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HALF-YEAR REPORT 2018

Core city assets rise to 81% of the total portfolio

Highlights
- Like-for-like gross rental growth 0.6% on core city assets
- Occupancy rate core city assets 96.9% as at 30 June 2018
- Value increase of core city assets € 16.3 million*
- Core city assets portfolio expanded with € 11.0 million acquisition on Drieharingstraat in Utrecht
- Non-strategic properties in the Netherlands and France sold for € 63.5 million in total
- Loan-to-value ratio 37.3% as at 30 June 2018
- Takeover of Vastned Retail Belgium did not succeed: 90% acceptance threshold not achieved
- Direct result HY1 2018 € 1.18 per share
- Indirect result HY1 2018 € 0.58 per share
- Interim dividend HY1 2018 € 0.71 per share
- Estimated direct result 2018 of € 2.10 - € 2.20 per share maintained
- Estimated total dividend 2018 € 2.05 per share

* *Excluding acquisitions and divestments*

Amsterdam, 1 August 2018 - Vastned, the listed European retail property company focusing on 'venues for premium shopping', today publishes its first-half figures 2018, showing a direct result of € 1.18 per share.

Taco de Groot, CEO Vastned: *'In the first half of 2018 we again realised good results, driven by the core city assets, which now make up 81% of our portfolio. The occupancy rate of the portfolio was 96.2% and the value of the property rose by 1.0%. The occupancy rate of the core city assets remained high (96.9%), but fell predominantly due to the recent departure of Salvatore Ferragamo in Madrid. We are currently negotiating a new lease for this property located on Calle de Serrano 36.*

We have made further progress on the execution of its strategy. The quality of our portfolio has improved further with the acquisition of food & beverage assets in Utrecht city centre and we sold a number of non-strategic properties in the Netherlands and France in order to further reduce the risk profile of our portfolio.

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

We have also worked hard to maintain our FII status. After the coalition agreement last year we entered into discussions with the ministries involved together with other interested parties in order to convince them of the importance of the FII regime for the position of Dutch property companies in Europe. On Budget Day 2018 we expect more information on the government's plans, after which we can determine their impact on Vastned. Until that time, but also afterwards, we will do our very best to argue in favour of maintaining the FII regime.

We realised a direct result of € 1.18 per share in the first half of 2018. We are cautiously optimistic for the rest of the year and we maintain our projection for the direct result for 2018 of between € 2.10 to € 2.20 per share The retail market is still in transition and many retailers are struggling to adjust to the new reality. In addition, attractive property is expensive and scarce, so we remain cautious in making acquisitions.

We expect to be able to maintain a total dividend of € 2.05 per share in 2018. In line with our dividend policy we will distribute an interim dividend of € 0.71 per share, which is equal to 60% of the direct result for the first half year.'

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Key parameters

The increasing shift within the portfolio towards core city assets yields stable and predictable results.

HY1 2018 results (%)	Core city assets	Mixed retail locations	Total
Occupancy rate as at 30 June 2018	96.9	94.4	96.2
Like-for-like rental growth	0.6	(1.6)	(0.1)
Value movements*	1.3	(0.4)	1.0
Share of total portfolio	81	19	100
Total value (€ million)	1,256	301	1,557

* *Excluding acquisitions and divestments*

REVIEW OF THE PROPERTY PORTFOLIO

Portfolio breakdown

The value of the portfolio as at 30 June 2018 was € 1.6 billion, of which 81% was in core city assets and 19% in mixed retail locations.

Portfolio breakdown as at 30 June 2018 (€ million)	Core city assets	Mixed retail locations	Total	% of total
Netherlands	535	142	677	43
France	397	1	398	26
Belgium	235	155	390	25
Spain	89	3	92	6
Total	**1,256**	**301**	**1,557**	**100**

Occupancy rate

In the first half of 2018 the occupancy rate of the total portfolio fell from 98.1% at year-end 2017 to 96.2% as at 30 June 2018. The occupancy rate the core city assets fell from 99.6% to 96.9%. This decrease was due primarily to the departure at the end of May 2018 of Salvatore Ferragamo from our property at Calle de Serrano 36 in Madrid. Negotiations with various potential tenants for this property are at an advanced state. The occupancy rate of the mixed retail locations fell from 95.1% to 94.4%. The divestment of our partial ownership of shopping centre Walburg in Zwijndrecht had a positive impact on the occupancy rate, but this was cancelled out by the departure of tenants from mixed retail locations in the Netherlands, France and Belgium.

