netherlands (+0.7%).

The **financial result** for 2018 amounted to -4.05 MEUR in 2018 (compared with -2.95 MEUR in 2017). The **net interest charges** dropped from 2.90 MEUR in 2017 to 2.85 MEUR in 2018. This can be attributed to a reduction in the drawn credit lines, combined with a drop in the Average Cost of Financing to 1.91% (compared with 2.07% in 2017). Qrf City Retail recorded a negative variation in the Fair Value of financial assets and liabilities of 0.94 MEUR in the income statement of 2018.

The **Net result** (group share) dropped from 4.77 MEUR in 2017 to 0.61 MEUR in 2018, i.e. from 0.91 EUR per share in 2017 to 0.11 EUR per share in 2018.

After adjustment for the portfolio result (-7.1 MEUR) and the change in the Fair Value of financial assets and liabilities (-0.94 MEUR), Qrf City Retail recorded an increase in **EPRA earnings** of 3.2% to 8.60 MEUR in 2018 (compared with 8.33 MEUR in 2017).

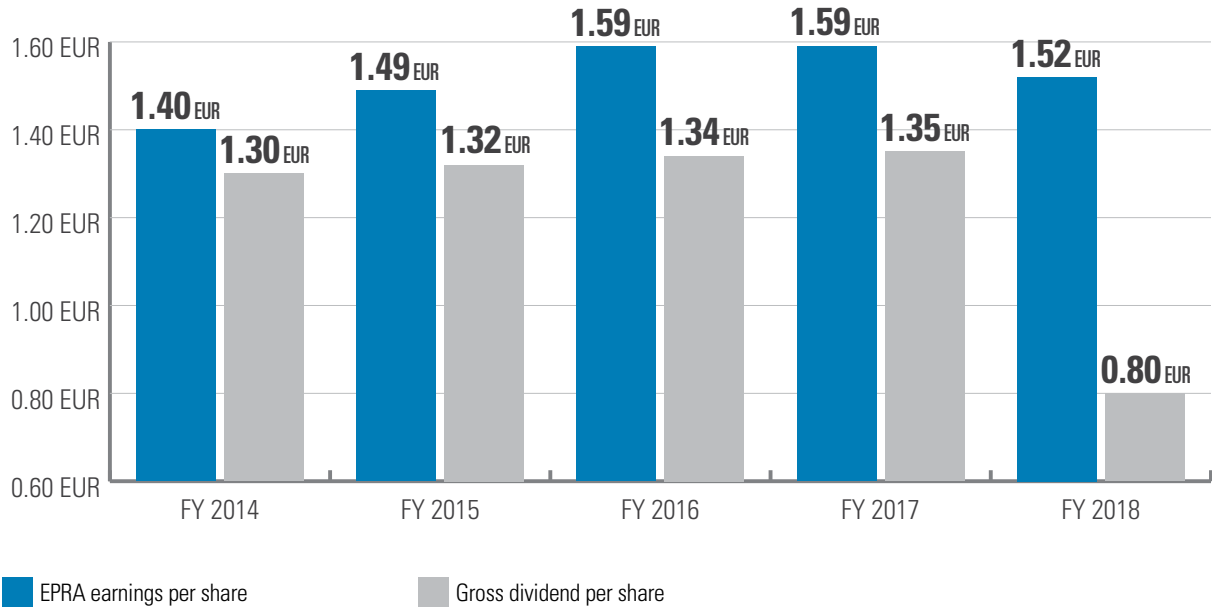
The **EPRA earnings per share** dropped slightly to 1.52 EUR in 2018 (-4.8% compared with 2017).

By virtue of Article 617 of the Companies' Code, calculated pursuant to Chapter 4 of Annex C of the Royal Decree on Regulated Real Estate Companies, the distributable equity capital amounted to 6,779 KEUR on 31 December 2018, thereby meeting the legal requirements to pay out a dividend.

By reducing its net debt burden in 2018, pursuant to Article 13 of the Royal Decree on Regulated Real Estate Companies, Qrf City Retail is not required to proceed to any dividend pay out.

In regard to further strengthening the company's balance sheet, the Board of Directors of the Statutory Manager decided to propose to the Annual General Meeting of Shareholders to pay out a dividend totalling 4,532 KEUR, or 0.80 EUR gross dividend per share. This reflects a pay-out ratio of 52.7%.

**GRAPH 1** MOVEMENTS IN EPRA EARNINGS AND GROSS DIVIDEND PER SHARE SINCE THE IPO (IN EUR)



## 4.2 Balance sheet

On 31 December 2018, the **Fair value of the real estate portfolio** stood at 271.79 MEUR, compared with 287.40 MEUR on 31 December 2017, a drop of 5.4%. This was the result of the divestments in 2018 (-7.45 MEUR in Fair Value as the result of the sale of four retail properties situated in Sint-Niklaas, Mons, Ostend and Marche-en-Famenne) and the changes in the Fair Value of the existing portfolio (-8.34 MEUR attributable to a variation of the Fair Value of the Belgian real estate portfolio, and +0.18 MEUR attributable to a variation of the Fair Value of the real estate portfolio situated in the Netherlands).

Overall, the portfolio was valued by the chartered surveyor at a Gross portfolio yield of 5.66%.

The group's shareholders' equity, excluding minority interests, dropped by 4.0% from 134.71 MEUR on 31 December 2017 to 129.27 MEUR on

31 December 2018. This is a result of the payment of the dividend of the 2017 financial year and the fair value variations of the real estate portfolio for the 2018 financial year.

The number of outstanding shares remained the same at 5,665,822 as of 31 December 2018.

The **IFRS NAV per share** dropped by 4.0% from 23.78 EUR on 31 December 2017 to 22.82 EUR on 31 December 2018.

The **EPRA NAV per share** dropped by 4.2% from 24.12 EUR to 23.11 EUR over the same period.

The **Debt ratio** dropped to 52.12% on 31 December 2018 (compared with 52.69% on 31 December 2017). See Chapter 11, Note 28.

## 4.3 Financial structure

### 4.3.1 Debt structure

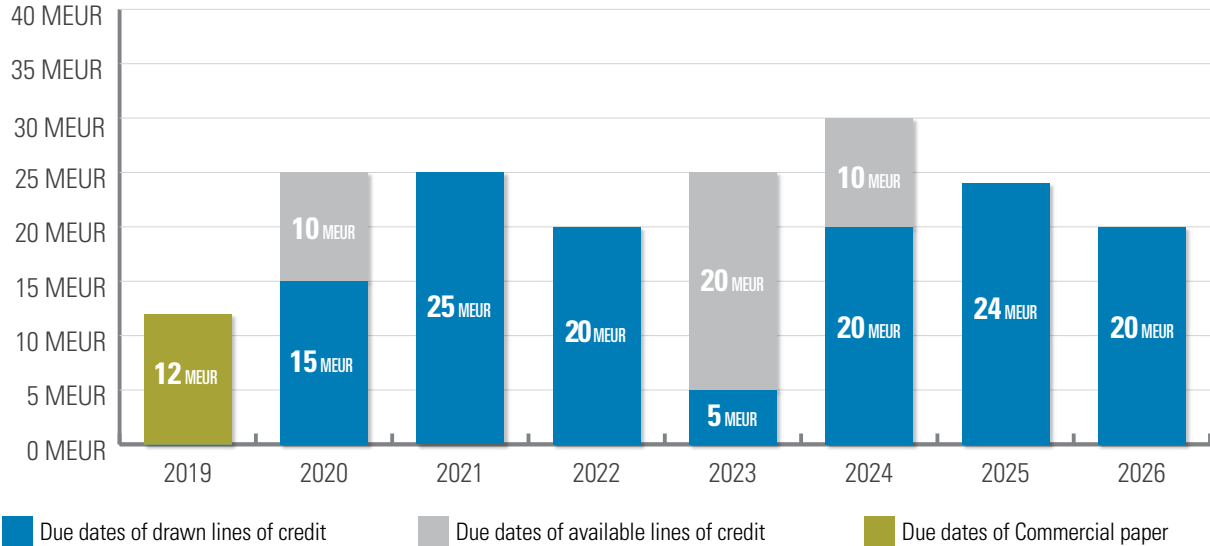
As of 31 December 2018, Orf City Retail had 141.0 MEUR in financial debts, consisting of:

- **Bilateral drawn credit lines** for an amount of 129 MEUR from 7 different financial institutions, with well-spread due dates between 2020 and 2026. The weighted average residual duration is 4.7 years.
- **Commercial paper** for an amount of 12 MEUR. The full amount of outstanding short-term commercial paper is covered by available long-term lines of credit (*back-up lines*).

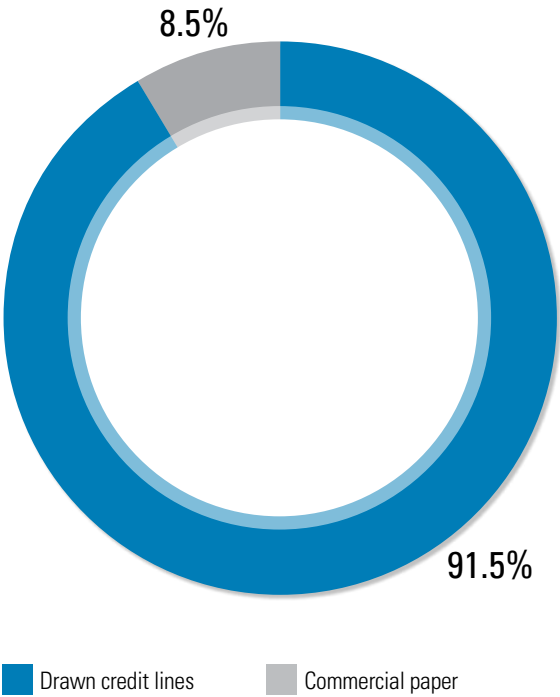
On 31 December, Orf City Retail had credit lines for an amount of 169 MEUR. The part of the available credit lines (not drawn) was 40 MEUR.

The **Average Cost of Financing** was 1.91% in 2018 (compared with 2.07% in 2017).

**GRAPH 2** DUE DATES OF THE EFFECTIVE AND NON-EFFECTIVE CREDIT LINES ON 31 DECEMBER 2018 (IN MEUR)



**GRAPH 3** COMPOSITION OF FINANCIAL DEBTS AT 31 DECEMBER 2018

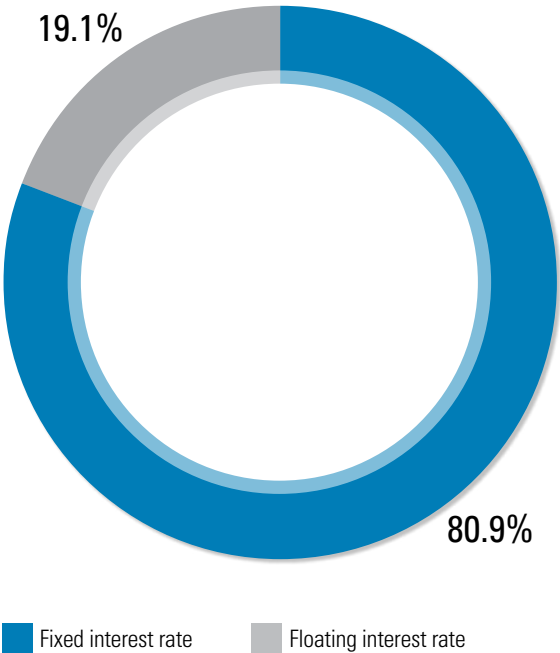


### 4.3.2 Interest rate hedges

On 31 December 2018, 80.9% (i.e. 114 MEUR) of the financial debts (total of drawn lines of credit and outstanding commercial paper) had a fixed interest rate, by using *Interest Rate Swaps* as a hedge. On the same date, the fixed interest rates had a weighted average residual term of 4.3 years.

The total value of the hedges on the closure date was negative for the amount of 1.57 MEUR, due to a decline of the interest rates after the closure of the hedges. The Executive Management of Qrf City Retail wishes to stress the fact that by doing so they aim to maximize the protection of the company against possible interest rates raises.

GRAPH 4 PROPORTION OF FIXED AND FLOATING INTEREST RATE







# 5 Transactions and achievements

|       |  |    |
|-------|--|----|
| 5.1   | During the 2018 financial year   | 35 |
| 5.1.1 | Acquisitions   | 35 |
| 5.1.2 | Divestments  | 35 |
| 5.1.3 | Active asset management  | 36 |
| 5.1.4 | Marketing activities during the previous year  | 37 |
| 5.2   | After the end of the 2018 financial year   | 38 |
| 5.2.1 | Acquisitions   | 38 |
| 5.2.2 | Change in the composition of the Executive Management Team and the Board of Directors        | 39 |
| 5.2.3 | Change of control of the Statutory Manager and adaption of the Property Management Agreement | 39 |
| 5.3   | Outlook for 2019   | 40 |



Zwolle  
Diezerstraat 60  
The Netherlands



# 5 Transactions and achievements

## 5.1 During the 2018 financial year<sup>1</sup>

### 5.1.1 Acquisitions

No acquisitions were made during the 2018 financial year. However, during the 2018 financial year, Qrf City Retail announced that it would continue its acquisition

strategy in 2019 with inner-city purchases in Antwerp and Ostend. For more details about this acquisition, please see 5.2.1 of this Section.

### 5.1.2 Divestments

In addition to focusing on its growth strategy in inner-city retail real estate and its active management strategy, Qrf City Retail endeavours to capitalize on the sale of non-strategic properties in order to increase the general quality of the portfolio.

Mons (Grand Rue 5). A property situated in Ostend (Adolf Buylstraat 36) was also sold. Together, these divestments accounted for a total net selling price (after deduction of registration fees and other transfer charges) of ca. 8 MEUR.

In 2018 Qrf City Retail sold 3 non-strategic properties situated in Sint-Niklaas (Stationsstraat 39), Marche-en-Famenne (Rue Du Parc Industriel 8) and

The overall net selling price of these 4 properties exceeded the last Fair Value, as estimated by an independent chartered surveyor.

**TABLE 1 SUMMARY OF QRF CITY RETAIL DIVESTMENTS 2018**

| DATE OF NOTARIAL DEED | TYPE OF PROPERTY  | LOCATED IN                                   | CONTRACTUAL RENTS ON AN ANNUAL BASIS | NET SALE PRICE |
|-----------------------|-------------------|--|--------------------------------------|----------------|
| 16 April 2018         | A retail property | Sint-Niklaas (Stationsstraat 39)             | Vacant <sup>2</sup>                  | 675 KEUR       |
| 16 October 2018       | A retail site     | Marche-en-Famenne (Rue du Parc Industriel 8) | 251 KEUR                             | 4,400 KEUR     |
| 13 December 2018      | A retail property | Ostend (Adolf Buylstraat 36)                 | 174 KEUR                             | 2,625 KEUR     |
| 27 December 2018      | A retail property | Mons (Grand Rue 5)                           | 24 KEUR                              | 290 KEUR       |

<sup>1</sup> For more information about the transactions and achievements during the 2016 and 2017 financials years, we refer to the annual report 2017 Chapter 5 and the annual report 2016 Chapter 5.

<sup>2</sup> The Estimated Rental Value on an annual basis was 50 KEUR at 31/03/2018.



▲ Mechelen, Bruul 15 - Botermarkt 1



▲ Antwerp, Wapper 14-16

### 5.1.3 Active asset management

Qrf City Retail also focused on active asset management this past financial year through:

- **an active reletting strategy**, whereby it keeps close watch on the most expansive chains of the moment and strives for diversification and stability in the portfolio;
- **a value creating redevelopment and renovation policy**, whereby unused floor space is monetized, building structures are made homogenous so that they can be used by most retail concepts, and are combined with sustainable energy performances and a distinct facade look;
- **countering vacancy and the surcharge on unoccupied buildings** by attracting pop-up concepts;
- **expanding relevant contacts** with *decision makers* in the retail world.

The consistent implementation of this strategy has enabled Qrf City Retail to welcome various strong international retailers in its portfolio in recent years.

In addition, various pop-up concepts were launched with which, in addition to retaining the value of its portfolio, Qrf City Retail was also able to make a contribution to the value of the inner-city.

In 2018 Qrf City Retail moreover welcomed the flagship store of Haren Schoenen in Mechelen, thereby monetizing the upper floors which had previously been vacant. The entire facade was renovated also.

Furthermore, various properties and sites were optimized, including the facade of Adolf Buylstraat 1A (Ostend), the renewal of the roof and technical installations in a number of properties in Bonnelles, Liège and Tongeren, and a luxury apartment at Wapper 14-16 (Antwerp) which was refurbished for rental, and the further optimization of a retail warehouse park in Huy.



▲ Huy, Shopping Mosaan



▲ Ostend, Adolf Buylstraat 1A

## 5.1.4 Marketing activities during the previous year

### 5.1.4.1 Sponsoring Retailer of the Year

Qrf City Retail aims to do more for the property market that just acquire and lease premises and is happy to take on an active role in the industry as a knowledge centre. It does this by closely monitoring the retail market through methods that include conducting consumer surveys. This enables Qrf City Retail to provide added value both to its tenants and other stakeholders, as well as local authorities, towns and cities.

As lead sponsor of the Qrf Retailer of the Year Award and for the third year in a row, Qrf City Retail rewarded one retailer willing to make an extra effort on behalf of its customers. Colruyt won the award both for the best bricks-and-mortar chain store, as well as the prize for overall Qrf Retailer of the Year. Torfs Shoes demonstrated its ability to win over customers online and took home the Qrf Best Webshop Award. The Qrf Sustainability Award was again presented, this time to the Kringloopwinkel, while Chez Claire went home with the Qrf Best Newcomer Award, which was a new prize this year.

## 5.2 After the end of the 2018 financial year

### 5.2.1 Acquisitions

In the financial year 2018 Qrf City Retail announced that it would continue its acquisition strategy in 2019 by buying inner-city properties in Antwerp and Ostend (important Belgian retail cities), through the contribution in kind of nine retail properties in Antwerp and Ostend by the Vanmoerkerke family. The location of the properties is fully in line with the strategic vision of Qrf City Retail.

Through this operation, Qrf City Retail acquired new tenants such as TUI, Footlocker, Lensonline and Boulangerie Paul outside the fashion segment.

The nine retail properties are expected to generate jointly 1,178 KEUR Contractual Rents on an annual basis.<sup>3</sup> The total investment value of these retail properties amounted to 23.8 MEUR.<sup>4</sup>

The contributors (Horizon Retail Investerings WP BVBA and Horizon Retail Investerings DMB NV, two companies controlled by the Vanmoerkerke family) were remunerated with 1,487,500 new Qrf City Retail shares at an issue price set contractually at 16.00 EUR per share. This implies a premium of 13% with respect to the closing price of 14.15 EUR on 30 January 2019 and a premium of 12% with respect to the average closing price during the 30 calendar days prior to the date of the press release of January 31, 2019. The new shares are ordinary shares that have the same rights as the existing shares, except for the fact that they do not entitle holders to the dividend for the financial year ending on 31 December, December 2018. The new shares will be entitled to a share of the profits as of 1 January 2019.

**TABLE 2** SUMMARY OF QRF CITY RETAIL ACQUISITIONS 2019

| TRANSACTION DATE | COUNTRY | TOWN/CITY | STREET              | TENANT(S)                               | TOTAL GROSS RENTAL FLOOR AREA | CONTRACTUAL RENTS + ESTIMATED RENTAL VALUE (IF VACANT) |
|------------------|---------|-----------|---------------------|---|-------------------------------|--|
|                  |         |           |                     |   |                               | ON ANNUAL BASIS AS OF THE DATE OF ACQUISITION          |
| 30 January 2019  | BE      | Antwerp   | Meirbrug 2          | Casa, TUI, Bijorca Vacancy <sup>5</sup> | 904 m <sup>2</sup>            | 563 KEUR   |
|                  | BE      | Ostend    | Kapellestraat 65    | Foot Locker                             | 427 m <sup>2</sup>            |  |
|                  | BE      | Ostend    | Adolf Buylstraat 33 | Vacant (previously Massimo Dutti)       | 1,212 m <sup>2</sup>          | 615 KEUR   |
|                  | BE      | Ostend    | Adolf Buylstraat 35 | Lens Online                             | 372 m <sup>2</sup>            |  |
|                  | BE      | Ostend    | Adolf Buylstraat 42 | Boulangerie Paul                        | 417 m <sup>2</sup>            |  |
|                  | BE      | Ostend    | Adolf Buylstraat 44 | America Today                           | 322 m <sup>2</sup>            |  |

<sup>3</sup> Seven of the nine properties were let on the date of the transaction and will generate 908 KEUR in Contractual rents on an annual basis. Two of the nine properties were not let on the same date. For these two properties, the contributor has given a rental income guarantee to Qrf City Retail for a period of 6 months for an amount of 270 KEUR on an annual basis. In the meantime, a lease has been concluded concerning one of the vacant retail properties.

<sup>4</sup> The acquisition value of the aforementioned acquisitions meets the requirements of Article 49 § 1 of the RREC Act..

<sup>5</sup> The vacant unit at this location has since been leased to Eetwell.

## 5.2.2 Change in the composition of the Executive Management Team and the Board of Directors

**I.** The Board of Directors of the Statutory Manager of Qrf City Retail announced on 5 December 2018 that Mr Preben Bruggeman, CFO (Chief Financial Officer) and Effective leader, decided to leave the company to take on a new professional challenge. Qrf City Retail has in the meantime already started the search for a new CFO. The current financial team and the CEO, Anneleen Desmyter, have assumed the ongoing activities on an interim basis.

**II.** Messrs William Vanmoerkerke and Francis Vanderhoydonck replaced Messrs Herman Du Bois and Freddy Hoorens on the Qrf Board of Directors effective as of 31 January 2019.

**III.** On 19 February 2019, the Board of Directors decided to appoint William Vanmoerkerke as co-CEO, Effective Leader and Permanent Representative of Qrf Management NV.

Vanmoerkerke earned a Master's Degree in Applied Economics from the University of Ghent, a Master's

Degree in Marketing Management from the Vlerick Leuven Ghent Management School and a Master's Degree in Business Administration from New York University. He started his career at eBay as a Segment Manager. In 2008, he joined Roland Berger Strategy Consultants, and then in 2012 he joined The Boston Consulting Group where he took up the same position. In 2013 he continued his career as Senior Director Strategy & Business Development at Elsevier Inc. He will hold this office jointly with CEO Anneleen Desmyter until the General Meeting of Shareholders on 21 May 2019.

**IV.** Anneleen Desmyter will submit her resignation as CEO, Executive Director and Effective Leader on 21 May 2019. She was one of the founders of Qrf City Retail and served as CEO for more than 5 years. Her voluntary departure is in line with the sale of Qrf Management NV, the Statutory Manager of Qrf City Retail, by the Quares Group, of which Anneleen Desmyter is co-partner.

## 5.2.3 Change of control of the Statutory Manager and adaption of the Property Management Agreement

With the completion of the aforementioned contribution in kind (at a 13% premium in relation to the share price on 30 January 2019) the Vanmoerkerke family has taken over 100% of the shares in Qrf Management NV, the Statutory Manager of Qrf City Retail, from the Quares group.<sup>6</sup>

The interests of the Shareholders and of Management were brought further in line with the entry of the Vanmoerkerke family as reference shareholder and transferee of the Statutory Manager.

Quares Property Management NV and Quares Property & Facility Management BV are no longer affiliated with Qrf City Retail, but will continue to provide technical assistance to ensure the continuity of Qrf City Retail.<sup>7</sup>

Certain contractual conditions of this property management agreement have been adapted accordingly.

<sup>6</sup> Via its subsidiaries "Quares REIM Retail NV" and "Quares Holding CVBA" which jointly own 100% of the shares of "Qrf Management NV".

<sup>7</sup> The technical and administrative management of the portfolio of Qrf City Retail is outsourced to Quares Property Management NV (for the real estate portfolio situated in Belgium) and to Quares Property & Facility Management BV (for the real estate portfolio situated in the Netherlands) by virtue of a property management agreement.

### 5.3 Outlook for 2019

Despite a strong EPRA result, the sale of various properties for, on average, above the Fair Value and the stable like-for-like situation of our portfolio, the macro-economic situation of the retail market placed rental prices under pressure, which also has an impact on the valuation of retail property.

Qrf City Retail continues to believe in the future of the inner-city and its retail property. Leading experts around the world calculate that the halo effect of e-commerce (i.e. the impact that local bricks-and-mortar stores have as a driver of online sales) is between 20% and 40% of the total economic value of a retail outlet.

Qrf City Retail is therefore working on optimising and strengthening its property portfolio so that we are the best port of call to be able to meet future demand from retailers and to ensure that their visitors enjoy the best experience in and around our retail premises.

However, balance on the retail (property) market will not be restored for the next 2 to 3 years. Despite this, Qrf City Retail continues to believe in the future potential of the inner city, as well as investing in property in the inner city.

We expect to see more openings (or acquisitions) of bricks-and-mortar retail outlets by (previously) purely online webshops. In fact, brand creation and perception can only be achieved via physical channels and retail outlets will also have a vital role to play in the long-term achievability of the last mile in providing logistics. The free-delivery model will also be called into question more and more.



# 6 Who is Qrf City Retail?

|   |    |
|---|----|
| 6.1 Identity .....                                  | 43 |
| 6.2 Perimeter Companies .....                       | 44 |
| 6.3 History of Qrf City Retail .....                | 45 |
| 6.4 Strategy and vision of Qrf City Retail .....    | 45 |
| 6.4.1 Strategic principles of Qrf City Retail ..... | 45 |
| 6.4.2 Qrf City Retail's vision .....                | 49 |



Antwerp  
Kammenstraat 34  
Belgium



# 6 Who is Qrf City Retail?

## 6.1 Identity

Qrf City Retail is a Belgian public regulated real estate company (GVV or BE-REIT) specialising in the niche of inner-city retail properties in Belgium and the Netherlands. The company focuses on the acquisition, redevelopment and lease of retail properties in what is known as the *Golden Mile* – the streets in the inner-city that are dominant in their catchment area.

Next to the basic goal of maintaining the value of its real estate, Qrf City Retail pursues value creation through an active portfolio management. This dynamic approach is reflected in particular in its active renovation policy and the proactive attitude to (re)development potential in the portfolio.

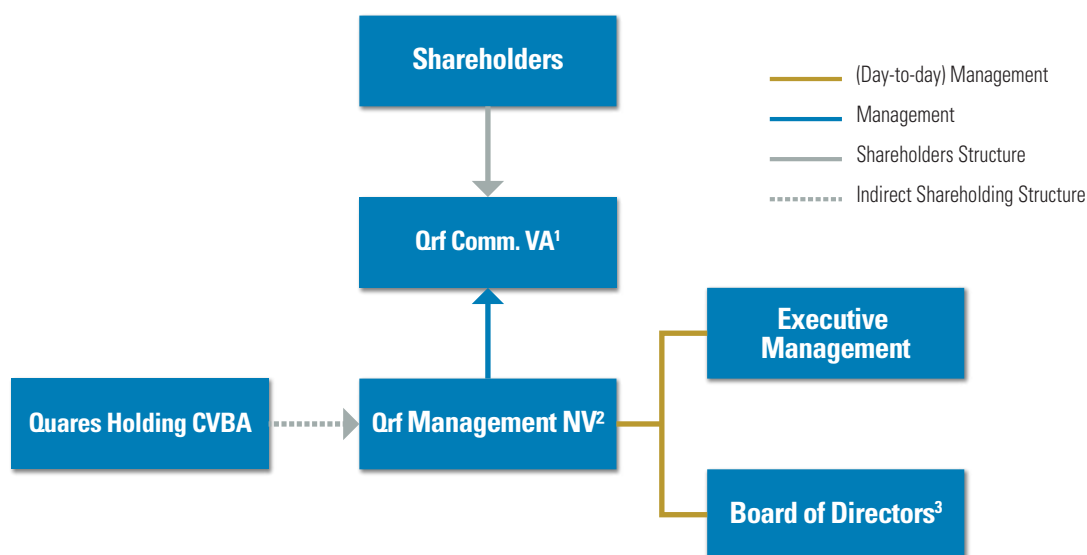
Qrf City Retail was established for an unspecified period by a deed before notary Vroninks on

3 September 2013 in the form of a partnership limited by shares, and is managed by its sole Statutory Manager, Qrf Management NV.

As of 7 November 2014, Qrf City Retail is a public Regulated Real Estate Company. As of 31 December 2018, the Qrf City Retail team consisted of 6 staff. Qrf City Retail strives to retain the same number of employees for the 2019 financial year.

As of 31 December 2018, Qrf City Retail, Quares Property Management and Quares Holding were affiliated companies. From 30/01/2019, Qrf City Retail, Quares Property Management and Quares Holding were no longer affiliated companies.

**ORGANISATION CHART 1** STRUCTURE OF AFFILIATION OF QRF CITY RETAIL AT 31 DECEMBER 2018

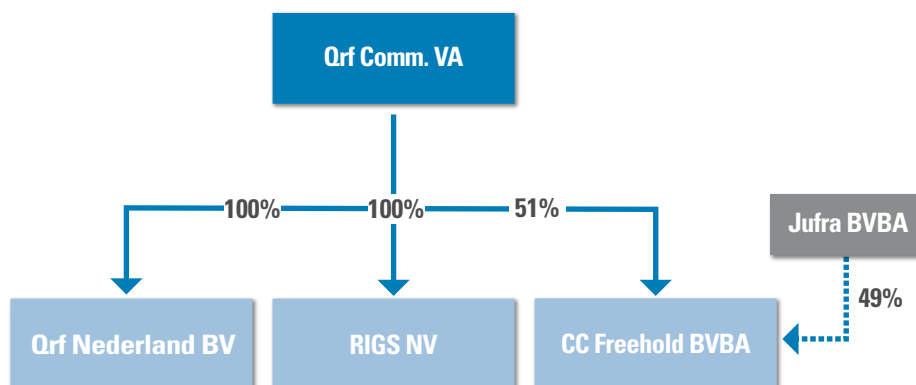


1 Listed BE-REIT  
 2 Statutory Manager of Qrf Comm. VA  
 3 Supervision of the Statutory Manager and Qrf Comm. VA

## 6.2 Perimeter Companies

Op 31 december 2018 heeft Qrf City Retail 3 Perimetervennootschappen.

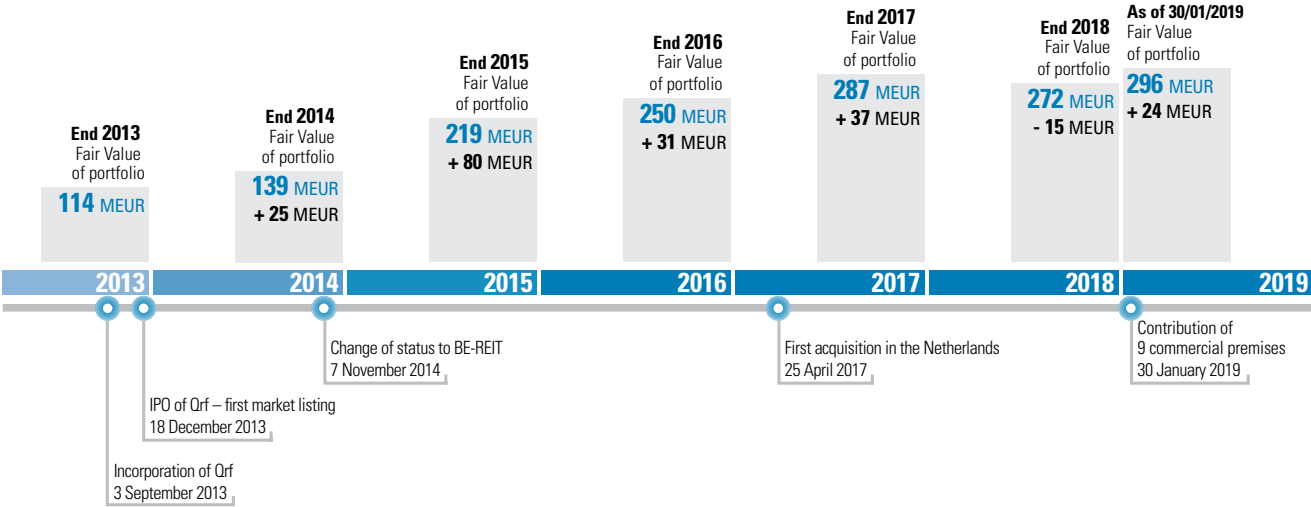
**ORGANISATION CHART 2 PERIMETER COMPANIES OF QRF CITY RETAIL (DIRECT OR INDIRECT HOLDING))**



**TABLE 1 LIST OF THE PERIMETER COMPANIES OF QRF CITY RETAIL AT 31 DECEMBER 2018**

| SUBSIDIARY  | SHAREHOLDING  | DIRECTORS   | AUDITOR |
|---|---|---|---------|
| ■ <b>Qrf Nederland BV</b><br>(registered office:<br>Emmalaan 25<br>te 1075AT Amsterdam,<br>Netherlands) | 100% of the shares are held directly or indirectly by Qrf City Retail   | Anneleen Desmyter EBVBA,<br>represented by<br>Mrs Anneleen Desmyter<br><br>Mr Preben Bruggeman  | /       |
| ■ <b>RIGS NV (GVFB)</b><br>(registered office:<br>Museumstraat 11/211<br>te 2000 Antwerp,<br>Belgium)   | 100% of the shares are held directly or indirectly by Qrf City Retail   | Qrf Comm. VA,<br>represented by<br>Anneleen Desmyter<br><br>Mr Preben Bruggeman   | PwC     |
| ■ <b>CC Freehold BVBA</b><br>(registered office:<br>Museumstraat 11/211<br>te 2000 Antwerp,<br>Belgium) | 51% Qrf City Retail –<br>49% Jufra BVBA<br>(Qrf City Retail has<br>the final control over<br>Century Center Freehold) | Anneleen Desmyter EBVBA,<br>represented by<br>Mrs Anneleen Desmyter<br><br>Fontenelle BVBA,<br>represented by<br>Mr Herman Du Bois<br><br>Mr Frank Hemelaer | PwC     |

### 6.3 History of Qrf City Retail



### 6.4 Strategy and vision of Qrf City Retail

#### 6.4.1 Strategic principles of Qrf City Retail

De strategie van Qrf City Retail kan worden samengevat in vier pijlers:



**Golden Mile**

A focus on the acquisition, renovation or development, letting and management of retail (and related) properties situated in the commercial heart of the most important shopping towns and cities in Belgium and the Netherlands



**Conservative financing**

A conservative financing strategy focused on limiting the Debt ratio and hedging a substantial part of the financial debts against interest rate fluctuations



**Diversification**

A balanced spread of the real estate on the basis of the location, tenant composition and weight of the individual properties

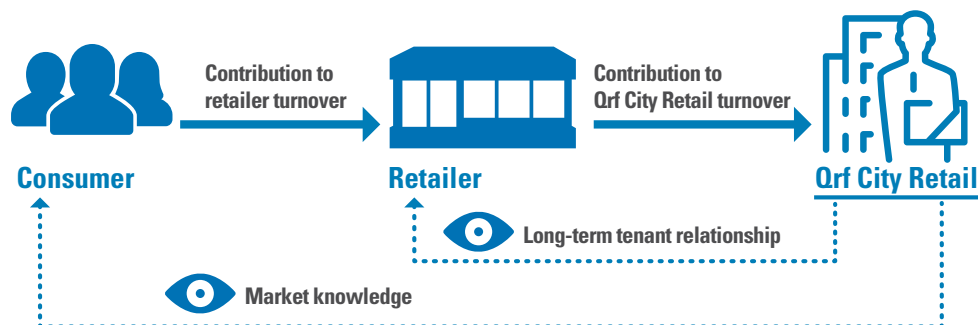


**Social footprint**

Sustainability and corporate social responsibility

To support these strategic pillars it is particularly important for Qrf City Retail to have an in-depth knowledge of today's property market, while at the same time acquiring an insight into how the market will evolve in the future, as illustrated in the figure below:

### ORGANISATION CHART 3 OVERVIEW OF QRF CITY RETAIL STRATEGY



Qrf City Retail focuses on properties situated in the commercial heart of the main shopping towns and cities in Belgium and the Netherlands.

The number of visitors in these cities and shopping streets has a direct connection with the turnover, profitability and visibility of the retailer established there (both online and offline). The retailer’s turnover, profitability, ease of customer access and visibility at that retail outlet in turn form the basis for the rent that the retailer can spend. Given that this rent determines

the turnover of Qrf City Retail to a large extent, it is crucial to monitor the market situation closely.

Qrf City Retail also aims to share this market knowledge with its retailers, towns, cities and other stakeholders in order to act as a knowledge centre and partner.

A description of the situation of the Belgian and Dutch retail property market is provided in Section 9 of this annual report.

#### 6.4.1.1 Golden Mile: investment strategy

In the context of its investment strategy, Qrf City Retail focuses specifically on inner-city retail outlets located within the *Golden Mile* of the main shopping towns and cities in Belgium and the Netherlands. Qrf City Retail operates in both Belgium and the Netherlands and targets ambitious towns and cities with an active urban development and city marketing policy.

Qrf City Retail places the emphasis on properties with a minimum frontage width of five metres. In addition, it concentrates on transactions with an investment value of at least 1 MEUR. The aim of these minimum requirements is to ensure efficient management and to invest in a segment in which there is less competition by small private investors.

Qrf City Retail also seeks to acquire related assets such as car parks, storage facilities and loading and unloading zones, insofar as such assets contribute to the appeal of the commercial properties.

As part of its investment strategy, Qrf City Retail keeps an eye on the high quality of its properties. The quality of the property is defined as a combination of technical conditions (e.g. energy supply, materials used, etc.), as well as accessibility and mobility, plus the appeal of the street and the ability of the property to fit in with various retail concepts or alternative uses.

### 6.4.1.2 Diversification strategy

Qrf City Retail seeks a balanced composition of its real estate portfolio in terms of tenants, geography and the weight of the individual properties in order to spread the risks.

- With regard to the type of tenants, Qrf City Retail seeks to spread the risk broadly across all retail and food concepts. It also keeps a close watch on the financial power of its tenants, giving preference to stable tenants with a focus on national and international chains;
- Qrf City Retail opts for balanced geographic risk-spreading between Belgium and the Netherlands. It is already present in Belgian cities such as Aalst, Antwerp, Brussels, Ghent, Hasselt, Leuven, Liège, Mechelen, Namur and Ostend, as well as in Dutch cities such as Den Bosch, Enschede, Maastricht, Nijmegen and Zwolle;
- with regard to the importance of individual properties in the total portfolio, Qrf City Retail makes sure, in accordance with the RREC Act<sup>4</sup>, that no individual property as a whole accounts for more than 20% of its consolidated assets in terms of Fair Value.

### 6.4.1.3 Conservative financing strategy

Qrf City Retail has put in place a financing strategy based on the following main lines:

- Qrf City Retail aims at a conservative Debt Ratio of 55% maximum, although the maximum admissible Debt ratio according to the RREC Act of 12 May 2014 is 65%. As of 31 December 2018, the Debt Ratio was 52.12%;<sup>5</sup>
- Qrf City Retail endeavours to hedge at least 75% of its financial debts against interest rate fluctuations. As of 31 December 2018, 80.9% of its lines of credit were hedged by means of *Interest Rate Swaps*.

### 6.4.1.4 Corporate footprint: sustainability and CSR

Opting for an intensive inner-city investment strategy is an important building block in Qrf City Retail's strategy on sustainability and corporate social responsibility strategy. The urban environment is an optimum biotope for attaining the highest comfort and convenience possible for retailer and consumer alike in terms of mobility, energy consumption, optimal use of space, amenities and sustainable innovation. This represents a sustainable picture for the future: after all, major cities offer the ideal mix of living, working, shopping, studying and leisure time.

In that regard, the vision of Qrf City Retail corresponds with the vision set out by the Flemish Government in its Integral Trade Establishment Policy Decree on retail shopping areas.

Through this vision, the Flemish Government highlights four objectives for retail trade businesses:

- creating sustainable retail establishment options, including the avoidance of unwanted strings of small retail outlets;
- guaranteeing a broad supply that is accessible for consumers;
- guaranteeing and enhancing the liveability of the urban environment, including the strengthening of core shopping areas;
- realize sustainable mobility.

Qrf City Retail continuously seeks to express its vision about the future of the inner city. To make this happen, each Qrf City Retail selects an art project to support that showcases the inner city in a positive manner. Art contributes to the character of a town or city, making a pleasant place to be.

4 Pursuant to Article 30. § 1, 1° and 2° of the RREC Act, without prejudice to Article 29, no transaction carried out by a public regulated real estate company may lead to more than 20% of its consolidated assets in real estate being invested in one property as a whole or this percentage being exceeded further, if it already amounts to more than 20%, irrespective of the cause of the original overrun of this percentage in the latter case.

5 As a result of the "Qrf City Retail finalises contribution in kind of nine retail properties in Antwerp and Ostend" transaction, the Debt Ratio amounted to 47.9% as of 31 January 2019.

For its 2018 annual report, Qrf City Retail is working with urban artist, Roel Meertens. As both a town planner and artist, Roel knows how to highlight the individuality of a city in a creative way. Working with Qrf City Retail, he has made a unique drawing of Maastricht, in which he focuses on the Qrf City Retail property in Grote Staat. His colourful hand-drawn scene brings the city centre to life, with the lively nature of the city enhanced by the deliberately inaccurate delineation.

Qrf City Retail also wants to transfer its expertise: it maintains close contacts with the respective city authorities so that it can make its real estate and retail knowledge available to them. The aim in doing so is to keep a constant eye on improving the safety, accessibility, liveability and appearance of the shopping streets in which Qrf City Retail invests. In the end, these actions will have a positive impact on footfall and hence make a sustainable retail location possible. This satisfies all of the parties involved, in particular the residents of and visitors to the city, as well as the policymakers, shopkeepers and, finally, the shareholders of Qrf City Retail. Qrf City Retail also adds to this retail knowledge by actively conducting market surveys. For example, in 2018 Qrf City Retail had research carried out into the environmental awareness of online shoppers, as well as customer sensitivity to discounts in the year 2018

and the role of privacy in a data-driven retail landscape. Qrf City Retail believes that having this knowledge can help retailers to act better in response to the needs of the fast-changing consumer.

Qrf City Retail seeks to strike a balance between an economic and a social narrative as regards optimal use of space, such as “living above shops”. A shop window at least five metres wide is a must for practically every retailer. As such, separate entrances to the upper storeys are often lacking. Together with the city, Qrf City Retail will explore the possibilities for the optimal use of space above shops in order to enhance the liveability of shopping streets, where the principle of sustainable retail properties takes precedence.

In terms of its properties, Qrf City Retail seeks to achieve a sustainable solution through the possibilities offered by renovations, expansion works and investments. An effective multiyear maintenance and investment plan, together with a detailed risk analysis, helps guarantee optimum ongoing operations.

Finally, Qrf City Retail is committed to corporate social responsibility in terms of its internal organisation. This is expressed in the form of offering a training programme to employees, transparent communication and reporting, and the use of sustainable products.

## 6.4.2 Qrf City Retail's vision

### THOROUGHLY PROFESSIONAL MARKET: LIMITED OWNER CHARGES, ACCURATE YIELD ASSESSMENT

The retail property market and the underlying retail market is a thoroughly professional market.

Tenants need to have a comprehensive market study conducted before opening a store. Certain checks and balances are built in to ensure that retailers hit the ground with sufficient knowledge of the facts:

- the Trading Establishments Act ("socio-economic legislation") requires that for each use of a net retail floor space in excess of 400 m<sup>2</sup>, the chances of the company's success are to be demonstrated to the local authorities;
- screening before financing is obtained: doing business in retail requires sufficient start-up capital to cover the layout of the store, rent payments, rent guarantee and inventories. Financial institutions subject applicants to a strict screening process, which includes a screening of the feasibility of the proposed business model to ascertain whether they can meet their obligations in the long term;
- screening by property owners: before concluding a new lease, property owners conduct a thorough analysis of the counterparty ("counterparty risk"). In particular, Qrf City Retail always attempts to assess the solvency, liquidity, potential profitability and feasibility of the concept at a certain location, as well as the experience behind the concept.

This more developed professionalisation means that, unlike other property segments, the owner's obligations throughout the term of the lease are usually very limited:

- only the structural works (mainly the roof and walls) are usually at the owner's expense. This gives the tenant an opportunity to lay out the store in accordance with the concept and its shoppers' wishes;
- the owner can generally opt to keep the layout of the store or ask as for it to be handed back as a shell, so that its chances of being leased again can be increased;
- the withholding tax on income from real estate, as well as taxes and charges are usually passed on to the tenant;
- the tenant provides a bank guarantee (at first demand) of 3 to 6 months to cover its obligations to the owner.

The property charges are here relatively easy to assess, whereby unexpected expenditures during the lease period when the tenant leaves are negligible. As a result, the gross and net rental income are pretty much equal.

In recent years, this has made investing in retail very attractive – for both institutional and private investors.

### "BLURRING" AND "AUTOMATED COMMERCE" CREATING MAJOR CHANGES IN RETAIL THINKING

The retail world is changing fast. *Customer centricity*, in which the customer is placed central, combined with fast switching and data, is the formula for success for survivors in the retail sector. Digital platforms have changed consumer behaviour and opened up new opportunities. In fact, we are now on the brink of the next step in e-commerce: *automated commerce*, in which *artificial intelligence* and *big data* are used to tempt consumers faster than ever and persuade them to make a purchase. Shoppers are not only given 101 buying suggestions that can be loaded

immediately into the digital shopping basket, but they can also receive previous orders in their letterbox at the click of a finger.

In other words, the physical store is no longer the only place where (re)sale transactions take place. Therefore, a retailer's turnover can no longer be attributed to whether the channel is online or offline. That's because there is a lot more *blurring* between the channels: even if the consumer sees something on social media and is prompted to buy this or that

fashion item in a physical store, he/she may still decide to buy a pair of trousers or a blouse via the webshop, even after a day of shopping.

This means that there needs to be a different pattern of thinking about KPIs, or the most important barometers of the way a particular physical store is performing in a specific location.

Although e-commerce has grown strongly since 2000, the bricks-and-mortar store continues to play an important role in a fully grown digital society. Whereas online shopping particularly provides consumers with convenience, in 2018, the physical store is responsible more than ever for inspiring and identifying the consumer, as well as for creating brand identity and loyalty, while prompting the shopper to make a buying decision.

Being able to create great experience at critical locations is definitive for the profitability of a *fully omnichannel* multiple. The contributory component of a physical store to the whole chain is a component that will be highlighted further in the years ahead by the

retailer in order to carry out a good location analysis. However, it has already been shown that the opening or closure of a store at a particular location also respectively strengthens or weakens online sales there. A physical store at the right location is also an essential condition for the earnings model and the feasibility of an *omnichannel* strategy.

Of course all of this requires a totally different model from traditional physical retail spaces. Stocks will become smaller, while display space will have to be expanded. It is very possible that sales generated in these stores will decrease, but that the brand loyalty created in them will make a direct contribution to the profitability of the online channels. In this way, the overall picture will be one of a profitable model in which online and offline complement and strengthen each other.

All of which makes the physical store more and more of an important branding tool. This branding must happen at the ideal location in order to reach as wide an audience as possible.

## RETAIL IN THE INNER CITY: UNIQUE, MATCHLESS BENEFITS

Qrf City Retail believes that this ideal location is in the inner city. Not only is it the ideal environment to shop, but more and more people are choosing to live, work, study and relax in the city.

In the city, everything is easier and faster to get to, including for young people who these days are increasingly opting to get about without a car. We are also seeing retailers capitalise on this trend: companies such as Ikea, Decathlon, Brico, Carrefour, Colruyt and others are active looking for inner-city locations.<sup>6</sup>

The inner city also has an authenticity that is hard to compete with outside. The inner city exudes charm and every inner city is different. Retailers enjoy the benefits of the fact that a city not only offers shops to visit, but also meets the cultural and mobility needs of visitors. Shopping on foot can be combined more easily with a visit to a museum or a nice meal out. In turn, shops also give more shape to the individual character of a city and in that regard provide inestimable value for maintaining the ambiance. The interaction created in this way adds value to the perception that is central to the bricks-and-mortar store in 2018.

<sup>6</sup> *RetailDetail*, "Carrefour België rondt kaap van 300 Express-winkels." <https://www.retaildetail.be/nl/news/food/carrefour-belgi%C3%AB-rondt-kaap-van-300-express-winkels>, 24/04/2018. *De Tijd*, "Bio-Planet (Colruyt) trekt naar de stad." <https://www.tijd.be/ondernemen/retail/Bio-Planet-Colruyt-trekt-naar-de-stad/10005538?freeAccessToken=b9bf904f-b1a9-476b-9433-5f93dd571c49>, 25/04/2018.



As a result, in the future, the principle of the scarcity of quality retail property at good locations within the *Golden Mile*, where the maximum catchment area of shoppers in a region can be addressed in a pleasant way, will only gain in importance and value potential.

But retail in the inner city also has many other social benefits. Interaction between the residents, visitors, people who come shopping and the operators of local food concepts, etc. has an enormous effect on the social cohesion in a town or city. Of course, to make this interaction possible, it is important for everyone to be given the opportunity to shop, live, work and relax in their own little town or village. Take away the shopping apparatus from the centre and people move to the periphery, as is the case with many out-of-town shopping centres. But when that happens, part of the social life of bustling city centre disappears, too.<sup>7</sup>

## ECOLOGICAL AND ECONOMICAL REALISATION IS BEGINNING TO TAKE ROOT

Until now, shoppers have been the biggest winners in the changing retail market. However, shoppers “in the year 2018” are beginning to think that they have been the victims of the “free” economy: traffic jams, their ecological footprint, unemployment, etc.

But awareness is also coming from the side of retailers. Traditional retailers are having to compete with supreme powers that make free delivery and returns, preferably within 24 hours, their trademark. This also places pressure on retailers’ margins. Retailers are more and more starting to realise that the costs associated with the free delivery model to each individual consumer are high, both for setting up the channel, as well as having the necessary data management in place that comes into play for the logistics operation that follows.

In 2018, the online player Zalando announced that it would no longer be offering free delivery for all orders, but that there would be a delivery charge, calculated

Also, having alternative mobility is not only an advantage for the consumer; centralising retail in the inner city also restricts the number of cars and vans that have to go to a single destination for every delivery.

This vision is also increasingly important on the political front. And here once again we are in an enormous transitional phase. Huge amounts of money are being invested in creating liveable cities that have more greenery and more opportunities to provide alternative means of transport. This positive choice for the future of the inner city is already having an impact on the ease of accessing many large cities – and that is something that our retailers can feel, too. The story of the future is being built on and the future of the inner city is looking very promising.

on the value of the purchase. For the time being, this only applies in Italy, but the German chain is not excluding an extension of this delivery condition.<sup>8</sup> Also, other players that were initially purely online are now investing in a physical network of stores. Alibaba and Amazon have been anticipating this for some time, while the French online fashion player, La Redoute, also announced its plans in March 2018 to open stores in Brussels and Antwerp.<sup>9</sup>

These movements will ensure that the revenue models of the retailers will return to a health balance. In the future, the physical store will take on more of a role in the logistics chain of online sales. Of course a retailer will always prefer shoppers to buy and collect the products they want in a physical store. The Spanish chain, Zara, has taken it a step further and begun to send online orders directly from the store. This also gives them a solution for their stock surpluses.<sup>10</sup>

7 Klaver, 2015. <https://dspace.library.uu.nl/bitstream/handle/1874/320482/De%20invloed%20van%20retail%20gentrification%20op%20de%20sociale%20cohesie%2C%20Lisa%20Klaver.pdf?sequence=1&isAllowed=y>.

8 *De Tijd*, “Zalando verzendt niet langer altijd gratis”, 30/11/2018.

9 *Gondola retail fact and trends*, “La Redoute opent fysieke winkel(s) in België.” <http://www.gondola.be/nl/news/digital/la-redoute-opent-fysieke-winkels-belgie>, 14/03/2018.

10 *De Standaard*, “Zara levert thuis vanuit winkels.” [http://www.standaard.be/cnt/dmf20180804\\_03648401](http://www.standaard.be/cnt/dmf20180804_03648401), 04/08/2018.

## RETAIL ON THE (LOCAL) POLITICAL AGENDA

Things are clear: we are seeing a (retail) world that is changing. Changes in demographics (ageing, cultural diversity, the growth in single-person households, urbanisation, generation Z) and ever-faster developments in technology (AI, VR/AR/Mixed Reality, drones, robots, smartphones) are encouraging new customer behaviour (24/7 shopping across all channels, online orientation, more choice but less time, more assertive and powerful than ever) and increasing competition in which the latest convenience quickly becomes the norm for everyone.

In recent years, everyone has become more deeply involved in all of the new features that come with digitalisation. Today the big challenge is how we will adapt to this new reality. It all demands time and energy. But a society in motion will also have to see changes in other areas if we are to arrive at a new, essential balance in the retail sector.

The retail sector requires ecological and economic changes. If we want to keep our carbon footprint under control, then free transport to individual destinations can no longer be the norm. In addition to all this, cities are currently in a massive transitional phase. Huge amounts are being invested in creating liveable cities with more greenery and more opportunities for alternative means of transport. This positive choice for the future of the inner city is having an impact today on the accessibility of many large cities – but the future for the inner city is looking very promising.

The retail sector also requires political changes. The sector is Belgium's biggest employer, with a good 400,000 or more jobs for a whole range of profiles and functions. If we want to hold on to this number of jobs, work needs to be done on more flexible and more competitive employment terms and pay.

Finally, the retail sector needs changes in terms of service. Opening times need to be geared urgently to the capabilities and wishes of consumers to go shopping. Two-income households have the time to go shopping when the shops are closed. The current policy on the opening hours of shops is no longer realistic or economically justified and so offers no alternative for online.

In brief, physical stores need to be a highly attractive environment where shoppers are happy to go and where they will keep coming back.

We remain convinced that this can be achieved both now and in the future by adding value to that part of perception in shops and in the expertise of their staff. These are the two unique qualities, which means that shoppers will continue to go to physical stores. Retailers who actively take advantage of the changes by continuing to innovate in distinctive, relevant formulas that offer sufficient scope and who focus on (inter)national growth potential, will be the winners of tomorrow.

As retail property owners, we need to take a flexible approach in the years ahead to give retailers the opportunity to achieve this new balance, without renouncing our own reasons for existing. Converting retail premises for other purposes needs to be looked at on a property-by-property basis so that we can create a health balance between supply and demand.

Qrf City Retail will make its own contribution by playing an active role in the debate about adjusting to the new reality in the retail sector and by sharing its expertise with its stakeholders.



# 7 Statement on corporate governance

|       |  |    |
|-------|--|----|
| 7.1   | General information .....  | 55 |
| 7.1.1 | Corporate Governance Principles .....  | 55 |
| 7.1.2 | Policy on diversity .....  | 56 |
| 7.2   | Decision-making bodies .....   | 56 |
| 7.2.1 | Statutory Manager .....  | 56 |
| 7.2.2 | Board of Directors of the Statutory Manager .....  | 57 |
| 7.2.3 | Specialised committees of the Board of Directors .....   | 65 |
| 7.2.4 | Executive Management .....   | 70 |
| 7.2.5 | Description of the independent control functions and information about the responsible persons .....           | 76 |
| 7.2.6 | Statements from the Company regarding its Board of Directors and the Executive Management .....                | 79 |
| 7.3   | Prevention of conflicts of interest .....  | 79 |
| 7.3.1 | Preventive measures concerning the management and detection of conflicts of interest .....                     | 79 |
| 7.3.2 | Corporate opportunities .....  | 80 |
| 7.3.3 | Conflicts of interest during the 2018 financial year .....   | 81 |
| 7.3.4 | Conflicts of interest during the 2019 financial year .....   | 89 |
| 7.4   | Remuneration report .....  | 95 |
| 7.4.1 | Board of Directors of the Statutory Manager .....  | 95 |
| 7.4.2 | Principles for the development of a remuneration policy and for establishing the individual remuneration ..... | 95 |
| 7.4.3 | Remuneration 2018 .....  | 96 |
| 7.4.4 | Remuneration 2019 .....  | 98 |
| 7.4.5 | Severance pay .....  | 99 |
| 7.4.6 | Right of recovery .....  | 99 |



Ostend  
Kapellestraat  
Belgium

# 7 Statement on corporate governance

## 7.1 General information

### 7.1.1 Corporate Governance Principles

Pursuant to Article 17, §6 of the RREC Act, Qrf City Retail has drawn up an appropriate integrity policy. A summary of the rules and principles on the basis of which the Corporate Governance of QRF City Retail is organised are summarised below.

Qrf City Retail uses the Belgian Corporate Governance Code as its reference code ([www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be)). This code was published by the Corporate Governance Committee on 12 March 2009 (hereinafter referred to as the Governance Code 2009).

This statement contains the most important rules that Qrf City Retail has adopted in application of the legislation and recommendations on corporate governance. The statement is also part of the Annual Report, pursuant to Article 96, § 2 and § 3 of the Companies' Code.

The Governance Code 2009 is based on the *comply and explain* principle: Belgian listed companies must comply with the Governance Code 2009, but can depart from the provisions and guidelines (but not from the principles), on condition that they state their reasons for such departures in their corporate governance statement.

The Statutory Manager stands fully behind the principles of the Governance Code 2009, but believes that certain (limited) departures from the provisions are justified in the light of the specific situation of Qrf City Retail.

More specifically, Qrf City has departed from the following recommendation of the Governance Code 2009:

- as an exception to principle 2.9 of the Governance Code 2009, no formal secretary is appointed, given the scope of Qrf City Retail, its activities and the efficiency of its decision-making process. For the same reason, it has no in-house lawyer and will call on specialised external advice as and when it deems it useful or necessary.

The integrity policy of Qrf City Retail was summarised in the *Corporate Governance Charter*. The *Corporate Governance Charter* deals in particular with the management bodies of the company, conflicts of interest, the code of ethics and sustainable entrepreneurship. The *Corporate Governance Charter* of Qrf City Retail was approved by the Board of Directors of the Statutory Manager in accordance with the recommendations in the Governance Code 2009. The Statutory Manager will review the Corporate Governance Charter of Qrf City Retail periodically.

The Board of Directors of the Statutory Manager initially adopted this Charter at its meeting of 26 November 2013. The Charter was last revised on 7 February 2019.

The most recent version of the *Corporate Governance Charter* of Qrf City Retail can be consulted at all times online at [investor.qrf.be](http://investor.qrf.be), under *Corporate Governance*, and can be obtained free of charge at the registered office of Qrf City Retail (Museumstraat 11/211, 2000 Antwerp)

For information as referred to in Article 14, section 4 of the Act of 2 May 2007 on the publication of sizeable stakes in issuers whose shares are admitted for trading on a regulated market, cf. Chapter 8 “Qrf City Retail on the stock exchange”.

The procedure for the appointment and replacement of the Statutory Manager and the members of its Board of Directors is described in Section 7.2.1 and 7.2.2.1 respectively. Reference is made to Section 8.4 of this annual report for a description of the holders of securities to which particular control rights are attached (together with a description of those rights). There is no legal or statutory restriction

## 7.1.2 Policy on diversity

Qrf City Retail applies the following policy on diversity, in accordance with article 96, §2, para 1, 6° of the Companies’ Code, as amended by the Act of 3 September 2017:

- the Board of Directors is currently composed of 6 members, 2 of whom are women;
- the aim of the Qrf City Retail policy on diversity is to find the best complementarity between the members of the Board of Directors in order to achieve sound corporate governance;

## 7.2 Decision-making bodies

### 7.2.1 Statutory Manager

Pursuant to Article 11 of the articles of association, Qrf City Retail is managed by a Statutory Manager who has the capacity of managing (general) partner and is appointed in the articles of association. Pursuant to Article 11 of the articles of association of Qrf City Retail, Qrf Management NV, whose registered offices are situated at 8400 Oostende, Oud Vliegveld 12, was appointed as the sole Statutory Manager of Qrf City Retail for a period of 15 years. This period entered into force on 3 September 2013.

As of 30 January 2019, 100% of the shares in Qrf Management, which is the Statutory Manager of Qrf City Retail, were acquired by the Vanmoerkerke family from the Quares Group.

for the exercise of the voting right, except that that the voting right of any own shares of Qrf City Retail is suspended.

Section 12.5 of this annual report contains a copy of the coordinated articles of association of Qrf City Retail. Each amendment of the articles of association of Qrf City Retail must be carried out in accordance with the rules set out in the Companies Code, the RREC Act and the RREC RD. For a summary of the Statutory Manager’s powers to issue shares or to redeem own shares, see Section 11 (Notes 17.2 and 17.3) of this annual report.

- when assessing applications for positions on the Board of Directors and proposing a candidate to be voted on at the General Meeting, the Remuneration and Nomination Committee and the Board of Directors ensure that sufficient diversity is maintained within the Board of Directors on the basis of age, gender, qualifications and professional experience of its members, as well as the required minimum presence of independent directors.

As the Statutory Manager and managing partner, Qrf Management NV is vested with powers to carry out all such operations as are useful or required to attain the corporate object of Qrf City Retail, with the exception of those operations reserved by the relevant legislation or the articles of association of Qrf City Retail for the General Meeting of Shareholders.

The mandate of the Statutory Manager is for a specified period, as provided in the articles of association of Qrf City Retail. On expiry of the term of office, the Statutory Manager may be reappointed by the extraordinary General Meeting of Shareholders by altering the articles of association before a notary. (The mandate may only be revoked by court decision on request lodged by the General Meeting of Shareholders for legal reasons.)

The Statutory Manager may not take part in the voting on the decision to lodge such a request. The Statutory Manager will continue to serve its term of office until the court decision revoking the mandate has acquired the force of *res judicata*.

The Statutory Manager may resign at all times, but must continue to serve in a caretaking capacity until a replacement can be reasonably provided. In such a case, the General Meeting of Shareholders will be convened within one month to appoint a new Statutory Manager.

## 7.2.2 Board of Directors of the Statutory Manager

### 7.2.2.1 Structure

As Qrf City Retail has assumed the form of a limited equity partnership, which is managed by a business manager-legal entity, the following obligations are imposed on the management of the Statutory Manager by the RREC Act and the RREC RD:

- pursuant to Article 13 of the RREC Act, the Board of Directors of the public RREC or, depending on the case, the manager-legal person of the public RREC (that has assumed the form of a limited equity partnership) must be composed in such a way that the public RREC can be managed pursuant to Article 4 of the RREC Act. The articles of association of the Statutory Manager must stipulate that its Board of Directors has at least three independent members in the sense of Article 526ter of the Companies' Code;
- the articles of association of the Statutory Manager must stipulate that compliance with the criteria set in Article 526ter of the Companies Code is also assessed as if the independent member of the Board of Directors involved of the Statutory Manager were himself/herself a director of the public RREC;
- the directors of the Statutory Manager must also comply with Article 14 and 15 of the RREC Act; and

In the exercise of its managerial tasks as Statutory Manager, Qrf Management NV acts in the exclusive interest of the shareholders of Qrf City Retail.

The Statutory Manager will appoint a permanent representative in accordance with Article 61, §2 of the Companies' Code. Until 19 February 2019, Anneleen Desmyter was appointed as the permanent representative of the Statutory Manager. She was replaced on 19 February 2019 by William Vanmoerkerke as permanent representative of Qrf Management NV.

- depending on the policy structure chosen and pursuant to Article 18 of the RREC Act, the Statutory Manager must comply with Article 17 of the RREC Act;
- the directors are appointed by the General Meeting of Shareholders of the Statutory Manager by simple majority from a list of candidates put forward by the Board of Directors, on the advice of the remuneration and nomination committee.

### 7.2.2.2 Tasks of the Board of Directors

The role of the Board of Directors consists of endeavouring for the long-term success of Qrf City Retail by guaranteeing entrepreneurial leadership and ensuring that risks can be assessed and managed.

The Board of Directors decides on the values and the strategy of Qrf City Retail, the risk policy and the main policy lines. In addition, the Board of Directors ensures that the obligations of Qrf City Retail to its shareholders are clear and that said obligations are met, taking due account of the interests of the other stakeholders.



On the date of this Annual Report, the Board of Directors consists of the following members: William Vanmoerkerke, Jan Brouwers, Francis Vanderhoydonck, Anneleen Desmyter, Inge Boets and Frank De Moor.



In particular, the Board of Directors has the following, non-exhaustive core tasks:

- drawing up the strategy, the risk profile and in particular defining the sectors and the geographical area of activity of Qrf City Retail, in accordance with the relevant legal requirements;
- approving all important investments and transactions of Qrf City Retail, in line with the relevant legal requirements;
- monitoring and approving the periodic financial information of Qrf City Retail;
- supervising the Executive Management, and in particular in light of the monitoring of the strategy;
- approving publicly disseminated information from Qrf City Retail;
- proposing the allocation of profit concerning Qrf City Retail;
- defining the structure, powers and obligations entrusted to the Executive Management;

- supervising the performance of the Auditor and the internal audit function;
- monitoring and assessing the effectiveness of the committees and the Board of Directors (such as the audit committee, the remuneration and nomination committee, and the investment committee);
- approving and assessing the implementation of the internal audit and risk management framework, as drawn up by the Executive Management; and
- the other tasks expressly attributed to the Statutory Manager by the Companies' Code.

In 2018 the Board of Directors met 11 times in its capacity of Statutory Manager of Qrf City Retail, including on 2 occasions by telephone.

In 2018, the Board of Directors was composed of the following members: Anneleen Desmyter, Herman Du Bois<sup>1</sup>, Jan Brouwers, Frank De Moor, Inge Boets and Freddy Hoorens<sup>2</sup>.

**TABLE 1 ATTENDANCE OF THE BOARD OF DIRECTORS**

**BOARD OF DIRECTORS**

| NAME              | POSITION  | ATTENDANCE IN 2018 |
|-------------------|---|--------------------|
| Inge Boets        | Independent director and Chairwoman of the Board of Directors | 11/11              |
| Jan Brouwers      | Independent director  | 10/11              |
| Frank De Moor     | Independent director  | 10/11              |
| Herman Du Bois    | Non-independent, non-executive director                       | 10/11              |
| Freddy Hoorens    | Non-independent, non-executive director                       | 10/11              |
| Anneleen Desmyter | Non-independent, executive director                           | 11/11              |

1 The mandate of Herman Du Bois as director ended on 30 January 2019.

2 The mandate of Freddy Hoorens as director ended on 30 January 2019.



### 7.2.2.3 Powers of the Board of Directors and activities in 2018

In addition to reciprocal subjects, the Board of Directors also decided on various issues, including:

- discussions about the market outlook for Qrf City Retail;
- discussions about various strategic options for Qrf City Retail;
- discussions about legal matters;
- discussions about and approval of various investment and divestment matters;
- the implementation of a capital increase within the limits of the authorised capital;
- discussions about a change to the articles of association, including adjustment of the par value of the shares;
- discussions about various transactions relating to the merger by acquisition.

### 7.2.2.4 Composition

On the date of this Registration Document, the Board of Directors or the Statutory Manager was composed of six members:

- two executive directors;
- one non-executive, non-independent director; and
- three non-executive independent directors.

Pursuant to the Act of 28 July 2011<sup>3</sup> and Article 518bis of the Companies' Code, which aims for a greater presence of women in the Board of Directors of listed companies, Qrf City Retail meets the requirement that one-third of its members have to be female.

Key positions in Qrf City Retail are filled by women, namely Inge Boets as Chairwoman of the Board of Directors and Anneleen Desmyter as Executive Director.

The Ordinary General Meeting of Shareholders of Qrf Management NV of 20 September 2017 appointed the following persons as directors for the period from 20 September 2017 until the closing of the Ordinary General Meeting of Shareholders of Qrf Management NV which will decide on the annual financial statements of the financial year ending on 31 March 2021:

- Mrs Inge Boets;
- Mr Jan Brouwers;
- Mr Frank De Moor;
- Mr Herman Du Bois;
- Mr Freddy Hoorens;
- Mrs Anneleen Desmyter.

The mandate of the following directors ended on 30 January 2019<sup>4</sup>:

- Mr Freddy Hoorens;
- Mr Herman Du Bois.

As of 30 January 2019, the Ordinary General Meeting of Shareholders of Qrf Management NV appointed the following persons as directors for the period from 30 January 2019 until the closing of the Ordinary General Meeting of Shareholders of Qrf Management NV which will decide on the annual financial statements of the financial year ending on 31 March 2023:

- Mr William Vanmoerkerke;
- Mr Francis Vanderhoydonck.

<sup>3</sup> Act amending the Act of 21 March 1991 concerning the reform of certain economic state companies, the Companies' Code and the Act of 19 April 2002 rationalising the working and management of the National Lottery to guarantee that women have a place on the Board of Directors of the autonomous state companies, listed companies and the National Lottery.

<sup>4</sup> These mandates came to an end following the voluntary resignation of both directors.

**TABLE 2 REMITS AND MANDATES OF THE MEMBERS OF THE BOARD OF DIRECTORS AND/OR ITS COMMITTEES**

| NAME<br>REMITS  | DATE OF<br>BIRTH | M/F | START<br>OF MANDATE | END<br>OF MANDATE  |
|---|------------------|-----|---------------------|--|
| <b>Inge Boets</b><br>- Chairwoman of the Board of Directors<br>- Non-executive, independent director in the sense of Article 526ter of the Companies' Code<br>- Member of the audit committee<br>- Member of the remuneration and nomination committee<br>- Director with final responsibility for internal audit | 1962             | F   | 20 September 2017   | At the end of the Ordinary General Meeting of Shareholders of Qrf Management NV to decide on the annual financial statements of the financial year ending on 31 March 2021 |
| <b>Anneleen Desmyter</b><br>- Executive director<br>- Member of the investment committee<br>- Compliance & risk manager (temporary)   | 1976             | F   | 20 September 2017   | 21 May 2019  |
| <b>Freddy Hoorens</b><br>- Non-executive, non-independent director (represents Quares)<br>- Member of the remuneration and nomination committee<br>- Member of the investment committee   | 1963             | M   | 20 September 2017   | 30 January 2019  |
| <b>Herman Du Bois</b><br>- Non-executive, non-independent director (represents Quares)<br>- Member of the audit committee<br>- Member of the investment committee   | 1964             | M   | 20 September 2017   | 30 January 2019  |
| <b>Jan Brouwers</b><br>- Non-executive, independent director in the sense of Article 526ter of the Companies' Code<br>- Chairman of the remuneration and nomination committee   | 1974             | M   | 20 September 2017   | At the end of the Ordinary General Meeting of Shareholders of Qrf Management NV to decide on the annual financial statements of the financial year ending on 31 March 2021 |
| <b>Frank De Moor</b><br>- Non-executive, independent director in the sense of Article 526ter of the Companies' Code<br>- Chairman of the audit committee  | 1962             | M   | 20 September 2017   | At the end of the Ordinary General Meeting of Shareholders of Qrf Management NV to decide on the annual financial statements of the financial year ending on 31 March 2021 |
| <b>William Vanmoerkerke</b><br>- Non-executive, independent director<br>- Chairman of the investment committee  | 1983             | M   | 30 January 2019     | At the end of the Ordinary General Meeting of Shareholders of Qrf Management NV to decide on the annual financial statements of the financial year ending on 31 March 2023 |
| <b>Francis Vanderhoydonck</b><br>- Non-executive, non-independent director<br>- Member of the audit committee<br>- Member of the remuneration and nomination committee  | 1958             | M   | 30 January 2019     | At the end of the Ordinary General Meeting of Shareholders of Qrf Management NV to decide on the annual financial statements of the financial year ending on 31 March 2023 |

Pursuant to Article 14 of the RREC Act, the directors must have the professional reliability and appropriate expertise required to perform their remit.

Other remits and mandates of the members of the Board of Directors of Qrf City Retail exercised during the previous five years:

**TABLE 3** REMITS AND MANDATES EXERCISED BY THE DIRECTORS OF QRF CITY RETAIL DURING THE PAST 5 YEARS

| NAME<br>CURRENT POSITION   | CURRENT MANDATES   | MANDATES EXERCISED<br>DURING THE PAST 5 YEARS<br>AND EXPIRED   |
|--|--|--|
| <p><b>Inge Boets</b><br/> <b>Current position</b><br/>                     director at<br/>                     various companies<br/>                     (Onderheide 28,<br/>                     2930 Brasschaat)</p>   | <ul style="list-style-type: none"> <li>- Econopolis Wealth Management NV,</li> <li>- independent director (2013-present);</li> <li>- Inge Boets BVBA, manager (1996-present);</li> <li>- VZW Altijd Vrouw, director (2012-present);</li> <li>- La Scoperta BVBA, shareholder/manager (2011-present);</li> <li>- Euroclear Holding BV, independent director (2018-present);</li> <li>- Euroclear SA, independent director (2014-present);</li> <li>- Guberna, Advisory Board Effectiveness (2011-present);</li> <li>- Van Breda Risk &amp; Benefits, independent director and Chairwoman of the audit committee (2015-present);</li> <li>- Triginta, Chairwoman (2017-present).</li> </ul>  | <ul style="list-style-type: none"> <li>- Euroclear Belgium, independent director (2012-2014);</li> <li>- Flemish Parliament, member of the audit committee (2011-2015);</li> <li>- Euroclear plc, independent director (2014-2018).</li> </ul> |
| <p><b>Anneleen Desmyter</b><br/> <b>Current position</b><br/>                     CEO Qrf City Retail<br/>                     (Museumstraat 11/211,<br/>                     2000 Antwerp)<br/>                     &amp; director<br/>                     Quares Holding CVBA<br/>                     (Leopold de Waelplaats 8,<br/>                     2000 Antwerp)</p> | <ul style="list-style-type: none"> <li>- Various mandates in the subsidiaries of Quares Holding CVBA (Quares Real Estate Investment Management Student Housing NV, branches of Quares Student Housing Comm.VA, Quares Real Estate Investment Management Retail Foetz NV, Foetz Holding SA, Foetz Retail-Invest SA, Quares Facility Management NV, director, Quares Consulting &amp; Product Development NV, Quares Incentive CVBA, Quares Property &amp; Facility Management BV, Quares Real Estate Investment Management BV, Centry BV, Quares Real Estate Investment Management Retail NV, Quares Property Management NV, BC Quares Property Management SA, Quares Real Estate Investment Management NV, Quares Residential Agency NV, Jade Technical Innovations NV, Jade Synergies BVBA);</li> <li>- Anneleen Desmyter EBVBA, statutory manager (2013-present);</li> <li>- Admires BVBA, non-statutory manager (2005-present);</li> <li>- Thomas More, member of the Board of Directors (2016-present).</li> </ul>   |  |
| <p><b>Freddy Hoorens</b><br/> <b>Current position</b><br/>                     director<br/>                     Quares Holding CVBA<br/>                     (Leopold de Waelplaats 8,<br/>                     2000 Antwerp)</p>   | <ul style="list-style-type: none"> <li>- Various mandates in the subsidiaries of Quares Holding CVBA (Quares Real Estate Investment Management Student Housing NV, branches of Quares Student Housing Comm.VA, Quares Real Estate Investment Management Retail Foetz NV, Foetz Holding SA, Foetz Retail-Invest SA, Quares Facility Management NV, Quares Consulting &amp; Product Development NV, Quares Incentive CVBA, Quares Property &amp; Facility Management BV, Quares Real Estate Investment Management BV, Centry BV, Quares Real Estate Investment Management Retail NV, Quares Property Management NV, BC Quares Property Management SA, Quares Real Estate Investment Management NV, Quares Residential Agency NV, Jade Technical Innovations NV, Jade Synergies BVBA);</li> <li>- B.M.C.C BVBA, statutory manager (2006-present);</li> <li>- Convest BVBA, non-statutory manager (2005-present);</li> <li>- Profaco BVBA, statutory manager (2002-present);</li> <li>- CityD NV, (2014-present).</li> </ul> |  |

| NAME                          | CURRENT POSITION   | CURRENT MANDATES  | MANDATES EXERCISED DURING THE PAST 5 YEARS AND EXPIRED  |
|-------------------------------|--|---|---|
| <b>Herman Du Bois</b>         | <b>Current position</b><br>director<br>Quares Holding CVBA<br>(Leopold de Waelplaats 8,<br>2000 Antwerp) | <ul style="list-style-type: none"> <li>- Various mandates in the subsidiaries of Quares Holding CVBA (Quares Real Estate Investment Management Student Housing NV, branches of Quares Student Housing Comm.VA, Quares Real Estate Investment Management Retail Foetz NV, Foetz Holding SA, Foetz Retail-Invest SA, Quares Facility Management NV, Quares Consulting &amp; Product Development NV, Quares Incentive CVBA, Quares Property &amp; Facility Management BV, Quares Real Estate Investment Management BV, Centry BV, Quares Real Estate Investment Management Retail NV, Quares Property Management NV, BC Quares Property Management SA, Quares Real Estate Investment Management NV, Quares Residential Agency NV, Jade Technical Innovations NV, Jade Synergies BVBA);</li> <li>- Fontenelle BVBA, non-statutory manager (1997-present);</li> <li>- Pastis Investment, director (2010-present).</li> </ul> |   |
| <b>Jan Brouwers</b>           | <b>Current position</b><br>director<br>Jaran Capital Fund SA<br>(11 Rue Aldringen,<br>L-1118 Luxembourg) | <ul style="list-style-type: none"> <li>- Jaran Capital BV Nederland, director (2013-present);</li> <li>- Jaran Capital Fund, director since 2016.</li> </ul>  | <ul style="list-style-type: none"> <li>- Morgan Stanley, Managing Director (1999-2013);</li> <li>- Proviron Holding NV, independent director (2004-2016).</li> </ul>  |
| <b>Frank De Moor</b>          | <b>Current position</b><br>CEO<br>Q-Park NV<br>(Stationsplein 8E,<br>6221 BT Maastricht)                 | <ul style="list-style-type: none"> <li>- Electronic Commerce Platform Nederland, Member of the Advisory Board (2004-present).</li> </ul>  | <ul style="list-style-type: none"> <li>- Mediq NV, Auditor/independent director (2008-2013);</li> <li>- Sligro Food Group, Auditor/independent director (2004-2012);</li> <li>- Macintosh Retail Group NV, CEO (2003-2014);</li> <li>- Detailhandel Nederland, Member of Day-to-Day Management Board (2002-2014);</li> <li>- BNP Paribas (Belgium), Member of the National Advisory Board (2008-2014).</li> </ul> |
| <b>William Vanmoerkerke</b>   | <b>Current position</b><br>director<br>CEO Qrf City Retail<br>(Museumstraat 11/211,<br>2000 Antwerp)     | <ul style="list-style-type: none"> <li>- Hotel Bel Eur, director (2014-present);</li> <li>- Restotel, director (2015-present);</li> <li>- Ampla House Properties, director (2016-present);</li> <li>- Noordzee Investments, director (2016-present);</li> <li>- WVM Projects, director (2016-present);</li> <li>- Horizon Retail Investerings MVV, director (2011-present);</li> <li>- Horizon Retail Investerings WP, director (2016-present);</li> <li>- Horizon Retail Investerings DMB, director (2016 present);</li> </ul>   | <ul style="list-style-type: none"> <li>- Auction Club S.a.r.l. (Luxembourg), director (2014-2018);</li> <li>- WVM Projects, manager (2014-2017).</li> </ul>   |
| <b>Francis Vanderhoydonck</b> | <b>Current position</b><br>zaakvoerder<br>Danae Group<br>(Louisalaan 6,<br>8421 Vlissegem)               | <ul style="list-style-type: none"> <li>- Agilitas Groep NV, director (2017-present);</li> <li>- Alro NV, director (2003-present);</li> <li>- Denderland-Martin NV, director (2001-present);</li> <li>- Essers Group BVBA, director (1999-present);</li> <li>- Integrate NV, director (2014-present);</li> <li>- Jansen Group NV, director (2011-present);</li> <li>- Jezet International NV, director (2016-present);</li> <li>- Mintjens Group NV, director (2000-present);</li> <li>- Polyscope Holding BV, director (2009-present);</li> <li>- Resilux NV*, director (2000-present).</li> </ul>  | <ul style="list-style-type: none"> <li>- Baarsma Benelux NV, director (2009-2016);</li> <li>- Beta Cell NV, director (2006-2012);</li> <li>- GIMV NV*, director (2011-2015);</li> <li>- ELLIMETAL NV, director (2009-2012);</li> <li>- Option NV*, director (2012-2017).</li> </ul>   |

Companies indicated with an \* are public listed companies

## CHAIRMANSHIP OF THE BOARD OF DIRECTORS OF THE STATUTORY MANAGER

During the meeting of the Board of Directors of the Statutory Manager of 20 September 2017, Mrs Inge Boets was reappointed Chairwoman of the Board of Directors for an unspecified period. Her mandate will

expire at the time that her current mandate as director comes to an end, unless it is expressly renewed by the Board of Directors on the advice of the remuneration and nomination committee.

## 7.2.3 Specialised committees of the Board of Directors

### 7.2.3.1 Audit committee

#### TASKS AND POWERS OF THE AUDIT COMMITTEE

The audit committee is responsible for the legal tasks described in Article 526a of the Companies' Code. The tasks of the audit committee comprise:

- assisting the Board of Directors in its supervisory responsibilities, more specifically as regards the provision of information to the shareholders and third parties;
- monitoring the financial reporting process, more specifically the quarterly, half-yearly and annual results;
- monitoring the legal control of the statutory annual financial statements and the consolidated annual financial statements;
- monitoring the effectiveness of Company's systems for internal audit and risk management;

- monitoring the internal audit and its effectiveness;
- assessing and monitoring the independence of the Auditor, as well as the approval of the remuneration of said Auditor;
- analysing the observations that the Auditor makes and where necessary, making recommendations to the Board of Directors;
- ensuring that all legal regulations concerning any conflict of interests are strictly applied.

The tasks and powers of the audit committee are described in Articles 4.3 and 4.5 to 4.8 of the *Corporate Governance Charter* of Qrf City Retail.

#### COMPOSITION OF THE AUDIT COMMITTEE

**TABLE 4** COMPOSITION OF THE AUDIT COMMITTEE - FREQUENCY OF MEETINGS - PURPOSE

| TYPE OF COMMITTEE | FREQUENCY OF MEETINGS | PURPOSE  | COMPOSITION   |
|-------------------|-----------------------|--|---|
| Audit committee   | Min. 4x per year      | Check the integrity of public financial information  | Two non-executive and independent directors:<br>1) Inge Boets;<br>2) Frank De Moor. |
|                   |                       | Examine the internal control and systems concerning risk management set up by the Executive Management | One non-executive and non-independent director:<br>1) Herman Du Bois <sup>5</sup> . |

<sup>5</sup> The mandate of Herman Du Bois as director and hence as a member of the audit committee, ended on 30 January 2019. Since 30 January 2019, Francis Vanderhoydonck has been a member of the audit committee as a non-executive, non-independent director.

The detailed rules concerning the composition of the audit committee are set out in Article 4.2 of the *Corporate Governance Charter* of Qrf City Retail. All members of the audit committee are non-executive

directors, the majority of whom are independent. The members of the audit committee have collective expertise in the activities of Qrf City Retail and the necessary expertise in accounting and auditing.

**FUNCTIONING OF THE AUDIT COMMITTEE**

The audit committee gathers as much information as necessary to carry out its tasks properly, and does so no fewer than four times per financial year. Meetings are convened by the Chairman of the audit committee, Mr Frank De Moor. He is required to convene a meeting each time a member of the audit committee so requests. The audit committee may decide, at its discretion, to invite non-members (such as the CEO, the CFO, the internal auditor the Auditor of Qrf City Retail) to attend the meetings.

The Auditor of Qrf City Retail has direct and unlimited access to the Chairman of the audit committee and to the Chairwoman of the Board of Directors.

At least the majority of the members of the audit committee must be present or represented for said meetings to be validly composed.

The audit committee can call on external professional advice at the expense of Qrf City Retail, subject to informing the Chairwoman of the Board of Directors accordingly in advance. The audit committee assesses its functioning, effectiveness and internal rules of procedures on an annual basis. After the assessment, the committee makes recommendations to the Board of Directors concerning any possible changes.

The audit committee holds a meeting with the Auditor of Qrf City Retail and the internal auditor at least twice a year to consult with them on matters pertaining to the internal regulation and all elements arising out of the audit process, in particular the significant weak points of the internal control.

In 2018 the audit committee met on four occasions, during which the subjects of its remit were discussed, namely keeping an eye on the accuracy of the reporting of the half-yearly and annual figures of Qrf City Retail.

**TABLE 5 ATTENDANCE OF THE AUDIT COMMITTEE**

**AUDIT COMMITTEE**

| NAME           | POSITION  | ATTENDANCE IN 2018 |
|----------------|---|--------------------|
| Frank De Moor  | Non-executive, independent director and Chairman of the audit committee | 4/4                |
| Inge Boets     | Non-executive, independent director                                     | 4/4                |
| Herman Du Bois | Non-executive, non-independent director                                 | 4/4                |



7.2.3.2 Investment committee

**TASKS AND POWERS OF THE INVESTMENT COMMITTEE**

The investment committee, set up by the Board of Directors of the Statutory Manager, is responsible for preparing the investment and divestment dossiers for the Board of Directors. The investment committee then monitors the negotiations with the different counterparties of Qrf City Retail. These negotiations pertain chiefly to the acquisition (in any form) and disposal of properties, the conclusion of leases and/or the acquisition of real estate companies.

The Board of Directors of the Statutory Manager may decide at all times to set up several investment

committees if it should deem it necessary (e.g. per geographic region). The framework and the provisions of the investment committee will then be applied to the various investment committees, with only the necessary changes having been made.

The tasks and powers of the investment committee are set out in Article 6.3 of the *Corporate Governance Charter* of Qrf City Retail.

**COMPOSITION OF THE INVESTMENT COMMITTEE**

**TABLE 6** COMPOSITION OF THE INVESTMENT COMMITTEE - FREQUENCY OF MEETINGS - PURPOSE

| TYPE OF COMMITTEE    | FREQUENCY OF MEETINGS | PURPOSE  | COMPOSITION  |
|----------------------|-----------------------|--|--|
| Investment committee | Min. 4x per year      | Prepare investment and divestment dossiers for the Board of Directors. | Executive Management:<br>1) Anneleen Desmyter;<br>2) Preben Bruggeman <sup>6</sup> ;<br>3) Michiel Gevers.<br><br>Non-executive directors:<br>1) Herman Du Bois <sup>7</sup> ;<br>2) Freddy Hoorens <sup>8</sup> . |

The detailed rules concerning the composition of the investment committee are set out in Article 6.2 of the *Corporate Governance Charter* of Qrf City Retail.

6 The position of Preben Bruggeman as CFO of Qrf ended on 4 January 2019. As a result, there is a temporary discrepancy with the number of members, as set out in the *Corporate Governance Charter* of Qrf City Retail. As of April 22, 2019, Tom Schockaert will be appointed as new CFO and Effective Leader of Qrf City Retail, subject to approval by the FSMA. He will be part of the Executive Management.  
 7 The mandate of Herman Du Bois as director and consequently as member of the investment committee, ended on 30 January 2019. Since February 2019, William Vanmoerkerke has been chairman of the investment committee as executive, non-independent director.  
 8 The mandate of Freddy Hoorens as director and consequently as member of the investment committee, ended on 30 January 2019. Since February 2019, William Vanmoerkerke has been chairman of the investment committee as executive, non-independent director.

## **FUNCTIONING OF THE INVESTMENT COMMITTEE**

The investment committee meets as often as necessary to carry out its tasks properly, and does so no fewer than four times per financial year. The meetings are convened by its Chairman.

All meetings are held according to an agenda, which is fixed by the Chairman of the investment committee.

At the next meeting of the Board of Directors, the Chairman reports on the last meeting of the investment committee. Advice and decisions are adopted by majority of the votes cast. If the vote is tied, the

proposal is rejected. This issue is then submitted to the full Board of Directors at its next meeting. Members who voted against a decision or advice can have their reasons entered in the minutes of the investment committee.

The investment committee assesses its functioning, effectiveness and internal rules and procedures on an annual basis. After the assessment, the committee makes recommendations to the Board of Directors concerning any possible changes.

### **7.2.3.3 Remuneration and nomination committee**

#### **FUNCTIONING OF THE REMUNERATION AND NOMINATION COMMITTEE**

The remuneration and nomination committee, set up by the Board of Directors of the Statutory Manager, makes proposals and provides advice to the Board of Directors on the remuneration policy as well as the individual remuneration of directors and the members of the Executive Management. It gives advice on acquisitions and developments and assesses the scope and composition of the Board of Directors. It ascertains the suitability of the members of the Board of Directors and the Executive Management and sees to an appropriate remuneration system.

The remuneration and nomination committee is more specifically responsible for:

- making proposals to the Board of Directors of the Statutory Manager on the remuneration policy for the directors and members of the Executive Management and, where applicable, on the ensuing proposals to be submitted to the shareholders by the Board of Directors of the Statutory Manager;
- making proposals to the Board of Directors of the Statutory Manager (i) on the individual remuneration of the directors and the members of the Executive Management, including the variable remuneration and long-term performance bonuses,

which may but need not be attached to Shares, in the form of stock options or other financial instruments; (ii) severance pay; and (iii) where applicable, ensuing proposals to be submitted to the shareholders by the Board of Directors;

- preparing the remuneration report added by the Board of Directors of the Statutory Manager to the corporate governance statement in the annual report;
- explaining the remuneration report at the annual General Meeting of Shareholders;
- advising the Board of Directors of the Statutory Manager on (re)nomination that are proposed to the General Meeting of Shareholders, on the basis of objective criteria and in a professional way;
- giving advice on recruitments/promotions of members of the Executive Management, including when they have to be approved by the General Meeting of Shareholders;
- drawing up procedures for the appointment of the directors of the Statutory Manager, the CEO and the other members of the Executive Management;

- assessing the scope and composition of the Board of Directors of the Statutory Manager periodically and making recommendations to the Board of Directors concerning changes thereto;
- looking for candidates to fill vacant directors' mandates, and submitting them to the Board of Directors of the Statutory Manager for approval;
- giving advice on proposals for appointing directors stemming from shareholders; and
- taking follow-up questions fully into consideration.

The remuneration and nomination committee considers proposals made by relevant parties, including the management and the shareholders. The CEO also has the opportunity to submit proposals to the remuneration and nomination committee, whereby she is sufficiently advised by said committee, particularly when it discusses issues relating to the executive directors or the Executive Management of the Statutory Manager.

The tasks and powers of the remuneration and nomination committee are set out in Article 5.3 of the *Corporate Governance Charter* of Qrf City Retail.

## COMPOSITION OF THE REMUNERATION AND NOMINATION COMMITTEE

**TABLE 7** COMPOSITION OF THE REMUNERATION AND NOMINATION COMMITTEE - FREQUENCY OF MEETINGS - PURPOSE

| TYPE OF COMMITTEE                     | FREQUENCY OF MEETINGS | PURPOSE  | COMPOSITION  |
|---------------------------------------|-----------------------|--|--|
| Remuneration and nomination committee | Min. 2x per year      | Draw up the remuneration policy report and the individual remuneration of its Statutory Manager, analysis of new effective leaders, etc. | Non-executive, independent directors:<br>1) Inge Boets;<br>2) Jan Brouwers.  |
|                                       |                       |  | Non-executive, non-independent director:<br>1) Freddy Hoorens <sup>9</sup> . |

The detailed rules concerning the composition of the audit committee are set out in Article 5.2 of the *Corporate Governance Charter* of Qrf City Retail.

<sup>9</sup> The mandate of Freddy Hoorens as director and consequently as member of the remuneration and appointments committee, ended on 30 January 2019. Since 30 January, Francis Vanderhoydonck has been a member of the remuneration and appointments committee as non-executive, non-independent director.

## FUNCTIONING OF THE REMUNERATION AND NOMINATION COMMITTEE

The remuneration and nomination committee meets as often as is necessary to comply with its obligations, and does so no fewer times than twice per financial year. The meetings are convened by its Chairman, Mr Jan Brouwers. He is required to convene a meeting when a member of the remuneration and nomination committee so requests. The remuneration and nomination committee can choose to invite non-members to attend the meetings.

At least the majority of the members of the remuneration and nomination committee must be present or represented for the meetings to be legally valid.

No one decides/advises on his/her own remuneration. Accordingly the director concerned leaves the meeting of the remuneration and nomination committee when his/her remuneration is discussed.

This method is not applied when the remuneration and nomination committee discusses the general remuneration policy and the policy concerning the categories of directors. The CEO takes part in the meetings of the remuneration and nomination committee when it deals with the remuneration of other members of the Executive Management.

The remuneration and nomination committee assesses its composition, functioning, and effectiveness annually and makes recommendations to the Board of Directors concerning the necessary changes.

**TABLE 8 ATTENDANCE OF THE REMUNERATION AND NOMINATION COMMITTEE**

### REMUNERATION AND NOMINATION COMMITTEE

| NAME           | POSITION  | ATTENDANCE IN 2018 |
|----------------|---|--------------------|
| Jan Brouwers   | Non-executive, independent director and Chairman of the remuneration and nomination committee | 2/2                |
| Inge Boets     | Non-executive, independent director   | 2/2                |
| Freddy Hoorens | Non-executive, non-independent director   | 2/2                |

## 7.2.4 Executive Management

The Executive Management of Qrf City Retail consists of the CEO<sup>10</sup>, the CFO and the Investment & Asset Manager.

### 7.2.4.1 Tasks and powers of the Executive Management

The CEO or joint-CEO is ultimately responsible in the first instance for:

- general management, in other words the day to day management of the team;
- coordination of the reporting to the Board of Directors;
- marketing, namely charting marketing actions for existing and potential customers, in cooperation with the Commercial Assistant;

<sup>10</sup> As of 19 February 2019, Mr William Vanmoerkerke joined the Executive Management as joint-CEO, together with Mrs Anneleen Desmyter, who will resign from her mandate as joint-CEO, Executive Director and Effective Leader on 21 May 2019.

- ICT, namely seeking, studying and negotiating the right ICT tools and backup plans. This is carried out together with the Commercial Assistant;
- HRM, namely attracting, integrating and retaining (new) employees;
- commercial strategy, i.e. defining the approach to maximise the Occupancy rate in the long term, with attention for both existing and potential customers. This is carried out together with the Investment & Asset Manager;
- investment strategy, namely seeking, studying and negotiating new acquisition projects in the regions where Qrf City is active. This is carried out together with the Investment & Asset Manager;
- investor relations, namely communication with private and institutional investors through contacts with financial analysts and journalists, but also directly with investors through roadshows and other initiatives, together with the CFO;
- Business Development, i.e. extending the network of customers/suppliers and stakeholders;
- following up and providing support when needed to the Risk Manager & Compliance Officer.
- The CFO is primarily responsible for:
  - financial strategy, daily financial management, and internal and external reporting. This comprises in particular the cash management, debtor and creditor management, the management of loans and interest charges, and the reporting to the different levels. This is done with the support of the Finance Manager;
  - guidance and support for investment projects from the financial perspective;
  - financial organisation;
  - activities of investor relations, namely the communication to private and institutional investors through contacts with financial analysts and journalists, but also directly with the investors through roadshows and other initiatives, together with the CEO;
- Compliance and Risk Management (within his remit of Compliance Officer & Risk Manager).

The Investment & Asset Manager is primarily responsible for:

- investment strategy, namely seeking, studying and negotiating new acquisition projects in regions where Qrf City Retail is active. This is carried out in conjunction with the CEO;
- commercial strategy, i.e. defining the approach to maximise the Occupancy rate in the long term, with attention for both existing and potential customers. This is carried out together with the CEO;
- management of the property portfolio, more specifically defining the strategy for the management of existing buildings (maintenance, alternation and improvement works) in consultation with the Property Manager;
- project management, namely initiating and following up the ongoing construction sites and development projects.

#### 7.2.4.2 Composition of the effective management and the Executive Management

Anneleen Desmyter EBVBA, represented by Mrs Anneleen Desmyter, and Mr Preben Bruggeman were the effective leaders of Qrf City Retail in 2018.

Pursuant to Article 14, §1 of the RREC Act and since its adoption of RREC, Qrf City Retail has appointed natural persons only as effective leaders. The mandate of Anneleen Desmyter EBVBA, represented by Mrs Anneleen Desmyter, expired on 31 October 2018.

With effect from 1 November 2018, the mandate of effective leader and member of the Executive Management (as CEO) was transferred to Anneleen Desmyter as a natural person. As of 19 February 2019, Mr William Vanmoerkerke joined the Executive Management as joint-CEO, together with Mrs Anneleen Desmyter, who will resign from her mandate as joint-CEO, Executive Director and Effective Leader on 21 May 2019.

The position of Preben Bruggeman as CFO and effective leader of Qrf ended on 4 January 2019. As of April 22, 2019, Tom Schockaert will be appointed as new CFO and Effective Leader of Qrf City Retail, subject to approval by the FSMA. He will be part of the Executive Management.

**TABLE 9** COMPOSITION OF THE EXECUTIVE MANAGEMENT - POSITION - DURATION OF MANDATE

| NAME<br>POSITION   | DATE OF BIRTH | M/F | START OF MANDATE | END OF MANDATE     |
|--|---------------|-----|------------------|--------------------|
| <b>Anneleen Desmyter EBVBA</b><br>represented by<br>Mrs Anneleen Desmyter<br>CEO<br>Effective leader<br>Office address:<br>Museumstraat 11/211, 2000 Antwerp<br>TEL: +32 3 233 52 46   | 04/09/1976    | F   | 26 November 2013 | 31 October 2018    |
| <b>Anneleen Desmyter<sup>11</sup></b><br>joint-CEO<br>Effective leader of the<br>Investment committee<br>Member of the Board of Directors<br>Office address:<br>Museumstraat 11/211, 2000 Antwerp<br>TEL: +32 3 233 52 46                      | 04/09/1976    | F   | 1 November 2018  | 21 May 2019        |
| <b>Preben Bruggeman</b><br>CFO<br>Effective leader<br>Member of the Investment committee<br>Compliance Officer and Risk Manager<br>Office address:<br>Museumstraat 11/211, 2000 Antwerp<br>TEL: +32 3 233 52 46                                | 05/12/1984    | M   | 16 February 2015 | 4 January 2019     |
| <b>Michiel Gevers</b><br>Investment & Asset Manager<br>Member of the Investment Committee<br>Office address:<br>Museumstraat 11/211, 2000 Antwerp<br>TEL: +32 3 233 52 46  | 30/10/1983    | M   | 1 October 2017   | Unspecified period |
| <b>William Vanmoerkerke</b><br>joint-CEO<br>Effective Leader<br>Executive director<br>Member of the Board of Directors<br>Chairman of the Investment Committee<br>Office address:<br>Museumstraat 11/211, 2000 Antwerp<br>TEL: +32 3 233 52 46 | 07/12/1983    | M   | 30 January 2019  | Unspecified period |
| <b>Tom Schockaert<sup>12</sup></b><br>CFO<br>Effective leader<br>Member of the Investment committee<br>Compliance Officer and Risk Manager<br>Office address:<br>Museumstraat 11/211, 2000 Antwerp<br>TEL: +32 3 233 52 46                     | 27/03/1984    | M   | 22 April 2019    | Unspecified period |

<sup>11</sup> Mrs Anneleen Desmyter will end her mandate as joint-CEO, Executive Director and Effective Leader on 21 May 2019, as announced in the press release of 20 February 2019.

<sup>12</sup> As of April 22, 2019, Tom Schockaert will be appointed as new CFO and Effective Leader of Qrf City Retail, subject to approval by the FSMA. He will be part of the Executive Management.



## Anneleen **Desmyter**, joint-CEO



(°04/09/1976) earned her degree in Applied Economics from the Catholic University of Leuven in 1998 and her Master's degree in Business Administration from the Université Catholique Louvain-la-Neuve in 1999. In 2004 she successfully completed a Master's degree in Real Estate at the University of Antwerp Management School. Anneleen Desmyter is a member of the BIV (Beroepsinstituut van Vastgoedmakelaars) [Professional Institute of Estate Agents] and holds the title of MRICS (Member of the Royal Institution of Chartered Surveyors).

Anneleen embarked on her career in 1999 as a Project Manager and the project promoter Eurinpro (now: Goodman International), where she was responsible for the development, sales and marketing of new office projects and business parks in Belgium and the Netherlands.

In 2004 she launched, together with Freddy Hoorens, the current Quares Residential Agency where she headed a team of real estate brokers as Managing Director. Two years later, in 2006, together with Herman Du Bois and Freddy Hoorens, she founded the Quares Group. Anneleen Desmyter has been a director at Thomas More since 2016.

## William **Vanmoerkerke**, joint-CEO



(°07/12/1983) earned a Master's Degree in Applied Economics from the University of Ghent, a Master's Degree in Marketing Management from the Vlerick Leuven Ghent Management School, and a Master's Degree in Business Administration from New York University.

He started his career at eBay as a Segment Manager. In 2008, he joined Roland Berger Strategy Consultants as a consultant, and then in 2012 he joined The Boston Consulting Group. In 2013 he continued his career as Senior Director of Strategy & Business Development at Elsevier Inc.

Since 2014, together with Olivia and Mark Vanmoerkerke, he represents the interests of the family in various companies and participations.



### Preben Bruggeman, CFO<sup>13</sup>



(°5/12/1984) earned his Master's degree in Business Engineering (specialising in Finance) from the University of Antwerp in 2008. He then earned a Bachelor's degree in philosophy from the same university. In 2012 he successfully completed 3 levels of the Chartered Financial Analyst (CFA) programme.

Preben embarked on his career in 2008 at the Degroof Bank as a shares analyst, where he was responsible for monitoring the real estate sector. In 2011 he joined the corporate finance department of the Degroof Bank where he was in charge of different capital markets and M&A transactions in the real estate sector.

### Tom Schockaert, CFO<sup>14</sup>



(°27/03/1984) Tom Schockaert obtained his Master of Commercial Sciences and Business Administration at the Hogeschool en Universiteit Gent. He then completed a Postgraduate in Finance with greatest distinction at the Catholic University of Leuven.

Tom Schockaert embarked on his career as Auditor and Transaction Services Advisor in 2007. In 2011 he made the switch to Elia Group where, for six years he held various positions within the Elia Group. Amongst others, he was active as Managing Director of the German Eurogrid GmbH branch and as Head of Group Controlling (responsible for Group Controlling, M&A and Investor Relations) within the Elia Group itself. Over the past years he was active as Business Unit Controller (Chemicals) at Katoen natie, where he led a team of 14 people.

### Michiel Gevers, Investment & Asset Manager



(°30/10/1983) graduated from the Catholic University of Leuven with a Law degree in 2007, and then earned a Master's degree from the Vlerick Business School in 2008. He also earned an Advanced Master's degree in Company Law (2011) and a Post-graduate degree in Corporate Finance (2012).

Michiel embarked on his career in 2008 at the law firm Lydian and has 9 years of experience as a lawyer specialised in mergers and acquisitions. Michiel provided advice and support primarily to real estate companies, investment funds and industrial players at M&A and private equity transactions.

<sup>13</sup> The position of Preben Bruggeman as CFO of Qrf ended on 4 January 2019.

<sup>14</sup> As of April 22, 2019, Tom Schockaert will be appointed as new CFO and Effective Leader of Qrf City Retail, subject to approval by the FSMA. He will be part of the Executive Management.

## 7.2.5 Description of the independent control functions and information about the responsible persons

### 7.2.5.1 Summary of the audit functions

Pursuant to the Corporate Governance rules and the legal obligations concerning the RREC legislation, Qrf City Retail has introduced independent control functions in accordance with the RREC Act and in particular Article 14, 15, 16 and 17 of the RREC Act.

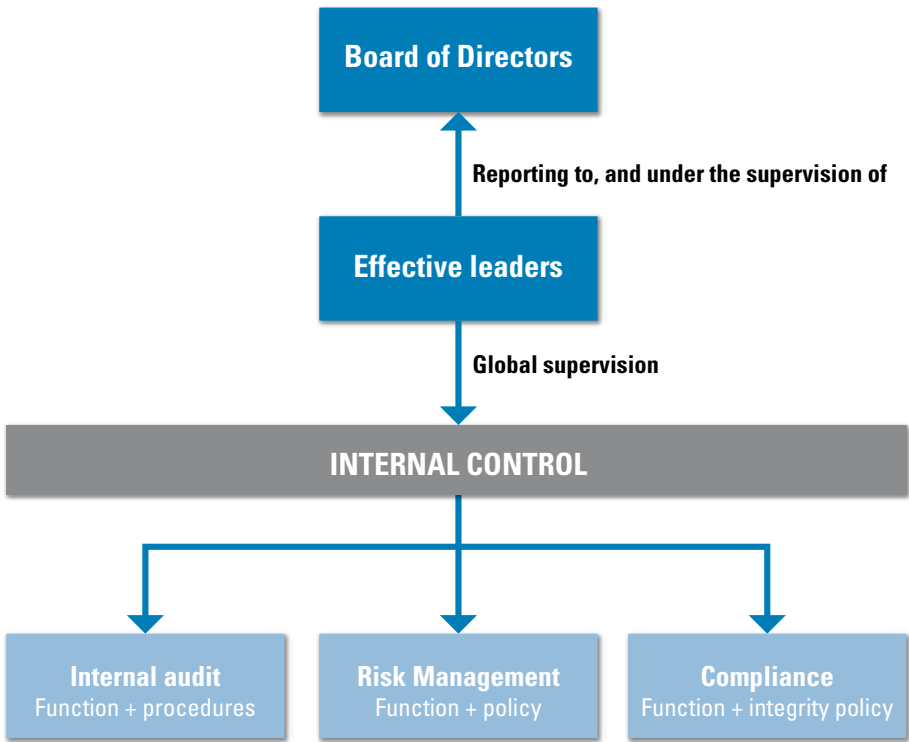
**TABLE 10** SUMMARY OF THE INDEPENDENT AUDIT FUNCTIONS

| POSITION                        | PERSON   | START OF MANDATE | END OF MANDATE | REMUNERATION                           |
|---------------------------------|--|------------------|----------------|--|
| Internal auditor                | EY with Michel Brabants as representative and the Chairwoman of the Board of Directors as director with final responsibility | 2 February 2015  | Unspecified    | Discussed under Chapter 12.4.3         |
| Compliance Officer              | Preben Bruggeman CFO   | 24 July 2015     | 4 January 2019 | Included in total remuneration package |
| Risk Manager                    | Preben Bruggeman CFO   | 24 July 2015     | 4 January 2019 | Included in total remuneration package |
| Compliance Officer (ad interim) | Anneleen Desmyter CEO  | 4 January 2019   | 22 April 2019  | Included in total remuneration package |
| Risk Manager (ad interim)       | Anneleen Desmyter CEO  | 4 January 2019   | 22 April 2019  | Included in total remuneration package |
| Compliance Officer              | Tom Schockaert CFO   | 22 April 2019    | Unspecified    | Included in total remuneration package |
| Risk Manager                    | Tom Schockaert CFO   | 22 April 2019    | Unspecified    | Included in total remuneration package |

### 7.2.5.2 Function and risk management

The internal audit system and the discussion of the risks for Qrf City Retail are featured annually on the agenda of both the audit committee and the Board of Directors.

**ORGANISATION CHART 1 INTERNAL AUDIT SYSTEM OF QRF CITY RETAIL**



This structure complies with the principle of *3 lines of defence*, where the organisation of risk management and internal control falls under the responsibility of the effective leaders and their teams. Internal audit sees to the organisation of these activities and tests the quality of the internal control. The audit committee and the Board of Directors receive reports from the effective management and the internal audit and make sure that the risk management and internal control system is suitable.

**7.2.5.3 Internal audit**

Pursuant to the *Corporate Governance* rules and Article 17, §2 of the RREC Act, Qrf City Retail has devised an internal audit system that provides a reasonable degree of certainty about the reliability of the financial reporting process. In this respect, the annual financial statements and the half-yearly statements, as well as the annual report and half-year report in particular are in line with the accounting regulations in force. In addition, Qrf City Retail has mapped its risks extensively.

The list of risks is not exhaustive and was drawn up on the basis of the information known at this time. Other unknown and unlikely risks can exist, as well as risks that were assumed at the time this document was drawn up, which, if they were to materialise in future, could have an unfavourable impact on the company, its activities or financial situation. The ongoing developments in the real estate and financial markets require continuous monitoring of the strategic, operational, financial and compliance risks to supervise the results and the financial situation of Qrf City Retail.

**7.2.5.4 Risk management and the function of Risk Manager**

Until 4 January 2019, Preben Bruggeman, CFO, was responsible for the function of Risk Manager. Mr. Tom Schockaert will, as of 22 April 2019, under condition precedent of approval by the FSMA, be assigned Risk Manager of Qrf City Retail.<sup>15</sup> Given the independence of the operational company activities and the small structure of Qrf City Retail, the CFO is

<sup>15</sup> Mrs. Anneleen Desmyter acts as Risk Manager ad-interim for the period of 4 January 2019 till 22 April 2019.

the most appropriate person to perform this task in an independent manner.

The main risks at Qrf City Retail are divided into the market risks, operational and real estate-related risks, legal and fiscal risks and financial risks. The CFO takes the lead in inventorying these risks and determining the proper control measures.

In addition the CFO will alert the employees of Qrf City Retail about risks in the internal and external environment and make sure that the good example of the *Corporate Governance Charter* is duly followed. The CFO will draw up a report at least once a year for the audit committee, the Internal auditor and the Auditor.

### 7.2.5.5 Independent compliance function

Rules concerning compliance and integrity fall under the purview of the Compliance Officer.

Pursuant to principles 3.7 and 6.8 and Annex B of the Governance Code 2009, Preben Bruggeman, CFO of Qrf City Retail, was appointed Compliance Officer by the Board of Directors. As such, he was responsible for supervising laws, regulations and rules of conduct that are applicable to Qrf City Retail, including compliance with the rules concerning market abuse, as laid down in particular by the Supervision of the Financial Sector and Financial Services Act of 2 August 2002 on the one hand and Regulation (EU) n° 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (as amended) on the other. Anneleen Desmyter has taken over the function of Compliance Officer.<sup>16</sup> Mr. Tom Schockaert will, as of 22 April 2019, under condition precedent of approval by the FSMA, be assigned Compliance Officer of Qrf City Retail.

The Compliance Officer makes every effort to provide proper supervision at Qrf City Retail so that in particular the RREC legislation, the Commercial Lease legislation, the *Corporate Governance Charter* and the legislation concerning market abuse are duly complied with. We refer to the Trading Regulations in Annexe 2 of the *Corporate Governance Charter*. Given the independence of the operational company activities and the small structure of Qrf City Retail, the CFO is the most appropriate person to perform this task in an independent manner.

### 7.2.5.6 Internal Auditor

The internal audit can be seen as an independent assessment function, geared to assessing the operation and efficiency of the internal company processes. This assessment can extend to several areas, including the financial, operational, accounting and reporting processes of the company, as well as the quality of the management of these processes, compliance and the risk management function.

Qrf City Retail calls on the services of a specialist for the Independent Internal Audit. EY, represented by Michel Brabants, has been appointed as internal auditor.

EY is the market leader in risk advisory, inclusive of internal control, internal audit and risk management. The internal audit methodology used is in line with the standards of the *Institute of International Auditors (IIA)*. EY also has a sound risk management methodology based on the international COSO standard and on the "ISO: 31000 2009 *Risk Management Principles & Guidelines*" standard. In addition, EY currently performs no other consultancy functions than an External Audit function for Qrf City Retail.

The daily operations are reported directly to Mrs Inge Boets, Chairwoman of the Board of Directors and person with ultimate responsibility for the Internal Audit function. In addition, there is direct access to the Chairwoman of the audit committee to guarantee independence.

Qrf City Retail has opted for the *Enterprise Risk Management (ERM)* model developed by the *Committee of Sponsoring Organisations of the Treadway Commission (COSO)* as the framework for its internal audit.

The Internal Auditor has accordingly drawn up an internal audit plan which relies on a risk analysis to propose an approach to examining internal control and risk management systems, set up by the Executive Committee. In 2018, an internal audit was conducted on "data management" and "Property Management".

<sup>16</sup> Mrs. Anneleen Desmyter acts as Compliance Officer ad-interim for the period of 4 January 2019 till 22 April 2019.

## 7.2.6 Statements from the Company regarding its Board of Directors and the Executive Management

Articles 14 and 15 of the RREC Act require the directors of the Statutory Manager to abide by specific obligations regarding professional suitability and appropriate expertise (fit and proper testing of the directors).

In the light of these obligations, the Company declares that:

**I.** During the past five years, the directors, Executive Management and Effective Leadership have not been found guilty of fraud, as members of a board, managerial or supervisory body, they have not been involved over the past five years in any bankruptcy or moratorium and that they have not been the subject of any official or public accusations and/or sanctions imposed by a statutory or regulatory authority, nor have they been prevented by the courts from acting

(i) as a member of the board, managerial or supervisory body of an issuer of financial instruments, or (ii) for the purpose of managing or conducting the activities of an issuer of financial instruments.

**II.** The non-executive directors have confirmed that they have no more than five mandates in listed companies.

**III.** There are no family links between the members of the board, managerial or supervisory bodies.

**IV.** Pursuant to Article 14 of the RREC Act, the directors, Executive Management and Effective Leadership, have been fit and proper at all times, as required to exercise their function.

## 7.3 Prevention of conflicts of interest

### 7.3.1 Preventive measures concerning the management and detection of conflicts of interest

Qrf City Retail sets up control points and detection systems to prevent, detect and minimise possible conflicts of interest or incompatibility.

The following means are used for the preventive detection of conflicts of interest:

- when appointed, the members of the Board of Directors are required to (i) provide a summary of all their current mandates, as well as mandates that have already expired in a period of five years prior to their appointment in Qrf City Retail, and (ii) indicate the companies in which they were a partner in a period of five years prior to their appointment in Qrf City Retail (except if the stake in the company concerned was less than 1% of the total number of shares issued by such company);

- confirmation that there are no conflicts of interest will be requested from the Board of Directors at each of its meetings (fixed agenda item);

- the *Corporate Governance Charter* comprises measures concerning conflicts of interest. Every member of the Board is thus required to report a possible acceptance of a new mandate;

- the audit committee will draw up a list of transactions with the members of the Board of Directors and their affiliated parties at each meeting and check whether these transactions were reported.

Pursuant to Article 19 of the RREC Act, Qrf City Retail can entrust the management of its portfolio to an affiliated company specialising in property management.

Qrf City Retail had entered into an assistance contract with Quares Property Management NV (also referred to as the Property Manager) which, until 30 January 2019, was an affiliated company of Qrf City Retail. Pursuant to Article 19 of the RREC Act, this company has an administrative, accounting, financial and technical organisation that is suitable for the management of the real estate of the public RREC and its Perimeter Companies, as well as the necessary knowledge concerning investment properties. The directors and persons who assume the effective management in the Property Manager have the professional reliability and appropriate experience required to carry out such activities. They are a major

market player with more than 10 years of experience and have BIV and RICS accreditation as well. The aforementioned assistance contract was terminated on 30 January 2019 and on the same date, a new service provision agreement was signed between the same parties in relation to the provision of technical services on connection with the portfolio of Qrf City Retail and its perimeter companies.

Qrf City Retail may from time to time call on the services of Quares Residential Agency NV for the purchase, sale and letting of properties at market conditions.

### 7.3.2 Corporate opportunities

Given the fact that the directors of the Statutory Manager are appointed on the basis of their skills and experience in real estate, it happens that they hold directorships in other real estate companies or in companies that control real estate companies, or that they exercise real estate activities as natural persons.

Qrf City Retail and the Statutory Manager comply with the recommendations of the Governance Code 2009 and the legal provisions of *Corporate Governance* by applying them, once the necessary changes have been made, to the organisation of the board in the Statutory Manager. As the administrative body of the Manager of Qrf City Retail, it is the Board of Directors of the Statutory Manager that decides collegially on the values and the strategy of Qrf City Retail, on its preparedness to take risks and on the main policy line, and exercises collegial supervision over Qrf City Retail.

A transaction that is proposed to the Board of Directors (e.g. the purchase of a building at an auction) may arouse the interest of another company in which a director exercises a mandate. For such cases, which may lead to conflicts of interest at times, Qrf City Retail has decided to apply a procedure which is largely borrowed from that which Article 523 of the Companies Code provides for conflicts of interest.

The director concerned reports the existence of such a situation to the Chairwoman of the Board of Directors immediately. The CEO and/or the Compliance Officer also make sure to identify the existence of such a situation.

Once the risk is identified, the director concerned and the Chairwoman or the CEO examine jointly whether the existing Chinese Wall procedure in Qrf City Retail allows the director to assume that s/he can take part in the meetings of the Board of Directors without any dispute and under his own responsibility. If such procedures have not been introduced or when the member of the Board of Directors thinks that it would be wiser for the director concerned to abstain, the latter withdraws from the deliberation and decision-making process concerning the operation. In such a case, the preparatory notes are not sent to him/her and she/he leaves the meeting of the Board of Directors as soon as the item comes up for discussion. Compliance with this procedure does not however discharge the director concerned from his obligation of confidentiality with regard to Qrf City Retail.

The minutes of the Board of Directors record the compliance with these procedures or explain the reasons why they were not applied.

Once the risk no longer exists, this procedure is no longer applicable.

The Auditor of Qrf City Retail will be notified of a conflict of interest that has occurred through the minutes of the meeting.

### 7.3.3 Conflicts of interest during the 2018 financial year

Pursuant to Articles 36, 37 and 38 of the RREC Act, Qrf City Retail has, together with the Statutory Manager, introduced a number of procedures to limit the risk of any adverse impact of conflicts of interest on Qrf City Retail.

Pursuant to Article 37 of the RREC Act, conflicts of interest with (i) the persons who control Qrf City Retail or who own a participating interest in it, (ii) persons who are affiliated with or have a participating interest in Qrf City Retail, a Perimeter Company of the Statutory Manager, the Promoter, etc., (iii) the Statutory Manager, (iv) the other shareholders of Perimeter Companies, (v) the Executive Management of Qrf City Retail and the Statutory Manager, (vi) the directors of the Statutory Manager, etc. will be reported to the FSMA. In its report to the FSMA, Qrf City Retail has to show that the planned transaction is of importance for and falls within its strategy. If the FSMA is of the opinion that the data in the previous report were insufficient, incomplete, unsatisfactory or irrelevant, it will inform Qrf City Retail accordingly. It can go public with its view, if Qrf City Retail does not take account of its remarks. Pursuant to Article 8 of the RREC RD, this report to the FSMA is made public and transactions that entail a conflict of interest must be mentioned specially in the annual report and, if necessary in the semi-annual report as well as in the auditor's report.

Pursuant to Article 38 of the RREC Act, its Articles 36 and 37 of the RREC Act shall not apply in the following cases:

- for a transaction with a value lower than the lowest amount of 1% of the consolidated assets of Qrf City Retail and 2,500,000 EUR;

This procedure was not applied in 2018.

- if securities are acquired by Qrf City Retail or one of its Perimeter Companies in a public issue by a third issuer, where the Promoter and the persons referred to in Article 37, §1 of the RREC Act act as intermediaries within the meaning of 2, 10° of the Supervision of the Financial Sector and Financial Markets Act of 2 August 2012;
- if shares of Qrf City Retail, which were issued as a result of a decision of the General Meeting of Shareholders, are acquired or subscribed by the persons referred to in Article 37, §1 of the RREC Act; and
- if transactions concerning cash and cash equivalents of Qrf City Retail or one of its Perimeter Companies are carried out, on condition that the person who acts as a counterparty has the capacity of intermediary within the meaning of Article 2, 10° of the aforementioned Act of 2 August 2002 and that these transactions are carried out under market conditions.

Pursuant to Article 37, §3 and 49, §2 of the RREC Act, when the counterparty is one of the persons referred to in Article 37, § 1 or if one of those persons gains any benefit from the transaction, the Fair Value of the property concerned is appreciated, irrespective of the value of the transaction:

- if Qrf City Retail or its Perimeter Companies dispose of real estate in one of the aforementioned cases, the minimum price at which the property can be disposed of is the Fair Value determined by the property assessor;

- if Qrf City Retail or its Perimeter Companies acquire real estate in one of the aforementioned cases, the maximum price at which the property can be acquired is the Fair Value determined by the property assessor.

Pursuant to article 37 §3 of the RREC Act, the transactions referred to in Article 37 §1 of the RREC Act must be carried out under normal market conditions.

In addition, Articles 523 and 524 of the Companies' Code apply in full to Qrf City Retail and the Statutory Manager.

### 7.3.3.1 Conflicts of interest for directors

Potential conflicts of interest may occur for some members of the Board of Directors. Qrf City Retail will in such cases endeavour to limit the impact of such conflicts as much as possible by complying with the legal conflict of interest procedures. Transactions between Qrf City Retail and the directors must be conducted at the customary market conditions.

The legal rules in conflicts of interest that have to be applied are Article 523 of the Companies Code and Articles 36, 37 and 38 of the RREC Act which stipulate the obligation of informing the FSMA in advance in certain cases. A conflict of interest of a director with Qrf City Retail will be considered to constitute a conflict of interest between that director and the Statutory Manager.