Occupancy rate (%)	Core city assets		Mixed retail locations		Total	
	30 June 2018	31 dec 2017	30 June 2018	31 dec 2017	30 June 2018	31 dec 2017
Netherlands	99.4	99.6	93.3	93.7	97.3	97.1
France	99.2	99.3	80.4	83.7	98.2	98.4
Belgium	97.8	99.9	96.6	98.4	97.4	99.1
Spain	65.9	100.0	100.0	100.0	67.6	100.0
Total	**96.9**	**99.6**	**94.4**	**95.1**	**96.2**	**98.1**

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Leasing activity

Over the past six months, Vastned concluded 43 leases for € 7.1 million in total, or 9.3% of the total annual theoretical gross rental income. An average 1.4% rent increase was realised on these new leases.

21 leases were agreed for core city assets, for a total of € 6.2 million. In Amsterdam new leases were signed with retailers including Claudia Sträter, BA&SH, Eyewish and UNIQLO. In Bordeaux in France a new lease was concluded with NYX and the lease to Jules was renewed. In Paris, the lease to Camaïeu was renewed. The average rent increase on core city assets leases was 3.2% (approx. € 0.2 million). This increase included the relatively major tenant swap from Forever 21 to UNIQLO (Kalverstraat 11/Rokin 12, Amsterdam), which on balance took place at virtually identical conditions.

The rental income from leases concluded for mixed retail locations fell by 10.6% (approx. € 0.1 million). Demand for retail space in the smaller cities in the Netherlands remained limited, resulting in lower rents for mixed retail locations in amongst others Boxmeer, Winterswijk, Tilburg, Ridderkerk, Goor and Renkum.

HY1 2018	Leasing activity			Rental change	
	in numbers of leases	€ million	% of theoretical annual rent	€ million	%
Core city assets	21	6.3	8.2	0.2	3.2
Mixed retail locations	22	0.8	1.1	(0.1)	(10.6)
Total	**43**	**7.1**	**9.3**	**0.1**	**1.4**

Value movements

The value of the property portfolio excluding acquisitions and divestments rose by € 15.2 million, or 1.0%, compared to year-end 2017. The increase was due to the value increase of the core city assets of € 16.3 million, or 1.3%, which amply compensated for the € 1.1 million decrease on the mixed retail locations.

Value movements HY1 2018*	€ million	%
Core city assets	16.3	1.3
Mixed retail locations	(1.1)	(0.4)
Total	**15.2**	**1.0**

** Excluding acquisitions and divestment*

Acquisitions and divestments

In the first half of 2018, Vastned acquired core city assets in the historic city centre of Utrecht. In early January the purchase was finalised of Vredenburg 1, which is leased long-term to Dunkin' Donuts. In the beginning of May, the acquisition of Drieharingstraat 2-8, 14-18 and 22 in Utrecht was completed for € 11.0 million including acquisition costs. This acquisition comprises four leased properties including office space on the upper floors, located in what is considered Utrecht's new culinary high street.

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In order to lower its risk profile of the portfolio, Vastned sold non-strategic properties in the Netherlands and France. In Zwijndrecht Vastned sold its partial ownership of the Walburg shopping centre for € 16.5 million, and in Harderwijk shopping centre Vuldersbrink was sold for € 6.1 million. Also, the mixed retail locations Schaapmarktplein 4 in Sneek, Schoutenstraat 6 and 8 in Hilversum, Arendshof 48-52 in Oosterhout, Navolaan 9-12 in Stadskanaal and Voorstraat 262 in Dordrecht were sold for € 3.5 million in total.
In Nancy Vastned sold its property at Rue Saint-Jean 44-45 for € 34.2 million, and in Marseille Rue Saint-Ferréol 29 was sold for € 3.1 million. Finally, 4 units in Limoges were sold for € 0.1 million in total, including 3 units in the Centre Commercial Beaubreuil and 1 unit in the Centre Commercial Limoges Corgnac.

REVIEW OF THE FINANCIAL RESULTS

Financial results (€ million)	**HY1 2018**	**HY1 2017**
Direct result	21.5	20.2
Indirect result	10.5	44.0
Result attributable to Vastned Retail shareholders	**32.0**	**64.2**
Result attributable to non-controlling interests	2.2	7.2
Result after tax	**34.2**	**71.4**

The result attributable to Vastned shareholders, which comprises the direct and indirect results, was € 32.0 million in the first half of 2018 (HY1 2017: € 64.2 million). The lower result was driven by the fall of the indirect result from € 44.0 million in HY1 2017 to € 10.5 million in HY1 2018. This was caused predominantly by lower positive value movements compared to the same period last year. The positive value movements in HY1 2018 were realised mainly on core city assets.