In 2018, Qrf City Retail had no conflicts of interest in the sense of Article 37 of the RREC Act, although the Board of Directors applied the conflict of interest procedure from Article 523 of the Companies' Code on two occasions:

**(1)** The meeting of the Board of Directors, held on 6 September 2018, applying the conflict of interest procedure from Article 523 of the Companies' Code, deliberated and decided about an offer of 100% of the shares in Qrf Management NV made by a third party (i.e. a party other than the Vanmoerkerke family). An extract from the minutes of the meeting of the Board of Directors, held on 6 September 2018 is shown below:

» In navolging van de bepalingen in de GVV-Wet en Artikel 523 van het Wetboek van Vennootschappen

dient een bestuurder met een vermogensrechtelijk belangenconflict dit te melden aan zijn/haar collega-bestuurders. Deze bestuurder dient zich vervolgens te onthouden van de beraadslaging en beslissing.

» Anneleen Desmyter, Herman Du Bois en Freddy Hoorens verklaren dat als er beslissingen moeten worden genomen over de randvoorwaarden van een eventueel scenario A (waarbij de aandelen van Qrf Management NV zouden worden overgenomen op basis van het bod dat de aandeelhouders van Qrf Management NV hebben ontvangen van een derde partij) (zoals voordracht van nieuwe bestuurders, toegang tot informatie van Qrf City Retail, gelieerde transacties), of een eventueel scenario B (waarbij de aandelen Qrf Management NV zouden worden overgenomen door de Vennootschap en het Property Management geïnternaliseerd zou worden) zij als (indirecte) aandeelhouders van Qrf Management NV een vermogensrechtelijk belang zouden hebben dat mogelijks strijdig is met dat van de Vennootschap bij dergelijke beslissing in de zin van Artikel 523 van het Wetboek van Vennootschappen.

» Hoewel het niet de bedoeling is dat deze vergadering van de Raad van Bestuur omtrent (bepaalde randvoorwaarden m.b.t.) scenario A of omtrent scenario B beslissingen neemt, verlaten zij toch de vergadering om een bespreking tussen onafhankelijke bestuurders over de verschillende scenario's voor de toekomst van Qrf City Retail mogelijk te maken.

» Nadat de bestuurders Anneleen Desmyter, Herman Du Bois, Freddy Hoorens (alsook Preben Bruggeman en Michiel Gevers) de zaal hebben verlaten, gaat de Raad van Bestuur over tot bespreking van de pro's en con's van de verschillende scenario's die voorliggen met betrekking tot de toekomst van Qrf City Retail.

De onafhankelijke bestuurders oordelen als volgt:

– Het voorgestelde scenario (scenario "A") waarbij de aandelen van Qrf Management NV zouden worden overgenomen op basis van het bod dat de aandeelhouders van Qrf Management NV hebben ontvangen van een derde partij, is niet in het belang van de aandeelhouders van Qrf City Retail. Dergelijke transactie, en de randvoorwaarden ervan, bieden geen of onvoldoende meerwaarde in de volgende domeinen (i) aanbreng van competenties en skills, (ii) (mogelijkheid tot) significante inbreng van equity, (iii) (mogelijkheid tot) significante afbouw van schuld en (iv) mogelijkheid



tot significante verbetering van de algemene samenstelling van de portefeuille door inbreng van panden. De voorgestelde ruilverhouding van de in te brengen portefeuille is ongunstig voor de aandeelhouder van Qrf City Retail: enerzijds worden de aandelen van Qrf City Retail in de voorgestelde ruil gewaardeerd met een materiële korting ten opzichte van de netto actiefwaarde terwijl anderzijds de inbreng van de panden zou gebeuren op basis van de netto actiefwaarde van deze panden, waarbij het feit dat de inbreng zou gebeuren via vennootschappen additionele complexiteit en onzekerheid creëert. Mogelijke alternatieve M&A scenario's kunnen worden bekeken en zullen desgevallend worden getoetst aan deze criteria.

– Het scenario waarbij Qrf City Retail de aandelen van Qrf Management zou inkopen, gepaard met een internalisering van haar Property Management activiteiten, moet verder worden bekeken en uitgezocht (onder meer financiële haalbaarheid en kostenplaatje van de internalisering van de Property Management activiteiten). Dergelijk scenario zou mogelijks kunnen helpen om een kostenbesparing te realiseren.

**(2)** Extract from the minutes of 20 December 2018 (containing the final decision regarding the transaction already discussed by the Board of Directors on 28 November 2018 and 3 December 2018 and for which the procedure of Article 523 of the Companies' Code was applied on each occasion):

» In navolging van de bepalingen in de GVV-Wet en Artikel 523 van het Wetboek van Vennootschappen dient een bestuurder met een vermogensrechtelijk belangenconflict dit te melden aan zijn/haar collega-bestuurders. Deze bestuurder dient zich vervolgens te onthouden van de beraadslaging en beslissing.

» Anneleen Desmyter, Herman Du Bois en Freddy Hoorens verklaren dat, indien er beslissingen moeten worden genomen die betrekking hebben op de Transactie (zoals hieronder gedefinieerd), zij als (indirecte) aandeelhouders van Qrf Management NV een vermogensrechtelijk belang zouden hebben dat mogelijks strijdig is met dat van de Vennootschap bij dergelijke beslissing in de zin van Artikel 523 van het Wetboek van Vennootschappen.

» Vermits de Raad van Bestuur tijdens deze vergadering zal beraadslagen en beslissen over de goedkeuring van (i) de Inbrengovereenkomst en (ii) de Property Management Overeenkomst, dienen zij, na de

eventuele uiteenzettingen en mededelingen die zij wensen te doen, de vergadering te verlaten vooraleer de Raad van Bestuur hieromtrent zal beraadslagen en beslissen.

» In overeenstemming met Artikel 523 van het Wetboek van Vennootschappen werd de commissaris op de hoogte gebracht van het strijdig belang, en zal in het jaarverslag met betrekking tot het lopend boekjaar een uittreksel van deze notulen worden opgenomen.

» Mevrouw Anneleen Desmyter geeft een update over de stand van zaken met betrekking tot de transactie met de familie Vanmoerkerke (de Transactie) sinds de laatste vergadering van 12 december 2018.

» De Raad van Bestuur neemt kennis van het laatste ontwerp van (i) de inbrengovereenkomst tussen Horizon Retail Investerings WP BVBA en Horizon Retail Investerings DMB NV als inbrengers en Qrf City Retail als verkrijgende vennootschap (de Inbrengovereenkomst) en (ii) de technische dienstverleningsovereenkomst tussen Qrf City Retail, Quares Property Management NV en Quares Property & Facility Management B.V. (de Property Management Overeenkomst). Beide overeenkomsten worden overlopen en de bestuurders krijgen de mogelijkheid hun vragen en opmerkingen met betrekking tot deze overeenkomsten te formuleren.

» In toepassing van Artikel 523 van het Wetboek van Vennootschappen verlaten mevrouw Anneleen Desmyter, de heer Herman Du Bois en de heer Freddy Hoorens de conference call opdat de Raad van Bestuur zou kunnen beraadslagen en beslissen over huidig agendapunt. Bijgevolg bestaat de Raad van Bestuur voor de behandeling van dit agendapunt uit de volgende bestuurders (de **Onafhankelijke Bestuurders**):

- mevrouw Inge Boets;
- de heer Jan Brouwers; en
- de heer Frank De Moor.

» Vervolgens beraadslagen de Onafhankelijke Bestuurders over de aard van de te nemen beslissing(en), hun verantwoording in het licht van het vennootschapsbelang en de vermogensrechtelijke gevolgen hiervan voor de Vennootschap.

» De Inbrengovereenkomst en de Property Management Overeenkomst kaderen in de ruimere Transactie, waarbij de familie Vanmoerkerke alle aandelen van Qrf Management NV zal verwerven in samenhang met de inbreng door deze familie van een vastgoedportefeuille in de Vennootschap en de herziening van de huidige Property Management Overeenkomst tussen de Vennootschap, Quares Property Management NV en Quares Property Management & Facility BV.

» De Onafhankelijke Bestuurders zijn van oordeel dat de Inbrengovereenkomst en de Property Management Overeenkomst, als onderdelen van de Transactie, in het belang zijn van de Vennootschap, op basis van hiernavolgende overwegingen. Vooreerst zorgt de Transactie voor een aanwinst wat betreft competenties en skills. Daarnaast zijn de plannen van Vanmoerkerke inzake schuldgraad-politiek en de inbreng van equity in lijn met de noden van Qrf City Retail. Tot slot zorgt de Transactie voor een significante verbetering van de algemene samenstelling van de vastgoedportefeuille van Qrf City Retail en is een dergelijke schaalvergroting in het voordeel van de aandeelhouders van de Vennootschap.

» De inbreng van de vastgoedportefeuille in de Vennootschap heeft, onder meer, de volgende vermogensrechtelijke gevolgen voor de Vennootschap:

– de versterking van het eigen vermogen van Qrf City Retail met 23,8 MEUR; en

– de verbetering van de schuldgraad van Qrf City Retail, die zal dalen van 53,8% (op 30 september 2018) naar 48,4%.

» Krachtens de Property Management Overeenkomst zal de Vennootschap de volgende vergoedingen verschuldigd zijn aan Quares Property Management NV in het kader van de door haar te leveren technische dienstverlening:

– 2,55% plus BTW op de Huurinkomsten uit de portefeuille van Qrf City Retail;

– 1,275% plus BTW op de ERV (*Estimated Rental Value*) van de leegstaande oppervlakten van de portefeuille van Qrf City Retail tenzij deze oppervlakten gedekt zijn door een huurwaarborg (in zulks geval zullen de vergoedingen op de leegstaande ruimte in overeenstemming zijn met de overeenkomst tussen de borg over deze oppervlakten en Qrf City Retail, met een maximum van 2,55% plus BTW);

– 2,125% plus BTW op de jaarlijkse gecontracteerde nominale huur met betrekking tot de gebouwen in de portefeuille van Qrf City Retail waarvoor een nieuwe of een verlenging van de huurovereenkomst wordt afgesloten.

» Het dient te worden opgemerkt dat de nieuwe Property Management Overeenkomst een kostenbesparing van ca. 15% oplevert voor Qrf City Retail in vergelijking met de huidige Property Management Overeenkomst tussen de Vennootschap, Quares Property Management NV en Quares Property Management & Facility BV.

» Aangezien de procedure van Artikel 524 van het Wetboek van Vennootschappen van toepassing is op de Transactie, stelt de Raad van Bestuur vast dat de Transactie (en dus de Inbrengovereenkomst en Property Management Overeenkomst) slechts kan worden verwezenlijkt nadat de Raad van Bestuur hiertoe heeft besloten op basis van de beoordeling van de onafhankelijke bestuurders, bijgestaan door een onafhankelijk expert (KPMG).

Conform Art. 524, §3, laatste lid W. Venn. werd het oordeel van de Commissaris opgenomen.

## **VERSLAG VAN DE COMMISSARIS IN OVEREENSTEMMING MET ARTIKEL 524 VAN HET WETBOEK VAN VENNOOTSCHAPPEN IN HET KADER VAN EEN GEPLANDE INBRENG IN NATURA VAN VASTGOED EN DE WIJZIGING AAN HET HUIDIGE PROPERTY MANAGEMENT CONTRACT**

---

### **1 Opdracht**

Overeenkomstig artikel 524 van het Wetboek van vennootschappen heeft de Raad van Bestuur van Qrf Comm VA, de commissaris, PwC Bedrijfsrevisoren, vertegenwoordigd door Damien Walgrave, bedrijfsrevisor, opdracht gegeven om verslag uit te brengen met betrekking tot de getrouwheid van de gegevens die vermeld staan in het advies van het comité van onafhankelijke bestuurders en in de notulen van de Raad van Bestuur.

Artikel 524 §3 schrijft het volgende voor:

*“De Raad van Bestuur, na kennis te hebben genomen van het advies van het comité bepaald in §2, beraadslaagt over de voorgenomen beslissing of verrichting. In voorkomend geval is artikel 523 van toepassing.*

*De Raad van Bestuur vermeldt in zijn notulen of de hiervoor omschreven procedures werden nageleefd, en, in voorkomend geval, op welke gronden van het advies van het comité wordt afgewezen.*

*De commissaris verleent een oordeel over de getrouwheid van de gegevens die vermeld staan in het advies van het comité en in de notulen van de Raad van Bestuur. Dit oordeel wordt aan de notulen van de Raad van Bestuur gehecht.*

*Het besluit van het comité, een uittreksel uit de notulen van de Raad van Bestuur en het oordeel van de commissaris worden afgedrukt in het jaarverslag.”*

### **2 Voorgenomen verrichting**

De procedure voorgeschreven in artikel 524 van het Wetboek van vennootschappen wordt toegepast omwille van het feit dat de Raad van Bestuur een beslissing dient te nemen over enerzijds een kapitaalverhoging door inbreng in natura van vastgoed door Horizon Retail Investerings DMB NV en Horizon Retail Investerings WP BVBA en anderzijds een aanpassing van het bestaande property management contract met Quares Property Management NV en Quares Property Management & Facilities BV. De Raad van Bestuur heeft geacht dat bovenvermelde verrichtingen vallen onder de toepassing van artikel 524 van het Wetboek van Vennootschappen.

We hebben kennis genomen van

1. het verslag van de onafhankelijke expert van 24 januari 2019 gericht aan het Comité van onafhankelijke bestuurders (KPMG Advisory CVBA);
2. het advies van het Comité van onafhankelijke bestuurders (‘het Comité’) van 24 januari 2019;
3. de notulen van de Raad van Bestuur van 24 januari 2019.

Deze verslagen, adviezen en de notulen van de Raad van Bestuur hebben we in bijlage bij dit verslag gevoegd.

Uit bovenstaande documenten blijkt dat:

- Het Comité, bijgestaan door een onafhankelijke expert, van oordeel is dat de voorgenomen transacties geen nadeel berokkenen aan de Vennootschap.
- De Raad van Bestuur van 24 januari 2019 zich akkoord verklaart met het advies van het Comité en besluit om de geplande transacties te bekrachtigen.

Overeenkomstig artikel 524 van het Wetboek van vennootschappen dient de commissaris zijn oordeel te geven over de getrouwheid van de gegevens die vermeld staan in het advies van het comité en in de notulen van de Raad van Bestuur.

### **3 Oordeel over de getrouwheid van de gegevens**

Overeenkomstig de modaliteiten aangegeven in onze opdrachtbrief dd. 24 januari 2019 (de “Overeenkomst”) hebben wij de procedures in het kader van artikel 524 van het Wetboek Vennootschappen, zoals hieronder limitatief opgesomd, gerelateerd aan het oordeel gegeven door het Comité van de onafhankelijke bestuurders en de notulen van de Raad van Bestuur, uitgevoerd. Onze opdracht werd uitgevoerd overeenkomstig de Internationale Standaard voor aan Assurance verwante Diensten 4400 “Opdrachten tot het uitvoeren van overeengekomen specifieke werkzaamheden voor financiële informatie”. Deze uitgevoerde werkzaamheden zijn de volgende:

- (iv) Wij hebben nagekeken of de informatie zoals opgenomen in het advies van het Comité van onafhankelijke bestuurders en in de notulen van de Raad van Bestuur overeenstemt met de informatie in de documenten die het Comité van onafhankelijke bestuurders heeft beoordeeld;
- (v) Wij hebben nagekeken of de conclusie opgenomen in de notulen van de Raad van Bestuur dezelfde is als die in het advies uitgebracht door het Comité van onafhankelijke bestuurders;
- (vi) Wij hebben nagekeken of de informatie opgenomen in het oordeel van het Comité van de onafhankelijke bestuurders en de notulen van de Raad van Bestuur gerelateerd aan de aanpassing van het property management contract met Quares Property Management NV en Quares Property Management & Facilitie BV overeenstemt met de aangepaste overeenkomst zoals afgesloten op 21 December 2018.

Deze werkzaamheden, zoals hierboven beschreven, leiden niet tot enige bevinding

Omwille van het feit dat de hierboven genoemde werkzaamheden noch een controle, noch een beoordeling uitmaken overeenkomstig de Internationale Controlestandaarden dan wel de Internationale Standaarden voor Beoordelingsopdrachten, brengen wij geen enkele mate van zekerheid tot uitdrukking over de informatie opgenomen in het oordeel van het Comité van de onafhankelijke bestuurders en de notulen van de Raad van Bestuur. Verder geven we geen enkel oordeel omtrent de billijkheid van de genomen beslissing door de Raad van Bestuur.

Mochten wij bijkomende werkzaamheden hebben uitgevoerd of mochten we een controle of een beoordeling van de informatie uitgevoerd hebben overeenkomstig de Internationale Controlestandaarden of de Internationale standaarden voor Beoordelingsopdrachten, dan waren mogelijks andere aangelegenheden onder onze aandacht gekomen waarop wij uw aandacht zouden hebben gevestigd. Dit rapport heeft enkel betrekking op de aspecten zoals hierboven toegelicht, en strekt zich niet uit tot de financiële overzichten van de Vennootschap als geheel.

Dit verslag werd opgesteld enkel voor het gebruik in het kader van artikel 524 van het Wetboek Vennootschappen, en kan niet gebruikt worden voor enig ander doel. Dit verslag dient aangehecht te worden aan de notulen van de Raad van Bestuur die beslist omtrent de transacties en dient opgenomen te worden in het jaarverslag.

Sint-Stevens-Woluwe, 30 januari 2019

De commissaris  
PwC Bedrijfsrevisoren cvba  
vertegenwoordigd door

Damien Walgrave  
Bedrijfsrevisor

**Besluit:** de Onafhankelijke Bestuurders beslissen unaniem om de Inbrengovereenkomst en de Property Management Agreement, voor zover als mogelijk in het licht van Artikel 524 van het Wetboek van Vennootschappen, goed te keuren. Mevrouw Anneleen Desmyter, de heer Herman Du Bois en de heer Freddy Hoorens worden terug ingebeld, waarna de overige agendapunten door de voltallige Raad van Bestuur worden behandeld.

### 7.3.3.2 Conflicts of interest for members of the Executive Management

Apart from its obligations pursuant to Article 37 of the RREC Act, Qrf City Retail moreover requires that each member of the Executive Management must avoid the occurrence of conflicts of interest as much as possible. If a conflict of interest does arise nonetheless concerning a matter that falls under the purview of the Executive Management or the Board of Directors, on which it has to decide, the person concerned will inform the other members. The latter will then decide whether the member concerned can vote on the matter to which the conflict of interest pertains or can attend the deliberations on the subject. The Executive Management will present the matter to the Board of Directors.

There is a conflict of interest for a member of the Executive Management when:

- the member in question or one of his or her close relatives in the first degree has a financial interest that runs counter to a decision or a transaction on which the Executive Management of Qrf City Retail has to decide;
- a company that does not belong to the Group, in which the member or one of his or her close relatives in the first degree holds a position on the board or in management, has a financial interest that runs counter to a decision or a transaction on which the Executive Management of Qrf City Retail has to decide.

No conflicts of interest occurred in the Executive Committee at Qrf City Retail in 2018.

### 7.3.3.3 Conflicts of interest for affiliated companies

Qrf City Retail complies with the procedure stipulated in Article 524 of the Companies Code in the case of:

- dealings of Qrf City Retail with a company that is affiliated with it, except for its Perimeter Companies;
- dealings between a Perimeter Company of Qrf City Retail and a company that is affiliated with that Perimeter Company but is not a Perimeter Company of the Perimeter Company.

Decisions on such matters must be submitted beforehand for assessment by a committee of three independent directors assisted by one or more independent experts appointed by the committee. The written reasoned opinion of the committee (with mention of the information provided in Article 524 §2 of the Companies Code) is submitted to the Board of Directors, which then deliberates on the proposed transaction. The Board of Directors mentions in its minutes whether the described procedure was complied with, and where applicable, whether and on what grounds the committee's opinion was departed from. The Auditor gives an opinion on the accuracy of the data mentioned in the committee's opinion and in the minutes of the Board of Directors. This opinion is attached to the minutes of the Board of Directors. The committee's decision, an extract from the minutes of the Board of Directors and the Auditor's opinion are printed in the annual report.

Qrf City Retail had one conflict of interest in 2018 in the sense of Article 524 of the Companies' Code, as can be seen from the following extract from the minutes of the meeting of the Board of Directors of 3 December 2018:

[Anneleen Desmyter, Herman Du Bois en Freddy Hoorens delen mee de procedure van Artikel 524 van het Wetboek van Vennootschappen te willen laten toepassen in het licht van de Potentiële Transactie.](#)

[Hoewel het niet 100% duidelijk is dat de procedure van voornoemd Artikel 524 moet worden toegepast, lijkt het aangewezen om de procedure toch toe te passen omwille van de verknochtheid van enerzijds](#)

de inbreng in natura (waartoe de Raad van Bestuur zal beslissen via de procedure van het toegestaan kapitaal) en anderzijds de verkoop van de aandelen van Qrf Management NV (waarvan Anneleen Desmyter, Herman Du Bois en Freddy Hoorens de indirecte aandeelhouders zijn), zoals uiteengezet in de Heads of Agreement (zoals hieronder gedefinieerd) van de Potentiële Transactie.

Artikel 524 van het Wetboek van Vennootschappen houdt in dat elke beslissing of verrichting die verband houdt met betrekkingen tussen een genoteerde vennootschap een verbonden vennootschap, voorafgaandelijk het voorwerp moet uitmaken van een onafhankelijke beoordeling van een comité van drie onafhankelijke bestuurders. Dit comité moet worden bijgestaan door één of meer onafhankelijke experts, door het comité aangesteld. De expert wordt door de genoteerde vennootschap vergoed. Het comité omschrijft de aard van de beslissing of verrichting, beoordeelt het bedrijfsmatige voor-of nadeel voor de vennootschap en voor haar aandeelhouders. Het begroot de vermogensrechtelijke gevolgen ervan en

stelt vast of de beslissing of verrichting al dan niet van aard is de vennootschap een nadeel te berokkenen dat, in het licht van het beleid dat de vennootschap voert, kennelijk onrechtmatig is. Indien het comité de beslissing of verrichting niet kennelijk onrechtmatig bevindt, doch meent dat zij de vennootschap benadeelt, verduidelijkt het comité welke voordelen de beslissing of verrichting in rekening brengt ter compensatie van de vermelde nadelen.

**Besluit:** de Raad van Bestuur beslist unaniem om, overeenkomstig Artikel 524 van het Wetboek van Vennootschappen, een comité van onafhankelijke bestuurders aan te stellen dat een verslag in de zin van Artikel 524 van het Wetboek van Vennootschappen dient uit te brengen aan de Raad van Bestuur met betrekking tot de Potentiële Transactie.

## 7.3.4 Conflicts of interest during the 2019 financial year

### 7.3.4.1 Conflicts of interest for directors

During the period between 1 January 2019 and the date of this Annual Report, Qrf applied the conflict of interests procedure provided for in Article 524 of the Companies' Code on two occasions:

**(1)** Extract from the minutes of the meeting of the Board of Directors held on 15 January 2019

In navolging van de bepalingen in de GVV-Wet en artikel 523 van het Wetboek van vennootschappen (**W.Venn.**) dient een bestuurder met een vermogensrechtelijk belangenconflict dit te melden aan zijn/haar collega-bestuurders. Deze bestuurder dient zich vervolgens te onthouden van de beraadslaging en beslissing.

Anneleen Desmyter verklaart dat zij een vermogensrechtelijk belang heeft dat mogelijks strijdig is met dat van de Vennootschap in de zin van artikel 523 W.Venn. bij de beslissing omtrent de goedkeuring van de variabele vergoeding 2018 aangezien zij lid is van het uitvoerend management van Qrf. Zij zal de

vergadering verlaten wanneer de Raad van Bestuur hieromtrent beraadslaagt en beslist.

In overeenstemming met artikel 523 van het Wetboek van vennootschappen werd de commissaris op de hoogte gebracht van het belangenconflict, en zal het jaarverslag met betrekking tot het lopend boekjaar een uittreksel van deze notulen bevatten.

In toepassing van artikel 523 W.Venn. verlaat mevrouw Anneleen Desmyter de vergadering opdat de Raad van Bestuur zou kunnen beraadslagen en beslissen over huidig agendapunt.

De Raad van Bestuur neemt kennis van het verslag van het benoemings- en remuneratiecomité van 15/01/19 aangaande de evaluatie en variabele vergoeding 2018 van het uitvoerend management, bestaande uit Anneleen Desmyter EBVBA (tot 31 oktober 2018), Anneleen Desmyter (vanaf 1 november 2018), Preben Bruggeman en Michiel Gevers.

De evaluatie is gebeurd aan de hand van de volgende criteria: evolutie resultaten, evolutie portefeuille, communicatie, team management en vergelijking ten opzichte van de peer group en de transactie met Vanmoerkerke.

**Besluit:** de Raad van Bestuur besluit om de volgende variabele vergoedingen toe te kennen aan het uitvoerend management:

- Anneleen Desmyter EBVBA: 10/12de van 50.000 EUR
- Anneleen Desmyter: 2/12de van 50.000 EUR

**(2)** Extract from the minutes of 24 January 2019 (containing the final decision regarding the transaction already discussed by the Board of Directors on 15 January 2019 and for which the procedure of Article 523 of the Companies' Code was applied on each occasion):

In navolging van de bepalingen in de GVV-Wet en artikel 523 van het Wetboek van vennootschappen (**W.Venn.**) dient een bestuurder met een vermogensrechtelijk belangenconflict dit te melden aan zijn/haar collega-bestuurders. Deze bestuurder dient zich vervolgens te onthouden van de beraadslaging en beslissing.

Anneleen Desmyter, Herman Du Bois en Freddy Hoorens verklaren dat, indien er beslissingen moeten worden genomen die betrekking hebben op de Transactie (zoals hieronder gedefinieerd), zij als (indirecte) aandeelhouders van Qrf Management NV een vermogensrechtelijk belang zouden hebben dat mogelijks strijdig is met dat van de Vennootschap bij dergelijke beslissing in de zin van artikel 523 W.Venn.

Vermits de Raad van Bestuur tijdens deze vergadering zal beraadslagen en beslissen over de finale bekrachtiging van de inbrengovereenkomst en de property management overeenkomst en over finale de goedkeuring van het verslag van de statutaire zaakvoerder cfr. artikel 602 W. Venn., dienen zij, na de eventuele uiteenzettingen en mededelingen die zij wensen te doen, de vergadering te verlaten wanneer de Raad van Bestuur hieromtrent beraadslaagt en beslist.

In overeenstemming met artikel 523 van het Wetboek van vennootschappen werd de commissaris op de hoogte gebracht van het belangenconflict, en zal het jaarverslag met betrekking tot het lopend boekjaar een uittreksel van deze notulen bevatten.

## 1. UPDATE TRANSACTIE

Mevrouw Anneleen Desmyter geeft een update over de stand van zaken met betrekking tot de transactie met de familie Vanmoerkerke bestaande uit (i) overname van alle aandelen in Qrf Management NV, (ii) de inbreng van een vastgoedportefeuille in Qrf (de **Inbreng**), en (iii) in het licht daarvan de herziening van de property management overeenkomst tussen QRF, Quares Property Management NV en Quares Property Management & Facility BV (de Transactie).

In toepassing van artikel 523 W.Venn. verlaten mevrouw Anneleen Desmyter, de heer Herman Du Bois en de heer Freddy Hoorens de vergadering opdat de Raad van Bestuur zou kunnen beraadslagen en beslissen over huidig agendapunt. Bijgevolg bestaat de Raad van Bestuur voor de behandeling van dit agendapunt uit de volgende bestuurders (de **Onafhankelijke Bestuurders**):

- mevrouw Inge Boets;
- de heer Jan Brouwers; en
- de heer Frank De Moor

Vervolgens beraadslagen de Onafhankelijke Bestuurders over de aard van de te nemen beslissing(en), hun verantwoording in het licht van het vennootschapsbelang en de vermogensrechtelijke gevolgen hiervan voor de Vennootschap.

De inbrengovereenkomst en de property management overeenkomst kaderen in de ruimere Transactie, waarbij de familie Vanmoerkerke, onder de opschortende voorwaarde van, onder meer, de uitvoering van de Inbreng en de ondertekening van de property management overeenkomst, alle aandelen van Qrf Management NV zal verwerven.

De Onafhankelijke Bestuurders zijn van oordeel dat de Inbrengovereenkomst en de Property Management Overeenkomst, als onderdelen van de Transactie, in het belang zijn van de Vennootschap, op basis van hiernavolgende overwegingen. Vooreerst zorgt de Transactie voor een aanwinst wat betreft competenties en *skills*. Daarnaast zijn de plannen van Vanmoerkerke inzake schuldgraad-politiek en de inbreng van *equity* in lijn met de noden van Qrf. Tot slot zorgt de Transactie voor een significante verbetering van de algemene samenstelling van de vastgoedportefeuille van Qrf en is een dergelijke schaalvergroting in het voordeel van de aandeelhouders van de Vennootschap.



De Inbreng van de vastgoedportefeuille in de Vennootschap heeft, onder meer, de volgende vermogensrechtelijke gevolgen voor de Vennootschap:

- de versterking van het eigen vermogen van Qrf met 23,8 MEUR; en
- de verbetering van de schuldgraad van Qrf, die zal dalen van 53,8% (op 30 september 2018) naar 48,4%.

**(a)** Kennisname advies comité onafhankelijke bestuurders in toepassing van artikel 524 W. Venn.

De Raad van Bestuur neemt kennis van het advies van het comité van de onafhankelijke bestuurders van Qrf Management NV, dat werd bijgestaan door een onafhankelijk expert (KPMG), aangaande de Transactie in het kader van artikel 524 W. Venn. (aangehecht als Bijlage 1), waarvan de conclusie luidt als volgt:

*Het Comité finaliseerde deze conclusie op 24 januari 2019 met het oog op de vergadering van de raad van bestuur van de Vennootschap van 24 januari 2019, op basis van de op dat ogenblik beschikbare informatie. Het Comité houdt zich het recht voor om, indien er tussen 24 januari 2019 en 30 januari 2019 nog relevante informatie beschikbaar zou worden gesteld, die van aard is om de inhoud en/of de conclusie van dit verslag te wijzigen, een geamendeerd verslag aan de raad van bestuur voor te leggen.*

*Het Comité van de onafhankelijke bestuurders, bijgestaan door KPMG Advisory CVBA als onafhankelijk expert, is unaniem van oordeel dat (i) de Inbreng en de Nieuwe Property Management Overeenkomst tot voordeel strekken van de Vennootschap en haar aandeelhouders, (ii) noch de Inbreng (incl. de uitgifteprijs en de inbrengwaarde), noch de Nieuwe Property Management Agreement van aard zijn Qrf een nadeel te berokkenen dat, in het licht van het beleid dat de Vennootschap voert, kennelijk onrechtmatig is en (iii) dat de Inbreng en de Nieuwe Property Management Overeenkomst niet zullen leiden tot nadelen voor de Vennootschap die niet worden gecompenseerd door de voordelen die zij geniet ten gevolge van de Transactie.*

*Dit besluit zal worden opgenomen in het jaarverslag van de Vennootschap.*

De Raad van Bestuur besluit na kennisname van voornoemd advies om de Transactie definitief goed

te keuren, de inbrengovereenkomst te bekrachtigen en uit te voeren, en de property management overeenkomst te ondertekenen. De Raad van Bestuur stelt vast dat de procedure van artikel 524 W. Venn. werd nageleefd en dat er niet van het advies van het comité van de onafhankelijke bestuurders van Qrf Management NV wordt afgeweken.

De Raad van Bestuur neemt kennis van het oordeel van de commissaris van Qrf (PwC Bedrijfsrevisoren, vertegenwoordigd door Damien Walgrave) aangaande de getrouwheid van de gegevens die vermeld zijn in (i) het advies van het comité van de onafhankelijke bestuurders van Qrf Management NV en (ii) de notulen van deze Raad van Bestuur. Een kopie van het oordeel van de commissaris wordt als Bijlage 2 aan deze notulen gehecht.

Het advies van het comité van de onafhankelijke bestuurders van Qrf Management NV, een uittreksel uit de notulen van deze Raad van Bestuur en het oordeel van de commissaris van Qrf zal worden opgenomen in het jaarverslag met betrekking tot het lopend boekjaar.

**(b)** Kennisname verslag van de commissaris in toepassing van artikel 602 W. Venn.

Krachtens artikel 602 W.Venn. dient de commissaris een bijzonder verslag op te stellen waarin de Inbreng, alsook de toegepaste methoden van waardering worden beschreven. De commissaris geeft daarbij aan of de waardebeoordelingen waartoe die methoden leiden, ten minste overeenkomen met het aantal en de nominale waarde van de tegen de Inbreng uit te geven aandelen. Ten slotte vermeldt het verslag van de commissaris welke werkelijke vergoeding als tegenprestatie voor de Inbreng wordt verstrekt.

De Raad van Bestuur bespreekt de laatste versie van het verslag van de commissaris en stelt vast dat de commissaris zijn verslag pas zal aftekenen en vrijgeven na bewijs van de ondertekening van het addendum aan de inbrengovereenkomst door Horizon Retail Investerings WP BVBA, Horizon Retail Investerings DMB NV en Qrf, wat voorzien is op 30 januari 2019.

Een kopie van het bijzonder verslag van de commissaris opgemaakt in overeenstemming met artikel 602 W.Venn. wordt als Bijlage 3 aan deze notulen gehecht.

**(c)** Goedkeuring verslag statutaire zaakvoerder in toepassing van artikel 602 W. Venn.

Krachtens artikel 602 W.Venn. moet de statutaire zaakvoerder van Qrf in een bijzonder verslag uiteenzetten waarom zowel de Inbreng als de voorgestelde kapitaalverhoging van belang zijn voor Qrf. Het bijzonder verslag bevat tevens een beschrijving van de weerslag van de voorgestelde Inbreng op de toestand van de aandeelhouders, in het bijzonder wat hun aandeel in de winst en in het kapitaal betreft.

De Inbreng heeft, onder meer, de volgende vermogensrechtelijke gevolgen voor Qrf:

- de versterking van het eigen vermogen van Qrf met EUR 23,8 miljoen; en
- de verbetering van de schuldgraad van Qrf, die zal dalen van 53,8% (op 30 september 2018) naar 48,4%.

De Raad van Bestuur bespreekt de laatste versie van het ontwerp van verslag van de statutaire zaakvoerder, keurt het unaniem goed en geeft bijzondere volmacht aan Anneleen Desmyter, met bevoegdheid om alleen te handelen, om dit verslag te ondertekenen en vrij te geven nadat ze het ondertekend verslag van de commissaris cfr. artikel 602 W. Venn. heeft ontvangen op voorwaarde dat dit verslag materieel in lijn is met de versie waar de raad van bestuur vandaag kennis van heeft genomen.

Een kopie van het bijzonder verslag van de statutaire zaakvoerder opgemaakt in overeenstemming met artikel 602 W.Venn. wordt als Bijlage 4 aan deze notulen gehecht.

**(d)** Goedkeuring overeenkomst inpandgeving aandelen

De inbrengovereenkomst voorziet dat een deel van de nieuwe aandelen die zullen worden uitgegeven in het kader van de Inbreng door de inbrengers in pand zullen worden gegeven ten gunste van Qrf tot waarborg van bepaalde van hun verplichtingen onder de Inbrengovereenkomst.

Krachtens artikel 630 W. Venn. moet Qrf de regels inzake inkoop eigen aandelen voor deze inpandneming van eigen aandelen op analoge manier toepassen. De buitengewone algemene vergadering van Qrf heeft op 6 juni 2017 een machtiging verleend aan de statutaire zaakvoerder om onder meer haar eigen aandelen

in pand te nemen aan een eenheidsprijs die niet lager mag zijn dan 75% van de beurskoers van de slotnotering van de dag vóór de datum van de transactie en die niet hoger mag zijn dan 125% van de beurskoers van de slotnotering van de dag vóór de datum van de transactie zonder dat Qrf meer mag bezitten dan 20% van het totaal aantal uitgegeven aandelen.

De Raad van Bestuur neemt kennis van het ontwerp van de overeenkomst inpandgeving aandelen krachtens dewelke (i) Horizon Retail Investerings WP BVBA 22.000 aandelen Qrf en (ii) Horizon Retail Investerings DMB NV 25.500 aandelen Qrf in pand zullen geven ten gunste van Qrf.

De Raad van Bestuur stelt vast dat er aan de voorwaarden van artikel 620 e.v. W. Venn. is voldaan aangezien er een machtiging is van de algemene vergadering van Qrf, de nominale waarde van de in pand te geven aandelen kleiner is dan 20% van het geplaatst kapitaal van Qrf, het pand wordt gevestigd op volstorte aandelen, Qrf het stemrecht niet mag uitoefenen dat verbonden is aan de in pand te geven aandelen en de waarde waaraan de aandelen in pand worden gegeven valt binnen de toegelaten prijsvork.

De Raad van Bestuur keurt de laatste versie het ontwerp van de overeenkomst inpandgeving aandelen unaniem goed, een kopie van deze overeenkomst wordt als Bijlage 5 aan deze notulen gehecht.

**(e)** Goedkeuring addendum aan de inbrengovereenkomst

De Raad van Bestuur neemt kennis van het ontwerp van het addendum aan de inbrengovereenkomst dd. 21 december 2018 tussen Horizon Retail Investerings WP BVBA en Horizon Retail Investerings DMB NV als inbrengers en Qrf als verkrijgende vennootschap. Dit addendum bevat bepalingen aangaande (i) bevestiging van de verbintenis van de inbrengers aangaande het onafgewerkt pand Meirbrug, (ii) de kosten van een OBO en eventuele saneringsverplichting aangaande het pand Mende en (iii) bevestiging dat er geen issues zijn gebleken aangaande de eigendomstitels van de ingebrachte panden die nog niet beschikbaar waren op datum van ondertekening van de inbrengovereenkomst (zijnde 21 december 2018).

De Raad van Bestuur keurt het ontwerp van het addendum aan de inbrengovereenkomst unaniem goed, een kopie van het addendum aan de inbrengovereenkomst wordt als Bijlage 6 aan deze notulen gehecht.

#### (f) Goedkeuring Property Management Overeenkomst

De Raad van Bestuur neemt kennis van het ontwerp van de technische dienstverleningsovereenkomst tussen Qrf, Quares Property Management NV en Quares Property & Facility Management B.V. (**de Property Management Overeenkomst**).

Krachtens de Property Management Overeenkomst zal de Vennootschap de volgende vergoedingen verschuldigd zijn aan Quares Property Management NV in het kader van de door haar te leveren technische dienstverlening:

- 2,55% plus BTW op de huurinkomsten uit de portefeuille van Qrf;
- 1,275% plus BTW op de ERV (*Estimated Rental Value*) van de leegstaande oppervlakten van de portefeuille van Qrf tenzij deze oppervlakten gedekt zijn door een huurwaarborg (in zulks geval zullen de vergoedingen op de leegstaande ruimte in overeenstemming zijn met de overeenkomst tussen de borg over deze oppervlakten en Qrf, met een maximum van 2,55% plus BTW);
- 2,125% plus BTW op de jaarlijkse gecontracteerde nominale huur met betrekking tot de gebouwen in de portefeuille van Qrf waarvoor een nieuwe of een verlenging van de huurovereenkomst wordt afgesloten.

Het dient te worden opgemerkt dat de nieuwe Property Management Overeenkomst een kostenbesparing van ca. 15% oplevert voor Qrf in vergelijking met de huidige property management overeenkomst tussen de Vennootschap, Quares Property Management NV en Quares Property Management & Facility BV.

De Raad van Bestuur keurt het ontwerp van de Property Management Overeenkomst unaniem goed, een kopie van het addendum aan de inbrengovereenkomst wordt als Bijlage 7 aan deze notulen gehecht.

#### 7.3.4.2 Conflicts of interest for affiliated companies

In the period from 1 January 2019 until the date of this Annual Report, Qrf City Retail had one instance of a conflict of interest in the sense of article 524 of the Companies' Code, as can be seen from the following

extract from the minutes of the meeting of the Board of Directors on 24 January 2019 (also see the extract from the minutes of the meeting of the Board of Directors on 3 December 2018):

**(a)** Kennisname advies comité onafhankelijke bestuurders in toepassing van artikel 524 W. Venn.

De Raad van Bestuur neemt kennis van het advies van het comité van de onafhankelijke bestuurders van Qrf Management NV, dat werd bijgestaan door een onafhankelijk expert (KPMG), aangaande de Transactie in het kader van artikel 524 W. Venn. (aangehecht als Bijlage 1), waarvan de conclusie luidt als volgt:

*Het Comité finaliseerde deze conclusie op 24 januari 2019 met het oog op de vergadering van de raad van bestuur van de Vennootschap van 24 januari 2019, op basis van de op dat ogenblik beschikbare informatie. Het Comité houdt zich het recht voor om, indien er tussen 24 januari 2019 en 30 januari 2019 nog relevante informatie beschikbaar zou worden gesteld, die van aard is om de inhoud en/of de conclusie van dit verslag te wijzigen, een geamendeerd verslag aan de raad van bestuur voor te leggen.*

*Het Comité van de onafhankelijke bestuurders, bijgestaan door KPMG Advisory CVBA als onafhankelijk expert, is unaniem van oordeel dat (i) de Inbreng en de Nieuwe Property Management Overeenkomst tot voordeel strekken van de Vennootschap en haar aandeelhouders, (ii) noch de Inbreng (incl. de uitgifteprijs en de inbrengwaarde), noch de Nieuwe Property Management Agreement van aard zijn Qrf een nadeel te berokkenen dat, in het licht van het beleid dat de Vennootschap voert, kennelijk onrechtmatig is en (iii) dat de Inbreng en de Nieuwe Property Management Overeenkomst niet zullen leiden tot nadelen voor de Vennootschap die niet worden gecompenseerd door de voordelen die zij geniet ten gevolge van de Transactie.*

*Dit besluit zal worden opgenomen in het jaarverslag van de Vennootschap.*

De Raad van Bestuur besluit na kennisname van voornoemd advies om de Transactie definitief goed te keuren, de inbrengovereenkomst te bekrachtigen en uit te voeren, en de property management overeenkomst te ondertekenen. De Raad van Bestuur stelt vast dat de procedure van artikel 524 W. Venn. werd nageleefd en dat er niet van het advies van het comité van de onafhankelijke bestuurders van Qrf Management NV wordt afgeweken.

De Raad van Bestuur neemt kennis van het oordeel van de commissaris van Qrf (PwC Bedrijfsrevisoren, vertegenwoordigd door Damien Walgrave) aangaande de getrouwheid van de gegevens die vermeld zijn in (i) het advies van het comité van de onafhankelijke bestuurders van Qrf Management NV en (ii) de notulen van deze Raad van Bestuur. Een kopie van het oordeel van de commissaris wordt als Bijlage 2 aan deze notulen gehecht.

Het advies van het comité van de onafhankelijke bestuurders van Qrf Management NV, een uittreksel uit de notulen van deze Raad van Bestuur en het oordeel van de commissaris van Qrf zal worden opgenomen in het jaarverslag met betrekking tot het lopend boekjaar.

De commissaris van Qrf City Retail heeft in overeenstemming met Artikel 524 van het Wetboek van Vennootschappen een oordeel geveld over de getrouwheid van de gegevens die vermeld staan in het advies van het comité van onafhankelijke bestuurders en in de notulen van de Raad van Bestuur:

*Overeenkomstig de modaliteiten aangegeven in onze opdrachtbrief dd. 24 januari 2019*

*(de "Overeenkomst") hebben wij de procedures in het kader van artikel 524 van het Wetboek Vennootschappen, zoals hieronder limitatief opgesomd, gerelateerd aan het oordeel gegeven door het Comité van de onafhankelijke bestuurders en de notulen van de Raad van Bestuur, uitgevoerd. Onze opdracht werd uitgevoerd overeenkomstig de Internationale Standaard voor aan Assurance verwante Diensten 4400 "Opdrachten tot het uitvoeren van overeengekomen specifieke werkzaamheden voor financiële informatie". Deze uitgevoerde werkzaamheden zijn de volgende:*

*(i) Wij hebben nagekeken of de informatie zoals opgenomen in het advies van het Comité van onafhankelijke bestuurders en in de notulen van de Raad van Bestuur overeenstemt met de informatie in de documenten die het Comité van onafhankelijke bestuurders heeft beoordeeld;*

*(ii) Wij hebben nagekeken of de conclusie opgenomen in de notulen van de Raad van Bestuur dezelfde is als die in het advies uitgebracht door het Comité van onafhankelijke bestuurders;*

*(iii) Wij hebben nagekeken of de informatie opgenomen in het oordeel van het Comité van de onafhankelijke bestuurders en de notulen van de Raad van Bestuur gerelateerd aan de aanpassing van het property management contract met Quares Property Management NV en Quares Property Management & Facilitie BV overeenstemt met de aangepaste overeenkomst zoals afgesloten op 21 December 2018.*

*Deze werkzaamheden, zoals hierboven beschreven, leiden niet tot enige bevinding.*

*Omwille van het feit dat de hierboven genoemde werkzaamheden noch een controle, noch een beoordeling uitmaken overeenkomstig de Internationale Controlestandaarden dan wel de Internationale Standaarden voor Beoordelingsopdrachten, brengen wij geen enkele mate van zekerheid tot uitdrukking over de informatie opgenomen in het oordeel van het Comité van de onafhankelijke bestuurders en de notulen van de Raad van Bestuur. Verder geven we geen enkel oordeel omtrent de billijkheid van de genomen beslissing door de Raad van Bestuur.*

*Mochten wij bijkomende werkzaamheden hebben uitgevoerd of mochten we een controle of een beoordeling van de informatie uitgevoerd hebben overeenkomstig de Internationale Controlestandaarden of de Internationale standaarden voor Beoordelingsopdrachten, dan waren mogelijks andere aangelegenheden onder onze aandacht gekomen waarop wij uw aandacht zouden hebben gevestigd. Dit rapport heeft enkel betrekking op de aspecten zoals hierboven toegelicht, en strekt zich niet uit tot de financiële overzichten van de Vennootschap als geheel.*

*Dit verslag werd opgesteld enkel voor het gebruik in het kader van artikel 524 van het Wetboek Vennootschappen, en kan niet gebruikt worden voor enig ander doel. Dit verslag dient aangehecht te worden aan de notulen van de Raad van Bestuur die beslist omtrent de transacties en dient opgenomen te worden in het jaarverslag.*

*Sint-Stevens-Woluwe, 30 januari 2019*

*De commissaris*

*PwC Bedrijfsrevisoren bcvba  
vertegenwoordigd door*

*Damien Walgrave  
Bedrijfsrevisor*

## 7.4 Remuneration report

Pursuant to Article 96, §3 of the Companies Code, Qrf City Retail draws up a remuneration report on the remuneration policy and individual remuneration of its Statutory Manager, directors and Executive Management.

### 7.4.1 Board of Directors of the Statutory Manager

The Statutory Manager receives remuneration that is determined according to the procedures defined below, in accordance with Article 35 of the RREC Act.

The net remuneration of the Statutory Manager (i.e. after the reimbursement of all expenses incurred directly for the day-to-day running of Qrf City Retail) is calculated each year on the basis of the net earnings before costs of the Statutory Manager, before taxes and exclusive of the portfolio earnings.

The net remuneration is equal to 4% of the net current earnings before costs of the Statutory Manager, before taxes and exclusive of the portfolio earnings. The remuneration thus calculated is due on the last day of the financial year concerned, but is payable only after approval of the calculation at the General Meeting of Shareholders of Qrf City Retail. The calculation of the remuneration of the Statutory Manager is checked by the Auditor. As the remuneration of the Statutory Manager is pegged to the earnings of Qrf City Retail, the interest of the Statutory Manager tallies with the interest of the shareholders, in accordance with Article 35 of the RREC Act.

The Statutory Manager of Qrf City Retail is also entitled to reimbursement of all expenses incurred directly for the day-to-day running of Qrf City Retail, including the fees of members of the Board of Directors and the effective leaders.

### 7.4.2 Principles for the development of a remuneration policy and for establishing the individual remuneration

The Statutory Manager receives remuneration that is determined according to the afore-described procedures and in accordance with the articles of association of Qrf City Retail.

As regards the remuneration policy of the directors, Qrf City Retail draws a distinction between two types of directors: the executive director and the non-executive director who may, but need not be an independent director.

The Chairwoman of the Board of Directors receives additional compensation for preparing all meetings.

The directors are remunerated with a fixed annual amount. This covers four physical meetings per year, as well as all telephone and written meetings of the Board of Directors. Remunerated directors will be entitled to an attendance fee for each physical meeting of the Board of Directors that they attend in addition to the four physical meetings mentioned above.

All members of the Board of Directors are also covered by a civil liability insurance policy for directors, the premium of which is paid by Qrf City Retail. The premiums for 2018 were set at 20,561 EUR.

The directors do not receive any other benefits (company car, pension, options, mobile phone, etc.). Non-executive directors are not eligible for variable remuneration.

The remuneration for the Executive Management consists of a fixed fee, with the possibility of a variable remuneration. The amount of these two components is fixed by the Board of Directors, taking into account the responsibilities and the time needed to exercise these functions, as well as practices customary in the sector.

Each year, the remuneration and nomination committee analyses the remuneration policy applied and determines whether a change needs to be introduced. This committee makes the necessary recommendations to the Board of Directors.

The company is not planning any changes to the principles of the remuneration policy for the two financial years ahead.

### 7.4.3 Remuneration 2018

#### THE STATUTORY MANAGER

The remuneration for the Statutory Manager was 328,554 EUR in 2018.

In addition, the expenses of the Statutory Manager were reimbursed. These costs comprise in particular the remuneration of the directors, committees and the Executive Committee of the Statutory Manager and amounted to a total of 757,095 EUR (inclusive of VAT where applicable) in financial year 2018.

#### BOARD OF DIRECTORS OF THE STATUTORY MANAGER

The members of the Board of Directors met 11 times in 2018, physically or by telephone.

In 2018, the directors received a fixed payment of 10,000 EUR. This covers four physical meetings per year, as well as all telephone and written meetings of the Board of Directors. Remunerated directors are entitled to an attendance fee of 2,000 EUR for every physical meeting of the Board of Directors that they attend in addition to the four physical meetings mentioned above.

The Chairwoman of the Board of Directors, Mrs Inge Boets, received an additional fee of 10,000 EUR for financial year 2018.

The members of the remuneration and nomination committee received a fixed annual fee of 1,750 EUR for financial year 2018; the members of the audit committee received a fixed annual fee of 3,500 EUR.

In 2018, there were two meetings of the remuneration and nomination committee. The audit committee met on four occasions in 2018.

**TABLE 11 ATTENDANCE AND REMUNERATION OF THE DIRECTORS**

| DIRECTOR          | ATTENDANCE         |                 |                        | REMUNERATION       |                   |                  |                    |
|-------------------|--------------------|-----------------|------------------------|--------------------|-------------------|------------------|--------------------|
|                   | BOARD OF DIRECTORS | AUDIT COMMITTEE | REMUNERATION COMMITTEE | BOARD OF DIRECTORS | AUDIT COMMITTEE   | DIRECTOR         | BOARD OF DIRECTORS |
| Inge Boets        | 11/11              | 4/4             | 2/2                    | 30,000 EUR         | 3,500 EUR         | 1,750 EUR        | 35,250 EUR         |
| Jan Brouwers      | 9/11               |                 | 2/2                    | 18,000 EUR         |                   | 1,750 EUR        | 19,750 EUR         |
| Frank De Moor     | 10/11              | 4/4             |                        | 18,000 EUR         | 3,500 EUR         |                  | 21,500 EUR         |
| Herman Du Bois    | 10/11              | 4/4             | 2/2                    | 18,000 EUR         | 3,500 EUR         |                  | 21,500 EUR         |
| Freddy Hoorens    | 10/11              |                 |                        | 18,000 EUR         |                   | 1,750 EUR        | 19,750 EUR         |
| Anneleen Desmyter | 11/11              |                 |                        |                    |                   |                  |                    |
| <b>TOTAL</b>      |                    |                 |                        | <b>102,000 EUR</b> | <b>10,500 EUR</b> | <b>5,250 EUR</b> | <b>117,750 EUR</b> |

No shares, options on shares or any other settlement was allocated to the members of the Board of Directors. No remuneration was provided for the members of the investment committee.

## EXECUTIVE MANAGEMENT

The fixed remuneration for the Executive Management was 499,000 EUR in 2018, of which 214,000 EUR was for the CEO and 285,000 EUR for the other members of the Executive Management.

Variable remuneration of 50,000 EUR was allocated to the CEO and 36,000 EUR for the other members of the executive management.

Payment of the variable remuneration for the financial year 2018 depended on the following criteria:

**TABLE 12** VARIABLE REMUNERATION CRITERIA FOR THE FINANCIAL YEAR 2018

| PARAMETER                         | PERCENTAGE OF THE VARIABLE REMUNERATION |     |                            |
|-----------------------------------|---|-----|----------------------------|
|                                   | CEO                                     | CFO | INVESTMENT & ASSET MANAGER |
| Quantitative criteria             | 40%                                     | 65% | 65%                        |
| Implementation of strategy        | 30%                                     | 15% | 15%                        |
| Communication and team management | 10%                                     | 10% | 10%                        |
| Qualitative criteria              | 20%                                     | 10% | 10%                        |

Each year the remuneration and nomination committee checks to see whether (and to what extent) the remuneration criteria have been met and makes recommendations to the Board of Directors which decides on the matter. The variable remuneration for a criterion is granted if the target has been attained in full.

The members of the Executive Management appointed under a management agreement receive

no additional remuneration (company car, pension plan, options, mobile telephone, etc.). For the CFO, the fixed remuneration consists of the basic salary, plus in particular a company car, mobile telephone, flat-rate allowance for entertainment expenses, and a *defined contribution* pension plan.

No Shares or options on Shares were attributed to the members of the Executive Management.

**TABLE 13** SUMMARY OF FIXED AND VARIABLE REMUNERATION OF THE EXECUTIVE MANAGEMENT MEMBERS (2018)

|                                    | CEO                | OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT <sup>17</sup> |
|------------------------------------|--------------------|---|
| <b>Fixed remuneration</b>          | <b>214,000 EUR</b> | <b>285,000 EUR</b>                                      |
| Basic salary                       | 214,000 EUR        | 264,000 EUR   |
| Pension contributions              | 0 EUR              | 5,000 EUR   |
| Other expenses or benefits in kind | 0 EUR              | 16,000 EUR  |
| <b>Variable remuneration</b>       | <b>50,000 EUR</b>  | <b>36,000 EUR</b>                                       |
| <b>TOTAL</b>                       | <b>264,000 EUR</b> | <b>321,000 EUR</b>                                      |

<sup>17</sup> The other members of the Executive Management were (i) Mr Preben Bruggeman (CFO) and (ii) Mr Michiel Gevers (Investment & Asset Manager).

#### 7.4.4 Remuneration 2019

The remuneration and nomination committee conducts an annual analysis of the remuneration policy in force for the effective leaders and the Executive Committee and ascertains, on the basis of a benchmark exercise, whether the remuneration of the Executive Committee is still in line and compliant with market practices. In addition, it verifies whether it is comparable with other Belgian listed companies (in the real estate sector).

In addition, given the scope of the company and the responsibilities related therewith, the remuneration and nomination committee assesses whether the compensation is still sufficiently intrinsically motivating to retain the Executive Management.

Taking into account the foregoing elements and in addition to the customary annual indexing, the following changes were made to the remuneration of the Executive Management:

- the fixed remuneration for the CEO for financial year 2019 will amount to 201,334 EUR;

- the fixed remuneration for the other members of the Executive Management for financial year 2019 will be 243,777 EUR, plus the remuneration of the new CFO.

The payment of the variable remuneration for the Executive Management for financial year 2019 depends on the criteria and objectives set by the remuneration and nomination committee and approved by the Board of Directors.

A comparative study served as a base to analyse which performance criteria for the coming financial year are best suitable for the implementation of the chosen strategy, taking the interests of the shareholders into account.

The following criteria were accordingly set and weighted for relevance for 2019:

**TABLE 14** VARIABLE REMUNERATION CRITERIA FOR THE FINANCIAL YEAR 2019

| PARAMETER                         | PERCENTAGE OF THE VARIABLE REMUNERATION |             |                            |
|-----------------------------------|---|-------------|----------------------------|
|                                   | CEO                                     | CFO         | INVESTMENT & ASSET MANAGER |
| Quantitative criteria             | 40%                                     | 65%         | 65%                        |
| Communication and team management | 10%                                     | 10%         | 10%                        |
| Strategy implementation           | 30%                                     | 15%         | 15%                        |
| Comparison with peer group        | 20%                                     | 10%         | 10%                        |
| <b>TOTAL</b>                      | <b>100%</b>                             | <b>100%</b> | <b>100%</b>                |

A separate weighting is allocated per member of the Executive Management, depending on the position and responsibilities. The maximum variable

remuneration in 2019 will be 48,750 EUR for the CEO and 73,750 EUR in total for the other members of the Executive Management.



#### **7.4.5 Severance pay**

In connection with an early termination of a management agreement with a current member of the Executive Management, it was determined that the initial remuneration may not amount to more than four months of the basic remuneration. Severance pay of four months is provided under the current management agreement of the CEO, the CFO and the Investment & Asset Manager. Article 554 of the Companies' Code is therefore not applicable.

No severance pay was allotted for the termination of the function of Preben Bruggeman as CFO.

#### **7.4.6 Right of recovery**

No right is provided for the Company to recover variable remuneration that was granted on the basis of incorrect financial data.





## 8 Qrf City Retail on the stock exchange

|  |     |
|--|-----|
| 8.1 The Qrf City Retail share .....                        | 103 |
| 8.2 Price development of the share and traded volume ..... | 104 |
| 8.3 Dividend and yield .....                               | 106 |
| 8.4 Share ownership .....                                  | 106 |
| 8.5 Financial calendar .....                               | 107 |

# America Today 43rd



Den Bosch  
Hintamerstraat 41-45  
The Netherlands



## Qrf City Retail on the stock exchange

### 8.1 The Qrf City Retail share

Qrf City Retail offers private and institutional investors the opportunity to gain access to investing in retail properties in a diversified way without having to worry about managing such investments, which is done by professional teams.

The share Qrf City Retail (Euronext Brussel: QRF, ISIN code BE0974272040) has been listed on the continuous market of Euronext Brussels since 18 December 2013. Qrf City Retail is part of the Bel Small-index.

On 31 December 2018, the total capital of Qrf City Retail amounted to 131,723,955.75 EUR. The capital is represented by 5,665,822 fully paid up ordinary shares.

At the time of publication of this registration document, the total capital of Qrf City Retail amounted to 7,153,322 EUR, represented by 7,153,322 fully paid up shares.

For more information on the capital movements and the total number of shares, see Chapter 11, note 17.1 of this annual report.

Each of these shares entitles the holder to one vote at the General Meeting of Shareholders. The shares have no nominal value. Neither Qrf City Retail, nor one of its Perimeter Companies held Qrf City Retail shares on 31 December 2018.



## 8.2 Price development of the share and traded volume

**TABLE 1** DEVELOPMENT OF THE QRF CITY RETAIL SHARE

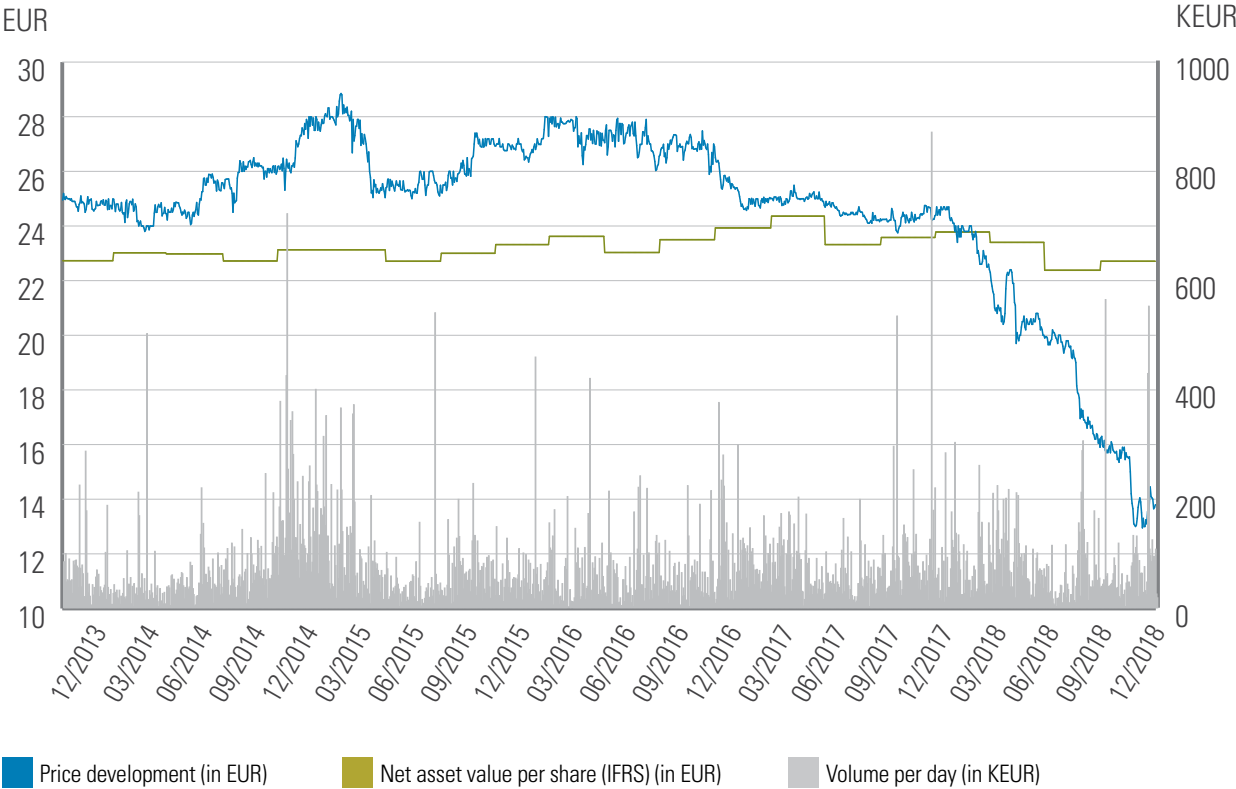
|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
| Number of shares circulation at the end of the financial year                             | 5,665,822   | 5,665,822   |
| Registered shares   | 1,226,836   | 1,431,955   |
| Dematerialized shares   | 4,438,986   | 4,233,867   |
| Market capitalization at the end of the financial year                                    | 78,188,344  | 138,132,740 |
| Free float <sup>1</sup>   | 79.4%       | 79.4%       |
| Share price (in EUR)  |             |             |
| Highest   | 24.70       | 26.50       |
| Lowest  | 12.95       | 23.75       |
| At the end of the financial year  | 13.80       | 24.38       |
| Average   | 19.44       | 24.75       |
| Volume (in number of shares)  |             |             |
| Average daily volume  | 3,997       | 3,360       |
| Annual volume   | 1,019,135   | 860,033     |
| Velocity <sup>2</sup>   | 18.0%       | 15.2%       |
| IFRS NAV per share <sup>3</sup>   | 22.82       | 23.78       |
| Premium/discount relative to IFRS NAV (at the end of the financial year)                  | -39.5%      | 2.5%        |
| EPRA NAV per share <sup>4</sup>   | 23.11       | 24.12       |
| Premium/discount relative to IFRS NAV (at the end of the financial year)                  | -40.3%      | 1.1%        |
| Gross dividend per share (in EUR)   | 0.80        | 1.35        |
| Net dividend per share (in EUR) <sup>5</sup>  | 0.56        | 0.95        |
| Gross dividend yield (on the basis of the closing price at the end of the financial year) | 5.8%        | 5.5%        |
| Net dividend yield (on the basis of the closing price at the end of the financial year)   | 4.1%        | 3.9%        |
| Payout ratio <sup>6</sup>   | 52.7%       | 84.7%       |

The market price of the Qrf City Retail share closed at 13.80 EUR on 31 December 2018 (compared with 24.38 EUR on 31 December 2017). It registered the highest level (24.70 EUR) at the start of the year and the lowest level (12.95 EUR) on 6 December 2018.

On 31 December 2018, the market capitalization of Qrf City Retail amounted to 78,19 MEUR.

- 1 Free float = [(Number of shares at the closing of the financial year) – (total number of shares held by parties that have made themselves known by means of a transparency declaration pursuant to the Act of 2 May 2007)] / [number of shares at the closing of the financial year].
- 2 Velocity = (Annual volume) / Number of shares in circulation at the end of the financial year.
- 3 IFRS NAV per share = *Net Asset Value* per share according to IFRS.
- 4 EPRA NAV per share = *Net Asset Value* per share according to EPRA *Best Practices Recommendations*.
- 5 Taking into account of the withholding tax on securities of 30%.
- 6 Payout ratio = (Gross dividend per share) / (EPRA earnings per share).

**GRAPH 1 PRICE DEVELOPMENT OF THE QRF CITY RETAIL SHARE AND TRADED VOLUME**



The traded volumes increased in 2018. The average daily volume increased from 3,360 shares per day in 2017 to 3,997 share per day in 2018. The Velocity, i.e. the share of the capital which was traded over 2018, amounted to 18.0% (compared with 15.2% in 2017). In total, 1,019,135 shares were traded in 2018 for an amount of 19.82 MEUR.

The Executive Management of Qrf City Retail makes continuous efforts to increase the liquidity of the share by participating in roadshows, organizing meetings with private and institutional investors, and ensuring the communication with analysts.

Furthermore, Qrf City Retail has concluded a liquidity agreement with KBC Securities NV to promote the tradeability of the share.



## 8.3 Dividend and yield

At the ordinary General Meeting of Shareholders of 21 May 2019, the Board of Directors of the Statutory Manager will propose a gross dividend payout<sup>7</sup> of 0.80 EUR per share (compared with 1.35 EUR in 2017), i.e. a drop from 84.7% to 52.7%.

The gross dividend yield amounts to 5.8%, calculated on the closing price on 31 December 2018.

Since 1 January 2017, the withholding tax on allotted dividends amounts to 30%.<sup>8</sup>

The right to the dividend for the full financial year 2018 (1 January to 31 December 2018) is represented by coupon number 5.

## 8.4 Share ownership

Based on the transparency notices that Qrf City Retail received, on 31 December 2018 the shareholding structure of Qrf City Retail was as follows:

**TABLE 2 QRF CITY RETAIL REFERENCE SHAREHOLDERS ON 31 DECEMBER 2018**

| SHAREHOLDERS            | SHARES           | PERCENTAGE    |
|-------------------------|------------------|---------------|
| AXA SA                  | 633,680          | 11.2%         |
| Vanmoerkerke Family     | 536,020          | 9.5%          |
| Free float <sup>9</sup> | 4,496,122        | 79.4%         |
| <b>TOTAL</b>            | <b>5,665,822</b> | <b>100.0%</b> |

After the expiry of the financial year, a contribution in kind was carried out on 30 January 2019, as explained in the press release of 31 January 2019.

On the basis of the transparency notice that Qrf City Retail received on 31 January 2019, the shareholding structure of Qrf City Retail on 31 January 2019 is as follows:

**TABLE 3 QRF CITY RETAIL SHAREHOLDERS ON 30 JANUARY 2019**

| SHAREHOLDERS        | SHARES           | PERCENTAGE    |
|---------------------|------------------|---------------|
| AXA SA              | 633,680          | 8.9%          |
| Vanmoerkerke Family | 2,025,978        | 28.3%         |
| Free float          | 4,493,664        | 62.8%         |
| <b>TOTAL</b>        | <b>7,153,322</b> | <b>100.0%</b> |

7 For the restrictions that apply to the dividend payout, cf. Article 617 of the Companies Code and the calculation of the non-payable equity pursuant to Annex C, Chapter 4 of the RREC RD (cf. point 11.4.8 of the annual report). Cf. also Art. 13 §2 of the RREC RD that prohibits the payment of a dividend if such payout would lead to an increase in the annual or consolidated Debt ratio above 65% or insofar as the annual or consolidated ratio is already higher than 65%.

8 As a result of the Programme Act of 25 December 2016, published in the Belgisch Staatsblad [Belgian Official Gazette] of 29 December 2016, the withholding tax on dividends of public regulated real estate companies was increased from 27% to 30% (except for certain exemptions) effective as of 1 January 2017.

9 Free float = [Number of Shares at the closing of the financial year] – (total number of shares held by parties which announced their holdings by means of a transparency notice pursuant to the Act of 2 May 2007)] / [number of Shares at the closing of the financial year].



**TABLE 4** SHARES IN THE HANDS OF EFFECTIVE LEADERS AND MEMBERS OF THE BOARD OF DIRECTORS

| DIRECTORS AND EFFECTIVE LEADERS | NUMBER OF SHARES HELD<br>ON 31 DECEMBER 2018 |
|---------------------------------|--|
| Inge Boets                      | 0  |
| Freddy Hoorens                  | 3,340  |
| Herman Du Bois                  | 600  |
| Jan Brouwers                    | 0  |
| Frank De Moor                   | 0  |
| Anneleen Desmyter               | 0  |
| Anneleen Desmyter BVBA          | 0  |
| Preben Bruggeman                | 0  |
| William Vanmoerkerke            | 0  |
| Francis Vanderhoydonck          | 1,150  |
| Tom Schockaert                  | 0  |

If Qrf City Retail is informed of sizeable shareholding interests, they shall be disclosed pursuant to the transparency legislation on <http://investor.qrf.be>. Any reported changes are also posted there.

There are no special control rights attributed to certain categories of shareholders. Consequently, all shareholders have the same voting rights.

## 8.5 Financial calendar

**TABLE 5** QRF CITY RETAIL FINANCIAL CALENDAR

|   | DATUM      |
|---|------------|
| Publication of quarterly update Q1                        | 08/05/2019 |
| General Meeting of Shareholders                           | 21/05/2019 |
| Dividend (ex date)  | 22/05/2019 |
| Dividend (record date)                                    | 23/05/2019 |
| Dividend (payment date)                                   | 24/05/2019 |
| Publication of semi-annual results and semi-annual report | 21/08/2019 |
| Publication of quarterly update Q3                        | 13/11/2019 |

For possible changes of the agenda, cf. “financial calendar” on <http://investor.qrf.be>. Any changes will also be announced by press release.





# 9 Property report

|       |   |     |
|-------|---|-----|
| 9.1   | Discussion of the consolidated property portfolio .....           | 111 |
| 9.1.1 | Discussion of the property portfolio on<br>31 December 2018 ..... | 111 |
| 9.1.2 | Occupancy rate .....  | 116 |
| 9.1.3 | Operational management .....                                      | 116 |
| 9.1.4 | Property portfolio on 31 December 2018 .....                      | 118 |
| 9.2   | Developments in the retail property market .....                  | 120 |
| 9.2.1 | Retail properties in 2018 .....                                   | 120 |
| 9.3   | Conclusions of the real estate expert .....                       | 125 |



Hasselt  
Demerstraat 21-25  
Belgium

# 9 Property report

## 9.1 Discussion of the consolidated property portfolio

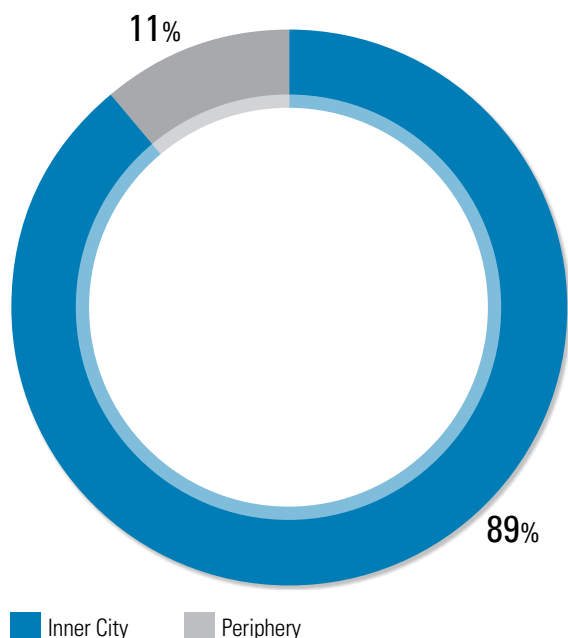
### 9.1.1 Discussion of the property portfolio on 31 December 2018<sup>1</sup>

On 31 December 2018, the consolidated portfolio consisted of 48 sites with a total gross surface area of 87,166 m<sup>2</sup> and a Fair Value of 271.79 MEUR. The Contractual rents on an annual basis amounted to 15.39 MEUR.

The gross rental income on the basis of the Contractual rents on an annual basis amounted to 5.66% on 31 December 2018 (compared with 5.58% on 31 December 2017).

As illustrated in the graph below, the spread of the portfolio, expressed as a percentage of the Fair Value<sup>2</sup>, remained stable on 31 December 2018 at 89% inner-city real estate. This is the result of the consistent application of the investment strategy of Qrf City Retail, with a focus on the inner-city, as explained in Chapter 6.4 of this report.

**GRAPH 1** SPREAD OF THE TYPE OF REAL ESTATE PROPERTIES AS A PERCENTAGE OF THE FAIR VALUE ON 31 DECEMBER 2018



“Over the financial year 2018, Qrf City Retail has kept her strong inner-city position.”

<sup>1</sup> We would also like to draw the attention of shareholders to the importance of the events described under Chapter 5.2 and more specifically the acquisitions after the end of Financial Year 2018.  
<sup>2</sup> The Fair Value is always calculated inclusive of the minority interest in Century Center Freehold BVBA.

Qrf City Retail has divided its portfolio into 2 clusters which correspond to the core countries in which Qrf City Retail is active. The Acquisition value, the Fair value of the investment properties, the Contractual

Rents on an annual basis and the insured value per cluster are given in the summary below.

**TABLE 1 SUMMARY VALUES PER CLUSTER ON 31 DECEMBER 2018**

**CONSOLIDATED PROPERTY PORTFOLIO**

| <b>COUNTRY</b> | <b>ACQUISITION VALUE</b> | <b>FAIR VALUE</b>  | <b>CONTRACTUAL RENTS ON AN ANNUAL BASIS</b> | <b>INSURED VALUE</b> |
|----------------|--------------------------|--------------------|---|----------------------|
| Belgium        | 256.58 MEUR              | 244.31 MEUR        | 13,975 KEUR                                 | 114.23 MEUR          |
| Netherlands    | 28.77 MEUR               | 27.48 MEUR         | 1,416 KEUR                                  | 7.36 MEUR            |
| <b>TOTAL</b>   | <b>285.35 MEUR</b>       | <b>271.79 MEUR</b> | <b>15,391 KEUR</b>                          | <b>121.59 MEUR</b>   |

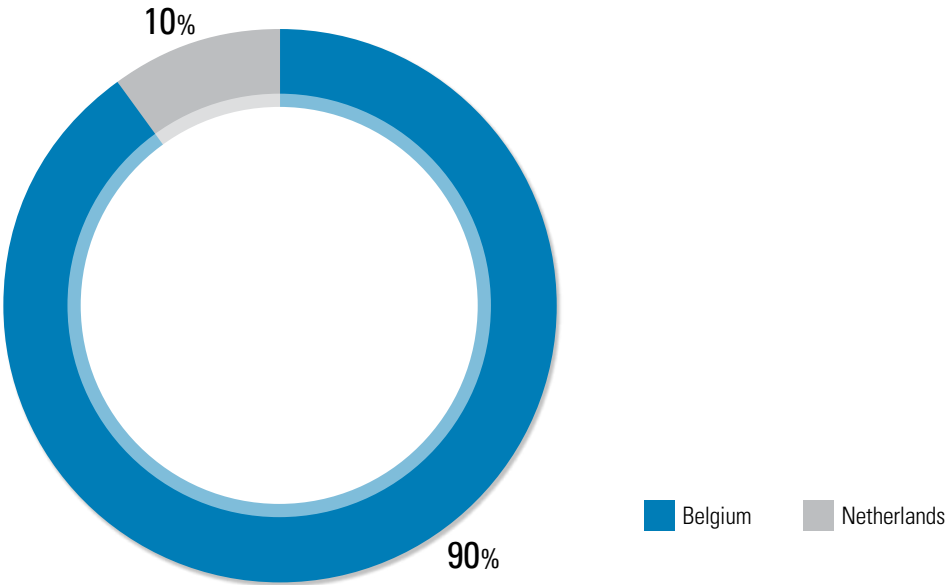
The amount of the insured value is based on the estimated new built value (exclusive of the value of the land) of the portfolio (plus VAT). This amount represents ca. 47% of the Fair Value of the investment properties on 31 December 2018. The insurance premiums paid in 2018 totalled 44,765 EUR.

More than 79% of the total property portfolio is located in the 10 important shopping cities in Belgium (Antwerp, Brussels, Ghent, Hasselt, Liège, Namur, Leuven, Mechelen, Aalst and Ostend) and 5 important shopping cities in the Netherlands (Maastricht, Den Bosch, Nijmegen, Zwolle and Enschede).

**TABLE 2 FIVE MOST IMPORTANT PROPERTIES IN THE QRF PORTFOLIO ON 31 DECEMBER 2018 (AS A PERCENTAGE OF THE FAIR VALUE)**

| <b>PROPERTY LOCATION</b>                 | <b>PERCENTAGE OF CONSOLIDATED ASSETS</b> |
|--|--|
| 3500 Hasselt - Koning Albertstraat 48-50 | 12.7%                                    |
| 2000 Antwerp - Keyserlei 58-60           | 9.8%                                     |
| 3500 Hasselt - Demerstraat 21-25         | 7.8%                                     |
| 9300 Aalst - Nieuwstraat 29-31-33        | 6.9%                                     |
| 3000 Leuven - Bondgenotenlaan 58         | 6.3%                                     |

**GRAPH 2** GEOGRAPHIC SPREAD OF THE PROPERTY PORTFOLIO ON 31 DECEMBER 2018  
(AS A PERCENTAGE OF THE FAIR VALUE)

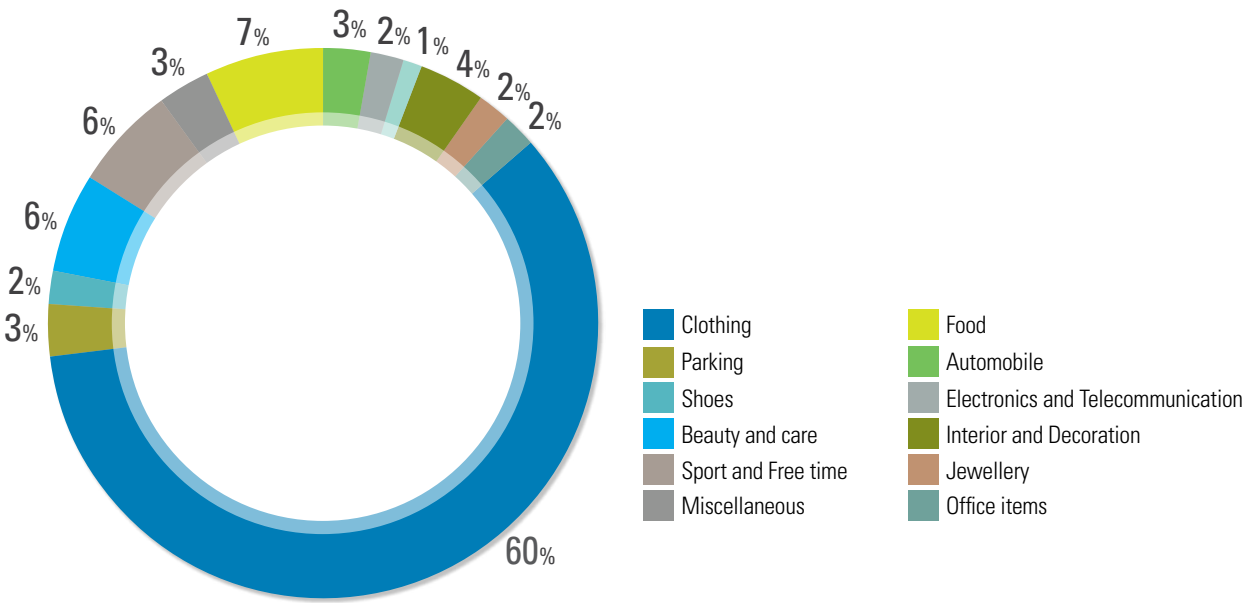


On 31 December 2018, 90% of the portfolio (expressed in Fair Value) was situated in Belgium and 10% in the Netherlands.

annual basis, which corresponds to the average street scene where clothing stores take up a sizeable portion of the shop windows. This sector is followed by Food (7%) and Beauty and Care (6%).

As illustrated in the figure below, the clothing sector accounts for 60% of the total Contractual rents on an

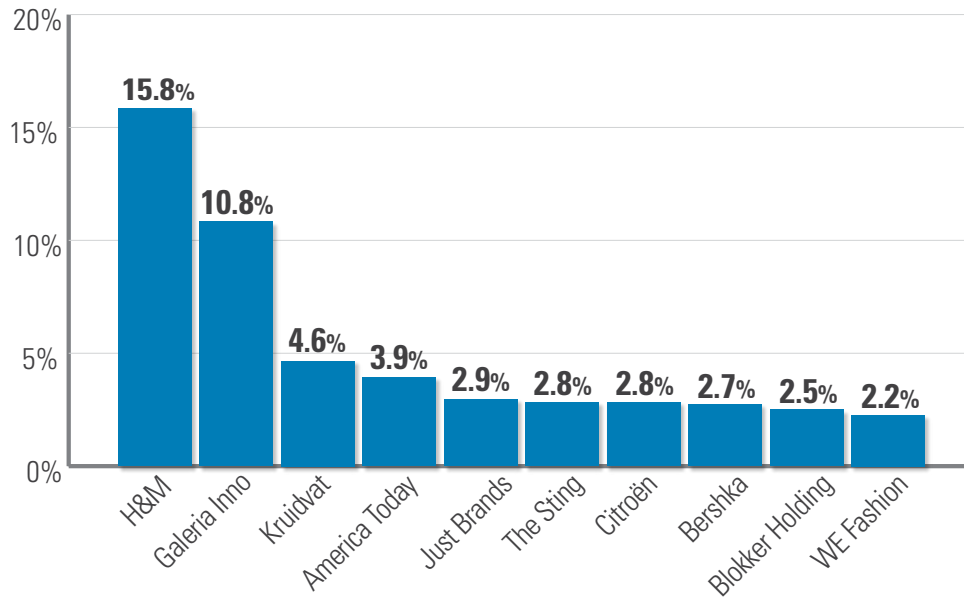
**GRAPH 3** SECTORAL SPREAD OF THE PROPERTY PORTFOLIO IN DECEMBER 2018  
(AS A PERCENTAGE OF THE CONTRACTUAL RENTS ON AN ANNUAL BASIS)



In the graph below, the Contractual rents on an annual basis are further broken down according to the main customers of Qrf City Retail. Retailers who are active in the fashion segment take the top positions here. The strong presence of retailers in the fashion segment in

Qrf City Retail's customer base arises out of the fact that these retailers are often established at strategic top locations of a city. The prominent presence of these retailers in the customer base therefore reflects the investment strategy of Qrf City Retail.

**GRAPH 4 SPREAD OF THE PROPERTY PORTFOLIO TO TENANTS ON 31 DECEMBER 2018 (AS A PERCENTAGE OF THE CONTRACTUAL RENTS ON AN ANNUAL BASIS)**



De tien belangrijkste huurders van Qrf City Retail vertegenwoordigen 51,4% van de Contractuele Huren op jaarbasis.

The two main tenants of Qrf City Retail are H&M<sup>3</sup>, followed by Galeria Inno<sup>4</sup> which accounts for 10.8% of the Contractual rents on an annual basis.

**In Belgium** commercial leases are usually concluded for a period of 9, 18 or 27 years.

It should be pointed out, however, that a commercial lease can be terminated every 3 years in Belgium. This option is a legislative right (rule of mandatory law) for the tenant. In addition, the tenant has a legal right to renew the commercial lease three times after the contractual end date of the lease agreement.

3 Cf. Note 30.1 of chapter 11 "Financial statements" of this annual report regarding a dispute between Qrf City Retail and H&M that relates to a request from H&M for lease renewal for the premises located at Demerstraat 21-25, 3500 Hasselt and Alsebergsesteenweg 767, 1180 Uccle. In addition, H&M rents premises from Qrf City Retail in Aalst (Nieuwstraat 29-33) and Sint-Truiden (Liègeerstraat 49-51). Considering the pressure on the profitability of H&M and the revaluation of its expansion strategy as evidenced by its financial publications, it cannot be ruled out that H&M will ask for rental discounts at these locations or will terminate its lease agreement. Qrf City Retail is therefore cautious in its prospects regarding its exposure to H&M as its main tenant.

4 Galeria Inno is part of the Hudson's Bay Company Group.

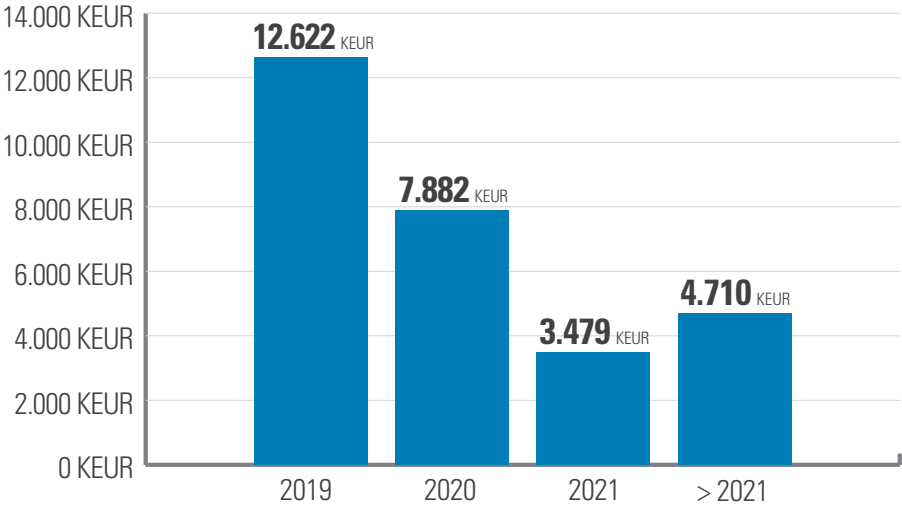


**In the Netherlands** commercial leases are usually concluded for a fixed period of 5 years, with an option for extension of another fixed period of 5 or 10 years. Neither the tenant nor the lessor can terminate a commercial lease during its fixed period before the expiry thereof. If an option for an extension is provided only the tenant has the right to exercise his or her notice at the end of the first period.

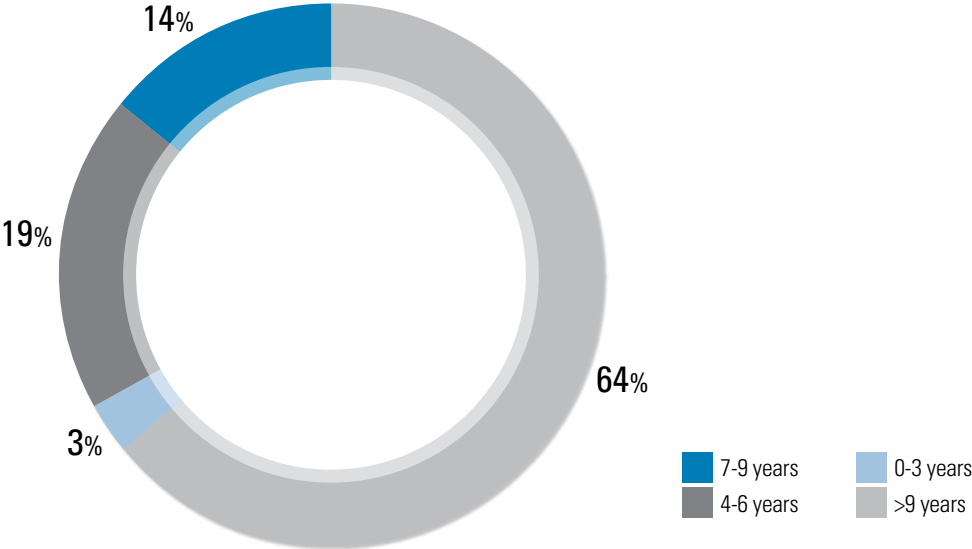
In the Netherlands a contractual extension option can be granted, but is not per definition a legal right for the tenant.

The weighted average remaining term to the final expiry date of the leases concluded by Qrf City Retail in Belgium and the Netherlands amounts jointly to 7.2 years.

**GRAPH 5 CONTRACTUAL GUARANTEED RENTAL INCOME UNTIL THE FIRST POSSIBLE DATE OF TERMINATION (IN KEUR)**



**GRAPH 6 SPREAD ACCORDING TO THE AGE OF THE BUILDINGS ON 31 DECEMBER 2018 (% OF FAIR VALUE)**

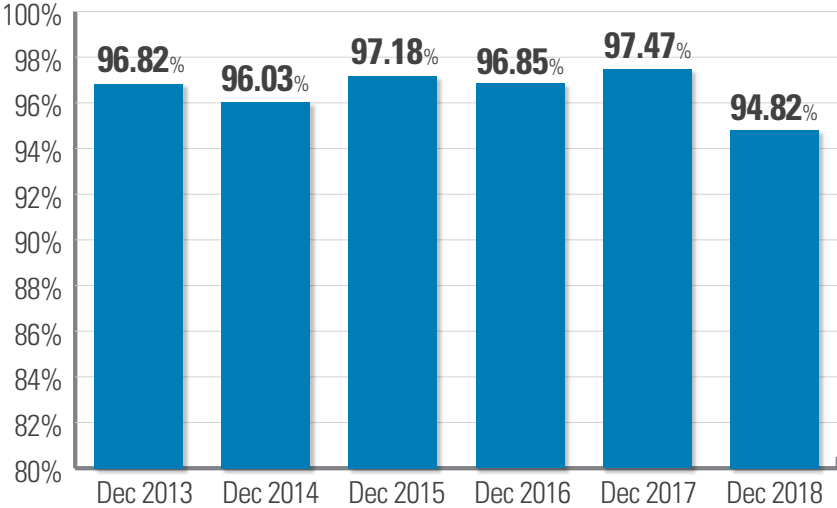


### 9.1.2 Occupancy rate

On 31 December 2018 the Occupancy rate<sup>5</sup> amounted to 94.82% (compared with 97.47% on 31 December 2017).

This is also due to the preparation of two redevelopment projects, whereby certain premises cannot be let again at this time.

**GRAPH 7 DEVELOPMENT OF THE OCCUPANCY RATE**



### 9.1.3 Operational management

Qrf City Retail endeavours to optimize the value of its portfolio and cultivate sustainable tenant relations through an active property management.

For technical assistance in managing its properties, Qrf City Retail calls on Quares Property Management NV, which until 30 January 2019 was an affiliated company of Qrf City Retail. Quares Property Management is under the constant supervision of the Investment and Asset Manager.

Qrf City Retail also calls on Quares Property Management for the administrative and accounting management of properties.<sup>6</sup> For this component, the latter is under the supervision of the CFO, assisted by the Finance Manager. In the absence of a CFO, this supervision is assumed by the CEO.

5 Occupancy rate = (Contractual rents on an annual basis) / (Contractual rents on an annual basis including the Estimated Rental Value on vacant premises).

6 We would also like to draw the attention of shareholders to the adjustment in the Property Management agreement after the financial year 2018 and the cost savings for the company that follows from it, as discussed in Chapter 5.2.3.



## 9.1.4 Property portfolio on 31 December 2018<sup>7</sup>

| ADDRESS                               | CONTRACTUAL RENTS (i)<br>(IN EUR) | ESTIMATED RENTAL VALUE OF VACANT PREMISES WITHOUT ANY RENTAL GUARANTEE (ii)<br>(IN EUR) | ESTIMATED RENTAL VALUE ON AN ANNUAL BASIS (iii)<br>(IN EUR) |
|---------------------------------------|-----------------------------------|---|---|
| <b>BELGIUM</b>                        | <b>13,975,183</b>                 | <b>841,660</b>  | <b>13,888,418</b>   |
| <b>INNER CITY</b>                     | <b>11,958,288</b>                 | <b>841,660</b>  | <b>11,928,444</b>   |
| Aalst - Nieuwstraat 29 - 31 - 33      | 1,119,071                         |   | 1,088,616   |
| Antwerp - Kammenstraat 34             | 79,936                            |   | 85,000  |
| Antwerp - Keyserlei 58-60             | 1,570,365                         | 169,302   | 1,810,125   |
| Antwerp - Meir 107                    | 564,590                           |   | 553,180   |
| Antwerp - Schrijnwerkersstraat 15     | 75,000                            |   | 75,000  |
| Antwerp - Schuttershofstraat 53       | 194,043                           |   | 180,000   |
| Antwerp - Wapper 14-16                | 120,000                           | 20,000  | 138,000   |
| Antwerp - Wiegstraat 4                | 81,116                            |   | 80,000  |
| Antwerp - Wiegstraat 6                | 50,953                            |   | 48,500  |
| Charleroi - Rue de la Montagne 39     | 0                                 | 21,811  | 21,811  |
| Charleroi - Rue de la Montagne 41     | 0                                 | 14,756  | 14,756  |
| Dendermonde - Oude Vest 19-37         | 285,108                           |   | 264,850   |
| Geraardsbergen - Oudenaartsestraat 43 | 71,949                            |   | 65,000  |
| Ghent - Lange Munt 61-63              | 159,206                           |   | 161,000   |
| Hasselt - Demerstraat 21-25           | 1,427,080                         |   | 1,115,000   |
| Hasselt - Koning Albertstraat 48-50   | 2,047,690                         |   | 1,825,000   |
| Hasselt - Koning Albertstraat 60      | 91,567                            |   | 119,000   |
| Heist op den Berg - Bergstraat 61     | 30,000                            |   | 33,600  |
| Heist op den Berg - Bergstraat 108    | 224,335                           |   | 217,995   |
| Leuven - Bondgenotenlaan 58           | 655,947                           | 340,500   | 1,040,120   |
| Leuven - Diestsestraat 137            | 422,297                           |   | 360,000   |
| Leuven - Jan Stasstraat 12            | 76,057                            |   | 122,000   |
| Liège - Rue de la Cathédrale 79-83    | 127,567                           |   | 105,000   |
| Liège - Rue de la Cathédrale 87-93    | 141,055                           | 51,600  | 173,800   |
| Lier - Antwerpsestraat 44             | 0                                 | 20,000  | 20,000  |
| Mechelen - Bruul 15                   | 294,187                           |   | 285,000   |
| Mechelen - Geitesstraat 27-29         | 27,200                            |   | 27,000  |
| Mechelen - Graaf van Egmontstraat 10  | 38,817                            | 8,204   | 48,000  |
| Merksem - Bredabaan 465               | 19,010                            |   | 22,653  |
| Mons - Grand Rue 32                   | 0                                 | 40,000  | 40,000  |
| Namur - Rue de Fer 10                 | 192,976                           |   | 182,500   |
| Ostend - Adolf Buylstraat 1A          | 138,685                           |   | 139,981   |
| Ostend - Kapellestraat 105            | 155,975                           |   | 135,000   |
| Oudenaarde - Nederstraat 43-45        | 158,905                           |   | 167,400   |
| Sint-Niklaas - Stationsstraat 33      | 0                                 | 155,487   | 155,487   |
| Sint-Truiden - Luikerstraat 49-51     | 532,721                           |   | 435,000   |
| Tongeren - Maastrichterstraat 20      | 109,686                           |   | 113,780   |
| Tongeren - Maastrichterstraat 48-50   | 153,603                           |   | 100,000   |
| Uccle - Maastrichterstraat 767        | 521,591                           |   | 399,290   |
| <b>PERIPHERY</b>                      | <b>2,016,894</b>                  | <b>0</b>  | <b>1,959,974</b>  |
| Bonnelles - Route du Condroz 42-44    | 313,676                           |   | 342,820   |
| Huy - Shopping Mosan                  | 905,570                           |   | 865,304   |
| Wilrijk - Boomsesteenweg 894-898      | 436,166                           |   | 427,190   |
| Wilrijk - Boomsesteenweg 925-935-937  | 361,483                           |   | 324,660   |
| <b>NETHERLANDS</b>                    | <b>1,416,184</b>                  | <b>0</b>  | <b>1,442,183</b>  |
| <b>INNER CIT</b>                      | <b>1,416,184</b>                  | <b>0</b>  | <b>1,442,183</b>  |
| Den Bosch, Hinthamerstraat 41-45      | 268,126                           |   | 303,555   |
| Enschede, Kalandersstraat 2-4,        | 203,045                           |   | 238,070   |
| Maastricht, Grote Staat 58            | 434,220                           |   | 423,205   |
| Nijmegen, Broerstraat 49              | 255,686                           |   | 216,103   |
| Zwolle, Diezerstraat 60               | 255,107                           |   | 261,250   |
| <b>TOTAL</b>                          | <b>15,391,367</b>                 | <b>841,660</b>  | <b>15,330,601</b>   |

(i) Contractual rents on an annual basis = the index-adjusted base rental prices as contractually set in the rental contract before the deduction of gratuities or other incentives allowed to the tenant.

(ii) Estimated Rental Value of vacant premises = this is the estimated rental value on an annual basis of the vacant premises, used by the independent Property expert in the valuation reports.

(iii) Total Estimated rental value = this is the total estimated rental value on an annual basis used by the independent Property expert in the valuation reports.

<sup>7</sup> We also remind the shareholder of the importance of the events described in Chapter 5.2 and more specifically to the acquisitions after the end of the 2018 financial year.

| TOTAL GROSS RENTAL FLOOR SPACE (iv)<br>(IN M <sup>2</sup> ) | TOTAL NUMBER OF LETTABLE UNITS | YEAR OF CONSTRUCTION OR RENOVATION (v) | OCCUPANCY RATE (vi)<br>(IN %) |
|---|--------------------------------|--|-------------------------------|
| <b>82,747</b>   | <b>143</b>                     |  |                               |
| <b>62,919</b>   | <b>119</b>                     |  | <b>93%</b>                    |
| 7,084   | 4                              | 2003                                   | 100%                          |
| 161   | 1                              | 2014                                   | 100%                          |
| 5,279   | 36                             | 2003                                   | 90%                           |
| 2,109   | 9                              | 2000                                   | 100%                          |
| 264   | 1                              | 2000                                   | 100%                          |
| 341   | 1                              | 2016                                   | 100%                          |
| 746   | 1                              | 2016                                   | 86%                           |
| 184   | 1                              | 1998                                   | 100%                          |
| 114   | 1                              | 1998                                   | 100%                          |
| 363   | 1                              | 2010                                   | 0%                            |
| 87  | 1                              | 2010                                   | 0%                            |
| 1,758   | 8                              | 1982                                   | 100%                          |
| 404   | 1                              | 2013                                   | 100%                          |
| 638   | 2                              | 2010                                   | 100%                          |
| 3,903   | 2                              | 2010                                   | 100%                          |
| 9,266   | 2                              | 2014                                   | 100%                          |
| 451   | 1                              | 2008                                   | 100%                          |
| 125   | 1                              | 2008                                   | 100%                          |
| 923   | 2                              | 2009                                   | 100%                          |
| 10,360  | 7                              | 1993                                   | 66%                           |
| 1,620   | 1                              | 2013                                   | 100%                          |
| 1,673   | 2                              | 1960                                   | 100%                          |
| 595   | 1                              | 2004                                   | 100%                          |
| 952   | 4                              | 1999                                   | 73%                           |
| 173   | 1                              | 2011                                   | 0%                            |
| 1,107   | 3                              | 1994                                   | 100%                          |
| 340   | 4                              | 1988                                   | 100%                          |
| 329   | 4                              | 2000                                   | 83%                           |
| 252   | 1                              | 1990                                   | 100%                          |
| 498   | 1                              | 2003                                   | 0%                            |
| 192   | 1                              | 2014                                   | 100%                          |
| 534   | 2                              | 1964                                   | 100%                          |
| 552   | 1                              | 2009                                   | 100%                          |
| 1,228   | 3                              | 2008                                   | 100%                          |
| 1,980   | 1                              | 2009                                   | 0%                            |
| 2,508   | 2                              | 2009                                   | 100%                          |
| 783   | 2                              | 2000                                   | 100%                          |
| 921   | 1                              | 2007                                   | 100%                          |
| 2,122   | 1                              | 2009                                   | 100%                          |
| <b>19,829</b>   | <b>24</b>                      |  | <b>100%</b>                   |
| 3,246   | 4                              | 1988                                   | 100%                          |
| 7,858   | 16                             | 2010                                   | 100%                          |
| 5,389   | 1                              | 2002                                   | 100%                          |
| 3,336   | 3                              | 1996                                   | 100%                          |
| <b>4,369</b>  | <b>18</b>                      |  |                               |
| <b>4,369</b>  | <b>18</b>                      |  | <b>100%</b>                   |
| 1,041   | 5                              | 1970                                   | 100%                          |
| 972   | 1                              | 2015                                   | 100%                          |
| 629   | 2                              | 1987                                   | 100%                          |
| 891   | 4                              | 1955                                   | 100%                          |
| 836   | 6                              | 1992                                   | 100%                          |
| <b>87,116</b>   | <b>161</b>                     |  | <b>94.82%</b>                 |

(iv) Where applicable, including offices or residential units lying above, and excluding parking units.

(v) In case of important renovations or renewal works carried out on the real estate, these will be considered as new from the completion of the aforementioned works.

(vi) Occupancy rate = (Contractual rents on an annual basis) / (Contractual rents on an annual basis including the Estimated Rental Value of vacant property).

## 9.2 Developments in the retail property market

### 9.2.1 Retail properties in 2018

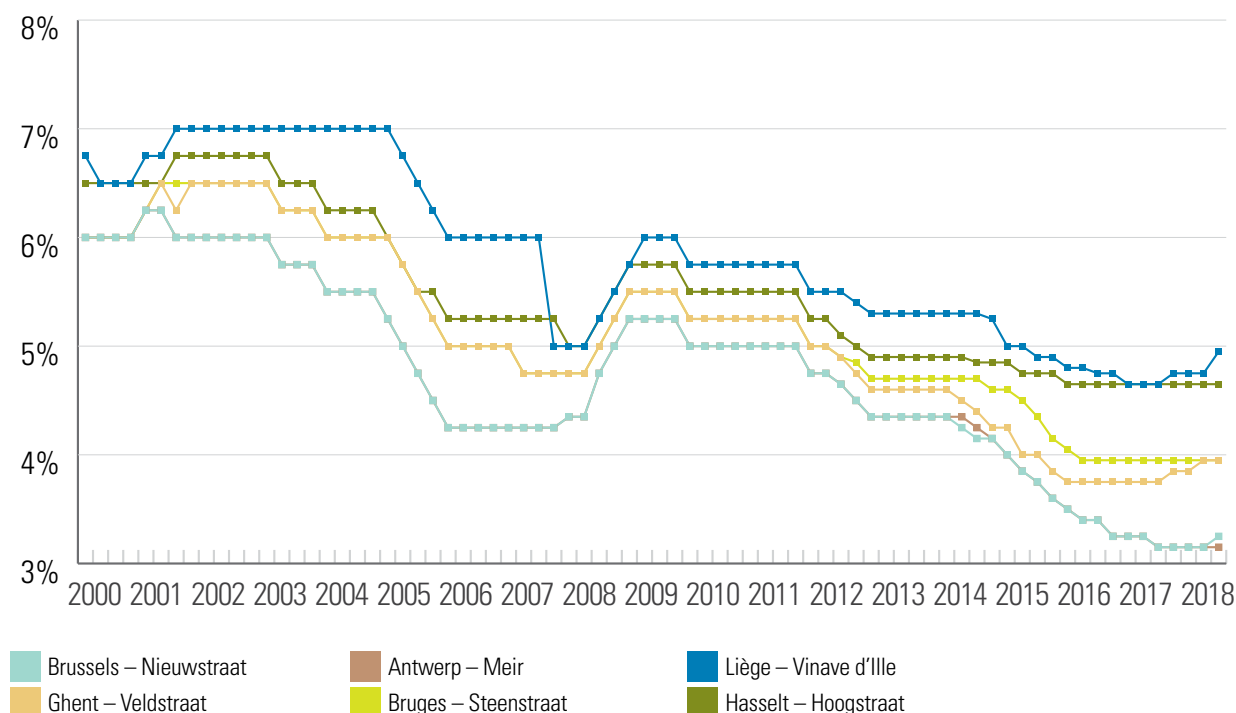
#### 9.2.1.1 Retail properties in Belgium<sup>8</sup>

The performance and developments in the retail property market are closely connected to the performance and future expectations in the underlying retail markets. This section should be read together with Chapter 6, in which we describe our vision of the retail market.

On the macro-economic level, GDP growth in Belgium dropped to 1.4%. A slight recovery to 1.5% is expected for 2019. The unemployment rate amounts to 6.3% and will probably not change in 2019. Consumer confidence could decline in 2019, particularly on the account of geopolitical uncertainties.

As to retail real estate, we can say that in recent years it has grown into an accessible and interesting investment for private and institutional investors. Several record years were noted on the investment side in the last decade, thanks in particular to the accessible financial market and long-term low interest rates (the ECB expects no increase until the end of 2019 either), which have led to declining *prime yields*. At the end of 2018, we saw a rising trend in *prime yields* at a number of locations, which is likely to continue in 2018, except at the very top locations, where the yields can continue to stagnate for a number of top products for the time being.

**GRAPH 8 PRIME YIELDS IN THE TOP MAIN STREETS IN BELGIUM IN THE PERIOD 2000-2018 (CUSHMAN & WAKEFIELD)**



<sup>8</sup> Cushman & Wakefield, “Belgium Retail Snapshot”, [http://www.cushmanwakefield.com/~media/marketbeat/2019/belgium\\_retail\\_4q18.pdf?\\_ga=2.252801545.1251161539.1549008479-1574796831.1549008479](http://www.cushmanwakefield.com/~media/marketbeat/2019/belgium_retail_4q18.pdf?_ga=2.252801545.1251161539.1549008479-1574796831.1549008479) (last consulted on 01/02/2019).

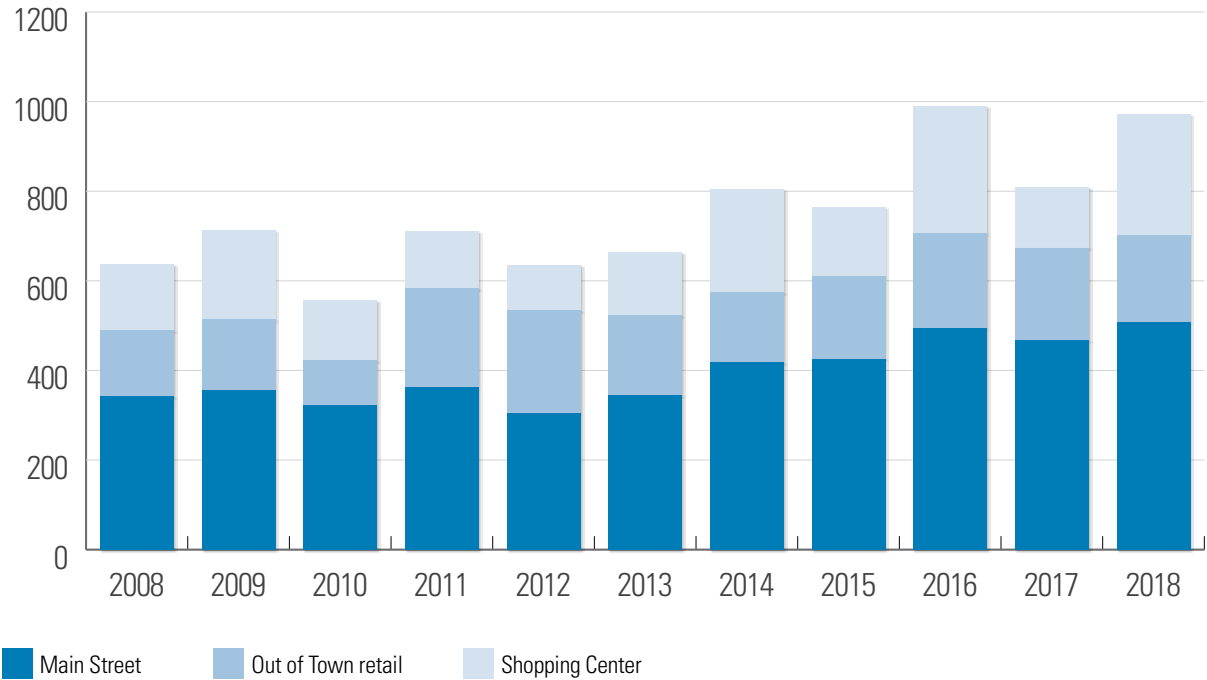
On the investment side, 2018 closed on a positive note in 2018, with an investment volume of no fewer than 1,800 MEUR, the second best year in history. This was due primarily to the sale of three shopping centres and a number of retail portfolios.

The increasing demand for quality urban retail properties on the investment side has followed the demand on the tenant side. Retailers have indicated, and continue to indicate<sup>9</sup> that they wish to expand in the larger cities. Inner-city retail properties are still performing properly in the nominal number of lease transactions, as can be seen in Graph 9. The *take-up* of the number of square metres in inner-city retail properties has registered successive strong growth in recent

years, as can be seen in Graph 10. Retail properties in the top shopping streets of Belgium have remained a relatively liquid product for the time being on both the investor and the tenant side.

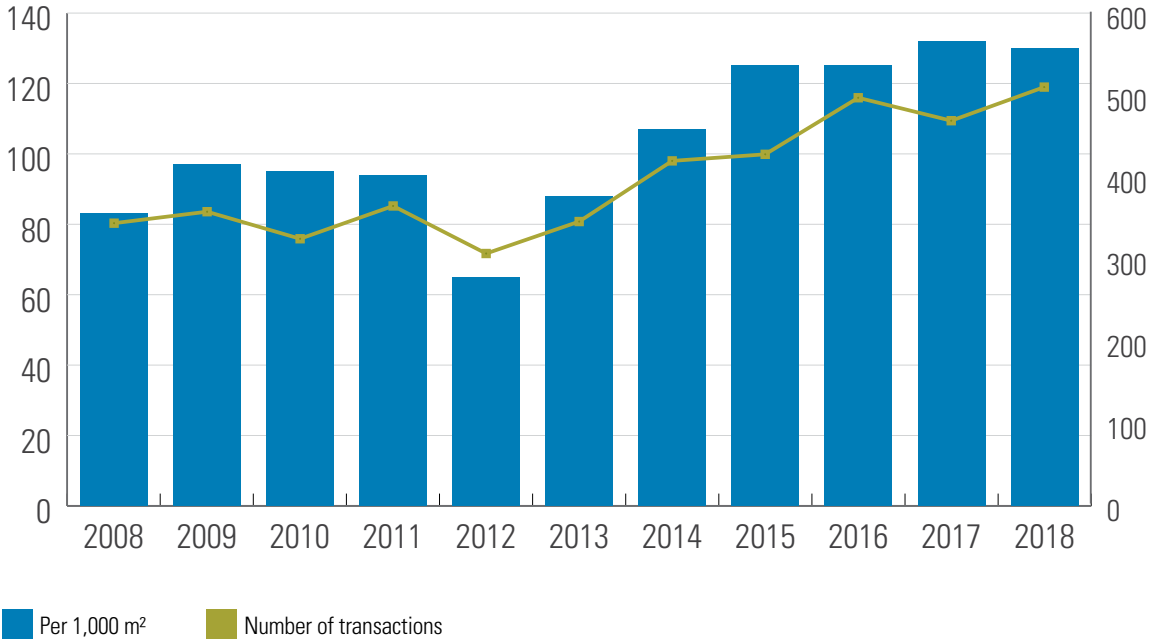
We have however noted a larger discrepancy between the top cities and secondary locations. For instance, there is a slight increase in the vacancy percentage in smaller cities. There is clearly a different dynamism at play in top locations (which, as already mentioned, continue to attract retailers) and secondary locations or cities (which clearly have a more difficult time). At certain secondary locations, the vacancy ratio stands at ca. 30%

**GRAPH 9 NUMBER OF LEASE TRANSACTIONS IN RETAIL PROPERTIES IN 2018 (CUSHMAN & WAKEFIELD)**



<sup>9</sup> Retailers are primarily interested in Antwerp, Brussels, Ghent and Hasselt (CBRE Retailer Survey 2018).

**GRAPH 10 INNER CITIES: TAKE-UP (IN 1,000 M<sup>2</sup>) AGAINST NUMBER OF TRANSACTIONS IN 2018**  
(CUSHMAN & WAKEFIELD)





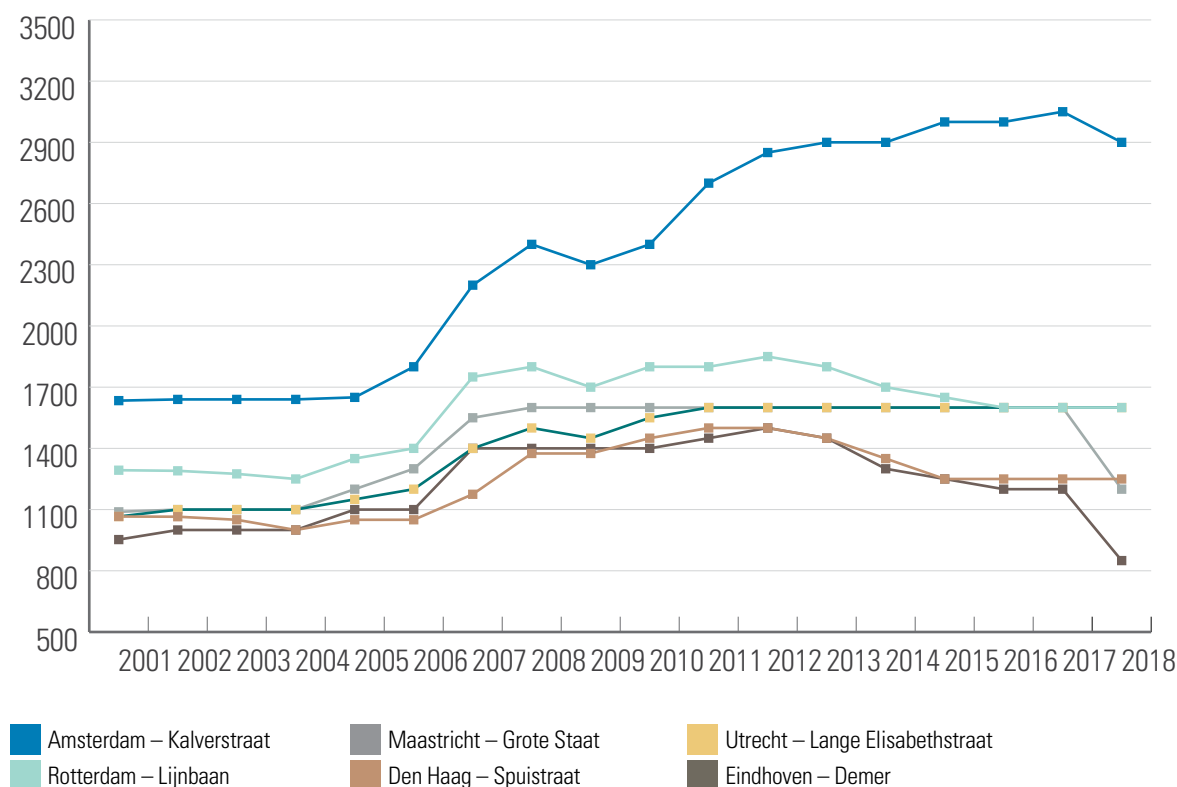
### 9.2.1.2 Retail properties in the Netherlands<sup>10</sup>

The Dutch economy continued to perform robustly in 2018 with GDP growth of 2.8% and growth of 2.6% is expected for 2019. Unemployment will probably drop further to 3.5% in 2019 – a record level. Purchasing power is expected to go up by ca. 1.5% in 2019.

The focus of retailers is shifting from larger retail units (2,500 m<sup>2</sup>) to medium-sized retail units (250-400 m<sup>2</sup>). As a result, there is less interest in smaller retail units.

Demand from (international) retailers is geared to the country's dominant cities, with increasing focus on the leading cities in the top 20. In the other cities, the increase in new retailers has slowly dried up. International shopping formulas stem from continental Europe in particular. For online retailers (e.g. Coolblue), it is not however a must to have locations on the *high street*. They are more inclined to prefer easily accessible multimodal locations.

**GRAPH 11 PRIME RENTS MAIN STREETS NEDERLAND (IN EUR PER M<sup>2</sup> PER JAAR)**

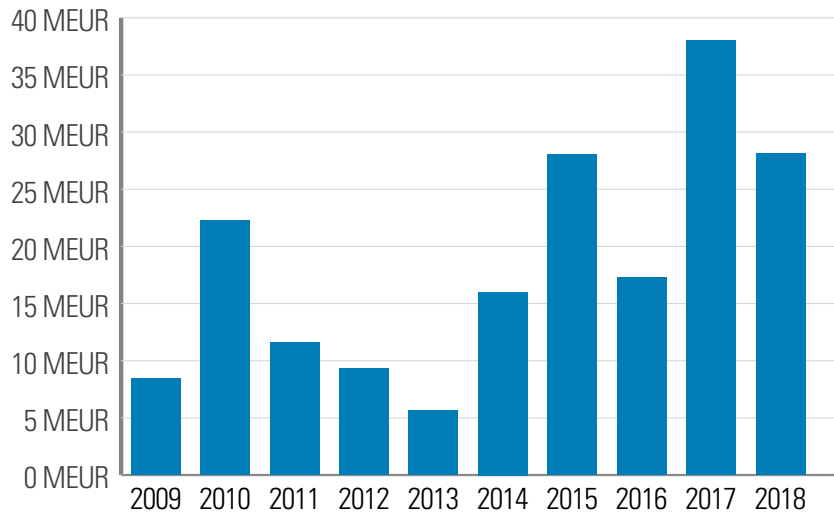


<sup>10</sup> Cushman & Wakefield, "Retail Snapshot Nederland", [http://www.cushmanwakefield.com/~media/marketbeat/2018/netherlands\\_retail\\_3q18.pdf?\\_ga=2.172072099.1251161539.1549008479-1574796831.1549008479](http://www.cushmanwakefield.com/~media/marketbeat/2018/netherlands_retail_3q18.pdf?_ga=2.172072099.1251161539.1549008479-1574796831.1549008479) (last consulted on 01/02/2019).

The volume invested in shops amounted to ca. 2,100 MEUR in the first three quarters of 2018, i.e.

32% more compared with the same period in the previous year.

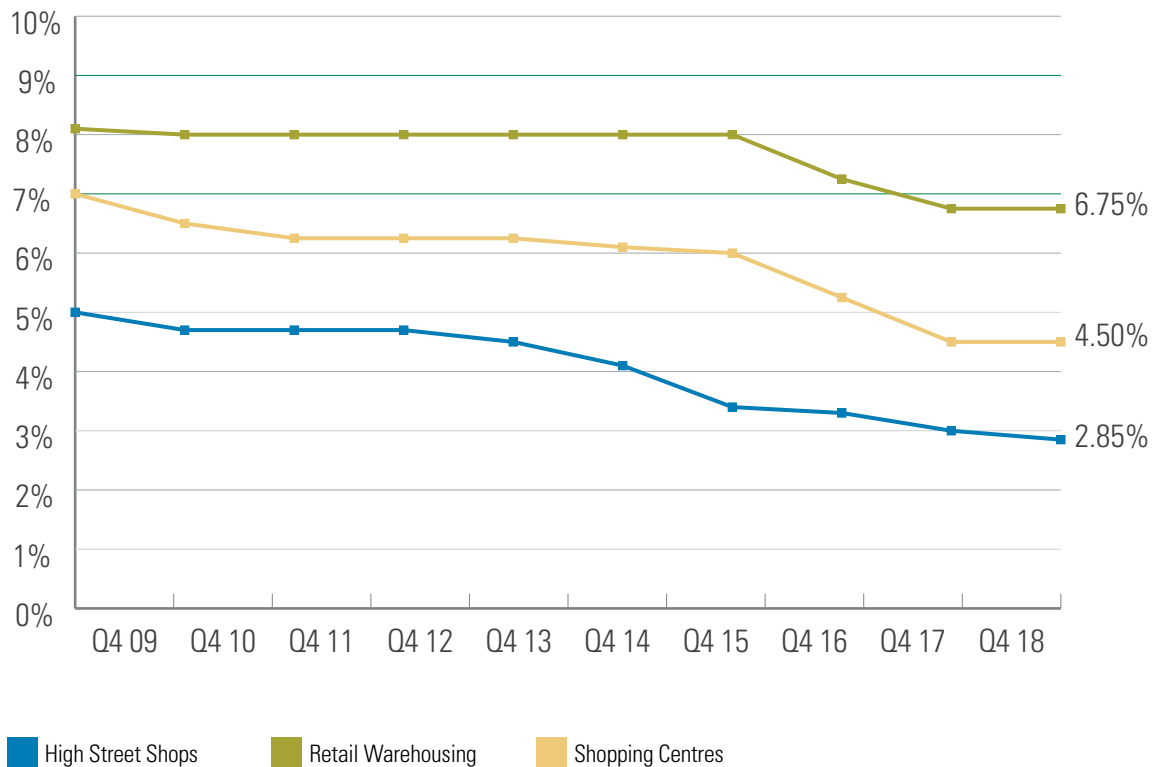
**GRAPH 12 RETAIL INVESTMENT VOLUME IN THE NETHERLANDS (IN MEUR)**



Some 59% of the buyers are national players. Investors in retail properties are looking at finance-ability, the exit

possibility and the scope of the catchment area. Initial yields at top locations are expected to drop further.