The direct result increased from € 20.2 million in HY1 2017 to € 21.5 million in HY1 2018. The lower net rental income due to the divestments in the Netherlands and France was offset by the buyout payment received from Forever 21 for Kalverstraat 11 / Rokin 12 in Amsterdam. In addition, the interest expenses fell due to on average lower interest-bearing debts as a result of divestments and the refinancing of the loan portfolio in Belgium.

The result per share attributable to Vastned shareholders was € 1.76 in HY1 2018 (HY1 2017: € 3.41 per share). The result is comprised of the direct result per share of € 1.18 (HY1 2017: € 1.07) and the indirect result per share of € 0.58 positive (HY1 2017: € 2.34 per share).

NET INCOME FROM PROPERTY

Gross rental income

The gross rental income including non-recurring items was € 41.4 million in HY1 2018 compared to € 38.8 million in HY1 2017. The movements are detailed in the tables below.

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Core city assets (€ thousand)	Netherlands	France	Belgium	Spain	Total continuing operations	Non-recurring items / discontinued operations	Total
Gross rental income HY1 2017	10,287	8,071	4,948	1,552	24,858	1,851	26,709
Acquisitions	314	295	129	-	738	-	738
Divestments	(84)	(784)	-	-	(868)	(1,851)	(2,719)
Like-for-like rental growth	70	80	41	(40)	151	4,812	4,963
Gross rental income HY1 2018	**10,587**	**7,662**	**5,118**	**1,512**	**24,879**	**4,812**	**29,691**
Other income	-	175	-	-	175	-	175
Operating expenses	(1,668)	(576)	(466)	(120)	(2,830)	-	(2,830)
Net rental income HY1 2018	**8,919**	**7,261**	**4,652**	**1,392**	**22,224**	**4,812**	**27,036**
Net rental income HY1 2017	8,526	7,604	4,474	1,419	22,023	1,811	23,834
Operating expenses as a % of gross rental income HY1 2018	15.8%	7.5%	9.1%	7.9%	11.4%	-	9.5%
Operating expenses as a % of gross rental income HY1 2017	17.1%	8.1%	9.6%	8.6%	12.1%	-	11.5%

Mixed retail locations (€ thousand)	Netherlands	France	Belgium	Spain	Total continuing operations	Non-recurring items / discontinued operations	Total
Gross rental income HY1 2017	8,602	533	4,725	89	13,949	-	13,949
Acquisitions	-	-	-	-	-	-	-
Divestments	(2,010)	(77)	-	-	(2,087)	-	(2,087)
Like-for-like rental growth	(222)	(7)	40	1	(188)	-	(188)
Gross rental income HY1 2018	**6,370**	**449**	**4,765**	**90**	**11,674**	**-**	**11,674**
Other income	-	14	-	-	14	-	14
Operating expenses	(737)	(242)	(325)	(4)	(1,308)	-	(1,308)
Net rental income HY1 2018	**5,633**	**221**	**4,440**	**86**	**10,380**	**-**	**10,380**
Net rental income HY1 2017	7,722	222	4,320	86	12,350	-	12,350
Operating expenses as a % of gross rental income HY1 2018	11.6%	53.9%	6.8%	4.4%	11.2%	-	11.2%
Operating expenses as a % of gross rental income HY1 2017	10.2%	58.3%	8.6%	3.4%	11.5%	-	11.5%

Total (€ thousand)	Netherlands	France	Belgium	Spain	Total continuing operations	Non-recurring items / discontinued operations	Total
Gross rental income HY1 2017	18,889	8,604	9,673	1,641	38,807	1,851	40,658
Acquisitions	314	295	129	-	738	-	738
Divestments	(2,094)	(861)	-	-	(2,955)	(1,851)	(4,806)
Like-for-like rental growth	(152)	73	81	(39)	(37)	4,812	4,775
Gross rental income HY1 2018	**16,957**	**8,111**	**9,883**	**1,602**	**36,553**	**4,812**	**41,365**
Other income	-	189	-	-	189	-	189
Operating expenses	(2,405)	(818)	(791)	(124)	(4,138)	-	(4,138)
Net rental income HY1 2018	**14,552**	**7,482**	**9,092**	**1,478**	**32,604**	**4,812**	**37,416**
Net rental income HY1 2017	16,248	7,826	8,794	1,505	34,373	1,811	36,184
Operating expenses as a % of gross rental income HY1 2018	14.2%	10.1%	8.0%	7.7%	11.3%	-	10.0%
Operating expenses as a % of gross rental income HY1 2017	14.0%	11.2%	9.1%	8.3%	11.9%	2.2%	11.5%

Acquisitions (€ 0.7 million increase)
Vastned expanded its portfolio in 2017 and HY1 2018 by acquiring core city assets in the Netherlands, France and Belgium. This caused the gross rental income to rise in HY1 2018 by € 0.7 million compared to HY1 2017, of which € 0.6 million related to acquisitions made in 2017 and € 0.1 million to two transactions that were completed in Utrecht in HY1 2018.