**GRAPH 13 PRIME YIELDS ON TOP MAIN STREETS IN THE NETHERLANDS**



### 9.3 Conclusions of the real estate expert

De vastgoedportefeuille van Qrf City Retail wordt gewaardeerd door Cushman & Wakefield.

#### ACTUALISATIE WAARDERING OP 31 DECEMBER 2018

Wij hebben de eer u onze schatting van de reële waarde van de vastgoedportefeuille van Qrf City Retail op 31 december 2018 over te maken.

Onze schattingen werden opgesteld op basis van de door u verstrekte inlichtingen die verondersteld werden juist te zijn. De waarden werden bepaald, rekening houdend met de huidige marktparameters.

Rekening houdend met alle bemerkingen, definities en reserves, die in het schattingsverslag en in zijn bijlagen opgenomen zijn en die er volledig deel van uitmaken, en gebaseerd op de huidige waarden op 31 december 2018, geven wij aan de bestaande vastgoedportefeuille de volgende waardes:

**Reële Marktwaarde (afgerond), na aftrek van mutatierechten :**

| <b>Totaal *</b>        | <b>België*</b>         | <b>Nederland</b>      |
|------------------------|------------------------|-----------------------|
| <b>270.960.000 EUR</b> | <b>243.480.000 EUR</b> | <b>27.480.000 EUR</b> |

\*dit is exclusief het minderheidsbelang voor de reële waarde van 833.571 EUR in Century Center Freehold BVBA. Deze berekening werd gekregen van Qrf. Cushman & Wakefield kan niet verantwoordelijk gesteld worden voor het berekenen hiervan.

Hoogachtend,

Voor het gedeelte van de vastgoedportefeuille gelegen in België



**Bastien Van der Auwermeulen**  
Senior Valuer  
Valuation & Advisory



**Fouad Ben Tato**  
Associate  
Valuation & Advisory

Voor het gedeelte van de vastgoedportefeuille gelegen in Nederland



**Hugo V.C. Roosjen MSc RT**  
Valuer  
Valuation & Advisory



**Ronald H.J. van der Zalm MRICS RT**  
Associate  
Valuation & Advisory





# 10 EPRA – Key Performance Indicators

|  |     |
|--|-----|
| 10.1 EPRA earnings .....                   | 130 |
| 10.2 EPRA NAV .....                        | 130 |
| 10.3 EPRA NNNAV .....                      | 130 |
| 10.4 EPRA NIY and EPRA topped-up NIY ..... | 130 |
| 10.5 EPRA vacancy rate .....               | 131 |
| 10.6 EPRA cost ratio .....                 | 131 |



Ostend  
Kapellestraat 105  
Belgium

# 10 EPRA – Key Performance Indicators

EPRA, the European Public Real Estate Association, is a non-profit organization representing the European listed real estate sector. EPRA represents 430 billion EUR in immovable assets. EPRA publishes recommendations for determining the most important key performance indicators for listed real estate companies.

The publication of these data is not mandatory by the legislation governing BE-REITS.

These figures were not audited by the Auditor.

| TABLE | EPRA - INDICATORS                                   | EPRA DEFINITIONS  |             | 31/12/2018 | 31/12/2017 |
|-------|---|---|-------------|------------|------------|
| 1     | EPRA earnings                                       | Earnings from operational activities.   | (EUR/share) | 1.52       | 1.59       |
| 2     | EPRA NAV  | 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.                           | (EUR/share) | 23.11      | 24.12      |
| 3     | EPRA NNNNAV   | EPRA NAV adjusted to include the Fair Values of (i) financial instruments, (ii) debt and (iii) deferred taxes.  | (EUR/share) | 22.82      | 23.78      |
| 4     | EPRA NIY  | 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). |             | 5.0%       | 5.0%       |
|       | EPRA "topped-up" NIY                                | This measure incorporates 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).                                   |             | 5.2%       | 5.1%       |
| 5     | EPRA vacancy rate                                   | Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.  |             | 5.5%       | 2.5%       |
| 6     | EPRA cost ratio (inclusive of direct vacancy costs) | Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.  |             | 21.9%      | 19.7%      |
|       | EPRA cost ratio (exclusive of direct vacancy costs) | Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.  |             | 20.9%      | 18.7%      |

## 10.1 EPRA earnings

| FIGURES IN THOUSANDS EUR  | 31/12/2018   | 31/12/2017   |
|---|--------------|--------------|
| <b>Earnings per IFRS income statement (shareholders of the real group)</b>  | <b>608</b>   | <b>4,766</b> |
| (i) Changes in value of investment properties, development properties held for investment and other interests               | 7,349        | 4,071        |
| (ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests | -249         | -466         |
| (vi) Changes in Fair Value of financial instruments and associated close-out costs  | 936          | -40          |
|   | -44          | 0            |
| <b>EPRA earnings</b>  | <b>8,600</b> | <b>8,332</b> |
| Weighted average number of shares   | 5,665,822    | 5,224,997    |
| <b>EPRA earnings per share (in EUR)</b>   | <b>1.52</b>  | <b>1.59</b>  |

## 10.2 EPRA NAV

| FIGURES IN THOUSANDS EUR                    | 31/12/2018     | 31/12/2017     |
|---|----------------|----------------|
| <b>EPRA earnings per share (in EUR)</b>     | <b>129,272</b> | <b>134,711</b> |
| (iv) Fair Value of financial instruments    | 1,567          | 1,813          |
| (v.a) Deferred tax                          | 181            | 270            |
| Minority interests relating to deferred tax | -89            | -132           |
| <b>EPRA NAV</b>                             | <b>130,931</b> | <b>136,662</b> |
| Number of shares                            | 5,665,822      | 5,665,822      |
| <b>EPRA NAV per share (in EUR)</b>          | <b>23.11</b>   | <b>24.12</b>   |

## 10.3 EPRA NNNAV

| FIGURES IN THOUSANDS EUR                    | 31/12/2018     | 31/12/2017     |
|---|----------------|----------------|
| <b>EPRA NAV</b>                             | <b>130,931</b> | <b>136,662</b> |
| (i) Fair Value of financial instruments     | 1,567          | -1,813         |
| (ii) Fair Value of debt                     | 0              | 0              |
| (iii) Deferred tax                          | -181           | -270           |
| Minority interests relating to deferred tax | 89             | 132            |
| <b>EPRA NNNAV</b>                           | <b>129,272</b> | <b>134,711</b> |
| Number of shares                            | 5,665,822      | 5,665,822      |
| <b>EPRA NNNAV per share (in EUR)</b>        | <b>22.82</b>   | <b>23.78</b>   |

## 10.4 EPRA NIY and EPRA topped-up NIY

| FIGURES IN THOUSANDS EUR  | 31/12/2018     | 31/12/2017     |
|---|----------------|----------------|
| Investment property   | 271,794        | 287,404        |
| Trading property  | 0              | 0              |
| Less: developments  | 0              | 0              |
| Allowance for estimated purchasers' costs                               | 9,050          | 9,460          |
| <b>Gross up completed property portfolio valuation</b>                  | <b>280,844</b> | <b>296,864</b> |
| Annualised cash passing rental income                                   | 15,391         | 16,025         |
| Property outgoings  | -1,239         | -1,056         |
| <b>Annualised net rents</b>   | <b>14,152</b>  | <b>14,969</b>  |
| Notional rent expiration of rent free periods or other lease incentives | 388            | 277            |
| <b>Topped-up net annualised rent</b>                                    | <b>14,540</b>  | <b>15,246</b>  |
| <b>EPRA NIY</b>   | <b>5.0%</b>    | <b>5.0%</b>    |
| <b>EPRA topped-up NIY</b>   | <b>5.2%</b>    | <b>5.1%</b>    |



## 10.5 EPRA vacancy rate

| FIGURES IN THOUSANDS EUR                      | 31/12/2018  | 31/12/2017  |
|---|-------------|-------------|
| Estimated rental value of vacant space        | 842         | 417         |
| Estimated rental value of the whole portfolio | 15,370      | 16,382      |
| <b>EPRA vacancy rate</b>                      | <b>5.5%</b> | <b>2.5%</b> |

## 10.6 EPRA cost ratio

| FIGURES IN THOUSANDS EUR   | 31/12/2018    | 31/12/2017    |
|--|---------------|---------------|
| <b>Inclusive of</b>  |               |               |
| (i) Administrative/operating expense line per IFRS income statement                                | 3,404         | 3,179         |
| (iv) Other operating income/recharges intended to cover overhead expenses less any related profits | -8            | -1            |
| <b>Exclusive of (if part of the above)</b>   |               |               |
| (vi) Investment property depreciation  | -22           | -22           |
| <b>EPRA costs (inclusive of direct vacancy costs)</b>  | <b>3,374</b>  | <b>3,156</b>  |
| (ix) Direct vacancy costs  | -154          | -164          |
| <b>EPRA costs (exclusive of direct vacancy costs)</b>  | <b>3,220</b>  | <b>2,992</b>  |
| (x) Gross Rental Income less ground rent costs   | 15,391        | 16,025        |
| <b>Gross rental income</b>   | <b>15,391</b> | <b>16,025</b> |
| <b>EPRA cost ratio (inclusive of direct vacancy costs)</b>   | <b>21.92%</b> | <b>19.69%</b> |
| <b>EPRA cost ratio (exclusive of direct vacancy costs)</b>   | <b>20.92%</b> | <b>18.67%</b> |





# 11 Annual financial statements

|  |     |
|--|-----|
| 11.1 Consolidated financial statements for financial year 2018 .....                     | 135 |
| 11.1.1 Total consolidated income .....   | 135 |
| 11.1.2 Consolidated balance sheet .....  | 137 |
| 11.1.3 Consolidated cash flow statement .....  | 138 |
| 11.1.4 Consolidated statement of changes in equity .....                                 | 139 |
| 11.1.5 Detail of the consolidated reserves .....   | 140 |
| 11.2 Notes .....   | 141 |
| 11.3 Auditor's Report .....  | 179 |
| 11.3.1 Report on financial year 2018 .....   | 179 |
| 11.3.2 Report on financial year 2017 .....   | 185 |
| 11.4 Condensed statutory financial statements of Qrf City Retail .....                   | 190 |
| 11.4.1 Income statement .....  | 190 |
| 11.4.2 Earnings per share .....  | 191 |
| 11.4.3 Statement of comprehensive income .....   | 191 |
| 11.4.4 Balance sheet .....   | 192 |
| 11.4.5 Statement of changes in equity .....  | 193 |
| 11.4.6 Detail van de reserves .....  | 194 |
| 11.4.7 Payout obligation according to the Royal Decree<br>of 13 July 2014 on RRECs ..... | 195 |
| 11.4.8 Non-distributable equity according to Article 617<br>of the Companies Code .....  | 195 |
| 11.4.9 Appropriation of result .....   | 196 |
| 11.5 Other statements of the Statutory Manager .....                                     | 197 |



Enschede  
Kalendarstraat 2-4  
The Netherlands

# 11

## Annual financial statements

### 11.1 Consolidated financial statements for financial year 2018<sup>1</sup>

#### 11.1.1 Total consolidated income

##### A. CONSOLIDATED INCOME STATEMENT

FIGURES IN THOUSANDS EUR

|  | Notes    | 31/12/2018    | 31/12/2017    |
|--|----------|---------------|---------------|
| (+) I. Rental income   |          | 15,529        | 14,949        |
| (+) II. Writeback of leased payments sold and discounted   |          | 0             | 0             |
| (+/-) III. Rental charges  |          | -88           | -10           |
| <b>NET RENTAL INCOME</b>   |          | <b>15,441</b> | <b>14,940</b> |
| (+) IV. Recovery of property charges   |          | 0             | 0             |
| (+) V. Recovery of rental charges and taxes normally payable by tenants on let properties          |          | 1,077         | 1,178         |
| (-) VI. Costs payable by the tenants and borne by the owner on the rental damage and refurbishment |          | 0             | 0             |
| (-) VII. Rental charges and taxes normally payable by tenants on let properties                    |          | -1,184        | -1,213        |
| (+/-) VIII. Other rental related income and expenses   |          | 0             | 0             |
| <b>PROPERTY RESULT</b>   | <b>5</b> | <b>15,334</b> | <b>14,905</b> |
| (-) IX. Technical costs  |          | -330          | -289          |
| (-) X. Commercial costs  |          | -174          | -155          |
| (-) XI. Charges and taxes of unlet properties  |          | -154          | -164          |
| (-) XII. Property management costs   |          | -570          | -546          |
| (-) XIII. Other property charges   |          | 0             | 0             |
| <b>PROPERTY CHARGES</b>  | <b>6</b> | <b>-1,228</b> | <b>-1,155</b> |
| <b>PROPERTY OPERATING RESULT</b>   |          | <b>14,107</b> | <b>13,750</b> |
| (-) XIV. General company expenses  | 7        | -2,184        | -2,026        |
| (+/-) XV. Other operating income and charges   |          | 8             | 1             |
| <b>OPERATING RESULT BEFORE PORTFOLIO RESULT</b>  |          | <b>11,930</b> | <b>11,726</b> |
| (+/-) XVI. Gains and losses on disposals of investment properties                                  |          | 249           | 466           |
| (+/-) XVII. Gains and losses on disposals of other non-financial assets                            |          | 0             | 0             |
| (+/-) XVIII. Changes in Fair Value of investment properties  |          | -7,349        | -4,071        |
| (+/-) XIX. Other portfolio result  |          | 0             | 0             |
| <b>PORTFOLIO RESULT</b>  | <b>8</b> | <b>-7,100</b> | <b>-3,605</b> |
| <b>OPERATING RESULT</b>  |          | <b>4,830</b>  | <b>8,120</b>  |
| (+) XX. Financial income   |          | 0             | 10            |
| (-) XXI. Net interest charges  |          | -2,851        | -2,902        |
| (-) XXII. Other financial charges  |          | -258          | -100          |
| (+/-) XXIII. Changes in Fair Value of financial assets and liabilities                             |          | -936          | 40            |

<sup>1</sup> According to chart contained in the Royal Decree of 13 July 2014.

|  |          |               |               |
|--|----------|---------------|---------------|
| <b>FINANCIAL RESULT</b>  | <b>9</b> | <b>-4,045</b> | <b>-2,952</b> |
| (+) XXIV. Share in the profit or loss of associates and joint ventures |          | 0             | 0             |
| <b>PROFIT BEFORE TAXES</b>   |          | <b>785</b>    | <b>5,169</b>  |
| (+/-) XXV. Corporate tax   |          | -145          | -412          |
| (+/-) XXVI. Exit tax   |          | 0             | 0             |
| <b>TAXES</b>   |          | <b>-145</b>   | <b>-412</b>   |
| <b>NET PROFIT</b>  |          | <b>641</b>    | <b>4,756</b>  |
| Attributable to:   |          |               |               |
| Shareholders of the group  |          | 608           | 4,766         |
| Minority interests   |          | 33            | -10           |
| Components of net result - Shareholders of the group:                  |          |               |               |
| <b>NET RESULT (GROUP SHARE)</b>  |          | <b>608</b>    | <b>4,766</b>  |
| Result on the portfolio  |          | 7,100         | 3,605         |
| Changes in the Fair Value of financial assets and liabilities          |          | 936           | -40           |
| Deferred taxes relating to EPRA changes                                |          | -44           | 0             |
| <b>EPRA EARNINGS*</b>  |          | <b>8,600</b>  | <b>8,332</b>  |

\*The EPRA earnings consist of the Net result (group share) exclusive of the portfolio, the changes in the fair value of the non-effective interest hedges, and deferred taxes relating to EPRA changes

## B. STATEMENT OF COMPREHENSIVE INCOME

| FIGURES IN THOUSANDS EUR   | Notes | 31/12/2018 | 31/12/2017   |
|--|-------|------------|--------------|
| <b>I. NET PROFIT</b>   |       | <b>641</b> | <b>4,756</b> |
| <b>II. OTHER COMPREHENSIVE INCOME RECYCLABLE UNDER THE INCOME STATEMENT</b>  |       | <b>0</b>   | <b>0</b>     |
| (+/-) B. Changes in the effective part of Fair Value of authorized cash flow hedging instruments as defined under IFRS | 22    | 0          | 0            |
| <b>COMPREHENSIVE INCOME</b>  |       | <b>641</b> | <b>4,756</b> |
| Attributable to:   |       |            |              |
| Shareholders of the group  |       | 608        | 4,766        |
| Minority interests   |       | 33         | -10          |

## C. EARNINGS PER SHARE

|   | Notes | 31/12/2018  | 31/12/2017  |
|---|-------|-------------|-------------|
| Number of ordinary shares in circulation at the end of the financial year | 18    | 5,665,822   | 5,665,822   |
| Weighted average number of shares during the financial year               | 18    | 5,665,822   | 5,224,997   |
| <b>NET EARNINGS PER ORDINARY SHARE - GROUP SHARE (in EUR)</b>             |       | <b>0.11</b> | <b>0.91</b> |
| <b>DILUTED NET EARNINGS PER SHARE - GROUP SHARE (in EUR)</b>              |       | <b>0.11</b> | <b>0.91</b> |

## 11.1.2 Consolidated balance sheet

FIGURES IN THOUSANDS EUR

|   | Notes | 31/12/2018     | 31/12/2017     |
|---|-------|----------------|----------------|
| <b>ASSETS</b>   |       |                |                |
| <b>I. FIXED ASSETS</b>  |       | <b>271,825</b> | <b>287,452</b> |
| A Goodwill  |       | 0              | 0              |
| B Intangible fixed assets                                     |       | 0              | 0              |
| C Investment properties                                       | 10    | 271,794        | 287,404        |
| D Other tangible fixed assets                                 | 11    | 32             | 49             |
| E Non-current financial assets                                | 12    | 0              | 0              |
| F Finance lease receivables                                   |       | 0              | 0              |
| G Trade receivables and other non-current assets              |       | 0              | 0              |
| H Deferred tax assets   |       | 0              | 0              |
| I Stakes in associates and joint ventures - changes in equity |       | 0              | 0              |
| <b>II. CURRENT ASSETS</b>                                     |       | <b>3,871</b>   | <b>3,870</b>   |
| A Assets classified as held for sale                          |       | 0              | 0              |
| B Current financial assets                                    |       | 0              | 0              |
| C Finance lease receivables                                   |       | 0              | 0              |
| D Trade receivables   | 13    | 372            | 629            |
| E Tax receivables and other current assets                    | 14    | 1,126          | 513            |
| F Cash and cash equivalents                                   | 15    | 2,180          | 2,577          |
| G Deferred charges and accrued income                         | 16    | 192            | 152            |
| <b>TOTAL ASSETS</b>   |       | <b>275,696</b> | <b>291,322</b> |

FIGURES IN THOUSANDS EUR

|   | Notes | 31/12/2018     | 31/12/2017     |
|---|-------|----------------|----------------|
| <b>LIABILITIES</b>  |       |                |                |
| <b>EQUITY</b>   |       | <b>129,572</b> | <b>134,978</b> |
| <b>I. Equity attributable to the shareholders of the parent company</b> |       | <b>129,272</b> | <b>134,710</b> |
| A Capital   | 17    | 131,572        | 131,572        |
| <i>a. Issued capital</i>  |       | 131,724        | 131,724        |
| <i>b. Costs for capital increase</i>                                    |       | -152           | -152           |
| B Issue premiums  |       | 1,496          | 1,496          |
| C Reserves  |       | -4,405         | -3,124         |
| D Net profit of the year  |       | 608            | 4,766          |
| <b>II. Minority interests</b>   | 19    | <b>300</b>     | <b>267</b>     |
| <b>LIABILITIES</b>  |       | <b>146,124</b> | <b>156,344</b> |
| <b>I. Non-current liabilities</b>                                       |       | <b>130,781</b> | <b>126,456</b> |
| A Provisions  |       | 0              | 0              |
| B Non-current financial debts   | 20    | 128,928        | 124,434        |
| <i>a. Borrowings</i>  |       | 128,928        | 124,434        |
| <i>b. Finance lease</i>   |       | 0              | 0              |
| <i>c. Other</i>   |       | 0              | 0              |
| C Other non-current financial liabilities                               | 22    | 1,567          | 1,639          |
| D Trade debts and other non-current debts                               |       | 0              | 0              |
| E Other non-current liabilities   | 26    | 105            | 113            |
| F Deferred taxes - liabilities  | 21    | 181            | 270            |
| <i>a. Exit tax</i>  |       | 0              | 0              |
| <i>b. Other</i>   |       | 181            | 270            |
| <b>II. Current liabilities</b>  |       | <b>15,343</b>  | <b>29,888</b>  |
| A Provisions  |       | 0              | 0              |
| B Current financial debts   |       | 12,000         | 24,994         |
| <i>a. Borrowings</i>  |       | 12,000         | 24,994         |
| <i>b. Finance lease</i>   |       | 0              | 0              |
| <i>c. Other</i>   |       | 0              | 0              |
| C Other current financial liabilities                                   |       | 0              | 174            |
| D Trade debts and other current debts                                   | 23    | 1,325          | 2,640          |
| <i>a. Exit tax</i>  |       | 0              | 0              |
| <i>b. Other</i>   |       | 1,325          | 2,640          |
| E Other current liabilities   | 24    | 1,324          | 1,327          |
| F Accrued charges and deferred income                                   | 25    | 694            | 753            |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                     |       | <b>275,696</b> | <b>291,322</b> |

### 11.1.3 Consolidated cash flow statement<sup>2</sup>

FIGURES IN THOUSANDS EUR

|   | Notes  | 31/12/2018     | 31/12/2017     |
|---|--------|----------------|----------------|
| <b>CASH AND CASH EQUIVALENTS START OF PERIOD</b>                          |        | <b>2,577</b>   | <b>7,005</b>   |
| <b>1. Cashflow from operating activities</b>                              |        | <b>7,448</b>   | <b>1,115</b>   |
| Net profit  | 11.1.1 | 640            | 4,756          |
| Non-paid interest and bank charges  |        | 135            | 103            |
| Adaptation of the result for non-cash flow transactions                   |        | 7,739          | 4,504          |
| - Depreciation on capitalized financing charges                           |        | 33             | 34             |
| - Depreciation on intangible and other tangible fixed assets              | 11     | 22             | 23             |
| - Result from the sale of investment properties                           | 8      | -250           | -467           |
| - Increase / decrease of receivable invoices (+/-)                        |        | -47            | 883            |
| - Changes in Fair Value of investment properties and project developments | 8      | 7,348          | 4,071          |
| - Changes in Fair Value of financial assets and liabilities               |        | 633            | -40            |
| Changes in working capital requirements:                                  |        | -1,068         | -8,248         |
| Movement of assets:   |        | 409            | 0              |
| - Trade receivables   | 13     | 257            | 31             |
| - Tax receivables and other current assets                                | 14     | 192            | 14             |
| - Deferred charges and accrued income                                     | 16     | -40            | -45            |
| Movement of liabilities:  |        | -1,476         | -8,248         |
| - Other current financial liabilities                                     |        | 0              | 0              |
| - Provisions  |        | 0              | 0              |
| - Other non-current liabilities   |        | -9             | 33             |
| - Deferred taxes – liabilities  |        | 0              | 0              |
| - Trade debts and other current debts                                     | 23     | -942           | -8,280         |
| - Other current liabilities (including tax liabilities)                   | 24     | -3             | 0              |
| - Accrued charges and deferred income                                     | 25     | -522           | 0              |
| <b>2. Cash flow resulting from investment activities</b>                  |        | <b>7,613</b>   | <b>-28,982</b> |
| Purchase of intangible and other tangible fixed assets                    | 11     | -5             | -46            |
| Purchase of properties  |        | 0              | -32,980        |
| Investments in existing properties  |        | -82            | -1,573         |
| Earnings from the sale of investment properties                           | 8      | 7,700          | 5,617          |
| <b>3. Cash flow from financing activities</b>                             |        | <b>-15,458</b> | <b>23,439</b>  |
| Repayment of loans  |        | -55,500        | -6,500         |
| Take-up of loans  | 20     | 47,000         | 36,000         |
| Costs for capital increase  |        | 0              | -41            |
| Payment on dividends  |        | -6,925         | -6,007         |
| Payment on transaction costs  |        | -33            | -13            |
| <b>CASH AND CASH EQUIVALENTS END OF PERIOD</b>                            |        | <b>2,180</b>   | <b>2,577</b>   |

<sup>2</sup> Contributions in kind are considered as non-cash transactions and are not entered in the cash flow statement.



## 11.1.4 Consolidated statement of changes in equity

FIGURES IN THOUSANDS EUR

|  | Capital        | Cost of Capital increase | Issue premiums | Reserves      | Net result of the financial year | Minority interests | Equity         |
|--|----------------|--------------------------|----------------|---------------|----------------------------------|--------------------|----------------|
| <b>BALANCE SHEET ON 30 DECEMBER 2016</b>   | <b>119,262</b> | <b>-110</b>              | <b>1,459</b>   | <b>-5,616</b> | <b>7,782</b>                     | <b>278</b>         | <b>123,053</b> |
| Appropriation of result 2016   | 0              | 0                        | 0              | 1,775         | -7,782                           | 0                  | -6,007         |
| <i>Transfer of portfolio result to reserves</i>  |                |                          |                | 1,230         | -1,230                           |                    | -              |
| <i>Transfer of operating result to reserves</i>  |                |                          |                | 545           | -545                             |                    | -              |
| <i>Dividend financial year 2016</i>  |                |                          |                |               | -6,007                           |                    | -6,007         |
| Net result for 2017  | 0              | 0                        | 0              | 0             | 4,766                            | -10                | 4,756          |
| Other elements recognized in the comprehensive result  | 0              | 0                        | 0              | 717           | 0                                | 0                  | 717            |
| <i>Impact on the Fair Value of estimated transaction costs resulting from the hypothetical disposal of investment properties</i> |                |                          |                |               |                                  |                    | -              |
| <i>Changes in Fair Value of properties</i>   |                |                          |                |               |                                  |                    | -              |
| <i>Reserve for the impact on the Fair Value of financial instruments</i>   |                |                          |                | 717           |                                  |                    | 717            |
| Public issue of new shares   |                |                          |                |               |                                  |                    | -              |
| Capital increase by contribution in kind   | 12,462         | -41                      | 37             | 0             | 0                                | 0                  | 12,458         |
| Minority interests   |                |                          |                |               |                                  |                    | -              |
| <b>BALANCE SHEET ON 30 DECEMBER 2017</b>   | <b>131,724</b> | <b>-152</b>              | <b>1,496</b>   | <b>-3,124</b> | <b>4,766</b>                     | <b>268</b>         | <b>134,979</b> |

FIGURES IN THOUSANDS EUR

|  | Capital        | Cost of Capital increase | Issue premiums | Reserves      | Net result of the financial year | Minority interests | Equity         |
|--|----------------|--------------------------|----------------|---------------|----------------------------------|--------------------|----------------|
| <b>BALANCE ON 30 DECEMBER 2017</b>   | <b>131,724</b> | <b>-152</b>              | <b>1,496</b>   | <b>-3,124</b> | <b>4,766</b>                     | <b>268</b>         | <b>134,978</b> |
| Appropriation of result 2017   | 0              | 0                        | 0              | -2,159        | -4,767                           | 0                  | -6,926         |
| <i>Transfer of portfolio result to reserves</i>  |                |                          |                | -4,056        | 4,056                            |                    | -              |
| <i>Transfer of operating result to reserves</i>  |                |                          |                | 1,857         | -1,857                           |                    | -              |
| <i>Transfer of changes in fair value of financial instruments</i>  |                |                          |                | 40            | -40                              |                    | -              |
| <i>Dividend for financial year 2017</i>  |                |                          |                |               | -6,925                           |                    | -6,925         |
| Net result 2018  | 0              | 0                        | 0              | 0             | 608                              | 33                 | 641            |
| Other elements recognized in the comprehensive result  | 0              | 0                        | 0              | 878           | 0                                | 0                  | 878            |
| <i>Impact on the Fair Value of estimated transaction costs resulting from the hypothetical disposal of investment properties</i> |                |                          |                |               |                                  |                    | -              |
| <i>Change in Fair Value of properties</i>  |                |                          |                |               |                                  |                    | -              |
| <i>Reserve for the impact on the Fair Value of financial instruments</i>   |                |                          |                | 878           |                                  |                    | 878            |
| Public issue of new shares   |                |                          |                |               |                                  |                    | -              |
| Minority interests   |                |                          |                |               |                                  |                    | -              |
| <b>BALANCE SHEET ON 31 DECEMBER 2018</b>   | <b>131,724</b> | <b>-152</b>              | <b>1,496</b>   | <b>-4,405</b> | <b>607</b>                       | <b>301</b>         | <b>129,572</b> |

## 11.1.5 Detail of the consolidated reserves

FIGURES IN THOUSANDS EUR

|   | Legal reserve | Reserve for the balance of changes in Fair Value of properties | Reserve for the impact on Fair Value of estimated transaction charges resulting from the hypothetical disposal of investment properties | Reserve for the balance of changes in Fair Value of authorized hedge instruments which are subject to a hedge accounting as defined in IFRS | Reserve for the balance of changes in Fair Value of authorized hedge instruments which are not subject | Available reserve: reserve for foreseeable losses | Results carried forward from previous financial years | Total reserves |
|---|---------------|--|---|---|--|---|---|----------------|
| <b>BALANCE SHEET ON 30 DECEMBER 2016</b>                          | <b>0</b>      | <b>1,400</b>   | <b>-5,366</b>   | <b>-2,571</b>   | <b>-</b>   | <b>14</b>   | <b>908</b>  | <b>-5,616</b>  |
| Processing of net result 2016                                     | 0             | 2,595  | -2,050  | 0   | 0  | 0   | 1,230   | 1,775          |
| <i>Transfer of portfolio result to reserves</i>                   |               | 2,595  | -2,050  |   |  |   |   | 545            |
| <i>Transfer of operating result to reserves</i>                   |               |  |   |   |  |   | 1,230   | 1,230          |
| <i>Result for the period</i>                                      |               |  |   |   |  |   |   | 0              |
| Other elements recognized in the comprehensive result             | 0             | 0  | 0   | 717   | 0  | 0   | 0   | 717            |
| <i>Changes in Fair Value of properties</i>                        |               |  |   |   |  |   |   | 0              |
| <i>Changes in Fair Value of financial assets and liabilities</i>  |               |  |   | 717   |  |   |   | 717            |
| <b>BALANCE SHEET ON 31 DECEMBER 2017</b>                          | <b>0</b>      | <b>3,995</b>   | <b>-7,416</b>   | <b>-1,854</b>   | <b>-</b>   | <b>14</b>   | <b>2,138</b>  | <b>-3,124</b>  |
| Processing of net result 2017                                     | 0             | -1,986   | -2,070  | 0   | 40   | 0   | 1,857   | -2,159         |
| <i>Transfer of portfolio result to reserves</i>                   |               | -1,986   | -2,070  |   |  |   |   | -4,056         |
| <i>Transfer of operating result to reserves</i>                   |               |  |   |   |  |   | 1,857   | 1,857          |
| <i>Transfer of changes in fair value of financial instruments</i> |               |  |   |   | 40   |   |   | 40             |
| Other elements recognized in the comprehensive result             | 0             | 0  | 0   | 878   | 13   | 0   | -13   | 878            |
| <i>Changes in Fair Value of properties</i>                        |               |  |   |   |  |   |   | 0              |
| <i>Changes in Fair Value of financial assets and liabilities</i>  |               |  |   | 878   | 13   |   | -13   | 878            |
| <b>BALANCE SHEET ON 31 DECEMBER 2018</b>                          | <b>0</b>      | <b>2,009</b>   | <b>-9,486</b>   | <b>-976</b>   | <b>53</b>  | <b>14</b>   | <b>3,982</b>  | <b>-4,404</b>  |

## 11.2 Notes

|  |     |
|--|-----|
| Note 1. General information  | 142 |
| Note 2. Principles for financial reporting                               | 142 |
| Note 3. Estimates, assumptions and most important sources of uncertainty | 153 |
| Note 4. Information by segment   | 154 |
| Note 5. Property result  | 156 |
| Note 6. Property charges   | 157 |
| Note 7. General company expenses   | 157 |
| Note 8. Portfolio result   | 157 |
| Note 9. Financial result   | 158 |
| Note 10. Investment properties   | 158 |
| Note 11. Other tangible fixed assets                                     | 159 |
| Note 12. Financial fixed assets  | 159 |
| Note 13. Trade receivables   | 160 |
| Note 14. Tax receivables and other current assets                        | 160 |
| Note 15. Cash and cash equivalents                                       | 160 |
| Note 16. Deferred charges and accrued income                             | 161 |
| Note 17. Capital   | 161 |
| Note 18. Number of shares used to calculate the net earnings per share   | 167 |
| Note 19. Minority interests  | 167 |
| Note 20. Financial debts   | 168 |
| Note 21. Deferred taxes – liabilities                                    | 169 |
| Note 22. Other non-current financial liabilities                         | 169 |
| Note 23. Trade debts and other current debts                             | 170 |
| Note 24. Other current liabilities                                       | 170 |
| Note 25. Accrued charges and deferred income                             | 170 |
| Note 26. Other non-current liabilities                                   | 170 |
| Note 27. Financial Assets and Liabilities                                | 171 |
| Note 28. Debt ratio  | 172 |
| Note 29. Consolidation scope   | 174 |
| Note 30. Off-balance sheet rights and commitments                        | 175 |
| Note 31. Related party transaction with respect to the income statement  | 176 |
| Note 32. Post-consolidated statement of financial position events        | 177 |
| Note 33. Auditor's fee   | 178 |
| Note 34. Average number of employees                                     | 178 |

## NOTE 1. GENERAL INFORMATION

Qrf Comm. VA (**"Qrf City Retail"**) is a regulated real estate company incorporated under Belgian law, having its registered office at Museumstraat 11/211, 2000 Antwerp.

The consolidated financial statement of Qrf City Retail for the financial year closed on 31 December 2018 comprises Qrf City Retail and its Perimeter Companies (hereinafter referred to as the "Group"). The annual financial statements were approved for publication by the Statutory Manager at the meeting

of the Board of Directors on 7 February 2019 and will be submitted for approval to the annual General Meeting of Shareholders on 21 May 2019.

Qrf City Retail is geared to retail properties in Belgium and the Netherlands. As a real estate player, it focuses on investing and on (re)developing and letting chiefly inner-city retail outlets on streets that are dominant for their catchment areas. Qrf City Retail strives for value through an active portfolio management.

## NOTE 2. PRINCIPLES FOR FINANCIAL REPORTING

### N 2.1 GENERAL

The financial reporting of Qrf City Retail is drawn up in accordance with the IFRS as approved in the European Union and the provisions of the RREC Act and the Royal Decree of 13 July 2014.

These standards comprise all new and revised standards and interpretations published by the *International Accounting Standards Board ("IASB")* and the *International Financial Reporting Interpretations Committee ("IFRIC")* and approved by the European Union ("**EU**"), insofar as applicable to the activities of Qrf City Retail.

### N 2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLIED BY THE GROUP

During the current financial year, the Group applied all new and revised standards and interpretations enacted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, which are relevant for its activities and which are in force for the financial year of Qrf City Retail that opened on 1 January 2018. Qrf City Retail has determined the impact of the application of these standards and established that they have no material impact on the figures for the current financial year.

The following standards and changes to standards will be obligatorily applicable for the first time for the financial year starting on 1 January 2018, and they have been approved by the EU:

- IFRS 9 "Financial Instruments" (effective as of 1 January 2018);
- amendments to IFRS 15 "Revenue from contracts with customers" (effective as of 1 January 2018);
- amendments to IFRS 4: Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts" (effective as of 1 January 2018);
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective as of 1 January 2018);
- annual improvements to IFRS standards 2014-2016 concerning the amendments to IFRS 1 and IAS 28 (effective as of 1 January 2018);
- amendments to IFRS 2 "Share-based payment" – explanations on the valuation method (effective as of 1 January 2018);
- amendments to IAS 40 "Investment Property" (effective as of 1 January 2018).

### N 2.3 STANDARDS AND INTERPRETATION PUBLISHED BUT NOT YET APPLICABLE FOR THE ANNUAL PERIOD BEGINNING ON 1 JANUARY 2018

The Group opted not to apply early the following new Standards, Interpretations and Amendments, approved by the European Union but not yet obligatorily applicable for the financial year starting on 1 January 2018:

- IFRS 16 “Leases” – amendments in the accounting processing of leases by the lessee (effective as of 1 January 2019).

As Qrf City Retail operates almost exclusively as a lessor, IFRS 16 is not expected to have any material impact on the consolidated financial statements. In the limited cases where Qrf City Retail is the lessee in leases classified as operational leases under IAS 17 and these contracts do not belong to the exceptions provided in IFRS 16 (e.g. car rental, real estate used by the group, etc.), a right of use and related obligation have to be recognized in the consolidated financial statements.

- Amendments to IFRS 9 “Prepayment Features with Negative Compensation” (effective as of 1 January 2019).
- IFRIC 23 “Uncertainty over Income Tax Treatments” – Clarification of the accounting for uncertainties in income taxes (effective as of 1 January 2019). Qrf City Retail expects that the application of IFRIC 23 will have no material impact on the consolidated annual financial statements.

Qrf City Retail expects the application of IFRIC 23 will not have a material impact on the consolidated annual account.

The following new standards, amendments and interpretations were published, but are not yet obligatorily applicable for the annual period starting on 1 January 2018 and have not yet been approved by the EU:

- IFRS 17 “Insurance contracts” (effective as of 1 January 2021);
- amendments to IAS 28 “Long-term interests in associates and joint ventures” (effective as of 1 January 2019);
- amendments to IAS 19 “Plan change, containment or settlement” (effective from January 1, 2019);
- amendments to references to the conceptual framework in the IFRS standards (effective as of 1 January 2020);
- amendments to IFRS 3 “Business Combinations” (effective as of 1 January 2020);
- amendments to the definition of material in IAS 1 and IAS 8 (effective as of 1 January 2020);
- annual improvements to IFRS standards concerning the amendments to IFRS 3, IAS 12 and IAS 23 (effective as of 1 January 2019).

The Group is currently determining the impact of the aforementioned standards.

### N 2.4 BASIS OF PREPARATION

The financial information is presented in thousands of euros, rounded off to the nearest thousandth.

Qrf City Retail keeps its accounts in euros as well. A summary of the most important principles for financial reporting is given below.

The acquired companies were not processed as business combinations as defined under IFRS 3 but as purchase of assets, since Qrf City Retail acquired only the assets of the lease, and then integrated them fully in the organization.

## N 2.5 BASIS OF CONSOLIDATION

Perimeter Companies are entities over which Qrf City Retail exercises control.

A company therefore exercises control over a subsidiary if, and only if, the parent company:

- has power over the shareholding interest;
- is exposed or has rights to changing revenues from its involvement in the shareholding interest; and
- has the possibility to use its power over the shareholding interest in order to influence the scope of the investor's revenues.

The annual financial statements of the Perimeter Companies are entered in the consolidation from the date of acquisition to the end of the control in accordance with the full consolidation method.

The full consolidation method consists of taking over fully the asset and liability data of the consolidated companies, together with the charges and revenues, whereupon the necessary eliminations are carried out.

The minority interests are the interests in Perimeter Companies still held by the Group directly or indirectly.

## N 2.6 INVESTMENT PROPERTIES

### (i) General

Immoveable assets held with a view to generating retail income or realizing capital gains in the long term, which are not used by Qrf City Retail, are booked as investment properties.

### (ii) Valuation after initial recognition

The first entry in the balance sheet is made at the acquisition value, including additional transaction charges such as professional fees, legal services,

registration fees and other transfer taxes and non-deductible VAT. The commissions concerning the acquisition of properties are considered additional costs of purchase and are added to the acquisition value.

When the investment properties are obtained through contribution in kind of an immovable asset against the issue of new shares, through merger by acquisition of a real estate company or through partial demerger, audit and assistance charges, reinvestment fees and mortgage releases of the acquired companies and other costs relating to the operation are considered as constituting part of the purchase price and are activated.

If the immovable asset is acquired through a share transaction, the purchase price includes also the exit tax (cf. Note 21) payable by companies over which Qrf City Retail gains direct or indirect control (they are in principle deduced from the value of the underlying property, provided it concerns a tax on the unrealized capital gains which existed for the acquired company before control was gained), unless these companies do not qualify for merger with Qrf City Retail (by decision of the Statutory Manager of Qrf City Retail).

### (iii) Valuation after initial recognition

After the initial recognition, the investment properties are valued by the Property expert.

The Property expert values the following components in a precise way at the end of each quarter:

- immovable assets, immovable assets due to intended use and the rights in rem on immovable assets held by Qrf City Retail or, where applicable, by a real estate company it controls;
- the option rights to immovable assets held by Qrf City Retail or, where applicable, by a company which it controls, as well as immovable assets to which these rights pertain; and

- the rights from contracts whereby one or more properties are given to Qrf City Retail or, where applicable, to a real estate company it controls, under a financial lease, as well as the underlying property.

The Fair Value is determined in 2 phases.

In a first phase, the experts determine the investment value of each property on the basis of the capitalization of the Estimated Rental Value (ERV) adjusted for corrections that take account of the rent actually paid and/or each other element that has an influence on the value, e.g. vacancy costs.

To determine this market rental value, the experts rely on their knowledge of the property market and recent transactions carried out in that market. They take into account inter alia the location, qualities and accessibility of the property and local market circumstances.

They then determine a *yield* or capitalization rate which an investor or hypothetical buyer would pay to acquire the property so as to enjoy either the rental income or a return on his investment.

In a second phase, the experts withhold an estimated amount of the investment value of the portfolio for transfer charges (registration charges and/or capital gains taxes) which the buyer or seller has to pay to carry out a transfer of ownership. The investment value, minus the estimated transfer charges, constitutes the Fair Value, within the meaning of IFRS 13.

In Belgium, the transfer is subject to transfer taxes. The amount of these taxes depends on the transfer method, the capacity of the buyer and the geographic location of the property. The first two elements, and thus the total amount of charges payable, are consequently known only once the transfer of ownership has been completed.

The range of property transfer possibilities, and their corresponding charges are as follows:

- contract of sale for immovable properties: 12.5% for properties situated in the Brussels-Capital Region and the Walloon Region; 10% for properties in the Flemish Region;
- long leases for immovable properties (up to 50 years for the surface right, and 99 years for the long-lease right): 2%;
- contracts of sale for properties where the buyer is a public authority: exemption of duties;
- contribution in kind of properties against the issue of new shares for the benefit of the contributor: exemption of duties;
- contract of sale for shares of a real estate company: no duties;
- merger, demerger and other reorganizations of companies; no fees; etc.

As such, the effective percentage of the registration fees varies from 0 to 12.5% where it is impossible to foresee which percentage applies for the transfer of a given property in Belgium before the transfer actually takes place. In January 2006, all experts involved in the valuation of Belgian property portfolios were asked to determine a weighted average percentage of the effective duties for property portfolios of SICAFIs. A weighted average transaction tax of 2.5% was determined for transactions involving properties worth more than 2.5 MEUR. For properties worth less than 2.5 MEUR, transfer duties of 10% to 12.5% were taken into account, depending on the region where the building is situated. In 2016, an update was conducted in cooperation between the experts and the BE-REIT Association, which supported the findings of 2006.<sup>3</sup>

<sup>3</sup> Cf. the press release of the BE-REIT Association of 10 November 2016 "Confirmation of the rate used for the Fair Value calculation of properties of BE-REITs".

For properties situated outside Belgium, the independent Property experts take account of the theoretical local transfer taxes.

In the Netherlands, the transfer taxes amount to 6% on commercial properties and 2.0% on residential properties.

The difference between the Fair Value and the investment value of the property is entered in the income statement and allocated in the appropriation of the result under "Reserve for impact on the Fair Value of estimated transaction costs resulting from the hypothetical disposal of investment properties" in equity.

All profits or losses that arise out of the value fluctuations in the Fair Value of an investment property are entered in the income statement in the period in which they occur under "Changes in the Fair Value of investment properties" and are allocated for profit sharing to the Reserve for the balance of changes in Fair Value of properties.

#### (iv) Expenditures for works on investment properties

The expenditures for works on investment properties are charged to the operating property results if the expenditures have no positive effect on the expected future economic benefits. They are activated if the expected economic benefits for the entity are thereby increased. There are four sorts of expenditures:

- costs for maintenance and repairs to roofs and parking facilities: these are charged to the operating result and are entered under "technical costs;" and
- refurbishment costs: these costs concern expenditures incurred when a tenant leaves. These costs are charged to the operating property result under "Costs payable by the tenants and borne by the owner on the rental damage and refurbishment;" and
- costs for major renovation and improvement works: renovations are occasional works which are carried out on the property in order to improve

the comfort level considerably so as to drive up the rent and/or rental value. These costs are activated and thus added to the Fair Value of the investment properties. The costs pertain to the materials, fees, contracting works and the like. Internal management or follow-up costs are not activated. Works pending are deducted by the Property expert from the valuation; after execution, these costs are activated and thus added to the Fair Value of the investment properties; and

- lease incentives: these are concessions granted to the tenant for fitting works. They are staggered over the period from the start of the lease to the first break date and are deducted from the Rental income booked.

#### (v) Disposal of a property investment

The profits or losses on the sale of an investment property are entered in the income statement for the reporting period under "Profit or loss from the sale of investment properties". As the property is sold, both the "Reserve for the balance of changes in Fair Value of properties" and the "Reserve for the impact on the Fair Value of estimated transactions resulting from the hypothetical disposal of investment properties" relating to the sold property are transferred to the available reserves.

Commissions paid for the sale of properties, transaction costs and liabilities undertaken as a result of transactions are deducted from the selling prize to determine the profit or loss made.

## N 2.7 DEVELOPMENT PROJECTS

Development projects comprise land and buildings under development whereby they require only investments and generate no Rental income during a certain period.

Immovable assets that are built or developed for future use as investment properties are entered under "Project developments" and are valued at their Fair Value until the development is completed, in accordance with IAS 40. At that time, the asset is transferred to "Properties available for rental," always at Fair Value.



After initial recognition, the projects are valued at Fair Value if all the following criteria are met: (i) the project costs to be incurred must be estimated reliably; (ii) all necessary permits for the development of the project must be obtained; and (iii) a substantial part of the development project is pre-rented (lease definitively signed). This Fair Value is based on the valuation by the Property expert (according to the usual methods and assumptions) and takes account of costs yet to be incurred for the entire completion of the project.

All costs related directly to the purchase or development and all subsequent investments that are recognized as transaction costs (costs of new and/or renovation works, inclusive of the acquisition value and the preparation of the land for construction) are entered in the balance sheet.

If the duration of the project exceeds one year, interest charges directly attributable to the project development are activated as part of the cost of project development.

The financing costs as a component of the cost price of qualifying assets are cited only if:

- expenditures are incurred;
- financing costs are incurred; and
- activities are in progress to prepare the asset for its intended use.

The activation of financing costs is suspended during long periods in which the active development is interrupted.

“Project developments” is a subheading of “Investment properties” and is taken into account in the calculation of the Fair Value of the property portfolio in operation.

## N 2.8 OTHER TANGIBLE FIXED ASSETS

Tangible fixed assets other than investment properties are classified as “other tangible fixed assets” and are valued at the acquisition value, minimum the accumulated depreciations and impairments. The straight line depreciation method is applied on the basis of the expected duration of use.

In the financial year in which the investment takes place, depreciations are booked in proportion to the number of months during which the asset was used.

The following depreciation percentages on an annual basis apply:

- Plant, machinery and equipment: 20%
- Furniture: 10%
- Rolling stock: 20%
- Computer hardware: 33%

## N 2.9 NON-CURRENT TRADE RECEIVABLES AND OTHER TANGIBLE FIXED ASSETS

### (i) Non-current loans and receivables

Non-current loans and receivables are valued at amortized cost on the basis of the effective interest method. An impairment is booked if there is uncertainty as to the collectability of the claim on the due date.

### (ii) Extraordinary impairment of financial assets

Financial assets are tested for extraordinary impairment when there are objective indications thereto. An extraordinary impairment is charged directly to the result. For trade receivables, bad debts are written down on the balance sheet data against the provision account concerned.

## N 2.10 TANGIBLE FIXED ASSETS OR GROUPS OF ASSETS CLASSIFIED AS HELD FOR SALE

Fixed assets the book value of which will in the main be realized by the sale of the properties, not the further rental, are classified as held for sale. These assets are valued at Fair Value, in accordance with IAS 40.

## N 2.11 FINANCIAL INSTRUMENTS

Qrf City Retail may use derivatives or financial interest derivatives (such as *Interest Rate Swaps*) to hedge against interest risks of operational, financial and investment activities. Derivative financial instruments are initially recognized at their cost and are revalued at their Fair Value on the next reporting date.

After the initial processing, the financial interest derivatives are valued at Fair Value in the annual financial statements. Profits or losses that arise out of changes in Fair Value of financial interest derivatives are processed immediately in the income statement, unless a derivative meets the conditions for *hedge accounting*.

The Fair Value of the financial interest derivatives is the amount that Qrf City Retail expects to receive or pay if the financial interest derivative is ended on the balance sheet date, whereby the interest rate in force and the credit risk of the counterparty concerned are taken into consideration.

If a financial interest derivative can be documented as an effective hedge of the possible variability of cash flows attributable to a certain risk linked to an asset or liability or a very likely future transaction, the part of the result arising out of the transaction value of the financial interest derivative, which is ascertained to be an effective hedge, is justified under "Change in the effective part of Fair Value of authorized hedging instruments in a cash flow hedge as defined in IFRS". The ineffective part of the financial interest derivative is entered in the income statement.

When a hedge instrument expires or is sold, or when a hedge no longer meets the criteria of hedge accounting, the accumulated profits and losses are in the first instance maintained in equity. They are entered in the income statement when the commitment or hedged cash flows are entered in the income statement.

If the hedged cash flows are no longer expected, the accumulated profits or losses are transferred immediately from equity to the income statement.

## N 2.12 CURRENT ASSETS

Receivables within one year are valued at their nominal value, less any impairment for bad or doubtful debts.

Cash and cash equivalents (bank accounts, cash and short-term investments) are valued at amortized costs. Additional costs are processed immediately in the income statement.

## N 2.13 EQUITY

The capital comprises cash obtained upon incorporation, merger or capital increase. External costs that are immediately attributable to the issue of new shares are deducted from equity.

Dividends are part of the transferred results until the General Meeting of Shareholders grants the dividends. These dividends are then booked as a debt.

## N 2.14 PROVISIONS

A provision is recognized when:

- Qrf City Retail has an existing – legal or constructive – obligation arising from an event that occurred in the past;

- it is probable that resources will be required to extinguish an obligation; and
- the amount of the obligation can be estimated reliably.

The amount entered as a provision is the best estimate of expenditures required to extinguish the obligation on the balance sheet date, taking into account the risks and uncertainties relating to the obligation.

### N 2.15 LIABILITIES

Trade debts are expressed at their nominal value on the balance sheet date.

Interest-bearing borrowings are initially recognized at cost, less the directly attributable expenses. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost, with any difference between cost and redemption value being recognized in the income statement over the period of the borrowing on the basis of the effective interest method.

### N 2.16 PROPERTY RESULT

The net rental income comprises the rents, operational rentals and other income related therewith, less the rental-related costs such as the payment of rent on leased assets, rental benefits and impairments on trade receivables.

The rental benefits comprise temporary rent reductions or rent free periods for the benefit of the tenant, as well as the possible contribution of Qrf City Retail in the fitting out works of the tenant.

The recovery of property charges comprises income obtained from recharge of costs and compensation for rental damage.

The rental charges and taxes on let properties and the recovery of these charges concern costs which are contractually or customarily incumbent upon the tenant or lessee. The owner will or will not recharge such costs to the tenant depending on contractual arrangements made with the latter.

Revenues are valued at Fair Value of the compensation received and are entered in the income statement according to the straight line method for the period to which they pertain.

Severance payments by tenants for early termination of a lease are entered entirely as income for the year in which the compensation was received.

### N 2.17 PROPERTY CHARGES

The property charges are valued at Fair Value of the compensation paid or payable.

The technical costs comprise in particular structural and occasional management and losses from damage covered by the insurance companies. The commercial costs include brokerage commissions in particular. The management costs of properties comprise chiefly: (i) the costs for staff responsible for the activity; (ii) the Operating charges of the head office of Qrf City Retail; and (iii) the fees paid to third parties. The management fees received from tenants or third parties which cover part of the management costs are deducted.

### N 2.18 GENERAL COMPANY EXPENSES OF QRF CITY RETAIL AND OTHER OPERATING INCOME AND CHARGES

The general company expenses of Qrf City Retail cover the fixed operating charges of Qrf City Retail which is active as a legal listed company and enjoys RREC status. These expenses are incurred to provide transparent financial information, to be economically comparable with other types of investment, and giving investors an opportunity to participate indirectly in a diversified property investment. Part of the expenses incurred in line with the strategic growth of Qrf City Retail also fall under this category.

## N 2.19 FINANCIAL RESULT

The financial result consists of interest charges on loans, bank charges and additional financial charges such as the changes in hedging instruments, less the investment income.

## N 2.20 CORPORATE TAX

This heading comprises the current tax charge on the profit for the financial year and deferred taxes. The corporate tax is booked directly in the result, except when the text pertains to elements which are entered directly under equity. In that case, the tax is also entered under equity. The current tax charge consists of the expected tax on the taxable income of the year and the corrections for the previous financial year.

Deferred tax assets and liabilities are booked on the basis of the balance sheet method for all temporary differences between the taxable basis and the book value, for both assets and liabilities. Deferred tax liabilities are entered to the degree that it is probable that sufficient taxable profit will be realized against which tax differences can be utilized.

## N 2.21 EXIT TAX

### (i) General

The exit tax is the corporate tax on the exempted reserves and the capital gains arising from the recognition as (I)RREC or GVBF and corporate restructuring operations (i.e. mergers, demergers or suchlike operations) whereby an (I)RREC or GVBF acquires a Belgian company which is not an (I)RREC or GVBF.

The Act of 3 August 2016 provides, effective as of 1 July 2016, that (i) the contribution, by a company, of a line of business or totality of assets within the meaning of Article 46, §1, section 2 of the Income Tax Code, in an RREC, and (ii) the contributions of a property, exclusively by means of new shares, by a company in an RREC, are subject to the exit tax.

When a company that will apply for the status of (I)RREC or GVBF, or which will be acquired via corporate restructuring, is included in the group's consolidation scope for the first time, the exit tax is deducted from the equity of that company. If the company is not merged immediately with the RREC, adaptations to the exit tax liabilities, which would seem necessary with regard to the provisioned amount at the time of the merger, are booked via the income statement.

### (ii) Exit tax percentage

The percentage of the exit tax amounted to 16.5% in 2016 and 2017. This percentage was increased with an additional crisis tax of 0.495% (i.e. 3% on the applied percentage of 16.5%). The exit tax payable was therefore calculated at 16.995%.

The exit tax rate was therefore lowered in line with the lowered standard corporate tax rate. As of tax year 2019, relating to a taxable period that commences on 1 January 2018 at the earliest, the exit tax rate will amount to 12.50%. This percentage must be increased by the additional crisis tax of 0.25% (i.e. 2% on the applied percentage of 12.5%). The exit tax payable is therefore calculated at 12.75%.

As of tax year 2021, relating to a taxable period that commences on 1 January 2020 at the earliest, the exit tax rate will be increased to 15% again, and the additional crisis tax will be abolished. The exit tax payable is therefore calculated at 15%.

### (iii) Basis for calculation of the exit tax

The exit tax applies to mergers, demergers and operations considered equivalent to mergers or demergers in which Qrf City Retail takes part as an RREC. Such operations are expressly excluded from fiscal neutrality. Both the recognition as an (I)RREC or GVBF or a real estate subsidiary of Qrf City Retail, as well as the aforementioned operations in which Qrf City Retail participates as an RREC are, from the fiscal point of view, considered equivalent to a dissolution and liquidation of the property company or companies involved.

For the calculation of the exit tax, on the date of the recognition of the operation concerned, the Fair Value of the equity of Qrf City Retail or the property company or companies involved is considered equivalent to a "sum paid out upon the distribution of the equity". The positive difference between the sum paid out under the legal fiction on the one hand, and the enhanced value of the paid up capital is classified as dividend. In the event of an operation considered equivalent to a demerger in which Qrf City Retail take part as an RREC, the rules on dissolution and liquidation apply only on the demerged capital of the real estate company or companies involved.

If Qrf City Retail participates in a merger, demerger or an operation considered equivalent to a merger or demerger, the exit tax is calculated on the unrealized capital gains and the exempt reserves of the real estate company which makes a contribution through merger, demerger or an operation considered equivalent thereto. In case of recognition as an (I)RREC or GVBF, the exit tax is applied on the unrealized capital gains and the exempted reserves of the real estate company on the date of recognition. The unrealized capital gains are calculated as the positive difference between the fiscal Fair Value of the (demerged) properties of the real estate company involved on the one hand, and the acquisition value of said properties, minus the previous tax depreciations and impairments on the other.

The exit tax is calculated taking into account the Circular Ci.RH.423/567.729 of the Belgian inland revenue of 23 December 2004, the interpretation and practical application of which can always change. The "fiscal Fair Value" within the meaning of this circular is calculated by Qrf City Retail, minus the registration duties or VAT (which would be applicable to a sale of assets) (the "value costs to buyer") and can be different from (and even be lower than) the Fair Value of the property as entered in the balance sheet of the RREC pursuant to IAS 40.

#### (iv) Payment of the exit tax

In a merger, demerger or an operation considered equivalent to a merger or demerger in which Qrf City Retail participates as an RREC, a contribution of a line or business or totality of assets within the meaning of Article 46, §1, section 2 of the Income Tax Code of 1992 in Qrf City Retail or a contribution of property in Qrf City Retail remunerated exclusively by means of new shares, the exit tax is payable by the real estate company which makes the contribution in Qrf City Retail. In case of a contribution in Qrf City Retail by means of a merger, the exit tax will be payable by Qrf City Retail as the acquiring company.

In the case of recognition as (I)RREC or GVBF, the exit tax is payable by the recognized company.

#### N 2.22 FINANCIAL TANGIBLE FIXED ASSETS (SHAREHOLDING INTERESTS)

Financial tangible fixed assets (shareholding interests) are booked at Fair Value. Changes in their Fair Value are booked via the income statement.



## NOTE 3. ESTIMATES, ASSUMPTIONS AND MOST IMPORTANT SOURCES OF UNCERTAINTY

### N 3.1 VALUATION OF INVESTMENT PROPERTIES

Investment properties are valued at Fair Value. This is the amount for which a property can be traded between independent parties that are well informed and ready for a transaction. From the seller's perspective, it must be understood subject to deduction of the transfer taxes registration duties.

The estimated amount of the transfer taxes for properties in Belgium is fixed on a flat-rate basis at 2.5% for investment properties with a value exceeding 2.5 MEUR. For transactions with a global value of less than 2.5 MEUR, transfer taxes of 10% to 12.5% must be taken into account, depending on the region where the properties are located.

For properties situated outside Belgium, the independent Property experts take account of the theoretical local transfer taxes.

In the Netherlands, the transfer taxes amount to 6.0% on commercial properties and 2.0% on residential properties.

Although properties are valued according to standard norms, a certain subjectivity comes into play in the estimate of real estate by the Property expert when he draws up his property appraisal report. Each valuation therefore entails a certain uncertainty.

It is possible that the reports of the Property expert, the most important findings and conclusions of which are contained in this annual report, are based on assumptions that might turn out to be wrong or unsuitable afterwards. As a result, the Fair Value could differ from the value that Qrf City Retail can realize from the sale of the property. Possible differences between independent valuations and the Fair Value of properties in the Qrf City Retail portfolio can thus have an essentially unfavourable impact on the activities, financial position and/or results of Qrf City Retail, as well as on the effective return.

When a new Property expert is appointed, there is also the risk that he will value the property portfolio of Qrf City Retail on another basis, which can result in significant deviations from the valuation of the property portfolio by the current Property expert. Such differences in valuation can therefore have an essentially unfavourable impact on the activities, financial position and/or results of Qrf City Retail, and therefore on the effective yield.

### N 3.2 VALUATION OF THE HEDGING INSTRUMENTS

The Fair Value of the hedging instruments is the estimated amount of remuneration that Qrf City Retail has to pay or receive in order to settle its positions on the balance sheet date, taking into account the interest curve, creditworthiness of the counterparties and any option value at the time.

The Fair Value of the hedging instruments is estimated quarterly by the issuing financial institution. A summary is provided under "Note 22. Other non-current financial liabilities" in the Financial report.

## NOTE 4. INFORMATION BY SEGMENT

| FIGURES IN THOUSANDS EUR                                   | 31/12/2018<br>BELGIUM |                   | NETHERLANDS |                   | Non-attributed amounts | Total  |
|--|-----------------------|-------------------|-------------|-------------------|------------------------|--------|
|  | Inner-city            | Out of town areas | Inner-city  | Out of town areas |                        |        |
| <b>NET RENTAL INCOME</b>                                   | 11,857                | 2,176             | 1,408       | 0                 | 0                      | 15,441 |
| <b>PROPERTY RESULT</b>                                     | 11,826                | 2,181             | 1,328       | 0                 | 0                      | 15,334 |
| <b>PROPERTY CHARGES</b>                                    | -995                  | -117              | -116        | 0                 | 0                      | -1,228 |
| <b>OPERATING PROPERTY RESULT</b>                           | 10,831                | 2,064             | 1,211       | 0                 | 0                      | 14,107 |
| (-) General company expenses                               | -124                  | -14               | -26         | 0                 | -2,021                 | -2,184 |
| (+/-) Other operating income and charges                   | 0                     | 0                 | 0           | 0                 | 8                      | 8      |
| <b>OPERATING RESULT BEFORE THE RESULT ON THE PORTFOLIO</b> | 10,706                | 2,051             | 1,186       | 0                 | -2,013                 | 11,930 |
| (+/-) Result on disposals of investment properties         | 120                   | 129               | 0           | 0                 | 0                      | 249    |
| (+/-) Changes in Fair Value of investment properties       | -8,937                | 1,408             | 180         | 0                 | 0                      | -7,349 |
| (+/-) Other portfolio result                               | 0                     | 0                 | 0           | 0                 | 0                      | 0      |
| <b>OPERATING RESULT</b>                                    | 1,889                 | 3,588             | 1,366       | 0                 | -2,013                 | 4,830  |
| <b>FINANCIAL RESULT</b>                                    | 0                     | 0                 | 0           | 0                 | -4,044                 | -4,044 |
| <b>RESULT BEFORE TAXES</b>                                 | 1,889                 | 3,588             | 1,366       | 0                 | -6,057                 | 786    |
| <b>TAXES</b>   | 0                     | 0                 | 0           | 0                 | -146                   | -146   |
| <b>NET RESULT</b>  | 1,889                 | 3,588             | 1,366       | 0                 | -6,202                 | 640    |
| <b>MINORITY INTERESTS</b>                                  | 33                    | 0                 | 0           | 0                 | 0                      | 33     |
| <b>NET RESULT - GROUP SHARE</b>                            | 1,856                 | 3,588             | 1,366       | 0                 | -6,202                 | 607    |

| FIGURES IN THOUSANDS EUR            | 31/12/2018<br>BELGIUM |                   | NETHERLANDS |                   | Non-attributed amounts | Total   |
|-------------------------------------|-----------------------|-------------------|-------------|-------------------|------------------------|---------|
|                                     | Inner-city            | Out of town areas | Inner-city  | Out of town areas |                        |         |
| <b>ASSETS</b>                       |                       |                   |             |                   |                        |         |
| Investment properties               | 214,514               | 29,800            | 27,480      | 0                 | 0                      | 271,794 |
| Other assets                        | 0                     | 0                 | 0           | 0                 | 3,902                  | 3,902   |
| <b>TOTAL ASSETS</b>                 | 214,514               | 29,800            | 27,480      | 0                 | 3,902                  | 275,696 |
| <b>LIABILITIES</b>                  |                       |                   |             |                   |                        |         |
| <b>EQUITY</b>                       | 0                     | 0                 | 0           | 0                 | 129,572                | 129,572 |
| Group equity                        | 0                     | 0                 | 0           | 0                 | 129,272                | 129,272 |
| Minority interests                  | 0                     | 0                 | 0           | 0                 | 300                    | 300     |
| <b>LIABILITIES</b>                  | 0                     | 0                 | 0           | 0                 | 146,124                | 146,124 |
| <b>TOTAL EQUITY AND LIABILITIES</b> | 0                     | 0                 | 0           | 0                 | 275,696                | 275,697 |



31/12/2017  
BELGIUM

| BELGIUM    |                   | NETHERLANDS |                   | Non-attributed amounts |  | Total  |
|------------|-------------------|-------------|-------------------|------------------------|--|--------|
| Inner-city | Out of town areas | Inner-city  | Out of town areas |                        |  |        |
| 11,552     | 2,450             | 938         | 0                 | 0                      |  | 14,940 |
| 11,555     | 2,450             | 900         | 0                 | 0                      |  | 14,905 |
| -906       | -210              | -39         | 0                 | 0                      |  | -1,155 |
| 10,650     | 2,239             | 861         | 0                 | 0                      |  | 13,750 |
| -28        | -12               | -67         | 0                 | -1,919                 |  | -2,026 |
| 0          | 0                 | 0           | 0                 | 1                      |  | 1      |
| 10,622     | 2,228             | 794         | 0                 | -1,917                 |  | 11,726 |
| 128        | 338               | 0           | 0                 | 0                      |  | 466    |
| -3,260     | 840               | -1,651      | 0                 | 0                      |  | -4,071 |
| 0          | 0                 | 0           | 0                 | 0                      |  | 0      |
| 7,490      | 3,406             | -858        | 0                 | -1,918                 |  | 8,120  |
| 0          | 0                 | 0           | 0                 | -2,951                 |  | -2,951 |
| 7,490      | 3,406             | -858        | 0                 | -4,869                 |  | 5,169  |
| 0          | 0                 | 0           | 0                 | -413                   |  | -413   |
| 7,490      | 3,406             | -858        | 0                 | -5,283                 |  | 4,755  |
| -10        | 0                 | 0           | 0                 | 0                      |  | -10    |
| 7,500      | 3,406             | -858        | 0                 | -5,283                 |  | 4,766  |

31/12/2017  
BELGIUM

| BELGIUM    |                   | NETHERLANDS |                   | Non-attributed amounts |  | Total   |
|------------|-------------------|-------------|-------------------|------------------------|--|---------|
| Inner-city | Out of town areas | Inner-city  | Out of town areas |                        |  |         |
| 226,934    | 33,170            | 27,300      | 0                 | 0                      |  | 287,404 |
| 0          | 0                 | 0           | 0                 | 3,918                  |  | 3,918   |
| 226,934    | 33,170            | 27,300      | 0                 | 3,918                  |  | 291,322 |
| 0          | 0                 | 0           | 0                 | 134,979                |  | 134,979 |
| 0          | 0                 | 0           | 0                 | 134,711                |  | 134,711 |
| 0          | 0                 | 0           | 0                 | 267                    |  | 267     |
| 0          | 0                 | 0           | 0                 | 156,344                |  | 156,344 |
| 0          | 0                 | 0           | 0                 | 291,322                |  | 291,322 |

The Board of Directors of the Statutory Manager is the body that takes decisions and measures the performance of the different segments. The Board of Directors examines the results in terms of type of real estate (inner-city and out of town areas) and geographic spread.

Qrf City Retail has two important tenants who accounts for more than 10% of the Contractual Rent. H&M (spread over 4 locations) represents 15.8% of the Contractual Rent; Hudson Bay's Company/Galeria Inno represents 10.8%.

## NOTE 5. PROPERTY RESULT

FIGURES IN THOUSANDS EUR

|   | 31/12/2018    | 31/12/2017    |
|---|---------------|---------------|
| <b>(+) I. Rental income</b>   | <b>15,529</b> | <b>14,949</b> |
| - Rent  | 15,529        | 14,867        |
| - Guaranteed income   | 0             | 82            |
| <b>(+) II. Writeback of leased payments sold and discounted</b>   | <b>0</b>      | <b>0</b>      |
| <b>(+/-) III. Rental related expenses</b>   | <b>-88</b>    | <b>-9</b>     |
| - Write-downs on trade receivables  | -150          | -102          |
| - Reversals of write-downs on trade receivables   | 62            | 93            |
| <b>NET RENTAL INCOME</b>  | <b>15,441</b> | <b>14,940</b> |
| <b>(+) IV. Recovery of property charges</b>   | <b>0</b>      | <b>0</b>      |
| <b>(+) V. Recovery of rental charges and taxes normally payable by tenants on let properties</b>          | <b>1,076</b>  | <b>1,178</b>  |
| - Rebilling of rental charges borne by the owner  | 128           | 0             |
| - Rebilling of advance levies and taxies on let properties  | 949           | 1,178         |
| <b>(-) VI. Costs payable by the tenants and borne by the owner on the rental damage and refurbishment</b> | <b>0</b>      | <b>0</b>      |
| <b>(-) VII. Rental charges and taxes normally payable by tenants on let properties</b>                    | <b>-1,184</b> | <b>-1,213</b> |
| - Rental charges borne by the owner   | -128          | 0             |
| - Advance levies and charges on let properties  | -1,056        | -1,213        |
| <b>(+/-) VIII. Other rental related income and expenses</b>   | <b>0</b>      | <b>0</b>      |
| <b>PROPERTY RESULT</b>  | <b>15,334</b> | <b>14,905</b> |

In Belgium, most Qrf City Retail leases are commercial leases for a period of 9 years which can in principle be terminated after the expiry of the third and sixth year, subject to service of 6 months' prior notice.

In the Netherlands, most Qrf City Retail leases are commercial leases for a period of 5 years, which can grant a contractual option for extension by the tenant for a period of 5 or 10 years, with a termination option for the tenant at the end of the first period, as well as at the end of each subsequent period, provided it is followed by a subsequent option for the tenant to extend it.

To ensure compliance with the obligations incumbent on the tenant by virtue of the lease, tenants in Belgium and the Netherlands alike must in principle provide a rent guarantee, usually in the form of a bank guarantee of three to six months' rent.

The rent, in both Belgium and the Netherlands, is payable monthly (sometimes quarterly) in advance and usually indexed annually on the anniversary date. Taxes and charges, inclusive of the advance levy on income derived from real estate, and municipal charges are borne mainly by the tenant.

An incoming inventory of fixtures is usually drawn up by an independent expert at the start of the lease. Upon the expiry of the lease, the tenant must return the premises in the state as described in the incoming inventory of fixtures, subject to normal wear. The tenant may not transfer the lease nor sublet the premises in full or in part, without the prior, written consent of the lessor. The tenant is required to register the lease at his expense.

## NOTE 6. PROPERTY CHARGES

| FIGURES IN THOUSANDS EUR  | 31/12/2018    | 31/12/2017    |
|---|---------------|---------------|
| <b>(-) IX. Technical costs</b>                                      | <b>-330</b>   | <b>-289</b>   |
| - Recurrent technical costs   | -330          | -289          |
| - Repairs   | -295          | -233          |
| - Insurance premiums  | -35           | -56           |
| - Non-recurrent technical costs                                     | 0             | 0             |
| - Major repairs (contractors, architects, engineering office, etc.) | 0             | 0             |
| - Claims  | 0             | 0             |
| <b>(-) X. Commercial costs</b>                                      | <b>-174</b>   | <b>-155</b>   |
| - Brokerage commissions   | -96           | -133          |
| - Publicity   | 0             | 0             |
| - Lawyers' fees and legal costs                                     | -78           | -22           |
| <b>(-) XI. Charges and taxes on unlet properties</b>                | <b>-154</b>   | <b>-164</b>   |
| <b>(-) XII. Property management costs</b>                           | <b>-570</b>   | <b>-546</b>   |
| - External property management fees                                 | -570          | -546          |
| <b>(-) XIII. Other property charges</b>                             | <b>0</b>      | <b>0</b>      |
| <b>PROPERTY CHARGES</b>   | <b>-1,228</b> | <b>-1,155</b> |

## NOTE 7. GENERAL COMPANY EXPENSES

| FIGURES IN THOUSANDS EUR   | 31/12/2018    | 31/12/2017    |
|--|---------------|---------------|
| <b>(-) XIV. General company expenses</b>                                 | <b>-2,184</b> | <b>-2,026</b> |
| - Lawyers' and notaries' fees  | -254          | -93           |
| - Audit  | -40           | -28           |
| - Consultancy fees (accounting, tax, etc.)                               | -26           | -65           |
| - Cost of Statutory Manager, Executive Management and Board of Directors | -1,086        | -997          |
| - Insurance  | -21           | -21           |
| - Other general company expenses   | -758          | -821          |
| <b>GENERAL COMPANY EXPENSES</b>  | <b>-2,184</b> | <b>-2,026</b> |

## NOTE 8. PORTFOLIO RESULT

| FIGURES IN THOUSANDS EUR   | 31/12/2018    | 31/12/2017    |
|--|---------------|---------------|
| <b>(+/-) XVI. Result on disposals of investment properties</b>       | <b>249</b>    | <b>466</b>    |
| - Net sales of properties (selling price - transaction costs)        | 7,989         | 5,616         |
| - Asset value of the sold properties                                 | -7,740        | -5,150        |
| <b>(+/-) XVII. Result on disposals of other non-financial assets</b> | <b>0</b>      | <b>0</b>      |
| <b>(+/-) XVIII. Changes in Fair Value of investment properties</b>   | <b>-7,349</b> | <b>-4,072</b> |
| - Positive changes in Fair Value of investment properties            | 4,284         | 3,267         |
| - Negative changes in Fair Value of investment properties            | -11,633       | -7,339        |
| <b>(+/-) XIX. Other portfolio result</b>                             | <b>0</b>      | <b>0</b>      |
| <b>PORTFOLIO RESULT</b>  | <b>-7,100</b> | <b>-3,605</b> |

## NOTE 9. FINANCIAL RESULT

FIGURES IN THOUSANDS EUR

|   | 31/12/2018    | 31/12/2017    |
|---|---------------|---------------|
| <b>(+) XX. Financial income</b>   | <b>0</b>      | <b>10</b>     |
| - Collected interest and dividends  | 0             | 10            |
| <b>(-) XXI. Net interest charges</b>  | <b>-2.851</b> | <b>-2.902</b> |
| - Nominal interest charges on loans   | -1.965        | -1.985        |
| - Costs of authorized hedging instruments   | -886          | -916          |
| - Other interest charges  | 0             | -1            |
| <b>(-) XXII. Other financial charges</b>  | <b>-258</b>   | <b>-100</b>   |
| - Bank charges and other commissions  | -258          | -100          |
| <b>(+/-) XXIII. Changes in Fair Value of financial assets and liabilities</b>       | <b>-936</b>   | <b>40</b>     |
| - Authorized hedging instruments subject to hedge accounting as defined in IFRS     | 0             | 0             |
| - Authorized hedging instruments not subject to hedge accounting as defined in IFRS | -936          | 40            |
| - Other   |               |               |
| <b>FINANCIAL RESULT</b>   | <b>-4.045</b> | <b>-2.952</b> |

Qrf City Retail is exposed to increases in financial costs that can be caused by a rise in interest rates. To limit this risk, Qrf City Retail has partly converted floating interests into fixed interest rates by means of *Interest Rate Swaps* with various financial institutions. The term of these financial instruments is in line with the term of the loans of Qrf City Retail. If the long-term interest rates decline sharply, the market value of these *Interest Rate Swaps* have become highly negative, and the cost of dissolving these contracts would rise.

The Average Cost of Financing in 2018 amounts to 1.91%, including the *credit margin* and the interest charges that arise out of the *Interest Rate Swaps*.

On 31 December 2018, 80.9% of the lines of credit (for 114 MEUR) had a fixed interest rate, in particular through using interest rate swaps as hedging instruments.

## NOTE 10. INVESTMENT PROPERTIES

FIGURES IN THOUSANDS EUR

|  | 31/12/2018     | 31/12/2017     |
|--|----------------|----------------|
| <b>INVESTMENT TABLE</b>  |                |                |
| <b>Balance at the beginning of the financial year</b>            | <b>287,404</b> | <b>250,724</b> |
| Acquisition by purchase or contribution of investment companies  | 0              | 0              |
| Acquisition by purchase or contribution of investment properties | 0              | 45,480         |
| Other elements recognized in the result                          | -604           | -1,152         |
| Book value of sold investment properties                         | -7,740         | -5,150         |
| Capitalized expenditures (Capex)                                 | 82             | 1,573          |
| Change in Fair Value of investment properties                    | -7,349         | -4,071         |
| <b>Balance at the end of the financial year</b>                  | <b>271,794</b> | <b>287,404</b> |

The sale of investment properties consists of the Fair Value of the sold investment properties in Sint-Niklaas (Stationstraat 33), Marche-en-Famenne (Rue du Parc Industriel 8), Mons (Grand Rue 5), and Ostend (Adolf Buylstraat 36).

Investment properties are booked at Fair Value pursuant to IFRS 13.

The Fair Value hierarchy consists of three levels:

Level 1: the Fair Value is determined on the basis of published prices in an active market

Level 2: valuation methods with observable parameters in the market

Level 3: valuation methods involving input which is non-observable in the market and which has an insignificant impact on the Fair Value of the instrument

The investment properties fall under level 3 in the Fair Value hierarchy. The valuation methods and most significant parameters are explained in Note 2.6 of this report.

| Non-observable parameters (Input on 31/12/2018) | 31/12/2018                    |                          | 31/12/2017                    |                          |
|---|-------------------------------|--------------------------|-------------------------------|--------------------------|
|   | Bandwidth                     | Weighted average         | Bandwidth                     | Weighted average         |
| ERV (in EUR / m <sup>2</sup> ) <sup>4</sup>     | 73-1,161 EUR / m <sup>2</sup> | 176 EUR / m <sup>2</sup> | 73-1,226 EUR / m <sup>2</sup> | 179 EUR / m <sup>2</sup> |
| Long-term vacancy hypothesis                    | 0% - 100%                     | 3.2%                     | 0% - 100%                     | 3.1%                     |
| Yield   | 3.6%-8.5%                     | 5.3%                     | 3.7%-8.0%                     | 5.6%                     |
| Number of m <sup>2</sup>                        | 43-8,700 m <sup>2</sup>       | 3,461 m <sup>2</sup>     | 43-8,700 m <sup>2</sup>       | 3,476 m <sup>2</sup>     |

The average *yield* applied by the Property expert amounts to 5.3% on 31/12/2018. An increase in the yield of 0.25% would result in a negative change in Fair Value of the property of 12.2 MEUR. A decline

of the ERV by 2% would result in a negative change in Fair Value of the property of ca. 5.4 MEUR. On 31/12/2018 the ERV of the total portfolio was 0.39% higher than the Contractual Rent.

## NOTE 11. OTHER TANGIBLE FIXED ASSETS

FIGURES IN THOUSANDS EUR

|  | 31/12/2018 | 31/12/2017 |
|--|------------|------------|
| <b>D. OTHER TANGIBLE FIXED ASSETS</b>                                    |            |            |
| Tangible fixed assets for own use at the beginning of the financial year | 48         | 24         |
| - <i>Investments</i>   | 5          | 46         |
| - <i>Depreciation</i>  | -22        | -22        |
| Tangible fixed assets for own use at the end of the financial year       | 32         | 48         |

## NOTE 12. FINANCIAL FIXED ASSETS

FIGURES IN THOUSANDS EUR

|                                  | 31/12/2018 | 31/12/2017 |
|----------------------------------|------------|------------|
| <b>E. FINANCIAL FIXED ASSETS</b> | <b>0</b>   | <b>0</b>   |
| Held-to-maturity assets          | 0          | 0          |
| Available-for-sale assets        | 0          | 0          |
| Assets at Fair Value via result  | 0          | 0          |
| Loans and receivables            | 0          | 0          |
| Other                            | 0          | 0          |
| <b>TOTAL</b>                     | <b>0</b>   | <b>0</b>   |

The market value of the Interest Rate Swaps (IRS) is negative on 31/12/2018. These can be found on the liabilities side of the balance sheet.

4 The broad bandwidth of the ERV can be explained primarily by great differences in the location of the retail properties and in the surface area and layout of the buildings.

## NOTE 13. TRADE RECEIVABLES

| FIGURES IN THOUSANDS EUR    | 31/12/2018 | 31/12/2017 |
|-----------------------------|------------|------------|
| <b>D. TRADE RECEIVABLES</b> |            |            |
| Trade receivables           | 342        | 681        |
| Invoices to be issued       | -          | -          |
| Receivables                 | 228        | 135        |
| Credit notes to be received | -22        | -12        |
| Recorded impairments        | -175       | -175       |
| <b>TOTAL</b>                | <b>372</b> | <b>629</b> |

| FIGURES IN THOUSANDS EUR             | 31/12/2018 |                              | 31/12/2017 |                              |
|--------------------------------------|------------|------------------------------|------------|------------------------------|
| Ageing analysis of trade receivables | Total      | Foreseen as doubtful debtors | Total      | Foreseen as doubtful debtors |
| Not due and receivables < 60 days    | 173        | 1                            | 92         | 4                            |
| Receivables 60 - 90 days             | 19         | 9                            | 360        | 1                            |
| Receivables 90 - 120 days            | 29         | 13                           | 51         | 2                            |
| Receivables > 120 days               | 120        | 152                          | 178        | 169                          |
| <b>TOTAL</b>                         | <b>342</b> | <b>175</b>                   | <b>681</b> | <b>175</b>                   |

The writedowns on trade receivables are carried out on an individual basis.

There is a risk that loss will be suffered on a claim. The scope of the risk depends on three factors: (1) the amount of the claim; (2) the chance of non-payment; and (3) the part of the claim that is recovered

in case of non-payment. This risk is reduced sharply because the rent is generally required to be paid in advance, usually at the beginning of the rental period (the rent is in general paid monthly or quarterly in advance) as well as by monitoring the creditworthiness of the debtors. Furthermore, a rent guarantee is usually provided by the tenant.

## NOTE 14. TAX RECEIVABLES AND OTHER CURRENT ASSETS

| FIGURES IN THOUSANDS EUR                           | 31/12/2018   | 31/12/2017 |
|--|--------------|------------|
| <b>E. TAX RECEIVABLES AND OTHER CURRENT ASSETS</b> |              |            |
| Taxes  | 376          | 355        |
| Payroll accruals                                   | 0            | 0          |
| Other  | 750          | 158        |
| <b>TOTAL</b>                                       | <b>1,126</b> | <b>513</b> |

The other current assets consist mainly of a claim for the sale of the property in Mons which on 31/12/2018

was not yet collected, but was paid in full at time of publication of this annual report.

## NOTE 15. CASH AND CASH EQUIVALENTS

| FIGURES IN THOUSANDS EUR            | 31/12/2018   | 31/12/2017   |
|-------------------------------------|--------------|--------------|
| <b>F. CASH AND CASH EQUIVALENTS</b> |              |              |
| Banks                               | 2,180        | 2,577        |
| Cash                                | 0            | 0            |
| <b>TOTAL</b>                        | <b>2,180</b> | <b>2,577</b> |

There are no limitations to the use or deployment of cash and cash equivalents.

The cash and cash equivalents meet the conditions set out in IAS 7.

## NOTE 16. DEFERRED CHARGES AND ACCRUED INCOME

FIGURES IN THOUSANDS EUR

|   | 31/12/2018 | 31/12/2017 |
|---|------------|------------|
| <b>G. DEFERRED CHARGES AND ACCRUED INCOME</b> |            |            |
| Rental income accrued and not due             | 0          | 0          |
| Prepaid property charges                      | 0          | 0          |
| Other   | 192        | 152        |
| <b>TOTAL</b>                                  | <b>192</b> | <b>152</b> |

## NOTE 17. CAPITAL

FIGURES IN THOUSANDS EUR

|  | Capital<br>movement  | Total<br>outstanding<br>capital | Issue<br>premiums | Costs of<br>capital<br>increase | Number<br>of shares<br>issued | Total<br>number of<br>shares |
|--|--|---------------------------------|-------------------|---------------------------------|-------------------------------|------------------------------|
| <b>CAPITAL</b>                           |  |                                 |                   |                                 |                               |                              |
| <b>Date</b>                              | <b>Transaction</b>   |                                 |                   |                                 |                               |                              |
| 03/09/2013                               | Formation  | 62                              | 62                |                                 | 1,230                         | 1,230                        |
| 27/11/2013                               | Share split (1 against 2)  | 0                               | 62                |                                 | 1,230                         | 2,460                        |
| 27/11/2013                               | Contribution in cash   | 1,139                           | 1,200             |                                 | 45,540                        | 48,000                       |
| 18/12/2013                               | Contribution of Laagland   | 5,243                           | 6,443             |                                 | 209,711                       | 257,711                      |
| 18/12/2013                               | IPO and first listing on Euronext Brussels                                 | 75,380                          | 81,823            |                                 | 3,015,200                     | 3,272,911                    |
| 18/12/2013                               | Capital reduction to hedge future losses                                   | -5,734                          | 76,089            |                                 | 0                             | 3,272,911                    |
| <b>BALANCE SHEET ON 30 DECEMBER 2013</b> |  | <b>76,089</b>                   |                   |                                 |                               | <b>3,272,911</b>             |
| <b>BALANCE SHEET ON 30 DECEMBER 2014</b> |  | <b>76,089</b>                   |                   |                                 |                               | <b>3,272,911</b>             |
| <b>Date</b>                              | <b>Transaction</b>   |                                 |                   |                                 |                               |                              |
| 24/06/2015                               | Capital increase by contribution in kind                                   | 4,490                           | 80,579            | 238                             | 193,097                       | 3,466,008                    |
| 08/12/2015                               | Capital increase by contribution in kind                                   | 14,733                          | 95,312            | 608                             | 633,680                       | 4,099,688                    |
| 09/12/2015                               | Capital increase by contribution in kind                                   | 8,913                           | 104,225           | 37                              | 383,363                       | 4,483,051                    |
| <b>BALANCE SHEET ON 30 DECEMBER 2015</b> |  | <b>104,225</b>                  | <b>883</b>        | <b>-32</b>                      |                               | <b>4,483,051</b>             |
| <b>Date</b>                              | <b>Transaction</b>   |                                 |                   |                                 |                               |                              |
| 01/01/2016                               | Capital increase by contribution in kind (relating to financial year 2015) |                                 | 104,225           | -23                             |                               | 4,483,051                    |
| 30/06/2016                               | Capital increase by contribution in kind                                   | 7,567                           | 111,792           | 371                             | 325,466                       | 4,808,517                    |
| 21/12/2016                               | Capital increase by contribution in kind                                   | 7,470                           | 119,262           | 206                             | 321,285                       | 5,129,802                    |
| <b>BALANCE SHEET ON 30 DECEMBER 2016</b> |  | <b>119,262</b>                  | <b>1,459</b>      | <b>-111</b>                     |                               | <b>5,129,802</b>             |
| <b>Date</b>                              | <b>Transaction</b>   |                                 |                   |                                 |                               |                              |
| 1/01/2017                                | Capital increase by contribution in kind (relating to financial year 2016) |                                 | 119,262           | -14                             |                               | 5,129,802                    |
| 25/09/2017                               | Capital increase by contribution in kind                                   | 12,462                          | 131,724           | 38                              | 536,020                       | 5,665,822                    |
| <b>BALANCE SHEET ON 31 DECEMBER 2017</b> |  | <b>131,724</b>                  | <b>1,496</b>      | <b>-152</b>                     |                               | <b>5,665,822</b>             |
| <b>BALANCE SHEET ON 31 DECEMBER 2018</b> |  | <b>131,724</b>                  | <b>1,496</b>      | <b>-152</b>                     |                               | <b>5,665,822</b>             |

No capital operations were carried out in financial years 2014 and 2018.

## N 17.1 BACKGROUND HISTORY OF QRF CITY RETAIL<sup>5</sup>

Qrf City Retail was incorporated on 3 September 2013 as a limited equity partnership under the name "Qrf", by deed drawn up by Vincent Vroninks, associated notary of Ixelles, published in the Annexes to the Belgisch Staatsblad [Belgian Official Gazette] of 17 September 2013 under number 13141597.

Qrf City Retail was founded with a share capital of 61,500 EUR represented by 1,230 shares, attributed as follows to the founders:

- Qrf Management NV (i.e. the Statutory Manager): 1,229 shares (99.92%); and
- Quares Holding CVBA: 1 share (0.08%).

A summary of the most important changes that have taken place in Qrf City Retail since it was incorporated is provided below:

**(i)** share split, where the existing 1,230 shares were split into 2,460 new shares in proportion of 1 existing share against 2 new shares;

**(ii)** increase of the share capital of Qrf City Retail with 1,138,500 EUR by issue of 45,540 new shares and the alteration of the articles of association;

**(iii)** increase of the share capital of Qrf City Retail, with 5,242,775 EUR following a contribution in kind of all shares of Laagland NV by issue of 209,711 new shares;

**(iv)** increase of share capital of Qrf City Retail, on the basis of the statement of received and attributed subscriptions, with 75,380,000 EUR by issue of 3,015,200 new shares;

**(v)** (reduction of the share capital Qrf City Retail, to create an available reserve as a hedge against foreseeable losses, with an amount of 5,734,000 EUR;

**(vi)** authorization of the Statutory Manager, to increase the share capital of Qrf City Retail in one or more occasions to an amount of 76,088,775 EUR;

**(vii)** conversion of the SICAFI to a Regulated Real Estate company by alteration of the articles of association on 7 November 2014;

**(viii)** increase of the share capital of Qrf City Retail, with 4,489,505 EUR by issue of 193,097 EUR new shares following an contribution in kind of the retail properties situated in Antwerp (Kammenstraat) and Namur (Rue de Fer);

**(ix)** increase of the share capital of Qrf City Retail, with 14,733,060 EUR by issue of 633,680 new shares following the contribution in kind of the retail property situated in Leuven (Bondgenotenlaan);

**(x)** increase of share capital of Qrf City Retail, with 8,913,189 EUR by issue of 383,363 new shares following a contribution in kind of a part of the shares of TT Center Plus NV;

**(xi)** increase of share capital of Qrf City Retail, with 7,567,085 EUR by issue of 325,466 new shares following the contribution in kind of the shares of RIGS NV;

**(xii)** increase of the share capital of Qrf City Retail, with 7,469,876 EUR by issue of 321,285 EUR new shares following the contribution in kind of the retail properties situated in Antwerp (Wapper and Schuttershofstraat);

**(xiii)** increase of the share capital of Qrf City Retail, with 12,462,465 EUR by issue of 536,020 EUR new shares following the contribution in kind of 6 retail properties situated in Antwerp and Ostend.

**(xiv)** the reduction of the share capital of Qrf City Retail to 5,665,822 EUR by a change in the fraction value per share to 1 EUR with transfer to the unavailable reserve account "issue premiums";

<sup>5</sup> For more information regarding the amendments to the articles of association of Qrf City Retail, we refer to Chapter 12 of this annual report.



**(xv)** The increase of the share capital of Qrf City Retail by 1,487,500 EUR by the issue of 1,487,500 new shares following the contribution in kind of 9 retail properties situated in Antwerp and Ostend.

## N 17.2 ACQUISITION AND DISPOSAL OF OWN SHARES

### (i) General

Articles 620 ff. of the Companies Code stipulate that the Statutory manager can be authorized in two ways to decide on the acquisition or disposal of Qrf City Retail's own shares, namely (i) by prior decision of the General Meeting of Shareholders; and (ii) in case of impending serious prejudice to Qrf City Retail, subject to an expressly statutory clause provided to that end. These two situations are explained further below.

### (ii) Prior decision of the General Meeting of Shareholders

Article 620 of the Companies Code and Article 13 of the articles of association of Qrf City Retail expressly stipulate that the General Meeting of Shareholders, taking due account of the quorum (half the share capital is represented) and majority (four fifths of the votes) required for a change of purpose, may decide at all times to authorize the Statutory Manager to acquire or dispose of the company's own shares, on condition that (i) the nominal value or, in the absence thereof, the fractional value of the acquired shares is not higher than 20% of the issued capital; (ii) the transaction pertains only to fully paid up shares; (iii) the amount allocated for the acquisition, plus the amount that was allocated for earlier acquisitions of shares in Qrf City Retail on the one hand, and the number of shares obtained by a person acting in his own name but for the account of Qrf City Retail on the other, must be available for distribution; and (iv) the offer for acquisition is made with regard to all shareholders and under the same conditions (subject to what is stipulated below), except as regards acquisitions decided unanimously by the General Meeting of Shareholders where all shareholders were present or represented.

Qrf City Retail must also take the following principles into consideration:

- Qrf City Retail will be able to acquire its own shares without an offer for acquisition having to be made to all shareholders, on condition that it guarantees equal treatment of shareholders who are in the same circumstances by means of equivalence of the offered price pursuant to Article 620, §1, 5°, of the Companies Code; and
- Qrf City Retail must inform the FSMA of its intention to acquire its own shares, whereupon FSMA shall verify whether the buy-back transactions are in accordance with the decision of the General Meeting of Shareholders or, where appropriate, of the Statutory Manager. If the FSMA decides that the transactions are not in accordance therewith, it can go public with its opinion.

In the decision to authorize the Statutory manager, the General Meeting of Shareholders must fix expressly the maximum number of shares to be acquired as well as the minimum and maximum value of the compensation. Furthermore, this authorization must be granted for five years maximum, renewable subject to the quorum and majority required for a change of purpose.

### (iii) Impending serious disadvantage

Article 620 of the Companies Code further stipulates that no express prior authorization by the General Meeting of Shareholders is required when the articles of association expressly stipulate that the Statutory manager can decide that the acquisition or disposal of the company's own shares is necessary to prevent an impending serious disadvantage. The Statutory Manager must in such a situation take into account the afore-summarized conditions also. Such a statutory clause is valid only for a period of three years as of the publication of the alteration of the articles of association in the *Annexes to the Belgisch Staatsblad* [Belgian Official Gazette]. This statutory authorization is renewable subject to due consideration of the quorum and majority required for a change of purpose. More specifically, half of the share capital must be represented at the extraordinary General Meeting of Shareholders, and the decision to renew the statutory authorization must be approved by a four fifths majority of the votes.

Article 13 of the articles of association of Qrf City Retail stipulates that the Statutory Manager may proceed to acquire the company's own shares when such acquisition is necessary to prevent an impending serious disadvantage for Qrf City Retail, subject to the conditions laid down in Article 260 ff. of the Companies Code. This authorization was granted by the General Meeting of Shareholders of Qrf City Retail for a period of three years as of the publication thereof in the Annexes to the Belgisch Staatsblad [Belgian Official Gazette] on 27 June 2017.

On the date of this Annual Report, the Statutory Manager had not yet availed itself of the authorization in said statutory clause. Qrf City Retail consequently holds none of its own shares on the date of this Annual Report.

#### (iv) Role of the FSMA

Pursuant to Article 620, §2 of the Companies Code, Qrf City Retail is required to inform the FSMA of transactions to buy back its own shares that it is considering. The FSMA verifies whether these buy-back transactions are in accordance with the decision of the General Meeting of Shareholders or, where appropriate, of the Statutory Manager. If the FSMA decides that the transactions are not in accordance therewith, it can go public with its opinion.

### N 17.3 AUTHORIZED CAPITAL

#### (i) General authorization

Pursuant to Article 603 of the Companies Code, the articles of association may authorize the Statutory Manager to increase the issued share capital to a certain amount which may not exceed the amount of that share capital. Under the same conditions, the articles of association may authorize the Statutory Manager to issue convertible bonds or *warrants*.

The power may be exercised only during five years as of the publication of the memorandum of association or the alteration of the articles of association. It may however be renewed one or more times for a period not longer than five years by the General

Meeting of Shareholders by decision taken in accordance with the rules for the alteration of the articles of association or, where appropriate, pursuant to Article 560 of the Companies Code. When the founders or the General Meeting of Shareholders decide to grant or to renew this authorization, the special conditions in which the authorized capital can be used and the aims pursued are explained in a special report. Where appropriate, this report is mentioned in the agenda. A copy thereof can be obtained pursuant to Article 535 of the Companies Code. Failure to produce this report shall lead to the quashing of the decision of the General Meeting of Shareholders.

On 6 June 2017, the General Meeting of Shareholders of Qrf City Retail authorized the Statutory manager to increase the issued share capital on one or more occasions with an amount of 119,261,490.75 EUR.

By deed drawn up on 27 October 2017 by Benoit Ricker, notary in Elsene, the capital was increased, within the authorized capital, with 12,462,465 EUR (twelve million four hundred sixty-two thousand four hundred sixty-five euros) so that the balance of the authorized capital amounts to 106,799,025.75 EUR (one hundred six million, seven hundred ninety-nine thousand twenty-five euros and 75 eurocents).

By deed drawn up on 30 January 2019 by Vincent Vroninks, notary in Elsene, and with the intervention of Xavier De Maesschalck, notary in Ostend, the capital was increased, within the authorized capital, with 1,487,500 EUR (one million four hundred eight-seven thousand five hundred euros) so that the balance of the authorized capital amounts to 3,642,302 EUR (three million six hundred forty-two thousand three hundred and two euros).

#### (ii) Arrangements of the authorized capital

Pursuant to the authorization granted to the Statutory Manager by the General Meeting of Shareholders of Qrf City Retail on 26 November 2017, the Statutory manager shall fix the possible issue premium and issue conditions of the new securities. The capital increases may be subscribed in cash, in kind, by a mixed contribution or by incorporation of reserves or issue premiums, depending on the case, with or

without new securities or with or without issue of subordinated convertible bonds, where necessarily lifting or limiting the pre-emptive right of the existing shareholders (subject to attribution of an irreducible allocation right).

When such a capital increase includes an issue premium, the amount of this issue premium will be allocated to an unavailable "Issue premiums" account, which shall constitute a guarantee for third parties, in the same way as the share capital, which, barring the possibility of conversation into capital, may only be used by decision of the General Meeting of Shareholders pursuant to the conditions stipulated by the Companies Code for an alteration of the articles of association. The issue premium which is requested by the Statutory Manager in addition to the capital increase is not taken into account when calculating the remaining usable amount of the authorized capital.

Under the same conditions as explained above and subject to the applicable legal provisions, Qrf City Retail may, with the exception of profit participation certificates and suchlike securities and in consideration of the applicable RREC legislation, issue the securities referred to in Article 460 of the Companies Code and possibly authorized by companies law, in accordance with the rules stipulated therein.

### (iii) Restrictions

#### a) General restrictions

Unless expressly stipulated in the articles of association, the power concerning the authorized capital may not be used for (i) capital increases or issues of convertible bonds (or warrants) where the pre-emptive right of the shareholders is restricted or excluded (subject to compliance with the irreducible allocation right); (ii) capital increases or issues of convertible bonds where the pre-emptive right of the shareholders is restricted or excluded for the benefit of one or more specific persons, other than staff of Qrf City Retail or of its Perimeter Companies (subject to compliance with the irreducible allocation right); and (iii) capital increases which are carried out by converting reserves.

The power concerning the authorized capital may at no time be used for the following transactions:

(i) capital increases which are carried out primarily by a contribution in kind exclusively reserved for a shareholder of Qrf City Retail who owns Qrf City Retail securities with more than 10% of the voting rights. To the securities owned by this shareholder are added the securities which are held by:

- a third party acting in its own name but for the account of the shareholder concerned;
- a natural or legal person affiliated with the shareholder concerned;
- a third party acting in its own name but for the account of a natural or legal person affiliated with the shareholder concerned;
- persons engaged in concerted action, i.e. (a) natural or legal persons engaged in concerted action within the meaning of Article 3, § 1, 5°, a), of the Act of 1 April 2007, (b) natural or legal persons who have concluded an agreement on the concerted exercise of their voting rights to implement a sustainable common policy with regard to Qrf City Retail; and (c) natural or legal persons who have concluded an agreement concerning the ownership, acquisition or transfer of voting securities.

(ii) the issue of shares without nominal value, below the fractional value of the old shares of the same type;

(iii) the issue of warrants intended primarily for one or more specific persons, other than staff of Qrf City Retail or one or more of its Perimeter Companies.

## b) Restrictions in connection with a public takeover bid

From the time that Qrf City Retail receives notification from the FSMA that it has been informed of a public takeover bid on the securities of Qrf City Retail, until the end of the bid, the Statutory Manager of the latter may no longer: (i) increase the capital of Qrf City Retail by contribution in cash or in kind, with restriction or lifting of the pre-emptive right of the shareholders; and (ii) issue voting securities that represent or do not represent the capital, nor securities that entitle holders to subscribe to or to acquire similar securities, if said securities or rights are not offered by preference to shareholders in proportion to the capital represented by their shares. This prohibition shall not however apply to:

(i) the obligations that are validly undertaken for receipt of the notification referred to in this Article; and

(ii) capital increases for which the Statutory Manager was expressly authorized beforehand by a General Meeting of Shareholders deliberating on amendments to the articles of association which took place at most three years prior to receipt of said notification, insofar as (a) the shares issued on the basis of the capital increase are fully paid up as of the time of issue; (b) the issue price of the shares issued on the basis of the capital increase does not exceed one tenth of the shares issued for the capital increase which represents the capital.

The bidder and the FSMA are informed at once and in detail about the aforementioned decisions, which are also made public.

## N 17.4 SHAREHOLDING STRUCTURE

On the basis of the transparency declarations received up to 31 December 2018 and the information available to Qrf City Retail, the most important shareholders are:

| SHAREHOLDER             | %     |
|-------------------------|-------|
| AXA SA                  | 11.2% |
| The Vanmoerkerke family | 9.5%  |
| Free float <sup>6</sup> | 79.4% |

After the expiry of the financial year, a contribution transaction was carried out on 30 January 2019, as explained in the press release of 31 January 2019.

On the basis of the transaction notice that Qrf City Retail received on 31 January 2019, its shareholding structure on 30 January 2019 was as follows:

| SHAREHOLDER             | %     |
|-------------------------|-------|
| AXA SA                  | 8.9%  |
| The Vanmoerkerke Family | 28.3% |
| Free float              | 62.8% |

The transparency declarations received are available on the Company's website ([www.qrf.be](http://www.qrf.be)) under Investor Relations – Shareholding structure.

<sup>6</sup> Free float = [(Number of shares at the closing of the financial year) – total number of shares held by the parties that have been reported by a transparency declaration in accordance with the Act of 2 May 2007] / [number of shares at the closing of the financial year].

## NOTE 18. NUMBER OF SHARES USED TO CALCULATE THE NET EARNINGS PER SHARE

| FIGURES IN THOUSANDS EUR                                | 31/12/2018  | 31/12/2017  |
|---|-------------|-------------|
| <b>NUMBER OF SHARES</b>                                 |             |             |
| Number of shares at the beginning of the financial year | 5,665,822   | 5,129,802   |
| Number of shares at the end of the financial year       | 5,665,822   | 5,665,822   |
| Weighted average number of shares                       | 5,665,822   | 5,224,997   |
| <b>NET EARNINGS PER SHARE - GROUP SHARE (in EUR)</b>    | <b>0.11</b> | <b>0.91</b> |
| <b>DILUTED NET EARNINGS PER SHARE</b>                   | <b>0.11</b> | <b>0.91</b> |

Cf. Note 17 for the number of shares since the incorporation of Qrf City Retail.

The weighted average number of shares for the calculation of the earnings per share is based on the issue date of the shares. The issue date does not always correspond with the profit sharing date.

All shares at the end of the financial year are entitled to the dividend that pertains to financial year 2018. As the Board of Directors of the Statutory Manager will propose at the General Meeting of Shareholders on 21 May 2019 to pay out a gross financial dividend of 0.80 EUR per share for financial year 2018, a total amount of 4,533 KEUR will be paid out in dividends.

## NOTE 19. MINORITY INTERESTS

| FIGURES IN THOUSANDS EUR                              | 31/12/2018 | 31/12/2017 |
|---|------------|------------|
| <b>MINORITY INTERESTS</b>                             |            |            |
| <b>BALANCE AT THE BEGINNING OF THE FINANCIAL YEAR</b> | <b>267</b> | <b>277</b> |
| New minority interests                                | 0          | 0          |
| Changes in the income statement                       | 33         | -10        |
| Dividends   | 0          | 0          |
| Other   | 0          | 0          |
| <b>TOTAL</b>  | <b>300</b> | <b>267</b> |

The minority interests arose in 2013 by the acquisition of 51% of the shares of Century Center Freehold BVBA where the control was acquired on 18 December 2013. On the acquisition date, the most important component of this company consisted of investment properties with a Fair Value of 1,939 KEUR.

This Perimeter Company is consolidated in full and the minority interests are determined upon acquisition as amounting to 49% of the Fair Value of Century Center Freehold BVBA.

The heading "Changes in the income statement" concerns 49% of the result realized by Century Center Freehold BVBA in 2017.

## NOTE 20. FINANCIAL DEBTS

| FIGURES IN THOUSANDS EUR          | 31/12/2018     | 31/12/2017     |
|-----------------------------------|----------------|----------------|
| <b>FINANCIAL DEBTS</b>            |                |                |
| I. B. Non-current financial debts | 128,928        | 124,434        |
| -Credit institutions              | 129,000        | 124,500        |
| -Cost of borrowings               | -72            | -66            |
| II. B. Current financial debts    | 12,000         | 24,994         |
| -Credit institutions              | 12,000         | 25,000         |
| -Cost of borrowings               | 0              | -6             |
| <b>TOTAL</b>                      | <b>140,928</b> | <b>149,428</b> |

| FIGURES IN THOUSANDS EUR                                    | 31/12/2018     | 31/12/2017     |
|---|----------------|----------------|
| <b>BREAKDOWN BY MATURITY OF NON-CURRENT FINANCIAL DEBTS</b> |                |                |
| Between one and two years                                   | 15,000         | 15,000         |
| Between two and five years                                  | 45,000         | 65,500         |
| More than five years  | 69,000         | 44,000         |
| <b>TOTAL</b>  | <b>129,000</b> | <b>124,500</b> |

| FIGURES IN THOUSANDS EUR         | 31/12/2018    | 31/12/2017    |
|----------------------------------|---------------|---------------|
| <b>UNDRAWN CREDIT FACILITIES</b> |               |               |
| Payable within one year          | 0             | 0             |
| Payable after one year           | 40,000        | 14,500        |
| <b>TOTAL</b>                     | <b>40,000</b> | <b>14,500</b> |

| FIGURES IN THOUSANDS EUR                               | 31/12/2018    | 31/12/2017    |
|--|---------------|---------------|
| <b>ESTIMATED FUTURE INTEREST CHARGES ON BORROWINGS</b> |               |               |
| Within one year  | 2,299         | 3,040         |
| Between one and five years                             | 6,583         | 7,210         |
| More than five years                                   | 1,588         | 2,151         |
| <b>TOTAL</b>   | <b>10,470</b> | <b>12,401</b> |

No mortgages were registered nor powers to mortgage granted by Qrf city Retail for its financing on 31 December 2018.

On the closing date of the financial year, Qrf City Retail had 141.0 MEUR in financial debts, consisting of 129 MEUR in bilateral credits and 12 MEUR in commercial paper.

On 31 December 2018, 80.9% of the drawn amounts of the credit lines (i.e. 114.0 MEUR) had a fixed interest rate, in particular by using *Interest Rate Swaps* as hedging instruments.

In estimating the future interest charges, due account is taken of the interest and margins for financial debts incurred as at 31 December 2018 and the interest rate hedges concluded on the basis of the Debt ratio as at 31 December 2018.

In 2018 the Average Cost of Financing amounted to 1.91 % (compared with 2.07 % in 2017). If the cost of financing would be increased by 0.25%, the annual interest rate charges would rise by 353 KEUR if the amount of outstanding financial debts remained the same.

Qrf City Retail has lines of credit for 169.0 MEUR from seven financial institutions. The undrawn amount of the lines of credit therefore stands at 40.0 MEUR

Cf. Note 28 for the Debt ratio of Qrf City Retail.

## NOTE 21. DEFERRED TAXES – LIABILITIES

| FIGURES IN THOUSANDS EUR | 31/12/2018 | 31/12/2017 |
|--------------------------|------------|------------|
| <b>F. DEFERRED TAXES</b> |            |            |
| a. Exit tax              | 0          | 0          |
| b. Other                 | 181        | 270        |
| <b>TOTAL</b>             | <b>181</b> | <b>270</b> |

The heading “Other” consists of deferred taxes for Century Center Freehold BVBA.

## NOTE 22. OTHER NON-CURRENT FINANCIAL LIABILITIES

The total market value of the authorized hedging instruments amounted to -1,567 KEUR on 31 December 2018, entered under Non-Current Financial Liabilities and Current Financial Liabilities.

| FIGURES IN THOUSANDS EUR                          | 31/12/2018   | 31/12/2017   |
|---|--------------|--------------|
| <b>C. OTHER NON-CURRENT FINANCIAL LIABILITIES</b> |              |              |
| Authorized hedging instruments                    | 1.567        | 1.639        |
| <b>TOTAL</b>                                      | <b>1.567</b> | <b>1.639</b> |

| FIGURES IN THOUSANDS EUR                      | 31/12/2018 | 31/12/2017 |
|---|------------|------------|
| <b>C. OTHER CURRENT FINANCIAL LIABILITIES</b> |            |            |
| Authorized hedging instruments                | 0          | 174        |
| <b>TOTAL</b>                                  | <b>0</b>   | <b>174</b> |

A summary of the hedging instruments on 31 December 2018 is provided below:

| HEDGING INSTRUMENTS                            |                 |            |            |               |               |               |
|--|-----------------|------------|------------|---------------|---------------|---------------|
| Type   | Notional amount | Start date | End date   | Interest rate | Fair Value    |               |
|  |                 |            |            |               | 31/12/2018    | 31/12/2017    |
| IRS  | 10,000          | 07/12/2015 | 30/04/2021 | 0.54%         | -131          | -185          |
| FLOOR  | 10,000          | 07/12/2015 | 30/04/2021 | 0.54%         | 14            | 65            |
| IRS  | 10,000          | 16/12/2016 | 31/12/2020 | 0.46%         | -142          | -160          |
| IRS  | 5,000           | 16/12/2016 | 31/12/2021 | 0.47%         | -91           | -77           |
| IRS  | 15,000          | 30/06/2015 | 31/12/2018 | 0.80%         | 0             | -170          |
| IRS  | 15,000          | 30/06/2015 | 31/12/2019 | 1.13%         | 0             | -410          |
| IRS  | 10,000          | 21/12/2015 | 31/12/2018 | 0.51%         | 0             | -84           |
| FLOOR  | 15,000          | 30/06/2015 | 31/12/2018 | 0.00%         | 0             | 48            |
| FLOOR  | 15,000          | 30/06/2015 | 31/12/2019 | 0.00%         | 0             | 77            |
| FLOOR  | 10,000          | 21/12/2015 | 31/12/2018 | 0.00%         | 0             | 32            |
| IRS  | 10,000          | 17/06/2015 | 13/12/2021 | 1.16%         | -395          | -435          |
| IRS  | 5,000           | 17/06/2015 | 14/12/2020 | 1.12%         | -137          | -180          |
| IRS  | 5,000           | 04/09/2015 | 14/12/2020 | 0.36%         | -62           | -66           |
| IRS  | 10,000          | 09/12/2015 | 30/06/2022 | 0.42%         | -173          | -57           |
| IRS + FLOOR                                    | 10,000          | 30/06/2017 | 30/06/2022 | 0.49%         | -107          | -116          |
| IRS + FLOOR                                    | 10,000          | 30/06/2017 | 28/06/2024 | 0.76%         | -171          | -95           |
| IRS  | 5,000           | 27/06/2018 | 31/12/2023 | 0.54%         | -104          | 0             |
| FLOOR  | 5,000           | 27/06/2018 | 31/12/2023 | 0.54%         | 59            | 0             |
| IRS  | 10,000          | 27/06/2018 | 30/06/2025 | 0.76%         | -275          | 0             |
| FLOOR  | 10,000          | 27/06/2018 | 30/06/2025 | 0.76%         | 148           | 0             |
| <b>TOTAL FAIR VALUE OF HEDGING INSTRUMENTS</b> |                 |            |            |               | <b>-1,567</b> | <b>-1,813</b> |

## NOTE 23. TRADE DEBTS AND OTHER CURRENT DEBTS

| FIGURES IN THOUSANDS EUR                                       | 31/12/2018   | 31/12/2017   |
|--|--------------|--------------|
| <b>D. TRADE DEBTS AND OTHER CURRENT DEBTS</b>                  |              |              |
| a. Exit tax  | 0            | 0            |
| - <i>Exit tax</i>  | 0            | 0            |
| b. Other   | 1,325        | 2,640        |
| - <i>Suppliers</i>   | 809          | 1,652        |
| - <i>Tenants</i>   | 472          | 602          |
| - <i>Taxes, remuneration and social security contributions</i> | 44           | 387          |
| <b>TOTAL</b>   | <b>1,325</b> | <b>2,640</b> |

## NOTE 24. OTHER CURRENT LIABILITIES

| FIGURES IN THOUSANDS EUR            | 31/12/2018   | 31/12/2017   |
|-------------------------------------|--------------|--------------|
| <b>E. OTHER CURRENT LIABILITIES</b> |              |              |
| Other debts                         | 1,324        | 1,327        |
| <b>TOTAL</b>                        | <b>1,324</b> | <b>1,327</b> |

The heading "Other current liabilities" consists in particular of the current account position of 661 EUR with regard to the minority shareholder of Century Center Freehold BVBA.

## NOTE 25. ACCRUED CHARGES AND DEFERRED INCOME

| FIGURES IN THOUSANDS EUR                      | 31/12/2018 | 31/12/2017 |
|---|------------|------------|
| <b>F. ACCRUED CHARGES AND DEFERRED INCOME</b> |            |            |
| Property income received in advance           | 71         | 96         |
| Other   | 624        | 657        |
| <b>TOTAL</b>                                  | <b>694</b> | <b>753</b> |

## NOTE 26. OTHER NON-CURRENT LIABILITIES

| FIGURES IN THOUSANDS EUR                | 31/12/2018 | 31/12/2017 |
|---|------------|------------|
| <b>E. OTHER NON-CURRENT LIABILITIES</b> |            |            |
| Rental guarantees                       | 105        | 113        |
| Other costs                             | 0          | 0          |
| <b>TOTAL</b>                            | <b>105</b> | <b>113</b> |



## NOTE 27. FINANCIAL ASSETS AND LIABILITIES

FIGURES IN THOUSANDS EUR

|  | Category | 31/12/2017<br>Asset value | 31/12/2017<br>Fair Value | Level   |
|--|----------|---------------------------|--------------------------|---------|
| <b>STATEMENT OF FINANCIAL ASSETS AND LIABILITIES</b> |          |                           |                          |         |
| <b>ASSETS</b>  |          |                           |                          |         |
| <b>Current financial assets</b>                      |          |                           |                          |         |
| Trade receivables                                    | B        | 629                       | 629                      | Level 2 |
| Tax receivables and other current assets             | B        | 513                       | 513                      | Level 2 |
| Cash and cash equivalents                            | C        | 2,577                     | 2,577                    | Level 1 |
| <b>TOTAL FINANCIAL ASSETS</b>                        |          | <b>3,719</b>              | <b>3,719</b>             |         |
| <b>LIABILITIES</b>                                   |          |                           |                          |         |
| <b>Non-current financial liabilities</b>             |          |                           |                          |         |
| Non-current financial debts                          | B        | 124,434                   | 124,434                  | Level 2 |
| <b>Other non-current financial liabilities</b>       |          |                           |                          |         |
| Other non-current financial liabilities              | A        | 1,639                     | 1,639                    | Level 2 |
| <b>Current financial liabilities</b>                 |          |                           |                          |         |
| Trade debts and other current debts                  | B        | 2,640                     | 2,640                    | Level 2 |
| Other current liabilities                            | B        | 1,327                     | 1,327                    | Level 2 |
| Current financial debts                              | B        | 24,994                    | 24,994                   | Level 2 |
| Other current financial liabilities                  | A        | 174                       | 174                      | Level 2 |
| <b>TOTAL FINANCIAL LIABILITIES</b>                   |          | <b>155,208</b>            | <b>155,208</b>           |         |

FIGURES IN THOUSANDS EUR

|  | Category | 31/12/2018<br>Asset value | 31/12/2018<br>Fair Value | Level   |
|--|----------|---------------------------|--------------------------|---------|
| <b>STATEMENT OF FINANCIAL ASSETS AND LIABILITIES</b> |          |                           |                          |         |
| <b>ASSETS</b>  |          |                           |                          |         |
| <b>Current financial assets</b>                      |          |                           |                          |         |
| Trade receivables                                    | B        | 372                       | 372                      | Level 2 |
| Tax receivables and other current assets             | B        | 1,126                     | 1,126                    | Level 2 |
| Cash and cash equivalents                            | C        | 2,180                     | 2,180                    | Level 1 |
| <b>TOTAL FINANCIAL ASSETS</b>                        |          | <b>3,679</b>              | <b>3,679</b>             |         |
| <b>LIABILITIES</b>                                   |          |                           |                          |         |
| <b>Non-current financial liabilities</b>             |          |                           |                          |         |
| Non-current financial debts                          | B        | 128,928                   | 128,928                  | Level 2 |
| <b>Other non-current financial liabilities</b>       |          |                           |                          |         |
| Other non-current financial liabilities              | A        | 1,567                     | 1,567                    | Level 2 |
| <b>Current financial liabilities</b>                 |          |                           |                          |         |
| Trade debts and other current debts                  | B        | 1,325                     | 1,325                    | Level 2 |
| Other current liabilities                            | B        | 1,324                     | 1,324                    | Level 2 |
| Current financial debts                              | B        | 12,000                    | 12,000                   | Level 2 |
| Other current financial liabilities                  | A        | 0                         | 0                        | Level 2 |
| <b>TOTAL FINANCIAL LIABILITIES</b>                   |          | <b>145,144</b>            | <b>145,144</b>           |         |

The categories correspond to the following financial instruments:

A. Assets or liabilities held at Fair Value (hedging instruments).

B. Financial assets or liabilities (including receivables and loans) at the amortized cost.

C. Cash investments at amortized cost.

All the Group's financial instruments correspond to levels 1 and 2 in the Fair Value hierarchy. The valuation at Fair Value is carried out on a regular basis.

Level 1 in the Fair Value hierarchy retains the cash and cash equivalents.

Level 2 in the Fair Value hierarchy concerns the other financial assets and liabilities, the Fair Value of which

is based on other data which can be fixed directly or indirectly for the assets and liabilities concerned. The valuation techniques concerning the Fair Value of the level 2 financial instruments are as follows:

- the heading "financial fixed assets" concerns *Interest Rate Swaps*; (IRS) the Fair Value of which is fixed using interest rates applicable on active markets and generally delivered by financial institutions;
- the Fair Value of the other level 2 financial assets and liabilities is almost the same as their nominal value: either because they have a maturity date in the short term (such as trade receivables and debts) or because they bear a floating interest rate.

## NOTE 28. DEBT RATIO

FIGURES IN THOUSANDS EUR

|   | 31/12/2018    | 31/12/2017    |
|---|---------------|---------------|
| Liabilities   | 146,124       | 156,344       |
| - Adjustments   | -2,443        | -2,835        |
| Debt burden pursuant to Article 13 of the RREC Royal Decree | 143,682       | 153,508       |
| Total assets  | 275,696       | 291,322       |
| <b>Debt ratio</b>   | <b>52.12%</b> | <b>52.69%</b> |

The debt burden as referred to in Article 13 of the RREC Royal Decree amounts to 143,682 KEUR on 31 December 2018. The Debt ratio amounts 52.12% on 31 December 2018.

The Debt ratio is calculated as the ratio of the debt burden (i.e. the liabilities exclusive of provisions, accrued charges and deferred income and other non-current/current financial liabilities, such as primarily the negative changes in Fair Value of the hedging instruments) with regard to the total assets.

Qrf City Retail must continue to meet the financial ratios as stipulated by the RREC Act. Unless this is the result of a change in the Fair Value of the assets, the Debt ratio of an RREC may not amount to more than 65% of the assets, less the authorized

hedging instruments, pursuant to Article 45 of the RREC Act. If the Debt ratio of Qrf City retail were to exceed 50%, it must take a number of steps, in particular draw up a financial plan with a description of measures that will be taken to prevent the Debt ratio from rising above 65%. The annual financial costs relating to the debt burden of an RREC and its subsidiaries may at no time amount to more than 80% of the consolidated net operating result of Qrf City Retail. Furthermore, a covenant is agreed in certain financing agreements with financial institutions that the Debt ratio of Qrf City Retail may not amount to more than 60%.

The Debt ratio amounts to 52.12% on 31 December 2018. Qrf City Retail is endeavouring to maintain a Debt ratio of 55% maximum in the long term.

Pursuant to Article 24 of the RREC RD, the public RREC must draw up a financial plan with an implementation schedule when its consolidated Debt ratio amounts to more than 50% of the consolidated assets. The financial plan provides a description of the measures that will be taken to prevent the consolidated Debt ratio from exceeding 65% of the consolidated assets. A special report on the financial plan is drawn up by the auditor, in which it is confirmed that the latter has verified the plan, namely as regards the economic principles thereof, and that the figures contained therein correspond to those in the accounts of the public RREC. The general guidelines of the financial plan are entered in the annual and semi-annual financial reports, where a description and justification are also provided as to how the financial plan was carried out in the course of the relevant period and how the public RREC will implement the plan in the future.

#### **Historical development of the Debt ratio**

The Debt ratio of Qrf Comm. VA rose above 50% in 2018. At the end of financial years 2016 and 2017 it amounted to 49.76% and 52.69% respectively.

#### **Evolution of the Debt ratio in the short term**

The following assumptions are taken into account when drawing up the projection of the Debt ratio on 31 December 2019:

- Divestments 2019:  
There are no planned divestments for 2019.
- Planned changes in the portfolio in 2019:  
The contribution in kind on 30 January 2019 is taken into account in calculating the Debt ratio. For more information about this contribution, cf. Note 32 of this annual report.
- EPRA earnings 2019:  
In accordance with the budgeted EPRA earnings for 2019.

Rekening houdend met deze assumpties zou de Schulddraad per 31 december 2019 46,67% bedragen.

#### **Development of Debt ratio in the long term**

The Board of Directors is targeting a Debt ratio of 55% maximum in the long term, considering this to be optional for the shareholders of the RREC in terms of yield and EPRA earnings per share. The impact of each investment on the Debt ratio is examined and turned down if it would turn out to be negative for the debt ratio. Based on the current Debt ratio of 52.12%, Qrf City Retail has an investment potential of 156.50 MEUR, without exceeding a Debt ratio of 65% and an investment potential of 99.49 MEUR without exceeding a Debt ratio of 60%.

#### **Conclusion**

Qrf City Retail therefore believes that the Debt ratio will not rise above 65% and that, given the prevailing economic and real estate trends, the planned investments and expected development of the RREC's equity, no additional measures have to be taken. If certain events should require an adjustment of the RREC's policy, this will be done at once and the shareholders will be informed accordingly in the RREC's periodic reporting.

## NOTE 29. CONSOLIDATION SCOPE

On 31 December 2018, the consolidation scope consists of Qrf City Retail and its Perimeter Companies:

- 51% Century Center Freehold BVBA;
- 100% RIGS NV;
- 100% Qrf Netherlands BV.

Qrf City Retail acquired 51% of the shares in Century Center Freehold BVBA on 18 December 2013. The other 49% of the shares of Century Center Freehold BVBA are held by Jufra BVBA.

The foregoing stakes are fully consolidated. On 31 December 2018, Qrf City Retail has no shareholding interest that has to be processed according to the equity method.

Century Center Freehold BVBA holds the full bare ownership of the Century Center. Qrf City Retail and Jufra BVBA have concluded a shareholders' agreement to ensure that Qrf City Retail, as a public RREC, retains exclusive control over Century Center Freehold BVBA at all times pursuant to Article 31 of the RREC Act.

This shareholders' agreement provides in particular that:

- a transfer of shares of Century Center Freehold BVBA is always subject to a pre-emptive right for the benefit of the other, non-selling shareholders;
- the board of managers shall consist of three members, whereby (i) two managers shall be appointed from candidates nominated by the majority shareholder of Century Center Freehold BVBA; and (ii) one manager shall be appointed from candidates nominated by the other shareholders of Century Center Freehold BVBA;
- the board of managers may deliberate and decide validly only if all managers are present or represented;
- decisions in the board of managers shall be taken by an ordinary majority of the votes cast; and that
- the Parties shall take all the necessary measures at all times and, if necessary, shall concur to ensure that Qrf City Retail retains exclusive control over Century Center Freehold BVBA at all times, pursuant to the legal obligation imposed on Qrf City contained in Article 31 of the RREC Act.

The table below provides a summary of the portfolio of Qrf City Retail and its Perimeter Companies on an individual basis:

| NUMBER OF PROPERTY SITES | TOTAL     | BELGIUM   | NETHERLANDS |
|--------------------------|-----------|-----------|-------------|
| Qrf City Retail          | 42        | 42        | 0           |
| Qrf Nederland BV         | 5         | 0         | 5           |
| RIGS NV                  | 1         | 1         | 0           |
| <b>TOTAL</b>             | <b>48</b> | <b>43</b> | <b>5</b>    |

## NOTE 30. OFF-BALANCE SHEET RIGHTS AND COMMITMENTS

### N 30.1 COURT AND ARBITRATION PROCEEDINGS

Qrf City Retail has various collection proceedings in progress, which can have a limited impact on the figures. In addition, Qrf City Retail is involved in a number of court cases. These disputes concern disagreements with certain tenants on applications for lease renewals to which tenants are entitled pursuant to Article 13 of the Commercial Lease Act.

In this connection, particular attention is paid to two disputes with H&M. These concern, on the one hand, an application to renew the lease of the property at Demerstraat 21-25, 3500 Hasselt<sup>7</sup>, under conditions that, as Qrf City Retail sees it, are not market compliant or are not clear, and an application to renew the lease of the property at Alsebergsesteenweg 767, 1180 Uccle, which according to Qrf City Retail, is not legally valid.

If agreement cannot be reached on the conditions of a valid application to renew the lease, pursuant to the legislation on Commercial Leases, the lessee is entitled to enforce the renewal of the lease before the Justice of the Peace, under conditions to be set by the latter. There is a risk that the conditions decided by the respective courts would lead to a lowering of the rent level, which could in turn lead to a considerable reduction in the value of the properties in question, part of which has already been processed in the annual financial statements as at 31 December 2018. On that date, these properties together accounted for 10.3% of the consolidated assets of Qrf City Retail.

Furthermore there is a dispute pending concerning the acquisition of Centre Commercial Hutois NV in Huy with the former owners concerning the regularization of the building permit.

### N 30.2 RENTAL GUARANTEES

The following rental guarantees were provided to Qrf City Retail:

- a Rental income guarantee was provided for the property situated at Diestsestraat 137, Leuven, amounting to 400 KEUR on an annual basis, subject to yearly indexation. The rental income guarantee entered into force on 8 September 2014 and is to expire after a 5-year period on 8 September 2019. This rental guarantee was not called in 2018 in this connection;
- a Rental income guarantee was provided for the properties at Wiegstraat 4 and 6, 2000 Antwerp, for 126 KEUR on an annual basis. The rental guarantee entered into force on 29 October 2017 and is to expire after a 2-year period on 29 October 2019. This guarantee was not called in 2018;
- a Rental income guarantee was provided for the property at Schrijnwerkerstraat 15, 2000 Antwerp for 75 KEUR on an annual basis. The rental income guarantee entered into force on 29 October 2017 and is to expire after a 2-year period on 29 October 2019. This guarantee was called in 2018.

<sup>7</sup> This dispute with regard to the premises at Demerstraat 21-25, 3500 Hasselt, is conducted by RIGS NV, a Perimeter Company of Qrf City Retail.

## NOTE 31. RELATED PARTY TRANSACTION WITH RESPECT TO THE INCOME STATEMENT

FIGURES IN THOUSANDS EUR

|   | 31/12/2018   | 31/12/2017 |
|---|--------------|------------|
| <b>RELATED PARTY TRANSACTIONS</b>   |              |            |
| <b>XIV. General company expenses</b>  | <b>1,086</b> | <b>967</b> |
| - Remuneration for the Executive Management   | 633          | 514        |
| - Remuneration for the Statutory Manager  | 329          | 364        |
| - Operating charges for the Statutory Manager   | 6            | 13         |
| - Remuneration for the Board of Directors and committees                                      | 118          | 76         |
| <b>X. Commercial costs</b>  | <b>59</b>    | <b>35</b>  |
| - Remuneration for Quares Property Management NV / Quares Property and Facility Management BV | 59           | 35         |
| <b>XII. Property management costs</b>   | <b>570</b>   | <b>546</b> |
| - Remuneration for Quares Property Management NV / Quares Property and Facility Management BV | 570          | 546        |
| Trade receivables   | 10           | 275        |
| Trade debts and other current debts   | -            | 92         |

At the end of the financial year, Qrf City Retail had outstanding claims on related parties amounting to 10 KEUR. No provisions were made for doubtful debts relating to claims on related parties.

In 2018, an amount of 1,715 KEUR was entered in the income statement for transactions with related parties. This amount consisted of the following 4 items:

### N 31.1 REMUNERATION FOR THE EXECUTIVE MANAGEMENT

The remuneration for the Executive Committee for 2018 amounts to 633 KEUR exclusive of VAT. This remuneration is booked under "XIV. General company expenses". The itemised remuneration is indicated in Chapter 7.4.3. of the annual report. The remuneration of the Executive Committee consists exclusively of short-term staff remuneration.

### N 31.2 REMUNERATION FOR THE STATUTORY MANAGER

The remuneration for the Statutory Manager amounts to 329 KEUR exclusive of VAT. This remuneration is booked under "XIV. General company expenses". The itemised remuneration is indicated in Chapter 7.4.1 of the annual report.

### N 31.3 REMUNERATION FOR THE BOARD OF DIRECTORS AND COMMITTEES

The remuneration for the Board of Directors and committees amounts to 118 KEUR exclusive of VAT. This remuneration is booked under "XIV. General company expenses". The itemized remuneration is indicated in Chapter 7.4.3 of the annual report.

### N 31.4 REMUNERATION FOR QUARES PROPERTY MANAGEMENT NV

The remuneration for the Property Manager amounts to 3.0% of the gross rental income and 1.5% of the estimated rental value in case of vacant premises on which no rental guarantee applies. The total remuneration for 2018 amounts to 570 KEUR (inclusive of non-deductible VAT). This remuneration is booked under "XII. Property management costs".

Furthermore a remuneration of 2.5% is provided for the property when signing a new or renewing an existing lease, charged to the annual contracted nominal rent, without taking rent reductions into account. The total remuneration for this item for 2018 amounted to 59 KEUR (inclusive of non-deductible VAT). This remuneration is booked under "X. Commercial costs".

## NOTE 32. POST-CONSOLIDATED STATEMENT OF FINANCIAL POSITION EVENTS

### N 32.1 ACQUISITIONS

During financial year 2018, Qrf City Retail announced that it would continue its acquisition strategy in 2019 with purchases of inner-city properties in Antwerp and Ostend, which are important Belgian inner cities, through the contribution by the Vanmoerkerke family of 9 retail properties at top locations in those two cities. The total investment value of these retail properties amounts to 23.8 MEUR.

The nine retail properties are expected to generate 1,178 KEUR in Contractual rent on an annual basis.

Through this operation, Qrf City Retail obtains new tenants such as TUI, Footlocker, Lensonline and Boulangerie Paul outside the fashion segment. The location of the properties is fully in line with the strategic vision of Qrf City Retail.

**TABLE 1 SUMMARY OF ACQUISITIONS BY QRF CITY RETAIL IN 2018**

| TRANSACTION DATE | COUNTRY | CITY    | STREET              | TENANTS                                | TOTAL GROSS FLOOR SPACE | CONTRACTUAL RENTS + ESTIMATED RENTAL VALUE (IN CASE OF VACANCY) ON AN ANNUAL BASIS ON THE DATE OF ACQUISITION |
|------------------|---------|---------|---------------------|--|-------------------------|---|
| 30 januari 2019  | BE      | Antwerp | Meirbrug 2          | Casa, TUI, Bijorca Vacant <sup>8</sup> | 904 m <sup>2</sup>      | 563 KEUR  |
|                  | BE      | Ostend  | Kapellestraat 65    | Foot Locker                            | 427 m <sup>2</sup>      |   |
|                  | BE      | Ostend  | Adolf Buylstraat 33 | Vacant (voorheen Massimo Dutti)        | 1,212 m <sup>2</sup>    |   |
|                  | BE      | Ostend  | Adolf Buylstraat 35 | Lens Online                            | 372 m <sup>2</sup>      | 615 KEUR  |
|                  | BE      | Ostend  | Adolf Buylstraat 42 | Boulangerie Paul                       | 417 m <sup>2</sup>      |   |
|                  | BE      | Ostend  | Adolf Buylstraat 44 | America Today                          | 322 m <sup>2</sup>      |   |

### N 32.2 SHAREHOLDING STRUCTURE

Since 30 January 2019, the shareholding structure of Qrf City Retail is as follows:

| SHAREHOLDER             | %     |
|-------------------------|-------|
| AXA SA                  | 8.9%  |
| The Vanmoerkerke family | 28.3% |
| Free float              | 62.8% |

### N 32.3 CHANGE IN THE COMPOSITION OF THE EXECUTIVE MANAGEMENT TEAM AND THE BOARD OF DIRECTORS

I. The Board of Directors of the Statutory Manager of Qrf City Retail announced on 5 December 2018 that Mr Preben Bruggeman, CFO (Chief Financial Officer) and Effective Leader, decided to leave the company to take on a new professional challenge. Tom Schockaert will, as of 22 April 2019, start his mandate as CFO and Effective Leader of Qrf City Retail. Meanwhile the current financial team and the CEO, Anneleen Desmyter, have assumed the ongoing activities on an interim basis.

II. Messrs William Vanmoerkerke and Francis Vanderhoydonck replaced Messrs Herman Du Bois and Freddy Hoorens on the Board of Directors of Qrf City Retail as of 30 January 2019.

III. On 19 February 2019, the Board of Directors decided to appoint William Vanmoerkerke as co-CEO, Effective Leader and Permanent Representative of Qrf Management NV.

<sup>8</sup> The empty unit at this location has in the meantime been let to Eetwell.

William Vanmoerkerke earned a Master's Degree in Applied Economics from the University of Ghent, a Master's Degree in Marketing Management from the Vlerick Leuven Ghent Management School, and a Master's Degree in Business Administration from New York University. He started his career at eBay as a Segment Manager. In 2008, he joined Roland Berger Strategy Consultants as a consultant, and then in 2012 he joined The Boston Consulting Group. In 2013 he continued his career as Senior Director of Strategy & Business Development at Elsevier Inc. He has been Director of the family firm 2IM since 2014.

He will occupy this position jointly with current CEO Anneleen Desmyter, until the General Meeting of Shareholders of 21 May 2019.

**IV.** Anneleen Desmyter will submit her resignation as CEO, Executive Director and Effective Leader on 21 May 2019. She was one of the founders of Qrf City Retail and served as CEO for more than 5 years. Her voluntary departure is in line with the sale of Qrf Management NV, the Statutory Manager of Qrf City Retail, by the Quares Group, of which Anneleen Desmyter is co-partner.

### N 32.4 CHANGE IN CONTROL OF THE STATUTORY MANAGER AND ADAPTATION OF THE PROPERTY MANAGEMENT AGREEMENT

With the completion of the aforementioned contribution in kind (at a 13% premium in relation to the share price on 30 January 2019) the Vanmoerkerke family has taken over 100% of the shares in Qrf Management NV, the Statutory Manager of Qrf City Retail, from the Quares group.

Quares Property Management NV and Quares Property & Facility Management BV are no longer affiliated with Qrf City Retail, but will continue to provide technical assistance to ensure the continuity of Qrf City Retail.<sup>9</sup>

The interests of the Shareholders and of Management were brought further in line with the entry of the Vanmoerkerke family as reference shareholder and transferee of the Statutory Manager.

Certain contractual conditions of this property management agreement have been adapted accordingly.

### NOTE 33. AUDITOR'S FEE

|                        | Fee in EUR    |
|------------------------|---------------|
| Audit mandate          | 33,534        |
| Legal assignments      | 17,500        |
| Tax advice assignments | 0             |
| Other assignments      | 0             |
| <b>TOTAL</b>           | <b>51,034</b> |
| <b>70% ratio</b>       | <b>0.00</b>   |

The amounts in the above table are exclusive of VAT.

### NOTE 34. AVERAGE NUMBER OF EMPLOYEES

| FIGURES IN THOUSANDS EUR     | 31/12/2018 | 31/12/2017 | 30/12/2016 |
|------------------------------|------------|------------|------------|
| <b>Average workforce</b>     |            |            |            |
| Employees                    | 2.9        | 3.3        | 2.1        |
| Executive Management         | 3.0        | 2.3        | 3.0        |
| <b>FULL-TIME EQUIVALENTS</b> | <b>5.9</b> | <b>5.6</b> | <b>5.1</b> |

<sup>9</sup> The technical and administrative management of the portfolio of Qrf City Retail is outsourced to Quares Property Management NV (for the real estate portfolio situated in Belgium) and to Quares Property & Facility Management BV (for the real estate portfolio situated in the Netherlands) by virtue of a property management agreement.



## 11.3 Auditor's Report<sup>10</sup>

### 11.3.1 Report on financial year 2018

AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF QRF COMM. VA ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR CLOSED ON 31 DECEMBER 2018

Pursuant to the audit of the consolidated financial statements of Qrf Comm. VA (hereinafter referred to as the "Company") and its subsidiaries (hereinafter referred to as "the Group") as required by law, we hereby submit our audit report, which includes the report on the consolidated financial statements and the report on other requirements stipulated by law. These reports constitute one indivisible whole.

We were appointed in our capacity of Auditor by the General Meeting of Shareholders of 17 May 2016, on the proposal of the Board of Directors of the Statutory Manager. Our mandate is to expire on the date of the General Meeting of Shareholders that deliberates on the consolidated financial statements for the financial year closed on 31 December 2018. We have conducted the audit of the consolidated annual financial accounts of the Company required by law for 5 consecutive financial years.

#### Report on the audit of the consolidated annual financial statements

##### Unqualified opinion

We have audited the consolidated financial statements of Qrf Comm. VA and its subsidiaries. The consolidated statements comprise the consolidated statement on the financial position on 31 December 2018, the consolidated income statement, the statement on the total result, the consolidated statement of changes in equity and the consolidated cash flow statement as well as the notes that contain in particular the most important accounting principles for financial reporting. The total of the consolidated statements of the financial position amounts to 275,696,000 EUR and the consolidated statement of realized and unrealized gains and losses shows a profit of 608,000 EUR for the financial year.

In our opinion the consolidated financial statements give a true and fair view of the Group's assets and financial position on 31 December 2018 and of its consolidated results and consolidated cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and implemented by the legal and regulatory provisions applicable in Belgium.

##### Basis for our unqualified opinion

We have carried out our audit in accordance with the International Standards on Auditing ("ISA") as applicable in Belgium. We have moreover applied the international auditing standards as declared applicable by the IAASB on financial years closed as of 31 December 2018 and not yet applied at national level. Our responsibilities pursuant to those standards are described further in the section entitled "Responsibilities of the Auditor for the auditing of the consolidated annual financial statements" of our report. We have complied with all ethical requirements that are relevant for the auditing of the consolidated financial statements in Belgium, including those relating to independence.

We obtained the required clarifications and information from the management body or the agents of the Company.

We believe that the audit information we obtained is sufficient and suitable as a basis for our opinion.

##### Key elements of the audit

Key elements of our audit concern those aspects which, in our professional opinion, were the most significant for the audit of the consolidated annual financial statements of this report. These aspects are treated in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we provide no separate opinion in that respect.

<sup>10</sup> The Auditor's report for the financial years 2018 and 2017 can be found below. The Auditor's Report about the 2016 financial year can be found in the 2016 annual financial report on pages 153-154.

## ■ Valuation of the investment properties

### Key elements of the audit

The company has booked investment properties under assets of the balance sheets for a total amount of 271,794,000 EUR on 31 December 2018. The IFRS standards require that investment properties be booked at Fair Value. The determination of that Fair Value depends highly on a number of chosen parameters. The most important are the rental value of the properties, the Occupancy rate, the discount rate and the estimated costs for maintenance and repairs.

In accordance with the legislation applicable to regulated real estate companies, the investment properties are valued by an external expert valuer.

The valuation of the investment properties constitutes a key element for our audit of the consolidated financial statements owing to the material importance in the annual financial statements and the subjective character of the valuation process. For the investments in the Netherlands, the Board of Directors of the Statutory Manager can rely on a less extensive experience on valuation and valuation parameters.

For more information concerning the valuation of the investment properties, see Note 10 of these consolidated financial statements.

### How was this key element treated in our audit?

We assessed the reliability of the external valuation and the reasonableness of the parameters used on the basis of the activities described below:

- We assessed the objectivity, independence and competence of the external expert valuers.
- For a selection of buildings, we tested the reasonableness of the parameters used by comparing the parameters of the external expert valuers with those used by our internal expert valuers. If these parameters differed substantially from those used by the external expert valuer, the impact of this difference on the Fair Value was determined for the individual property investment and for the entire property portfolio. Furthermore, we analysed the reasonableness of the underlying parameters for changes in Fair Value with regard to 31 December 2017.
- We also compared the realization values of the investment properties that were sold during the financial year with their Fair Value in the last financial statements before the transfer.
- Finally, we tested whether the information contained in the notes of the consolidated financial statements is in line with the IFRS standards.

## ■ Valuation of the financial derivatives

### Key element of the audit

Orf Comm. VA concluded financial derivatives with a total nominal value of 123,500,000 EUR to hedge the interest risk on the loans. The IFRS standards require that financial derivatives be entered at their Fair Value.

As the Fair Value of the financial derivatives is determined on the basis of a complex financial model and financial parameters (cf. Note 22 of the consolidated financial statements), we consider the valuation of the financial derivatives to be a key element of the audit.

### How was this key element treated in our audit?

We received confirmation letters from the banks to validate the existence and completeness of the contracts and the valuation thereof on 31 December 2018. We then determined the Fair Value of those contracts independently with the help of our experts and compared it with the value entered in the consolidated financial statements.

We moreover verified that the information entered in the notes of the consolidated financial statements is in line with the IFRS standards.

## Responsibilities of the management body for the consolidated financial statements

The Statutory Manager is responsible for the preparation of the consolidated statements that give a fair and true view in line with the International Financial Reporting Standards (IFRS) as adopted by the European Union and implemented by the legal and regulatory provisions applicable in Belgium, as well as for implementing such internal control as it deems relevant for the preparation and presentation of consolidated financial statements that are free from material misstatements as a result of fraud or error.

In preparing the consolidated financial statements, the Statutory Manager is responsible for assessing the Group's capacity to maintain its continuity, explain, where applicable, aspects relating to continuity and the use of the continuity assumption, unless the management body intends to liquidate the Group or to discontinue the business activities or has no realistic alternative than to do so.

## Responsibilities of the Auditor for the audit of the consolidated financial statements

Our objectives are to obtain a reasonable assurance that the consolidated financial statement as a whole are free from material misstatements as a result of fraud or error and to produce an audit report in which our opinion is expressed. A reasonable assurance is a high level of certainty but no guarantee that an audit that has been conducted in accordance with the ISA would always discover a material misstatement if it should exist. Misstatements may occur as a result of fraud or error and are considered of material importance if it can be expected that they will, individually or jointly, influence economic decisions taken by users on the basis of these consolidated financial statements.

When performing our audit, we comply with the legal, regulatory and normative framework that applies on auditing the annual accounts in Belgium.

As part of an audit conducted pursuant to the ISA, we apply professional judgement and maintain a professional critical stance during the audit. We also carry out the following activities:

- Identifying and assessing the risks that the consolidated financial statements contain a material misstatement as a result of fraud or error, defining and conducting audit activities geared to those risks and obtaining audit information that is sufficient and suitable as a basis for our judgement. The risk of not detecting a material misstatement is greater if such misstatement is the result of fraud than of error, because fraud involves collusion, falsification of documents, intentional omission to record transactions, intentional misrepresentation or violation of the internal audit;
- Obtaining insight in the internal control that is relevant for the audit so as to arrange audit activities that are suitable in view of the circumstances but not in order to express an opinion on the internal control of the Group;
- Assessing the suitability of the principles used for financial reporting and assessing the reasonableness of estimates made by the management body or explanatory notes relating thereto;
- Concluding whether the continuity assumption used by the management body is acceptable or concluding, on the basis of audit information obtained, whether there is material uncertainty relating to events or circumstances that can give rise to significant doubt about the Group's capacity to maintain its continuity. If we conclude that there is material uncertainty, we are required to focus attention in our audit on the relevant notes in the consolidated financial statements or, if said notes are inadequate, to adjust our opinion. Our conclusions are based on the audit information we obtained up to the date of our audit report. Future events or circumstances may nonetheless entail that the Group can no longer maintain its continuity;
- Assessing the general presentation, structure and contents of the consolidated financial statements and whether the consolidated financial statements give a fair and true view of the underlying transactions and events;
- Assessing sufficient and suitable audit information relating to the financial information of entities or business activities in the Group geared to expressing an opinion on the consolidated financial statements. We remain undividedly responsible for our opinion.

We communicate with the Statutory Manager in particular on the planned scope and schedule of the audit and on significant audit findings, including any significant shortcomings in the internal control which we identified during our audit.

We also provide the Statutory Manager with a statement on our compliance with the relevant ethical requirements for independence and communicate with it on all relations and other aspects that can reasonably have an impact on our independence and, where applicable, on the related measures to guarantee our independence.

We rely on aspects discussed with the Statutory Manager to determine the elements that were the most significant in the audit of the consolidated annual financial statements of the current reporting period, and which consequently constitute key elements of our audit. We describe these aspects in our report, unless such disclosure is prohibited by the relevant legislation and regulations.

## Other legal and regulatory requirements

### Responsibilities of the Statutory Manager

The Statutory Manager is responsible for the preparation and content of the annual report on the consolidated financial statements and the other information contained in the annual report.

### Responsibilities of the Auditor

Pursuant to our assignment and the draft Belgian additional standard (revised) to the International Standards on Auditing (ISA) applicable in Belgium, our responsibility is to verify the annual report on the consolidated financial statements and the other information contained in said report, in all material respects, as well as to report on these aspects.

### Aspects concerning the annual report on the consolidated financial statements and the other information contained in the annual report

Pursuant to our assignment and the Belgian additional standard (revised in 2018) to the International Standards on Auditing (ISA) applicable in Belgium, our responsibility is to verify the annual report on the consolidated financial statements and other information contained in said report, in all material aspects, as well as to report on these aspects.

### Aspects concerning the annual report on the consolidated financial statements and the other information contained in the annual report on the consolidated financial statements

In our opinion, following the performance of specific activities for the annual report on the consolidated financial statements, this annual report corresponds to the consolidated financial statements for the same financial year, and is drawn up in accordance with Article 119 of the Companies Code.

Pursuant to Article 37 §2 of the “Regulated Real Estate Companies” Act of 12 May 2014, and in conjunction with Article 8 of the Royal Decree of 13 July “on regulated real estate companies” of 13 July 2014, the Company transactions with the parties described in Article 37 §1 of the aforementioned Act are explained in the section entitled “Conflict of Interest” of the annual financial report.

In the context of our audit of the consolidated financial statements, we are also responsible for assessing, particularly on the basis of knowledge acquired in the audit, whether the annual report on the consolidated financial statements and the other information included in said annual report, namely in the following chapters:

- Risk factors
- Message from the Chairwoman
- Consolidated key figures
- Notes to the consolidated results 2018
- Transactions and achievements
- Who is Qrf City Retail
- Corporate governance statement
- Qrf City Retail on the stock exchange
- Property report
- EPRA – Key Performance Indicators
- Permanent document
- APM – Alternative Performance Measures

contains a material misstatement, i.e. information that is wrongly reported or otherwise misleading. Our activities did not detect any material misstatement.

**Comments concerning independence**

- We have not carried out any assignments that are incompatible with the legal audit of the consolidated financial statements and remained independent from the Group in the course of our mandate.
- The fees for the additional assignments which are compatible with the legal audit of the consolidated financial statements pursuant to Article 134 of the Companies Code were currently indicated and broken down in the notes to the consolidated financial statements.

**Other comments**

- This report is consistent with our additional statement to the audit committee referred to in Article 11 of Regulation (EU) no. 537/2014.

Sint-Stevens-Woluwe, 29 March 2019  
The Auditor  
PwC Bedrijfsrevisoren CVBA  
Represented by

Damien Walgrave  
Auditor

### 11.3.2 Report on financial year 2017

#### AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF QRF COMM. VA ON THE FINANCIAL YEAR CLOSED ON 31 December 2017

Pursuant to the audit of consolidated financial statements of Qrf Comm. VA (hereinafter referred to as the "Company") and its subsidiaries (hereinafter referred to as "the Group") as required by law, we hereby submit our audit report, which includes the report on the consolidated financial statements and the report on other requirements stipulated by law. These reports constitute one indivisible whole.

We were appointed in our capacity of Auditor by the General Meeting of Shareholders of 17 May 2016, on the proposal of the Board of Directors of the Statutory Manager. Our mandate is to expire on the date of the General Meeting of Shareholders that deliberates on the consolidated financial statements for the financial year closed on 31 December 2018. We have conducted the audit of the consolidated annual financial accounts of the Company required by law for 5 consecutive financial years.

#### Report on the audit of the consolidated annual financial statements

##### Unqualified opinion

We have audited the consolidated financial statements of Qrf Comm. VA and its subsidiaries. The consolidated statements comprise the consolidated statement on the financial position on 31 December 2017, the consolidated income statement, the statement on the total result, the consolidated statement of changes in equity and the consolidated cash flow statement as well as the notes that contain in particular the most important accounting principles for financial reporting. The total of the consolidated statement of the financial position amounts to 291,322,000 EUR and the consolidated statement of realized and unrealized gains and losses shows a profit of 4,766,000 EUR for the financial year.

In our opinion the consolidated financial statements give a true and fair view of the Group's assets and financial position on 31 December 2017 and of its consolidated results and consolidated cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and implemented by the Royal Decree of 13 July 2014 and the application of the legal and regulatory provisions applicable in Belgium.

##### Basis for our unqualified opinion

We have carried out our audit in accordance with the International Standards on Auditing ("ISA"). Our responsibilities pursuant to those standards are described further in the section entitled "Responsibilities of the Auditor for the auditing of the consolidated annual financial statements" of our report. We have complied with all ethical requirements that are relevant for the auditing of the consolidated financial statements in Belgium, including those relating to independence.

We obtained the required clarifications and information from the management body or the agents of the Company.

We believe that the audit information we obtained is sufficient and suitable as a basis for our opinion.

##### Kernpunten van de controle

Key elements of our audit concern those aspects which, in our professional opinion, were the most significant for the audit of the consolidated annual financial statements of this report. These aspects are treated in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we provide no separate opinion in that respect.

## ■ Valuation of the investment properties

### Key elements of the audit

The company has booked investment properties under assets of the balance sheets for a total amount of 287,404,000 EUR on 31 December 2017. The IFRS standards require that investment properties be booked at Fair Value. The determination of that Fair Value depends highly on a number of chosen parameters. The most important are the rental value of the properties, the Occupancy rate, the discount rate and the estimated costs for maintenance and repairs.

In accordance with the legislation applicable to regulated real estate companies, the investment properties are valued by an external expert valuer.

Furthermore, during the financial year, the Company made significant investments in the Netherlands for the first time, for an asset value of 27,300,000 EUR on 31 December 2017.

The valuation of the investment properties constitutes a key element for our audit of the consolidated financial statements owing to the material importance in the annual financial statements and the subjective character of the valuation process. For the investments in the Netherlands, the Board of Directors of the Statutory Manager can rely on a less extensive experience on valuation and valuation parameters.

For more information concerning the valuation of the investment properties, see Note 10 of these consolidated financial statements.

### How was this key element treated in our audit?

We assessed the reliability of the external valuation and the reasonableness of the parameters used on the basis of the activities described below:

- We assessed the objectivity, independence and competence of the external expert valuers.
- For a selection of buildings, we tested the reasonableness of the parameters used by comparing the parameters of the external expert valuers with those used by our internal expert valuers. If these parameters differed substantially from those used by the external expert valuer, the impact of this difference on the Fair Value was determined for the individual property investment and for the entire property portfolio. Furthermore, we analysed the reasonableness of the underlying parameters for changes in Fair Value with regard to 30 June 2017.
- We asked our internal Dutch experts to assist us in carrying out the foregoing procedures for the Dutch valuation.
- We also compared the realization values of the investment properties that were sold during the financial year with their Fair Value in the last financial statements before the transfer.
- Finally, we tested whether the information contained in the notes of the consolidated financial statements is in line with the IFRS standards.



## ■ Valuation of the financial derivatives

### Key element of the audit

Orf Comm. VA concluded financial derivatives with a total nominal value of 115,000,000 EUR to hedge the interest risk on the loans. The IFRS standards require that financial derivatives be entered at their Fair Value.

As the Fair Value of the financial derivatives is determined on the basis of a complex financial model and financial parameters (cf. Note 22 of the consolidated financial statements), we consider the valuation of the financial derivatives to be a key element of the audit.

### How was this key element treated in our audit?

We received confirmation letters from the banks to validate the existence and completeness of the contracts and the valuation thereof on 31 December 2017. We then determined the Fair Value of those contracts independently with the help of our experts and compared it with the value entered in the consolidated financial statements.

We moreover verified that the information entered in the notes of the consolidated financial statements is in line with the IFRS standards.

## Responsibilities of the management body for the consolidated financial statements

The management body is responsible for the preparation of the consolidated statements that give a fair and true view in line with the International Financial Reporting Standards (IFRS) as adopted by the European Union and implemented by the Royal Decree of 13 July 2014 and the legal and regulatory provisions applicable in Belgium, as well as for implementing such internal control as it deems relevant for the preparation and presentation of consolidated financial statements that are free from material misstatements as a result of fraud or error.

In preparing the consolidated financial statements, the management body is responsible for assessing the Group's capacity to maintain its continuity, explain, where applicable, aspects relating to continuity and the use of the continuity assumption, unless the management body intends to liquidate the Group or to discontinue the business activities or has no realistic alternative than to do so.

## Responsibilities of the Auditor for the audit of the consolidated financial statements

Our objectives are to obtain a reasonable assurance that the consolidated financial statement as a whole are free from material misstatements as a result of fraud or error and to produce an audit report in which our opinion is expressed. A reasonable assurance is a high level of certainty but no guarantee that an audit that has been conducted in accordance with the ISA would always discover a material misstatement if it should exist. Misstatements may occur as a result of fraud or error and are considered of material importance if it can be expected that they will, individually or jointly, influence economic decisions taken by users on the basis of these consolidated financial statements.

As part of an audit conducted pursuant to the ISA, we apply professional judgement and maintain a professional critical stance during the audit. We also carry out the following activities:

- Identifying and assessing the risks that the consolidated financial statements contain a material misstatement as a result of fraud or error, defining and conducting audit activities geared to those risks and obtaining audit information that is sufficient and suitable as a basis for our judgement. The risk of not detecting a material misstatement is greater if such misstatement is the result of fraud than of error, because fraud involves collusion, falsification of documents, intentional omission to record transactions, intentional misrepresentation or violation of the internal control;
- Obtaining insight in the internal control that is relevant for the audit so as to arrange audit activities that are suitable in view of the circumstances but not in order to express an opinion on the internal control of the Group;
- Assessing the suitability of the principles used for financial reporting and assessing the reasonableness of estimates made by the management body or explanatory notes relating thereto;
- Concluding whether the continuity assumption used by the management body is acceptable or concluding, on the basis of audit information obtained, whether there is material uncertainty relating to events or circumstances that can give rise to significant doubt about the Group's capacity to maintain its continuity. If we conclude that there is material uncertainty, we are required to focus attention in our audit on the relevant notes in the consolidated financial statements or, if said notes are inadequate, to adjust our opinion. Our conclusions are based on the audit information we obtained up to the date of our audit report. Future events or circumstances may nonetheless entail that the Group can no longer maintain its continuity;
- Assessing the general presentation, structure and contents of the consolidated financial statements and whether the consolidated financial statements give a fair and true view of the underlying transactions and events;
- Assessing sufficient and suitable audit information relating to the financial information of entities or business activities in the Group geared to expressing an opinion on the consolidated financial statements. We remain undividedly responsible for our opinion.

We communicate with the audit committee in particular on the planned scope and schedule of the audit and on significant audit findings, including any significant shortcomings in the internal control which we identified during our audit.

We also provide the audit committee with a statement on our compliance with the relevant ethical requirements for independence and communicate with it on all relations and other aspects that can reasonably have an impact on our independence and, where applicable, on the related measures to guarantee our independence.

We rely on aspects discussed with the audit committee to determine the elements that were the most significant in the audit of the consolidated annual financial statements of the current reporting period, and which consequently constitute key elements of our audit.

\* \* \*

## Report on other legal and regulatory requirements

### Responsibilities of the management body

The management body is responsible for the preparation and content of the annual report on the consolidated financial statements and the other information contained in the annual report.

### Responsibilities of the Auditor

Pursuant to our assignment and the draft Belgian additional standard (revised) to the International Standards on Auditing (ISA) applicable in Belgium, our responsibility is to verify the annual report on the consolidated financial statements and the other information contained in said report, in all material respects, as well as to report on these aspects.

### Aspects concerning the annual report on the consolidated financial statements and the other information contained in the annual report

In our opinion, following the performance of specific activities for the annual report on the consolidated financial statements, this annual report corresponds to the consolidated financial statements for the same financial year, and is drawn up in accordance with Article 119 of the Companies Code.

In the context of our audit of the consolidated financial statements, we are also responsible for assessing, particularly on the basis of knowledge acquired in the audit, whether the annual report on the consolidated financial statements and the other information included in said annual report contains a material misstatement, i.e. information that is wrongly reported or otherwise misleading. Our activities did not detect any material misstatement.

### Comments concerning independence

- We have not carried out any assignments that are incompatible with the legal audit of the consolidated financial statements and remained independent from the Company in the course of our mandate.
- The fees for the additional assignments which are compatible with the legal audit of the consolidated financial statements pursuant to Article 134 of the Companies Code were currently indicated and broken down in the notes to the consolidated financial statements.

### Other comments

- This report is consistent with our additional statement to the audit committee referred to in Article 11 of Regulation (EU) no. 537/2014.

Sint-Stevens-Woluwe, 13 February 2018

The Auditor  
PwC Bedrijfsrevisoren bcvba  
Represented by

Damien Walgrave  
Auditor

## 11.4 Condensed statutory financial statements of Qrf City Retail<sup>11</sup>

### 11.4.1 Income statement

| FIGURES IN THOUSANDS EUR   | Notes | 31/12/2018    | 31/12/2017    |
|--|-------|---------------|---------------|
| (+) I. Rental income   |       | 12,696        | 12,610        |
| (+) II. Writeback of leased payments sold and discounted   |       | 0             | 0             |
| (+/-) III. Rental charges  |       | -88           | -3            |
| <b>NET RENTAL INCOME</b>   |       | <b>12,608</b> | <b>12,607</b> |
| (+) IV. Recovery of property charges   |       | 0             | 0             |
| (+) V. Recovery of rental charges and taxes normally payable by tenants on let properties                  |       | 990           | 1,105         |
| (-) VI. Costs payable by the tenant and borne by the landlord on rental damage and repairs at end of lease |       | 0             | 0             |
| (-) VII. Rental charges and taxes normally payable by tenants on let properties                            |       | -1,016        | -1,101        |
| (+/-) VIII. Other rental-related income and charges  |       | 0             | 0             |
| <b>PROPERTY RESULT</b>   |       | <b>12,582</b> | <b>12,611</b> |
| (-) IX. Technical costs  |       | -259          | -276          |
| (-) X. Commercial costs  |       | -167          | -152          |
| (-) XI. Charges and taxes on unlet properties  |       | -154          | -164          |
| (-) XII. Property management costs   |       | -476          | -472          |
| (-) XIII. Other property charges   |       | 0             | 0             |
| <b>PROPERTY CHARGES</b>  |       | <b>-1,056</b> | <b>-1,063</b> |
| <b>PROPERTY OPERATING RESULT</b>   |       | <b>11,526</b> | <b>11,547</b> |
| (-) XIV. General company expenses  |       | -2,133        | -1,928        |
| (+/-) XV. Other operating income and charges   |       | 264           | 183           |
| <b>OPERATING RESULT BEFORE THE RESULT ON THE PORTFOLIO</b>   |       | <b>9,656</b>  | <b>9,802</b>  |
| (+/-) XVI. Result on disposals of investment properties  |       | 249           | 466           |
| (+/-) XVII. Result on disposals of other non-financial assets  |       | 0             | 0             |
| (+/-) XVIII. Changes in Fair Value of investment properties  |       | -3,533        | -1,875        |
| (+/-) XIX. Other portfolio result  |       | 0             | 0             |
| <b>PORTFOLIO RESULT</b>  |       | <b>-3,284</b> | <b>-1,409</b> |
| <b>OPERATING RESULT</b>  |       | <b>6,372</b>  | <b>8,393</b>  |
| (+) XX. Financial income   |       | 599           | 448           |
| (-) XXI. Net interest charges  |       | -2,832        | -2,883        |
| (-) XXII. Other financial costs  |       | -257          | -98           |
| (+/-) XXIII. Changes in Fair Value of financial assets and liabilities                                     |       | -3,283        | -1,041        |
| <b>FINANCIAL RESULT</b>  |       | <b>-5,773</b> | <b>-3,575</b> |
| <b>RESULT BEFORE TAXES</b>   |       | <b>599</b>    | <b>4,818</b>  |
| (+/-) XXV. Corporate tax   |       | -7            | -7            |
| (+/-) XXV. Exit tax  |       | 0             | 0             |
| <b>TAXES</b>   |       | <b>-7</b>     | <b>-7</b>     |
| <b>NET RESULT</b>  |       | <b>592</b>    | <b>4,811</b>  |

11 Condensed statutory financial statements. The Auditor was given an "unqualified opinion" on the statutory financial statements. The statutory financial statement is not filed with the National Bank on the date of publication of this annual financial report.

## 11.4.2 Earnings per share

|   | Notes | 31/12/2018  | 31/12/2017  |
|---|-------|-------------|-------------|
| Number of ordinary shares in circulation at the end of the financial year | 14    | 5,665,822   | 5,665,822   |
| Weighted average of number of shares during the financial year            | 14    | 5,665,822   | 5,224,997   |
| <b>NET EARNINGS PER ORDINARY SHARE - GROUP SHARE (in EUR)</b>             |       | <b>0.10</b> | <b>0.92</b> |
| <b>DILUTED NET EARNINGS PER SHARE - GROUP SHARE (in EUR)</b>              |       | <b>0.10</b> | <b>0.92</b> |

## 11.4.3 Statement of comprehensive income

| FIGURES IN THOUSANDS EUR  | Notes | 31/12/2018 | 31/12/2017   |
|---|-------|------------|--------------|
| <b>I. NET RESULT</b>  |       | <b>592</b> | <b>4,811</b> |
| <b>II. OTHER COMPREHENSIVE INCOME RECYCLABLE UNDER THE INCOME STATEMENT</b>   |       | <b>0</b>   | <b>0</b>     |
| (+/-) B. Changes in the effective part of the Fair Value of authorized cash flow hedge instruments defined under IFRS |       | 0          | 0            |
| <b>COMPREHENSIVE INCOME</b>   |       | <b>592</b> | <b>4,811</b> |

## 11.4.4 Balance sheet

FIGURES IN THOUSANDS EUR

|  | Notes | 31/12/2018     | 31/12/2017     |
|--|-------|----------------|----------------|
| <b>ASSETS</b>                              |       |                |                |
| <b>I. FIXED ASSETS</b>                     |       | <b>269,172</b> | <b>283,136</b> |
| A Goodwill                                 |       | 0              | 0              |
| B Intangible fixed assets                  |       | -0             | -0             |
| C Investment properties                    |       | 221,175        | 232,365        |
| D Other tangible fixed assets              |       | 32             | 49             |
| E Financial assets                         |       | 47,965         | 50,722         |
| F Finance lease receivables                |       | 0              | 0              |
| G Trade receivables and other fixed assets |       | 0              | 0              |
| H Deferred tax assets                      |       | 0              | 0              |
| <b>II. CURRENT ASSETS</b>                  |       | <b>5,052</b>   | <b>6,465</b>   |
| A Assets classified as held for sale       |       | 0              | 0              |
| B Current financial assets                 |       | 0              | 0              |
| C Finance lease receivables                |       | 0              | 0              |
| D Trade receivables                        |       | 435            | 686            |
| E Tax receivables and other current assets |       | 3,001          | 3,695          |
| F Cash and cash equivalents                |       | 1,425          | 1,725          |
| G Deferred charges and accrued income      |       | 191            | 359            |
| <b>TOTAL ASSETS</b>                        |       | <b>274,224</b> | <b>289,601</b> |

FIGURES IN THOUSANDS EUR

|   | Notes  | 31/12/2018     | 31/12/2017     |
|---|--------|----------------|----------------|
| <b>LIABILITIES</b>                        |        |                |                |
| <b>EQUITY</b>                             |        | <b>129,381</b> | <b>134,836</b> |
| A Capital                                 | 11.4.6 | 131,572        | 131,572        |
| <i>Issued capital</i>                     |        | <i>131,724</i> | <i>131,724</i> |
| <i>Cost of capital increase</i>           |        | <i>-152</i>    | <i>-152</i>    |
| B Issue premiums                          | 11.4.6 | 1,496          | 1,496          |
| C Reserves                                | 11.4.7 | -4,280         | -3,044         |
| D Net result of the financial year        |        | 592            | 4,811          |
| <b>LIABILITIES</b>                        |        | <b>144,841</b> | <b>154,766</b> |
| <b>I. Non-current liabilities</b>         |        | <b>130,586</b> | <b>126,175</b> |
| A Provisions                              |        | 0              | 0              |
| B Non-current financial debts             |        | 128,928        | 124,434        |
| C Other non-current financial liabilities |        | 1,567          | 1,639          |
| D Trade debts and other non-current debts |        | 0              | 0              |
| E Other non-current liabilities           |        | 92             | 102            |
| F Deferred taxes - liabilities            |        | 0              | 0              |
| <i>a. Exit tax</i>                        |        | <i>0</i>       | <i>0</i>       |
| <i>b. Other</i>                           |        | <i>0</i>       | <i>0</i>       |
| <b>II. Current liabilities</b>            |        | <b>14,255</b>  | <b>28,591</b>  |
| A Provisions                              |        | 0              | 0              |
| B Current financial debts                 |        | 12,000         | 24,994         |
| C Other current financial liabilities     |        | 0              | 174            |
| D Trade debts and other current debts     |        | 963            | 2,050          |
| <i>a. Exit tax</i>                        |        | <i>-0</i>      | <i>0</i>       |
| <i>b. Other</i>                           |        | <i>963</i>     | <i>2,050</i>   |
| E Other current liabilities               |        | 598            | 639            |
| F Accrued charges and deferred income     |        | 694            | 734            |
| <b>TOTAL EQUITY AND LIABILITIES</b>       |        | <b>274,224</b> | <b>289,601</b> |

## 11.4.5 Statement of changes in equity

| FIGURES IN THOUSANDS EUR   | Capital        | Cost of Capital increase | Issue premiums | Reserves      | Net result of the financial year | Equity         |
|--|----------------|--------------------------|----------------|---------------|----------------------------------|----------------|
| <b>BALANCE SHEET ON 30 DECEMBER 2016</b>   | <b>119,262</b> | <b>-110</b>              | <b>1,459</b>   | <b>-6,164</b> | <b>8,409</b>                     | <b>122,855</b> |
| Appropriation of result 2016   | 0              | 0                        | 0              | 2,402         | -8,409                           | -6,007         |
| <i>Transfer of portfolio result to reserves</i>  |                |                          |                | 544           | -544                             | 0              |
| <i>Transfer of operating result to reserves</i>  |                |                          |                | 1,858         | -1,858                           | 0              |
| <i>Dividend for financial year 2016</i>  |                |                          |                |               | -6,007                           | -6,007         |
| Result for 2017  | 0              | 0                        | 0              | 0             | 4,811                            | 4,811          |
| Other elements recognized in the comprehensive result  | 0              | 0                        | 0              | 717           | 0                                | 717            |
| <i>Impact on Fair Value of estimated transaction costs resulting from the hypothetical disposal of investment properties</i> |                |                          |                |               |                                  | 0              |
| <i>Changes in Fair Value of properties</i>   |                |                          |                |               |                                  | 0              |
| <i>Reserve for the impact on Fair Value of financial instruments</i>   |                |                          |                | 717           |                                  | 717            |
| Issue of new shares  |                |                          |                |               |                                  | 0              |
| Capital increase by contribution in kind   | 12,462         | -41                      | 39             | 0             | 0                                | 12,460         |
| Minority interests   |                |                          |                |               |                                  | 0              |
| <b>BALANCE SHEET ON 31 DECEMBER 2017</b>   | <b>131,724</b> | <b>-151</b>              | <b>1,497</b>   | <b>-3,044</b> | <b>4,811</b>                     | <b>134,836</b> |
| Appropriation of result 2017   | 0              | 0                        | 0              | -2,114        | -4,811                           | -6,925         |
| <i>Transfer of portfolio result to reserves</i>  |                |                          |                | 1,902         | -1,902                           | 0              |
| <i>Transfer of operating result to reserves</i>  |                |                          |                | -4,056        | 4,056                            | 0              |
| <i>Transfer of changes in fair value of financial instruments</i>  |                |                          |                | 40            | -40                              | 0              |
| <i>Dividend for financial year 2017</i>  |                |                          |                |               | -6,925                           | -6,925         |
| Result of 2018   | 0              | 0                        | 0              | 0             | 592                              | 592            |
| Other elements recognized in the comprehensive result  |                |                          |                | 878           | 0                                | 878            |
| <i>Impact on Fair Value of estimated transaction costs resulting from the hypothetical disposal of investment properties</i> |                |                          |                |               |                                  | 0              |
| <i>Changes in Fair Value of property</i>   |                |                          |                |               |                                  | 0              |
| <i>Reserve for the impact on Fair Value of financial instruments</i>   |                |                          |                | 878           |                                  | 878            |
| Issue of new shares  |                |                          |                |               |                                  | 0              |
| Capital increase by contribution in kind   |                |                          |                |               |                                  | 0              |
| Minority interests   |                |                          |                |               |                                  | 0              |
| <b>BALANCE SHEET ON 31 DECEMBER 2018</b>   | <b>131,724</b> | <b>-151</b>              | <b>1,497</b>   | <b>-4,280</b> | <b>593</b>                       | <b>129,382</b> |

## 11.4.6 Detail van de reserves

FIGURES IN THOUSANDS EUR

|   | Legal reserve | Reserve for the balance of changes in Fair Value of properties | Reserve for the impact on Fair Value of estimated transaction charges resulting from the hypothetical disposal of investment properties | Reserve for the balance of changes in Fair Value of authorized hedge instruments which are subject to a hedge accounting as defined in IFRS | Reserve for the balance of changes in Fair Value of authorized hedge instruments which are not subject | Available reserve: reserve for foreseeable losses | Results carried forward from previous financial years | Total reserves |
|---|---------------|--|---|---|--|---|---|----------------|
| <b>BALANCE SHEET ON 30 DECEMBER 2016</b>                          | -             | <b>1,374</b>   | <b>-5,340</b>   | <b>-2,571</b>   | -  | <b>14</b>   | <b>359</b>  | <b>-6,164</b>  |
| Net appropriation of result                                       | 0             | 2,595  | -2,050  | 0   | 0  | 0   | 1,858   | 2,403          |
| <i>Transfer of portfolio result to reserves</i>                   |               | 2,595  | -2,050  |   |  |   |   | 545            |
| <i>Transfer of operating result to reserves</i>                   |               |  |   |   |  |   | 1,858   | 1,858          |
| Other elements recognized in the comprehensive result             | 0             | 0  | 0   | 717   | 0  | 0   | 0   | 717            |
| <i>Changes in Fair Value of properties</i>                        |               |  |   |   |  |   |   | 0              |
| <i>Changes in Fair Value of financial assets and liabilities</i>  |               |  |   | 717   |  |   |   | 717            |
| <b>BALANCE SHEET ON 31 DECEMBER 2017</b>                          | -             | <b>3,969</b>   | <b>-7,390</b>   | <b>-1,853</b>   | -  | <b>14</b>   | <b>2,217</b>  | <b>-3,043</b>  |
| Net appropriation of result                                       | 0             | -1,987   | -2,070  | 0   | 40   | 0   | 1,902   | -2,115         |
| <i>Transfer of portfolio result to reserves</i>                   |               | -1,987   | -2,070  |   |  |   |   | -4,057         |
| <i>Transfer of changes in Fair value of financial instruments</i> |               |  |   |   | 40   |   |   | 40             |
| <i>Transfer of operating result to reserves</i>                   |               |  |   |   |  |   | 1,902   | 1,902          |
| Other elements recognized in the comprehensive result             | 0             | 0  | 0   | 878   | 13   | 0   | -13   | 878            |
| <i>Changes in Fair Value of properties</i>                        |               |  |   |   |  |   |   | 0              |
| <i>Changes in Fair Value of financial assets and liabilities</i>  |               |  |   | 878   | 13   |   | -13   | 878            |
| <b>BALANCE SHEET ON 31 DECEMBER 2018</b>                          | -             | <b>1,982</b>   | <b>-9,460</b>   | <b>-975</b>   | <b>53</b>  | <b>14</b>   | <b>4,106</b>  | <b>-4,280</b>  |



## 11.4.7 Payout obligation according to the Royal Decree of 13 July 2014 on RRECs

| FIGURES IN THOUSANDS EUR  | 31/12/2018   | 31/12/2017   |
|---|--------------|--------------|
| <b>Net result</b>   | <b>592</b>   | <b>4.811</b> |
| Depreciation (+)  | 28           | 22           |
| Impairments (+)   | 150          | 96           |
| Reversal of impairments (-)   | -62          | -93          |
| Reversal of transferred and discounted rental income (-)  | 0            | 0            |
| Other non-monetary times (+/-)  | 3,283        | 1,041        |
| Result from the disposal of properties (+/-)  | -249         | -466         |
| Changes in Fair Value of properties (+/-)   | 3,533        | -1,875       |
| <b>Adjusted result (A)</b>  | <b>7.276</b> | <b>3.536</b> |
| Capital gains and losses realized on property assets during the financial year (+/-)  | 249          | 466          |
| Capital gains realized on property assets during the financial year exonerated from compulsory distribution subject to their reinvestment within a period of four years (-) | -249         | -466         |
| Capital gains realized on property assets previously exempted from the compulsory payout not re-invested within a period of four years (+)                                  | 0            | 0            |
| <b>Net capital gains from realization of property assets not exempted from the compulsory payout (B)</b>  | <b>0</b>     | <b>0</b>     |
| <b>Total (A+B) x 80%</b>  | <b>5.821</b> | <b>5.829</b> |
| Debt reduction (-)  | 5,821        | 0            |
| <b>Payout obligation</b>  | <b>0</b>     | <b>5.829</b> |

By having reduced its net debt burden in 2018, pursuant to Article 13 of the Royal Decree on Regulated Real Estate Companies, Qrf City Retail has no payout obligation in the form of a dividend.

## 11.4.8 Non-distributable equity according to Article 617 of the Companies Code

| FIGURES IN THOUSANDS EUR  | 31/12/2018     | 31/12/2017     |
|---|----------------|----------------|
| Paid-up - of if it is higher - called up capital  | 131,724        | 131,724        |
| Non-available issue premiums according to the articles of association   | 1,496          | 1,496          |
| Reserve for the positive balance of the change in Fair Value of properties  | 0              | 1,983          |
| Reserve for impact on Fair Value of estimated transaction costs resulting from the hypothetical disposal of investment properties | -9,050         | -9,460         |
| Reserve for balance of changes in Fair Values of authorized hedging instruments subject to hedge accounting as defined in IFRS    | -975           | -1,853         |
| Other reserved declared unavailable by the General Meeting of Shareholders  | 0              | 0              |
| <b>Non-distributable equity according Article 617 of the Companies Code</b>   | <b>122,603</b> | <b>123,930</b> |
| Net assets  | 129,381        | 134,836        |
| Proposed dividend payout  | 4,533          | 6,925          |
| <b>Net assets after payout</b>  | <b>124,848</b> | <b>127,910</b> |
| <b>Remaining margin after payout</b>  | <b>2,246</b>   | <b>3,980</b>   |

Pursuant to Article 617 of the Companies Code, calculated in accordance with Chapter 4 of Section C of the aforementioned Royal Decree, the distributable equity to be paid out as dividend amounted to 6,779 KEUR on 31 December 2018.

Qrf City Retail applies a look-through method on Perimeter Companies where it owns 100% of the shares. The shareholding interests are entered in the statutory accounts at Fair Value. Changes in their Fair Value are booked via the income statement under

“XXIII. Changes in Fair Value of financial assets and liabilities”. Only the part of item “XXII. Changes in Fair Value of financial fixed assets and liabilities – Other” which arises out of Changes in Fair Value of the underlying property assets allocated to the reserve account “Reserve for the positive balance of changes in Fair Value of properties” is used to calculate the non-distributable equity (Annex C - Chapter 4 of the RREC Royal Decree). The amount that corresponds to transaction costs for property assets held through shareholding interests is appropriated in the reserve account “Reserve for impact on the Fair Value of estimated transaction costs resulting from the hypothetical disposal of investment properties”.

As a result of the predetermined dividend payout, the net assets of the company have fallen below the paid up capital. The remaining margin after the dividend payment with regard to the distributable equity within the meaning of Chapter 4 of Annex C of the Royal Decree of 13 July 2014 has risen to 2,246 KEUR on 31 December 2018.

### 11.4.9 Appropriation of result

FIGURES IN THOUSANDS EUR

|   | 31/12/2018    | 31/12/2017    | 30/12/2016    |
|---|---------------|---------------|---------------|
| <b>A. Net result</b>  | <b>592</b>    | <b>4,811</b>  | <b>8,410</b>  |
| <b>B. Transfer to or from reserves</b>  | <b>11,990</b> | <b>6,233</b>  | <b>-185</b>   |
| 1. Transfer to or from reserve for the (positive or negative) balance of changes in Fair Value of properties (-/+)  | 7,648         | 1,986         | -2,594        |
| Financial year  | 7,869         | 1,786         | -2,682        |
| Realization of property assets  | -221          | 200           | 88            |
| 2. Transfer to or from the reserve for estimated transactions costs resulting from the hypothetical disposal of investment properties (-/+)                             | -410          | 2,070         | 2,050         |
| 3. Transfer to the reserve for the balance of changes in Fair Value of authorized hedging instruments that are subject to hedge accounting as defined in IFRS (-)       |               |               |               |
| Financial year  |               |               |               |
| 4. Transfer from the reserve for the balance of changes in Fair Value of authorized hedging instruments that are subject to hedge accounting as defined in IFRS (+)     |               |               |               |
| Financial year  |               |               |               |
| 5. Transfer to the reserve for the balance of changes in Fair Value of authorized hedging instruments that are not subject to hedge accounting as defined in IFRS (-)   | 633           | -40           |               |
| Financial year  | 633           | -40           |               |
| 6. Transfer from the reserve for the balance of changes in Fair Value of authorized hedging instruments that are not subject to hedge accounting as defined in IFRS (+) |               |               |               |
| Financial year  |               |               |               |
| 7. Transfer to or from the reserve for the balance of the exchange rate differences on monetary assets and liabilities (-/+)  |               |               |               |
| 8. Transfer to or from the reserve for deferred taxes relating to properties situated abroad (-/+)  |               |               |               |
| 9. Transfer to or from the reserve for received dividends intended for the repayment of (-/+)   |               |               |               |
| 10. Transfer to or from other reserves (-/+)  |               |               |               |
| 11. Transfer to or from results carried forward in previous financial years (-/+)   | 4,119         | 2,217         | 359           |
| <b>C. Return on capital pursuant to Article 13, § 1, first paragraph</b>  | <b>0</b>      | <b>-5,829</b> | <b>-4,272</b> |
| <b>D. Return on capital - other than C</b>  | <b>-4,533</b> | <b>-1,096</b> | <b>-1,735</b> |
| <b>E. Result to be carried forward</b>  | <b>8,050</b>  | <b>4,119</b>  | <b>2,217</b>  |

## 11.5 Other statements of the Statutory Manager

The Statutory Manager of Qrf City Retail declares that there are no government interventions, judicial or arbitration cases, other than those described under Chapter 12.7, which can have a significant impact – or have had in the recent past – on the financial position or the profitability of Qrf City Retail. It stated that, to the best of its knowledge, there are no facts or circumstances that could lead to such government interventions, judicial or arbitration cases. The manager further stated that, to the best of its knowledge:

- the financial statements, which have been drawn up according to the applicable standards, give a true and fair view of the assets, financial situation and results of the issuer and the companies included in the consolidation;
- the annual financial report gives a true and fair view of the development and results of the company and of the situation of the issuer and the companies included in the consolidation, as well as a description of the main risks and uncertainties confronting them.

Qrf City Retail declares that the information provided by the experts and the auditor have been taken over faithfully.

This annual financial report contains future-oriented statements. Such statements contain unknown risks and other factors which could entail that the current results, financial situation, performance and achievements differ from any future results, financial situation, performance and achievements, expressed or implied by such future-oriented statements. Given these uncertain factors, future-oriented statements contain no guarantees.

The Statutory Manager of Qrf City Retail states that no significant change has occurred in the financial and commercial situation of the group since 31 December 2017.





# 12 Permanent document

|        |  |     |
|--------|--|-----|
| 12.1   | General information  | 201 |
| 12.1.1 | Identification   | 201 |
| 12.1.2 | Perusal of documents   | 202 |
| 12.1.3 | Historical financial information included by reference           | 203 |
| 12.2   | Registered capital   | 203 |
| 12.3   | Supervisory authority of the RREC                                | 203 |
| 12.4   | Service providers of the RREC                                    | 203 |
| 12.4.1 | Property expert: Cushman & Wakefield                             | 203 |
| 12.4.2 | Auditor: PwC   | 204 |
| 12.4.3 | Internal Auditor: EY   | 204 |
| 12.4.4 | Property Management: Quares Property Management                  | 204 |
| 12.4.5 | Financial service provider: ING                                  | 205 |
| 12.4.6 | Liquidity provider: KBC Securities                               | 205 |
| 12.5   | Restated articles of association at 31 January 2019              | 205 |
| 12.6   | The RREC and its tax system                                      | 216 |
| 12.7   | Judicial and arbitration procedures                              | 216 |
| 12.8   | Statements of the Statutory Manager                              | 217 |
| 12.8.1 | Responsible persons for the content of the registration document | 217 |
| 12.8.2 | Information from third parties                                   | 217 |



Antwerp  
Meir 107  
Belgium

# 12 Permanent document

## 12.1 General information

### 12.1.1 Identification

Qrf Comm. VA, a public Regulated Real Estate Company (or public RREC) incorporated under Belgian law. VAT number: BE 0537.979.024. Qrf Comm. VA trades under the name Qrf City Retail.

#### 12.1.1.1 Registered office

Museumstraat 11/211, 2000 Antwerp  
Telephone: +32 3 233 52 46  
e-mail: info@qrf.be

#### 12.1.1.2 Company number (Antwerp Legal Persons' Register, Antwerp section)

The company is registered with the Kruispuntbank voor Ondernemingen [Crossroads Bank for Enterprises] under company number 0537.979.024.

#### 12.1.1.3 Legal form, incorporation, publication

The Company was incorporated for an unspecified period by deed drawn up by Vincent Vroninks, notary of Ixelles, on 3 September 2013, an excerpt whereof was published in the annexes to the Belgisch Staatsblad [Belgian Official Gazette] of 17 September, under number 13141597 (index 2013/1048).

The articles of association have been altered on several occasions and restated for the last time on 30 January 2019.

#### Amending deeds:

- minutes drawn up by Vincent Vroninks, associate notary of Ixelles, on 26 November 2013, amending the articles of association – adopting of a new text of the articles of association – appointment of auditor – conditional increase and reduction of

capital – conditional amendment of the articles of association and authorisation with regard to the authorised capital;

- minutes drawn up by Vincent Vroninks, associate notary of Ixelles, on 18 December 2013, concerning increase of capital by contribution in kind – amendment of the articles of association;
- deed drawn up by Vincent Vroninks, associated notary of Ixelles, on 18 December 2013, recording the capital increase, capital reduction and amendment of the articles of association decided by the Extraordinary General Meeting of Shareholders of 26 November 2013;
- minutes drawn up by Vincent Vroninks, associate notary of Ixelles, on 7 November 2014, amending the articles of association, an excerpt whereof was published in the annexes to the Belgisch Staatsblad [Belgian Official Gazette] of 29 January 2015, under number 15015962;
- deed drawn up by Vincent Vroninks, associated notary of Ixelles, on 24 June 2015, concerning capital increase by contribution in kind in the context of the authorised capital – amendment of the articles of association, an excerpt whereof was published in the annexes to the Belgisch Staatsblad [Belgian Official Gazette] of 4 September 2015, under number 15126483;
- deed drawn up by Vincent Vroninks, associated notary of Ixelles, on 8 December 2015, concerning capital increase by contribution in kind in the context of the authorised capital – amendment of the articles of association, an excerpt whereof was published in the annexes to the Belgisch Staatsblad [Belgian Official Gazette] of 10 February 2016, under number 16021534;

- deed drawn up by Vincent Vroninks, associated notary of Ixelles, on 9 December 2015, concerning capital increase by contribution in kind in the context of the authorised capital – amendment of the articles of association, an excerpt whereof was published in the annexes to the Belgisch Staatsblad [Belgian Official Gazette] of 10 February 2016, under number 16021535;
- deed drawn up by Vincent Vroninks, associated notary of Ixelles, on 30 June 2016, concerning capital increase by contribution in kind in the context of the authorised capital – amendment of the articles of association, an excerpt whereof was published in the annexes to the Belgisch Staatsblad [Belgian Official Gazette] of 23 August 2016, under number 16118138;
- deed drawn up by Vincent Vroninks, associated notary of Ixelles, on 21 December 2016, concerning capital increase by contribution in kind in the context of the authorised capital – amendment of the articles of association, published in the annexes to the Belgisch Staatsblad [Belgian Official Gazette] of 1 February 2017, under number 17017727;
- deed drawn up by Vincent Vroninks, associated notary of Ixelles, on 6 June 2017, concerning authorisations to repurchase own shares – authorisations regarding the authorised capitals – representation of the company – change of the financial year – amendment of the articles of association, an excerpt whereof was published in the annexes to the Belgisch Staatsblad [Belgian Official Gazette] on 27 June 2017, under number 17091062;
- deed drawn up by Vincent Vroninks, associated notary of Ixelles, on 27 October 2017, concerning an increase of capital by contribution in kind in the context of the authorised capital – amendment of the articles of association;
- deed drawn up by Vincent Vroninks, associate notary of Ixelles, on 9 January 2019, concerning an amendment to the articles of association resulting from the amended Act of 12 May 2014 regarding regulated real estate companies, an excerpt whereof was published in the annexes to the Belgisch Staatsblad [Belgian Official Gazette] of 28 January, under number 19304450;

- deed drawn up by Vincent Vroninks, associate notary of Ixelles, with the assistance of Mr Xavier De Maesschalck, notary located in Ostend, first district, on 30 January 2019, regarding the capital increase by a contribution in kind in the context of the authorised capital – amendments to the articles of association.

### 12.1.2 Perusal of documents

During the period of validity of the registration document, the following documents (or copies thereof) may be perused, if applicable, except for documents which cannot be released for confidentiality reasons.

- (a) memorandum of association and articles of association of the issuing institutions;
- (b) all reports, correspondence and other documents, historical financial information, as well as statements drawn up by experts at the request of the issuing institution when the registration documents contains or refers to parts thereof;
- (c) the historical financial information of the issuing institution for each of two financial years prior to the publication of the registration document.

The statutory and consolidated financial statements, articles of association, annual reports and other information which is made public for the shareholders, can be obtained free of charge at the Company's registered office.

The statutory and consolidated financial statements and additional reports are filed with the National Bank. The articles of association are also posted on [www.qrf.be](http://www.qrf.be).

All press releases and other financial information that Qrf Comm. VA publishes or will publish, can also be consulted on the aforementioned website.

The annual reports of the Company are sent to owners of registered shares, to other securities holders who have fulfilled the formalities required by the Companies' Code, and to persons who ask for them. They can also be obtained at the Company's registered office.



### 12.1.3 Historical financial information included by reference

This annual financial report provides information on financial years 2018 and 2017. For historical information on financial year 2016, cf. the annual reports on financial years 2017 and 2016 that can be consulted on

<http://investor.qrf.be>. They contain the statutory and consolidated financial statements, the Auditor's report and the annual report within the meaning of Article 96 and Article 119 of the Companies' Code.

## 12.2 Registered capital

As of 31 December 2018, the number of Qrf shares amounts to 5,665,822, representing a registered capital of 131,723,955.75 EUR. The capital has been fully paid up.

At the time of publication of this annual report, there were 7,153,322 Qrf shares, representing a share capital of 7,153,322 EUR.

## 12.3 Supervisory authority of the RREC

The RREC is under the supervision of the Financial Services and Markets Authority or FSMA.

## 12.4 Service providers of the RREC

### 12.4.1 Property expert: Cushman & Wakefield

Article 24 of the RREC Act stipulates that the RREC must have its properties valued by one or more Property experts. The expert acts with full independence and has the professional reliability and appropriate experience required for property valuation as well as a suitable organisation for his assignments. The expert is appointed for a renewable term of three years. He may be entrusted with the valuation of a certain property for three years maximum.

The Property experts are:

- for assets in Belgium: Cushman & Wakefield, a company incorporated under Dutch law, with a branch in Belgium at Koningsstraat 97 (4th floor), registered in the in Kruispuntbank voor Ondernemingen [Central Business Register] under number BE 0418.915.383, represented by Mr Bastien Van der Auwermeulen;

- for assets in the Netherlands: Cushman & Wakefield, a company incorporated under Dutch law, having its registered office at Gustav Mahlerlaan 362, 1082ME Amsterdam, registered with the Chamber of Commerce under number KvK 33154480, represented by Mr Hans Hinfelaar.

The mandates of Cushman & Wakefield as Property expert have a renewable term of 3 years. The mandate for the valuation of the Belgian assets entered into effect on 31 December 2016 and will expire on 31 December 2019. The mandate for the valuation of the Dutch assets entered into effect on 31 March 2017 and will expire on 31 March 2020.

The remuneration of Cushman & Wakefield is market compliant and was determined on the basis of a matrix with rates that vary depending on the size of a site.

Pursuant to Article 24, §1 of the RREC Act, the remuneration of the Experts is not linked, directly or indirectly, to the value of the property assessed by him.

The remuneration of the Property expert in the capacity of property value amounted to 74,877 EUR (inclusive of non-deductible VAT) for financial year 2018.

#### 12.4.2 Auditor: PwC

At the Extraordinary General Meeting of Shareholders of 17 May 2016, Qrf City Retail appointed as auditor PriceWaterhouseCoopers Bedrijfsrevisoren BV o.v.v.e. CVBA (hereinafter referred to as PwC), having its registered office at 18 Woluwedal, 1932 Sint-Stevens-Woluwe, registered with the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT 0429.501.944 (Brussels Legal Persons Register) and registered in the public register of the Institute of Auditors, with Damien Walgrave, until the General Meeting of Shareholders which shall decide on the financial statements prepared for the financial year closed on 31 December 2018.<sup>1</sup>

Pursuant to Article 134, §6 of the Companies' Code the Auditor's remuneration may not be determined or influenced by the provision of additional services to the company, the financial statements of which it audits, pursuant to Article 142 of the Companies Act, and checks whether a Belgian company which is subject to the legal audit of its consolidated financial statements, pursuant to Article 146 of the Companies Act.

The auditor may not receive any benefit, in any form whatsoever from the Company, other than said remuneration. The Company may not grant the auditor any loans or advances, nor give or stand guarantee for it.

The total remuneration for the auditor's mandate for 2018 amounts to 40,059 EUR (inclusive of non-deductible VAT). For other legal and tax

advice assignments, the remuneration amounts to 20,991 EUR and 0 EUR (inclusive of non-deductible VAT) respectively.

#### 12.4.3 Internal Auditor: EY

In 2014, EY was appointed by the Board of Directors to attend to all internal audit matters.

The audit committee determines how many internal audit projects are carried out annually.

In 2018, remuneration of 5,997 EUR (inclusive of non-deductible VAT) was allocated for internal audit projects.

#### 12.4.4 Property Management: Quares Property Management

Pursuant to Article 19 of the RREC Act, Qrf City Retail has entrusted the management of its Belgian portfolio to Quares Property Management NV and management of its Dutch portfolio to Quares Property & Facility Management BV. Both are affiliated companies specialised in property management.

For 2018, the remuneration of the Property Manager is fixed at market compliant conditions and amounts to 3.0% of the Rental Income and 1.5% of the ERV in case of vacant premises. For 2018, the total remuneration amounted to 570 KEUR (inclusive of non-deductible VAT).<sup>2</sup>

Furthermore, upon the signing of a new lease or renewal of an existing lease, remuneration amounting to 2.5% is to be provided for the Property Manager, charged to the annually contracted nominal rent, without taking rent reductions into account. The total such remuneration for 2018 amounted to 59 KEUR (inclusive of non-deductible VAT).

<sup>1</sup> Pursuant to the rules for external rotations in Regulation 537/2014 of 16 April 2014, Mr Peter Ringoot was appointed at the meeting of the Board of Directors on 19 February 2019 as the new Auditor.

<sup>2</sup> On 30 January 2019, a new agreement was signed with the Property Manager for at least three years. Pursuant to this new Property Management Agreement, the Company will owe the following payments to Quares Property Management NV in the context of the technical services to be provided by it:

- 2.55% plus VAT on the Rental Income from the Qrf City Retail portfolio;
- 1.275% plus VAT on the ERV (*Estimated Rental Value*) of the vacancies in the Qrf City Retail portfolio, unless their vacancies are covered by a rental guarantee (if this is the case, the payments on the vacant space will be in line with the agreement between the guarantor for this space and Qrf City Retail, with a maximum of 2.55% plus VAT);
- 2.125% plus VAT on the annually contracted nominal rent in relation to the buildings in the Qrf City Retail portfolio for which a new lease or lease extension is signed.

#### 12.4.5 Financial service provider: ING

ING Belgium NV has been entrusted with the financial services of Qrf City Retail. These services comprise in particular:

- the financial service of Qrf City Retail;
- the payment of the dividend and the surplus after liquidation;
- the processing of securities issued by Qrf City Retail;
- disclosing information that Qrf City Retail must make public pursuant to the relevant laws and regulations.

The remuneration for this service amounted to 4,200 EUR (inclusive of non-deductible VAT) in 2018.

#### 12.4.6 Liquidity provider: KBC Securities

In 2018, a liquidity agreement was concluded with KBC Securities NV (hereinafter referred to as the Liquidity Provider) to promote the tradeability of the shares. This entails in particular that the Liquidity Provider will be present on the market with buy and sell orders, whereby a certain order volume and spread will be respected.

The remuneration for this service is fixed at a flat rate of 14,994 EUR (inclusive of non-deductible VAT) per year.

### 12.5 Restated articles of association at 31 January 2019<sup>3</sup>

#### TITLE I - NATURE OF THE COMPANY

##### Article 1 - Form and name

1.1. The Company shall have the form of a limited equity partnership with the name of "Qrf".

1.2. The Company is a public Regulated Real Estate Company (or public RREC for short) within the meaning of Article 2, 2°, of the Regulated Real Estate Companies Act (hereinafter referred to as the RREC Act), the shares of which are admitted for trading on a regulated market, and which attracts its financial resources in Belgium or abroad through a public offering of shares.

The name of the Company shall be preceded or followed by the wording of "Openbare Gereguleerde Vastgoedvennootschap naar Belgisch recht" [Public Regulated Real Estate Company incorporated under Belgian law] or "Public RREC naar Belgisch recht" [Public RREC under Belgian law] and all documents stemming from the Company shall contain the same wording.

The Company shall be subject to the RREC Act and to the Royal Decree of 13 July 2014 on Regulated Real Estate Companies (hereinafter referred to as the RREC royal Decree) (this act and this Royal Decree are hereinafter referred jointly to as the RREC legislation).

1.3. The Company solicits public funds as referred to in Article 438 of the Companies' Code.

##### Article 2 - Managing partners - shareholders

The Company is composed of two categories of partners:

- the public limited company Qrf Management, managing partner which bears unlimited liability for the Company's commitments. The managing partner assumes the management tasks of the company pursuant to Article 11 of the articles of association;

<sup>3</sup> The Restated articles of association were modified on 30 January 2019 as the result of a deed drawn up by notary Vroninks of Ixelles, with the assistance of Mr Xavier De Maesschalck, notary located in Ostend.

- the shareholders, who are liable only for the amount of their contribution, without joint liability. They may under no circumstances interfere with the management of the Company. They may, however, act in the capacity of proxy.

### Article 3 - Registered office

The registered office of the company is established at Museumstraat 11/211, 2000 Antwerp. It may be relocated to any other place in Belgium by simple decision of the manager, subject to compliance with the language laws; the manager shall be vested with full powers to have the amendment in the articles of association arising out of such relocation recorded by notarial instrument.

The Company can create administrative offices, subsidiaries or agencies in Belgium and abroad, by simple decision of the manager.

### Article 4 - Object

4.1. The Company's exclusive corporate object shall be to:

(a) place properties at the disposal of users, directly or through a company in which it holds a stake in accordance with the provision of this act and the implementing decrees and regulations thereof; and to

(b) own real estate within the limits of the RREC legislation, as stipulated in Article 2, 5°, vi to x of the RREC Act.

The term "real estate" shall refer to properties within the meaning of the RREC legislation.

Within the framework of making properties available, the Company may in particular carry out all activities that pertain to the erection, refurbishment, renovation, development, acquisition, disposal, management or operation of properties.

4.2. The Company may invest additionally or temporarily in securities that are not property assets within the meaning of the RREC legislation. Such investments

shall be carried out exclusively in accordance with the risk management policy adopted by the Company and shall be diversified, so that they can ensure an appropriate risk diversification. The Company may also hold non-allocated liquid resources in all currencies in the form of sight or term deposits or in the form of any other easily tradable monetary instrument.

The Company may moreover carry out transactions concerning hedging instruments, provided they are intended exclusively to hedge interest rate and exchange rate risks under the financing and management of the property assets of the Company, excluding any transaction of speculative nature.

4.3. The Company may let or rent one or more properties. The activity of letting properties with option to purchase may be carried out only as a supplementary activity, unless the properties are intended for the general interest, including social housing and education (in such a case, the activity shall be exercised as the core activity).

4.4. The Company may acquire interests, through merger or in another way, in all businesses, companies or companies, with a similar or complementary object and those of such nature as to promote the development of its business, and in general, carry out all transactions which pertain directly or indirectly to its corporate object as well as all relevant or necessary actions for the attainment of said object.

4.5. The Company or the Perimeter Company may provide credits, sureties or guarantees for the benefit of a subsidiary or a Perimeter Company, without prejudice to the rules defined by the King concerning leasing and the prohibition of providing credits, sureties or guarantees for the account of third parties.

### Article 5 - Prohibitions

The company may not:

- act as a property developer within the meaning of the RREC legislation, with the exclusion of occasional transactions;

- participate in a consortium for a fixed acquisition or a guarantee;
- lend financial instruments, with the exception of loans under the conditions and in accordance with the provisions of the Royal Decree of 7 March 2006;
- acquire financial instruments that are issued by the company or a private organisation that was declared bankrupt, that has concluded a private agreement with its creditors, which is the subject of a judicial reorganisation procedure, which has obtained the suspension of payment or has been the subject of a similar measure abroad.

#### **Article 6 - Term**

6.1. The Company is incorporated for an unspecified period.

6.2. The Company shall not end upon the dissolution, exclusion, withdrawal, bankruptcy, judicial reorganisation or any other reason for the discontinuance of the manager's duties.

### **TITLE II - CAPITAL - SHARES**

#### **Article 7 - Capital**

7.1. Subscription and payment of the capital

The company's capital shall amount to seven million one hundred and fifty-three thousand three hundred and twenty-two euro (EUR 7,153,322) and is represented by seven million one hundred and fifty-three thousand three hundred and twenty-two (7,153,322) shares without nominal value, each of which represents one/seven million one hundred and fifty-three thousand three hundred and twenty-second (1/7,153,322nd) part of the capital.

7.2. Authorised capital

The manager shall be authorised to increase the issued share capital on one or more occasions, with

a maximum amount of three million six hundred and forty-two thousand three hundred and two euro (EUR 3,642,302) on the date and in accordance with such procedures as it shall define, pursuant to article 603 of the Companies' Code. In the event of a capital increase accompanied by a payment of an issue premium, only the amount assigned to the capital shall be deducted from the remaining available amount of the authorised capital.

This authorisation is granted for a period of five years as of the publication of the minutes of the Extraordinary General Meeting of Shareholders which granted it.

Capital increases thus decided by the manager may be carried out by subscription in cash or in kind provided that the legal provisions are complied with, or by incorporation of reserves or the share premiums, with or without the creation of new shares. Capital increases may also be carried out by the issue of convertible bonds or subscription rights - whether or not attached to another security - which can give rise to the creation of shares, with or without voting rights.

The manager shall be entitled to abolish or limit the preferential subscription right of the shareholders, including in favour of specific persons other than staff members of the Company or its subsidiaries, provided that an irreducible allocation right is granted to the existing shareholders at the time of allocation of the new shares. This irreducible allocation right must meet the conditions laid down in the RREC legislation and Article 7.4 of the Articles of Association. It does not need to be granted in the case of a cash contribution for the distribution of an optional dividend, under the conditions provided for in Article 7.4 of the Articles of Association.

Capital increases by contribution in kind are carried out in accordance with the conditions laid down by the RREC legislation and the conditions provided for in Article 7.4 of the Articles of Association. Such contributions may also relate to the dividend right in the context of the distribution of an optional dividend.

Where capital increases decided in accordance with these authorisations involve a share premium, the

amount thereof, after charging any expenses, shall be allocated to an account unavailable for distribution known as an issue premiums, which shall constitute, like the capital, the guarantee of third parties and may not be reduced or annulled except by decision of the General Meeting of Shareholders deliberating under the conditions of quorum and majority required for reducing the capital, subject to its incorporation in the capital.

Pursuant to a deed drawn up on 27 November 2017 by Benoit Ricker, notary of Ixelles, with the intervention of Xavier De Maesschalck, notary of Ostend, the capital was increased, within the authorised capital, with 12,462,465.00 EUR (twelve million four hundred sixty-two thousand four hundred sixty-five euros), so that the balance of the authorised capital amounts to 106,799,025.75 EUR (one hundred six million, seven hundred ninety-nine thousand twenty-five euros and seventy-five euro cents).

Further to the deed drawn up on 30 January 2019 by notary Vincent Vroninks of Ixelles, with the assistance of Mr Xavier De Maesschalck, notary located in Ostend, the capital was increased, in the context of the authorised capital, increased by one million four hundred and eighty-seven thousand five hundred euro (EUR 1,487,500), so that the balance of the authorised capital is now three million six hundred and forty-two euro (EUR 3,642,302).

### 7.3. Acquisition, pledge and transfer of own shares

The manager shall be authorised, for a period of three years as of the publication of the decision of the Extraordinary General Meeting of Shareholders which grants said authorisation in the Belgisch Staatsblad [Belgian Official Gazette], to acquire, pledge or transfer the Company's own shares without prior decision by the General Meeting of Shareholders, when such acquisition or disposal is rendered necessary to avoid serious or impending harm for the Company. This authorisation shall extend to the acquisition and disposal of Company shares by one or more direct subsidiaries of the Company, within the meaning of the legal provisions concerning the acquisition of shares of their parent company by subsidiaries.

### 7.4. Capital increases

All capital increases shall be carried out in accordance with Articles 581 and 609 of the Companies' Code and the RREC legislation.

The Company is forbidden from subscribing to its own capital increase directly or indirectly.

For any capital increase, the manager shall set the price, the share premium, where appropriate, and the issue conditions of the new shares, unless a decision on these elements is taken by the General Meeting of Shareholders.

In the event of a share issue without mention of a nominal value below the par value, the invitation convening the General meeting of Shareholders must mention it explicitly.

If the General Meeting of Shareholders decides to ask for the payment of an issue premium, it must be entered in an unavailable reserve account which may only be reduced or abolished by decision of the General Meeting of Shareholders deliberating in accordance with the provisions laid down for the amendment of the Articles of Association. Like the capital, the issue premium will be in the nature of a common pledge in favour of third parties.

Contributions in kind may also relate to the right to a dividend in the context of the distribution of an optional dividend, with or without an additional cash contribution.

In the event of a capital increase by contribution in cash by decision of the General Meeting of Shareholders or in the context of the authorised capital, the preferential subscription right of shareholders may only be limited or abolished on condition that an irreducible right of allocation is granted to the existing shareholders on the allocation of new shares. This irreducible right of allocation must meet the following conditions in accordance with RREC legislation.

Capital increases by way of contribution in kind shall be subject to the provisions of Articles 601 and 602 of the Companies' Code and must be carried out in accordance with the conditions stipulated in the RREC legislation.

#### 7.5. Capital decreases

The Company may proceed to capital decreases in compliance with the relevant legal provisions.

#### 7.6. Mergers, demergers and similar transactions

Mergers, demergers and similar transactions as referred to in Articles 671 to 677, 681 to 758 and 772/1 of the Companies' Code, shall be carried out in accordance with the conditions stipulated in the RREC legislation.

#### 7.7. Capital increase of a subsidiary with the status of institutional RREC

Capital increases of a subsidiary with the status of an institutional RREC through contribution in cash for a price that is 10% or more lower than the last value of: (a) a net value per share which dates at most four months prior to the commencement of the issue; or (b) the average closing price during thirty calendar days prior to the commencement date of the issue, shall be carried out in accordance with the legal conditions stipulated in the RREC legislation.

### **Article 8 - Nature of the shares**

The shares shall be without par value.

The shares shall be registered or dematerialised, according to the choice of their owner or holder (hereinafter referred to as the Shareholder) and in accordance with the restrictions imposed by law. The Shareholder may, at any time and at no cost, request that his registered shares be converted to dematerialised shares at no expense. All dematerialised shares shall be represented by an entry in the Shareholder's account held by an accredited accountant or clearing house.

A register of registered shares shall be held at the registered office of the Company, in electronic form where appropriate. Shareholders of registered shares may consult the register with respect to their registered shares.

### **Article 9 - Other securities**

The Company shall be entitled to issue such securities as referred to in Article 460 of the Companies' Code, with the exception of profit share or similar securities and subject to compliance with the specific provisions of the RREC legislation and the Articles of Association. The securities may take the forms provided for by the Companies' Code.

### **Article 10 - Admission to trading and disclosure of major holdings**

The Company's shares must be admitted for trading on a regulated Belgian market in accordance with the RREC legislation.

The thresholds which, when exceeded, give rise to a notification obligation pursuant to the legislation on the disclosure of major holdings are set at 5% and multiples of 5% of the total number of existing voting rights.

Apart from the exceptions provided for by the Companies' Code, no one may take part in the voting at the Company's General Meeting of Shareholders with more voting rights than those attached to the securities which he, pursuant to Article 514 of the Companies' Code, declared at least 20 (twenty) days prior to the General Meeting of Shareholders.

## **TITLE III - MANAGEMENT AND SUPERVISION**

### **Article 11 - Management**

11.1. The Company shall be managed by a manager, who must be a managing partner, designated in these Articles of Association.

11.2. The public limited company Qrf Management, having its registered office at 8400 Ostend, Oud Vliegenveld 12, entered in the Antwerp legal persons' register under number 0537.925.079 was appointed as the sole Statutory Manager for a term of 15 (fifteen) years starting on 3 September 2013.

11.3. The manager of the Company is a *nameloze vennootschap* [public limited company] which, depending on the nature of the actions to be carried out in the Company, acts via its Board of Directors, its permanent representative and, where applicable, the person(s) tasked with the day-to-day management. The directors and persons tasked with the day-to-day management of the public limited company which is the manager of the Company, may not, in a personal capacity, be a manager or person tasked with the day-to-day management or managing partner of the Company.

11.4. The manager's Board of Directors must include at least three independent directors within the meaning of Article 526b of the Companies' Code.

Without prejudice to the transition provisions stipulated in the RREC legislation, the members of the manager's Board of Directors must be natural persons who meet the integrity and expertise requirements provided in the RREC legislation, and may not fall within the scope of the prohibitions stipulated in the RREC legislation.

11.5. The appointment of the manager shall be subject to the prior approval of the Financial Services and Markets Authority (FSMA).

## **Article 12 - End of the manager's mandate**

12.1. The appointment of the statutory manager shall be fixed and irrevocable, except by a court, for legal reasons.

12.2. The duties of manager shall come to an end in the following cases:

- the expiry of its term of office;
- resignation: the manager may resign only if such resignation is possible within the context of its obligations to the Company and insofar as it does not entail difficulties for the Company; its resignation must be disclosed by convening a General Meeting of Shareholders, with as agenda the resignation and the measures to be taken. Said General Meeting of Shareholders must be convened at least one month before the resignation becomes effective;

- the dissolution, bankruptcy declaration or another such procedure relating to the manager;

- the loss of the integrity, experience and expertise required by the RREC legislation on the part of all members of the manager's administrative or day-to-day-management bodies. In such a case, the manager or the auditor must convene a General Meeting of Shareholders, with the loss of said requirements and the measures to be taken on the agenda. Said meeting must be convened within six weeks. If one or more members of the manager's board or day-to-day management no longer meets the aforementioned requirements, they must be replaced by the manager within a month. After this period, the Company's General Meeting of Shareholders shall be convened as described above, in one case or the other, subject to the measures that the FSMA would take in accordance with the powers provided by the RREC legislation;

- the prohibition within the meaning of Article 15 of the RREC Act which would affect all members of the manager's board or day-to-day management. In such a case, the manager or the auditor must convene the General Meeting of Shareholders with the loss of said requirements and the measures to be taken on the agenda. This meeting must be held within a month. If only one or more members of the manager's board or day-to-day management no longer meet the aforementioned requirements, they must be replaced by the manager within one month. After this period, the Company's General Meeting of Shareholders shall be convened as described above, in one case or the other, subject to the measures that the FSMA would take in accordance with the powers provided by the RREC legislation.

12.3. The Company shall not be dissolved if the manager's duties are ended. The manager shall be replaced by the General Meeting of Shareholders, deliberating as for the amendment of the articles of association, having been convened by the auditor or, if no auditor is appointed, at the request of any stakeholder, by the administrator appointed by the president of the commercial court who may, but need not be a partner. Within fifteen days of his appointment, the administrator shall convene the General Meeting of Shareholders in the way stipulated by the Articles of Association. He shall then no longer be liable for the performance of his assignment.



The administrator shall perform urgent tasks of a purely managerial nature until the next General Meeting of Shareholders.

#### **Article 13 - Minutes**

The deliberations of the manager shall be recorded in minutes signed by the manager.

These minutes shall be entered in a special register. The delegations, as well as opinions and votes cast in writing or other documents shall be appended thereto.

Copies or excerpts to be submitted to the courts or for other purposes shall be signed by the manager.

#### **Article 14 - Remuneration of the manager**

14.1. The manager shall receive remuneration fixed in accordance with the terms defined below pursuant to the RREC legislation.

It shall moreover be entitled to reimbursement of all costs relating directly to the day-to-day running of the Company, so that the part defined below is a net percentage.

14.2. The Statutory Manager's remuneration shall be calculated every year on the basis of the net current result before the Statutory manager's expenses, before taxes, and exclusive of the portfolio result.

The remuneration shall be equal to 4% of the net current result before the Statutory manager's expenses, before taxes, and exclusive of the portfolio result. The remuneration thus calculated shall be payable on the last day of the financial year at issue, but only with the prior approval of the Company's General Meeting of Shareholders.

14.3. The calculation of the remuneration shall be subject to verification by the auditor.

#### **Article 15 - Powers vested in the manager**

15.1. The manager shall be vested with the most extensive powers to carry out all operations that are useful or necessary for the attainment of the corporate object with the exception of those reserved for the General Meeting of Shareholders by law or by the Articles of Association.

15.2. The manager shall draw up semi-annual reports, the draft consolidated and individual financial statements, and annual reports.

The manager shall appoint the expert(s) in accordance with the RREC legislation and shall, as and when required, propose changes to the list of experts contained in the file which is submitted with the application or accreditation as an RREC.

The manager may transfer its powers relating to particular and specific objectives fully or partially to authorised agents.

The manager may, pursuant to the RREC legislation, fix the remuneration of each authorised agent who is vested with special powers. The manager can revoke the mandate of such authorised agent(s) at all times.

#### **Article 16 - Advisory and specialised committees**

The manager's Board of Directors shall set up an audit committee as well as a remuneration and nomination committee within its ranks, and describe their composition, tasks and powers. Said board may also set up one or more advisory committees within its ranks and under its responsibility and define the composition and task thereof.

#### **Article 17 - Effective management**

Without prejudice to the transitional provisions stipulated in the RREC legislation, the effective management of the Company shall be entrusted to at least two natural persons.

The persons entrusted with the effective management shall meet the integrity and expertise requirements stipulated in the RREC legislation and may not fall within the scope of the prohibitions of the RREC legislation.

The appointment of the effective leaders shall be subject to the prior approval of the FSMA.

### **Article 18 - Company representation and signing of documents**

Except where the manager has delegated special powers of representation, the Company shall be validly represented in all acts, including those involving a public official or ministerial officer and in legal proceedings, both as plaintiff and defendant, by the manager, in turn represented by its permanent representative.

The Company shall therefore be validly represented by special authorised representatives within the limits of the mandate granted to them for that purpose by the manager.

### **Article 19 - Audits**

The Company shall appoint one or more auditors who shall carry out the duties incumbent upon them under the Companies' Code and the RREC legislation.

The auditor must be approved by the FSMA.

## **TITLE IV - GENERAL MEETING OF SHAREHOLDERS**

### **Article 20 - Meeting**

The annual General Meeting of Shareholders shall be held on the third Tuesday of May at 2:00 PM.

If this day is a public holiday, the meeting shall be held on the next bank business day at the same time (not including Saturday or Sunday).

The ordinary or Extraordinary General Meetings of shareholders shall be held at the location indicated in the notice convening the meeting.

The threshold above which one or more shareholders may, in accordance with Article 532 of the Companies' Code, require that a General meeting be held in order to submit one or more proposals, is set at 20% of all voting shares.

One or more shareholders who together hold at least 3% (three per cent) of the Company's share capital may, pursuant to the Companies' Code, require the items for discussion be put on the agenda of any

General Meeting of Shareholders and submit proposals for decisions concerning items included or to be included on the agenda.

### **Article 21 - Attendance**

The right to attend a General Meeting of Shareholders and to exercise voting rights shall be subject to the registration in the accounts of shares in the name of the shareholders on the fourteenth day prior to the General Meeting of Shareholders at midnight (Belgian time) (hereinafter referred to as the **registration date**), either by their registration in the register of shareholders of their company, or their registration in the accounts of an approved account holder or clearing house, irrespective of the number of shares held by the shareholder on the day of the General Meeting of Shareholders.

The owners of dematerialised shares wishing to attend the Meeting must produce an attestation issued by their financial intermediary or approved account holder certifying, as the case may be, the number of dematerialised shares registered in the name of the shareholder in its accounts on the registration date and for which the shareholder has declared that they wish to attend the General Meeting. The deposit must be made at the registered office or with the establishments designated in the notices convening the meeting, no later than the sixth day prior to the date of the Meeting.

Registered shareholders wishing to attend the Meeting must notify the Company of their intention by ordinary letter, fax or email, sent no later than the sixth day before the date of the Meeting.

### **Article 22 - Voting by proxy**

All owners with shares entitling them to attend the meeting may arrange to be represented by an authorised representative who may but need not be a shareholder.

The shareholder may appoint only one person as authorised representative for any given General Meeting of Shareholders, unless provided otherwise by the Companies' Code.

The power of attorney must be signed by the shareholder and reach the Company or the place indicated in the notice convening the meeting no later than the sixth day prior the date of the Meeting.

The manager may draw up a power-of-attorney form.

Joint owners, other persons in indivision, usufructuaries', creditors and pledgers must arrange to be represented by one and the same person respectively.

### **Article 23 - Officers**

All General Meetings of Shareholders shall be chaired by the manager.

The chairman shall appoint a secretary.

The meeting shall choose two scrutineers.

### **Article 24 - Number of votes**

Each share shall entitle the holder to one vote, except in cases in which the voting rights are suspended by the Companies' Code.

### **Article 25 - Deliberation**

The General Meeting of Shareholders can deliberate and decide validly, irrespective of the part of the share capital present or represented, except in cases where an attendance quorum is required by the Companies' Code.

The General Meeting of Shareholders may deliberate validly on amendments to the articles of association only if at least half of the share capital is present or represented. If this condition is not met, the General Meeting of Shareholders must be convened again. The second meeting shall decide validly irrespective of the part of the capital represented by the shareholders present or represented.

The decisions of the General Meeting of Shareholders, including the amendment of the articles of association, may be taken only with the manager's consent.

The General Meeting of Shareholders may not deliberate on items which are not on the agenda.

Unless stipulated otherwise by law, each decision shall be taken by the General Meeting of Shareholders by ordinary majority of the votes cast, irrespective of the number of shares represented. Blank or invalid votes may not be added to the number of votes cast.

An amendment to the articles of association shall be authorised only if approved by at least three fourths of the votes or, in the case of change of the corporate object or to allow the Company to proceed to purchase its own shares pursuant to the Companies Act, by four fifths of the votes.

Voting shall be by show of hands or by roll call, unless the General Meeting of Shareholders decides otherwise by ordinary majority of the votes cast. All draft amendments of the articles of association shall be submitted to the FMSA in advance.

An attendance list with the names of the shareholders and the number of shares shall be signed by each of them or by a representative before the meeting starts.

### **Article 26 - Voting by correspondence**

By authorisation given by the manager in its notice convening the meeting, shareholders will be authorised to vote by correspondence using a form prepared by the Company. This form must include without fail the date and venue of the meeting, the name or company name of the shareholder and address or registered office, the number of votes that the shareholder wishes to cast at the General Meeting of Shareholders, the form of the shares held, the items on the agenda for the meeting (including proposals for decisions), a space allowing a vote to be cast for or against each motion or to abstain, and the deadline by which the voting form must reach the meeting. It must be expressly stipulated that the form must be signed, the signature certified and the entire document sent by registered letter no later than the sixth day prior to the date of the meeting.

#### **Article 27 - Minutes**

The minutes of the General Meeting of Shareholders shall be signed by the officers and by those shareholders who so request. Copies or excerpts for the meetings to be submitted in courts or for other purposes shall be signed by two directors of the manager.

#### **Article 28 - General meeting of bondholders**

The manager and the auditor(s) of the company can convene the bondholders in a General Meeting of Bondholders. They must also convene the General Meeting when asked by bondholders representing one fifth of the total bonds outstanding. The notice convening the meeting shall be drawn up in accordance with the applicable provisions of the Companies' Code. To be admitted to the General Meeting, bondholders must fulfil the formalities of Article 571 of the Companies' Code and any formalities provided by the conditions relating to the issue of bonds or in the notice convening the meeting.

### **TITLE V - FINANCIAL YEAR - FINANCIAL STATEMENTS - DIVIDENDS - ANNUAL REPORT**

#### **Article 29 - Financial year - Financial statements**

The financial year shall start on 1 January and end on 31 December of each year. At the end of each financial year, the books and accounting operations shall be closed and the manager shall draw up an inventory and the financial statements.

The manager shall draw up the annual report to render account for its management. The auditor shall draw up a written and detailed report (the "auditor's report") for the general meeting of shareholders.

#### **Article 30 - Dividends**

The company has an obligation to distribute to its shareholders, within the limits stipulated by the Companies' Code and the RRE legislation, a dividend, the minimum amount of which is fixed by the RREC legislation.

#### **Article 31 - Interim dividends**

The manager may, under its responsibility and insofar as possible by the results, decide to pay out interim dividends in the cases and within the terms authorised by law.

#### **Article 32 - Annual and semi-annual reports**

The annual and semi-annual reports of the company, which shall contain the statutory and consolidated annual and semi-annual financial statements of the company as well as the auditor's report, shall be placed at the disposal of the shareholders in accordance with the provisions applicable to issuers of financial instruments admitted for trading on a regulated market and with the RREC legislation.

The annual and semi-annual reports of the Company shall be published on the Company's website.

The shareholders may obtain a copy of the annual and semi-annual reports free of charge at the registered office of the Company.

### **TITLE VI - DISSOLUTION - LIQUIDATION**

#### **Article 33 - Loss of capital**

In the event that half or three quarters of the capital is lost, the manager must submit the issue of the Company's liquidation to the General meeting of Shareholders, in accordance with the formal requirements set out in Article 633 of the Companies' Code.

#### **Artikel 34 – Article 34 - Appointment and powers of the liquidators**

If the Company is dissolved, for any reason and at any time whatsoever, it shall be liquidated by the manager who shall receive remuneration pursuant Article 14 of the Articles of Association.

If the manager does not accept this assignment, the Company shall be liquidated by one or more liquidators, natural or legal persons, appointed by the General Meeting of Shareholders, subject to the consent of the management partner(s).

The General Meeting of shareholders shall define his (their) powers and remuneration.

The liquidator(s) shall assume their duties only once duly appointed by the commercial court.

The liquidation of the Company shall be closed according to the provisions of the Companies' Code.

#### **Article 35 - Distribution**

The distribution to the shareholders shall take place only after the liquidation is closed.

Except in the case of merger, the net assets of the Company, after settlement of all debts or a consignment of the necessary sums to that end, shall be used first to reimburse the paid up capital and any balance shall be distributed equally among all shareholders of the Company, in proportion to the number of shares they own.

### **TITLE VII - GENERAL AND TRANSITIONAL PROVISIONS**

#### **Article 36 - Election of official address for service**

For the performance of the articles of association, shareholders domiciled abroad, managing partners, shareholders, managers, auditors, directors, and liquidators shall be deemed to elect official address of service in Belgium. Otherwise, they shall be deemed to elect such official address for service at the registered office of the company where all notices, reminders, summons and announcements can be validly served to them.

Owners of registered shares must report every change of residence to the Company. Otherwise, all announcements, notices or official notifications shall be served to the last known place of residence.

#### **Article 37 - Competent courts**

All disputes between the Company, its managing partner(s), shareholders, bondholders, manager, auditors and liquidators relating to Company business and to the performance of these articles of association shall be referred exclusively to the courts of the registered office, unless the Company should expressly decide otherwise.

#### **Article 38 - Ordinary law**

Any provisions of these articles of association which should run counter to the mandatory provisions of the Companies' Code and the RREC legislation shall be deemed as not having been written. The voidance of one article or part of an article of these articles of association shall have no effect on the validity of the other clauses.

#### **Article 39 - Transitional provisions**

Legal persons who, on effective date of the RREC Act, held a seat on the manager's Board of Directors may continue to exercise their mandate until it expires. Until then, the permanent representative of the legal person concerned must have the professional integrity and appropriate expertise required for the position.

One-person limited companies which were entrusted with the effective management of the Company on the date on which the RREC entered into force, may continue to exercise their mandate until it expires. Until then, the permanent representative of the legal person concerned must have the professional integrity and appropriate expertise required for the position.

## 12.6 The RREC and its tax system

Qrf City Retail has had the status of a public Regulated Real Estate Company (public RREC) since 7 November 2014.

This system was regulated by the Law of 12 May 2014 and the Royal Decree of 13 July 2014 on Regulated Real Estate Companies and was amended by the law of 22 October 2017.

The RREC status is open to operational real estate companies specialised in providing properties to users and meet the legal requirements for RRECs.

This system was regulated by the Law of 12 May 2014 and the Royal Decree of 13 July 2014 concerning the Regulated Computer Scientists and was amended by the Act of 22 October 2017.

The RREC may, within the legal limits, own other types of properties (shares in public SICAFs, rights or stakes in certain foreign UCIs, shares issued by other RRECs and property certificates), and exercise all activities relating to the erection, refurbishment, renovation, development (for own portfolio), acquisition, disposal, management and operation of properties. An RREC pursues general corporate objectives in the long term and acts just like other operational and commercial undertakings, in the interest of the company and by extension to all its shareholders.

The public RREC status is characterised by:

- compulsory trading of shares on a Belgian regulated market (Euronext Brussels);

- legally fixed maximum Debt ratio of 65% of its assets;
- obligation to pay out at least 80% of the corrected result, minus the net debt reduction;
- strict rules concerning conflicts of interest;
- occasional and periodic valuation of the Fair Value of the real estate by an independent Property expert;
- diversification of its property so that the risks are spread appropriately, per type of real estate, geographic region and per category of user or tenant;
- a transaction may not entail that more than 20% of its consolidated assets form one property whole;
- specific rules concerning internal controls structures.

An RREC is liable for corporate tax at the normal rate, i.e. only on a limited taxable assessment (i.e. the non-deductible professional expenses, abnormal or gratuitous benefits and the special assessment on secret commissions). When an RREC participates in a merger, a demerger or similar transaction, such a transaction shall not benefit from the fiscal neutrality regime, but shall be liable to the exit tax. Dividends paid by an RREC to a shareholder are in general subject to the advance levy on income derived from securities at a rate of 30%.

## 12.7 Judicial and arbitration procedures

Qrf City Retail has various collection proceedings in progress, which can have a limited impact on the figures. In addition, Qrf City Retail is involved in a number of court cases. These disputes concern disagreements with certain tenants on applications for lease renewals to which tenants are entitled pursuant to Article 13 of the Commercial Lease Act.

In this connection, particular attention is paid to two disputes with H&M. The first concerns a request to renew the commercial lease relating to the concerning the property at Demerstraat 21-25, 3500 Hasselt on terms which, according to Qrf City Retail, are not in line with the market or are unclear and, second, a request to renew the commercial lease concerning the property at Alsebergsesteenweg 767, 1180 Ukkel, which according to Qrf City Retail, is not legally valid.

In the event of any disagreement regarding the terms of a valid request for the renewal of a commercial lease, the tenant, citing the Commercial Lease Act, has the right to have its request for a commercial lease renewal heard before the Justice of the Peace with jurisdiction.

There is a risk that the conditions decided by the respective courts would lead to a lowering of the rent level, which could in turn lead to a considerable reduction in

the value of the properties in question, part of which has already been processed in the annual financial statements at 31 December 2018. As of 31 December 2018, these properties together represented 10.3% of QRF's consolidated assets.

Furthermore there is a dispute pending concerning the acquisition of Centre Commercial Hutois NV in Huy with the former owners concerning the regularisation of the building permit.

## 12.8 Statements of the Statutory Manager

### 12.8.1 Responsible persons for the content of the registration document

The Statutory Manager of Qrf City Retail, Qrf Management NV, having its registered office at Leopold de Waelplaats 8/1, with company number BE 0537.925.079 is responsible for the information provided in this annual financial report. The Statutory Manager has made every reasonable effort to verify this information. It hereby declares that, to the best of its knowledge, the data in this annual financial report represent reality, and that no information has been omitted, the mention of which would change the tenor of this annual financial report.

### 12.8.2 Information from third parties

The Statutory Manager of Qrf City Retail declares that the Auditor and the Property Expert have given their consent to have contents of their report and conclusions included in the annual financial report, as well as their approval for the content and form of - and the context in which - the relevant part included therein. The entire report of the Property experts is not included for confidentiality reasons.

Information from third parties contained in this document is always correctly reflected, and, insofar as Qrf City Retail is aware or can surmise from information published by the third parties concerned, no facts have been omitted as a result of which the information provided would be incorrect or misleading.







# 13 APM – Alternative Performance Measures

|                                      |     |
|--------------------------------------|-----|
| 13.1 EPRA NAV .....                  | 217 |
| 13.2 EPRA NAV per share .....        | 217 |
| 13.3 EPRA earnings .....             | 218 |
| 13.4 Average Cost of Financing ..... | 218 |
| 13.5 Operating margin .....          | 218 |



Maastricht  
Grote Staat 58  
The Netherlands

# 13 APM – Alternative Performance Measures

The European Securities and Markets Authority (ESMA) has adopted guidelines applicable as of 3 July 2016 for the use and explanation of the alternative performance measures.

A summary of the alternative performance measures used in this annual financial report, with definition, objective and reconciliation, is given below.

Alternative performance measures are measures that Qrf City Retail uses in presenting its results which are not defined in the law or in the International Financial Reporting Standards (IFRS).

## 13.1 EPRA NAV

*Net Asset Value* according to the EPRA *Best Practices Recommendations*.

Objective: This APM shows the *Net Asset Value* for a long-term investment strategy.

Definition: *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.

Reconciliation: For the reconciliation of this APM reference is made to 13.2 EPRA NAV per share.

## 13.2 EPRA NAV per share

*Net Asset Value* per share according to the EPRA *Best Practices Recommendations*.

exclude certain items not expected to crystallise in a long-term investment property business model.

Definition: *Net Asset Value* adjusted to include properties and other investment interests at fair value and to

Objective: This APM shows the *Net Asset Value* per share for a long-term investment strategy.

Reconciliation:

FIGURES IN THOUSANDS EUR

|   | 31/12/2018     | 31/12/2017     |
|---|----------------|----------------|
| <b>NAV per the IFRS financial statements</b>            | <b>129,272</b> | <b>134,710</b> |
| (iv) Fair value of financial instruments                | 1,567          | 1,813          |
| (v.a) Deferred tax                                      | 181            | 270            |
| Minority interests relating to deferred tax belastingen | -89            | -132           |
| <b>EPRA NAV</b>   | <b>130,931</b> | <b>136,661</b> |
| Number of shares  | 5,665,822      | 5,665,822      |
| <b>EPRA NAV per share (in EUR)</b>                      | <b>23.11</b>   | <b>24.12</b>   |

### 13.3 EPRA earnings

Definition: Net result (group share) with the exclusion of the portfolio result and changes in Fair Value of non-effective interest rate hedges. This term is used in accordance with the EPRA *Best Practices Recommendations*.

Objective: This APM measures the underlying operational results of the company, with the exclusion of the result arising out of fluctuations in the value of assets and liabilities and capital gains and losses from the sale of investment properties.

Reconciliation:

| FIGURES IN THOUSANDS EUR   |  | 31/12/2018   | 31/12/2017   |
|--|--|--------------|--------------|
| <b>Earnings per IFRS income statement (shareholders of the real group)</b> |  | <b>608</b>   | <b>4,766</b> |
| (i)  | Changes in value of investment properties, development properties held for investment and other interests              | 7,349        | 4,071        |
| (ii)   | Profits or losses on disposal of investment properties, development properties held for investment and other interests | -249         | -466         |
| (vi)   | Changes in Fair Value of financial instruments and associated close-out costs  | 936          | -40          |
| (viii)   | Deferred tax relating to the EPRA changes  | -44          | 0            |
| <b>EPRA result</b>   |  | <b>8,600</b> | <b>8,332</b> |
| Gewogen gemiddeld aantal aandelen  |  | 5,665,822    | 5,224,977    |
| <b>EPRA result per share (in EUR)</b>                                      |  | <b>1.52</b>  | <b>1.59</b>  |

### 13.4 Average Cost of Financing

Definition: This is the Average Cost of Financing of the financial debts, calculated by dividing the "net interest charges" on an annual basis by the average amount of outstanding financial debts during the period.

Objective: The Company's activities are partially financed by incurring debt. This APM measures the Average Cost of Financing of such debts.

Reconciliation:

| FIGURES IN THOUSANDS EUR   |  | 31/12/2018   | 31/12/2017   |
|--|--|--------------|--------------|
| <b>XXI. Net interest charges</b>   |  | <b>2,851</b> | <b>2,902</b> |
| Average weighted amount of outstanding financial debts during the period |  | 149,521      | 140,464      |
| <b>Average Cost of Financing</b>   |  | <b>1.91%</b> | <b>2.07%</b> |

### 13.5 Operating margin

Definition: This alternative performance measure measures the operating profitability of the company as a percentage of the rental income and is calculated by dividing "Operating result before the result on the portfolio" by the "Net rental income".

Objective: This APM measures the operating profitability of the company.

Reconciliation:

| FIGURES IN THOUSANDS EUR                            |  | 31/12/2018    | 31/12/2017    |
|---|--|---------------|---------------|
| Operating result before the result on the portfolio |  | 11,930        | 11,726        |
| Net rental income                                   |  | 15,441        | 14,940        |
| <b>Operating margin</b>                             |  | <b>77.26%</b> | <b>78.49%</b> |



# 14 Glossary



Antwerp  
Wiegstraat 4  
Belgium

# 14 Glossary

## Acquisition value

The acquisition value is the value of the property when purchased, inclusive of the transfer fees, if any.

## Act of June 2006 (Prospectus Act)

The Act of 16 June 2006 on the public offering of investment instruments and the admission of investment instruments for trading on a regulated market, Belgisch Staatsblad [Belgian Official Gazette] of 21 June 2006, 31.341, as amended.

## AIFMD

Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) no 1060/2009 and (EU) No 1095/2010 Text with EEA relevance.

## Anneleen Desmyter EBVBA

The one-person limited company incorporated under Belgian law Anneleen Desmyter EBVBA, having its registered office at Acaciadreef 7, 2243 Pulle (Zandhoven), registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0537.881.133 (Antwerp Legal Persons' Register, Antwerp section).

## Auditor

The auditor of Qrf City Retail, i.e. PWC represented by Mr Damien Walgrave.

## Bank business day

A day (other than Saturday, Sunday or official holidays) in Belgium when banks are open for business.

## BIV

The Beroepsinstituut van Vastgoedmakelaars [Professional Institute of Real Estate Brokers].

## Board of Directors

The Board of Directors of the Statutory Manager.

## Century Center Freehold BVBA

The private limited liability company incorporated under Belgian law Century Center Freehold BVBA, having its registered office at 11/211 Museumstraat, 2000 Antwerp, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0879.602.829 (Antwerp Legal Persons' Register, Antwerp section).

## CEO

Chief Executive Officer.

## CFO

Chief Financial Officer.

## Companies Code (C. Code)

Companies Code of 7 May 1999, Belgisch Staatsblad [Belgian Official Gazette] of 6 August 1999, as amended.

## Compliance Officer

Mr Preben Bruggeman, also the CFO of Qrf City Retail, until 4 January 2019. Tom Schockaert will be the new Compliance Officer of Qrf City Retail. In the meantime, this position is temporarily filled by Mrs Anneleen Desmyter.

## Contractual rents

The indexed basic rent as contractually fixed in leases before the deduction of gratuities and other benefits granted to the tenants.

## Cushman & Wakefield

The partnership firm under Dutch law Cushman & Wakefield VOF, having its registered office at Gustav Mahlerlaan 362, 1082ME Amsterdam, registered in the Chamber of Commerce under number KvK 33154480, operating in Belgium through its Belgian branch at Koningsstraat 97 (4th floor), 1000 Brussels, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0418.915.383.

### Dealing code

The document included as Annex 2 of the Corporate Governance Charter.

### EBVBA

A one-person private limited liability company.

### EMIR

Regulation (EU) no. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

### Euronext Brussels

The regulated market of Euronext Brussels NV.

### Euronext Brussels NV

The public limited company incorporated under Belgian law Euronext Brussels NV, having its registered office at Markiesstraat 1, box 1, 1000 Brussels, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0242.100.122 (Brussels Legal Persons' Register, Registry of the Brussels Dutch-speaking Commercial Court), The Belgian market company that runs Euronext Brussels.

### EY

Ernst & Young Advisory Services. The limited cooperative partnership having its registered office at De Kleetlaan 2, 1831 Diegem, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0467.239.793 (Brussels Legal Persons' Register, Registry of the Brussels Dutch-speaking Commercial Court).

### Fair Value

The amount for which a property can be exchanged between well informed, independent parties who are prepared for a transaction, with deduction of transfer taxes or registration fees from the seller's perspective.

### Finance Manager

The internal staff member of the company who keeps the accounts.

### FSMA

The Belgian Financial Services and Markets Authority.

### Geschatte Huurwaarde - Estimated Rental Value (ERV)

This is the estimated rental value on an annual basis used by the Property Expert in valuation reports.

### Governance Code 2009

The Belgian Corporate Governance Code for listed companies of 2009, drawn up by the Corporate Governance Commission and posted on: <http://www.corporategovernancecommittee.be/library/documents/final%20code/CorporateGovNLCode2009.pdf>.

### Group

Qrf City Retail and its Perimeter Companies.

### GVV - RREC

Regulated Real Estate Company, a company set up for a specified period, which carries out exclusively an activity consisting of providing properties to users, directly or through a company in which it has a shareholding interest, or where appropriate, owns property, licensed as such by the FSMA and regulated by the RREC Act and the RREC RD.

### IASB

International Accounting Standards Board.

### IFRIC

International Financial Reporting Interpretations Committee.

### IFRS

International Financial Reporting Standards, the accounting standard according to which RRECs are required to report pursuant to Article 28 of the RREC Act.

### IFRS NAV per share

Net Asset Value per share according to IFRS. This value corresponds to the net value per share within the meaning of Article 2, 23° of the RREC Act.

### ING Belgium NV

The public limited company incorporated under Belgian law ING Belgium, having its registered office at 24 Marnixlaan, 1000 Brussels, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0403.200.393 (Brussels Legal Persons' Register, Registry of the Brussels French-speaking Commercial Court).



### Investment value or Gross Market value or Value Deed-in-Hand

This value is equal to the amount at which a property could change hands between well informed parties, agreeing and acting under normal competition circumstances. The market value is inclusive of any registration fees (10% in the Flemish Region and 12.5% in the Walloon Region and the Brussels-capital Region) and notary's fees or VAT (in case of a purchase subject to VAT).

### Jufra BVBA

The private limited company Jufra BVBA, having its registered office at Klei 172, 1745 Opwijk, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0885.824.190 (Brussels Legal Persons' Register, Registry of the Brussels Dutch-speaking Commercial Court).

### Liquidity Provider

KBC Securities NV, having its registered office at Havenlaan 2, 1080 Brussel, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0437.060.521 (Brussels Legal Persons' Register, Registry of the Brussels Dutch-speaking Commercial Court).

### Market value

The market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

### Market Value or Value Cost-to-Buyer

The investment value minus the registration fees and notary's fees or VAT.

### Occupancy rate

The proportion of Contractual Rent on an annual basis, with regard to the Contractual Rentals on an annual basis plus the Estimated Rent of vacant premises on an annual basis.

### Pay-out ratio

The proportion of the gross dividend per share divided by the EPRA earnings per share.

### Perimeter Company

The company in which the RREC directly or indirectly holds more than 25% of the shares (including its subsidiaries as defined in Article 6, 2°, of the Companies Code).

### Property expert

Cushman & Wakefield.

### Property Manager

Quares Property Management NV and Quares Property Management & Facility Management BV.

### PwC

The partnership which has adopted the form of a cooperative company PriceWaterhouseCoopers Bedrijfsrevisoren BV o.v.v.e. CVBA, having its registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0429.501.944 (Brussels Legal Persons' Register, Registry of the Brussels Dutch-speaking Commercial Court).

### Qrf Management NV

The public limited company incorporated under Belgian Qrf Management NV, having its registered office at Oud Vliegveld 12, 8400 Ostend, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0537.925.079 (Antwerp Legal Persons' Register, Antwerp section).

### Qrf Nederland BV

The private limited company incorporated under Dutch law Qrf Nederland BV, having its registered office at Emmalaan 25, 1075 AT Amsterdam, registered in the Chamber of Commerce with number 68633181.

### Qrf or Qrf City Retail or the Company

The limited equity partnership incorporated under Belgian law Qrf, a public Regulated Real Estate Company under Belgian law, having its registered office at Museumstraat 11/211, 2000 Antwerp, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0537.979.024 (Antwerp Legal Persons' Register, Antwerp section).

### Quares Holding CVBA

The limited cooperative partnership Quares Holding CVBA, having its registered office at Leopold de Waelplaats 8, 2000 Antwerp, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0881.077.526 (Antwerp Legal Persons' Register, Antwerp section).

### Quares Property Management NV

The public limited company incorporated under Belgian law Quares Property Management NV, having its registered office at Schaliënhoevedreef 20 J, 2800 Mechelen, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0466.781.717 (Antwerp Legal Persons' Register, Mechelen section).

### Quares Property & Facility Management BV

The private limited liability company under Dutch Law Quares Property Management BV, with registered office in Emmalaan 25, 1075 AT, Amsterdam, the Netherlands, registered in the Chamber of Commerce with Chamber of Commerce number 34351584.

### Quares REIM NV

Quares Real Estate Investment Management NV, having its registered office at Leopold De Waelplaats 8, 2000 Antwerp, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0872.236.569 (Antwerp Legal Persons' Register, Antwerp section).

### Quares REIM Retail NV

The public limited company incorporated under Belgian law Quares Real Estate Investment Management Retail NV, abbreviated as Quares REIM Retail, having its registered office at Leopold de Waelplaats 8, 2000 Antwerp, registered in the Kruispuntbank van Ondernemingen [Central Business Register] under company number VAT BE 0880.915.101 (Antwerp Legal Persons' Register, Antwerp section).

### Rental income

The arithmetic sum of the rental income, after rent reductions, effectively or contractually invoiced by Qrf City Retail, over the period of (a part of) a financial year.

### Risk Manager

Mr Preben Bruggeman, also the CFO of Qrf City Retail, until 4 January 2019. Tom Schockaert will be the new Compliance Officer of Qrf City Retail. In the meantime, this position is temporarily filled by Mrs Anneleen Desmyter.

### RREC - RD

The Royal Decree of 13 July 2014 on regulated real estate companies.

### RREC Act

The Regulated Real Estate Company Act of 12 May 2014.

### Schuldgraad – Debt ratio

This is the legal ratio of the obligations (exclusive of provisions, transitory accounts and non-current/current financial liabilities, i.e. negative changes in Fair Value of the hedging instruments) with regard to the total assets calculated according to the method in Article 13, §1, 2°, of the RREC RD.

### Shares

The shares, dematerialized or registered, without par value, with voting rights, which represent the capital, issued by Qrf City Retail.

### Statutory Manager

Qrf Management NV.

### Transfer charges

The transfer of ownership of a property is in theory subject to the collection, by the State, of transfer charges, which constitute the largest part of the transaction costs. The amount of these fees depends on the method of transfer, the capacity of the buyer and the geographic location of the property.