Divestments (€ 4.8 million decrease)
In order to further improve the quality of the portfolio Vastned sold property for € 122.8 million and € 63.5 million in 2017 and HY1 2018 respectively. This caused the gross rental income to fall by € 4.8 million in HY1 2018 compared to HY1 2017, of which € 3.3 million concerned divestments in 2017 (of which € 1.9 million related to Turkey) and € 1.5 million concerned property sold in HY1 2018.

In the Netherlands in HY1 2018 a number of mixed retail locations were sold, reducing the gross rental income in the Netherlands by € 0.6 million. In France, two properties were sold this half year, in Nancy and Marseille, which resulted in a € 0.9 million decrease of the gross rental income.

Like-for-like rental growth (nil)
The like-for-like rental growth of the gross rental income in HY1 2018 remained virtually unchanged for the total portfolio. The like-for-like gross rental growth of the core city assets was € 0.2 million positive (0.6%), which included a negative effect of a buyout payment of € 0.5 million for the departure of a tenant in Amsterdam, where a new tenant has been attracted at better conditions. The like-for-like gross rental growth of the mixed retail locations was € 0.2 million negative (-1.6%).

Non-recurring buyout payment (€ 4.8 million increase)
In HY1 2018, a non-recurring buyout payment of € 5.3 million was received from the former tenant of Kalverstraat 11 / Rokin 12 in Amsterdam, which was recognised fully in the direct result. In order to present a balanced view of the like-for-like gross rental growth, this buyout payment will be spread over the lease with the new tenant, which took effect on 1 February 2018. Therefore, the gross rental income in the half-year financial statements was € 4.8 million higher than the gross rental income that was used for the calculation of the like-for-like rental growth in HY1 2018.

Operating expenses (including ground rents and net service charge expenses)
The operating expenses in HY1 2018 were € 4.1 million, € 0.5 million lower than in HY1 2017, which was caused by lower maintenance costs, inter alia as a result of divestments of non-strategic property in the Netherlands.

Value movements properties
The value movements in HY1 20187 were € 14.5 million positive. The value decrease of € 1.1 million of the mixed retail locations was amply set off by the value increase of the core city assets of € 15.6 million. The majority of the value increase of the core city assets was realised in the Dutch portfolio.

Net result on disposals of property
In HY1 2018 Vastned sold properties for € 63.8 million (book value) on which after deduction of sales costs a € 0.3 million negative net result on divestments was realised. The net proceeds of the divestments were therefore € 63.5 million.

EXPENDITURE
Net financing costs
The net financing costs including value movements of financial derivatives increased from € 7.6 million in HY1 2017 to € 8.4 million in HY1 2018. The development of the net financing costs is shown in more detail in the table below.

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Development of net financing costs (€ million)	
Net financing costs HY1 2017	7.6
Decrease due to lower average interest-bearing debts	(0.8)
Decrease on balance due to lower average interest rate and changes in fixed/floating and working capital	(0.9)
Value movements financial derivatives	2.5
Net financing costs HY1 2018	**8.4**

The net financing costs fell due to lower average interest-bearing debts resulting from divestments. Due to changes in the composition of the loan portfolio the average interest rate fell from 2.8% in HY1 2017 to 2.5% in HY1 2018. As a result of the changed market interest rate the value movements of the interest rate derivatives were € 2.5 million negative.

General expenses

The general expenses were € 4.4 million in HY1 2018 (HY1 2017: € 4.5 million). Higher consultancy costs and other general expenses were amply compensated by lower personnel costs.

Abortive purchase costs

The abortive purchase costs were € 1.5 million in HY1 2018; they related to the takeover bid for the Vastned Retail Belgium shares that Vastned did not yet hold directly or indirectly.. These costs were mainly for legal and financial advisers, but also costs of commissioning an independent fairness opinion and marketing costs. The bid failed because the required 90% acceptance threshold of the free float was not achieved.

Current income tax expense

The current income tax expense in HY1 2018 was € 0.3 million higher than in HY1 2017 due to a higher tax burden of especially the entities taxed in the Netherlands.

Movement deferred tax assets and liabilities

The movements of deferred tax assets and liabilities increased from € 2.2 million negative in HY1 2017 to € 2.7 million negative in HY1 2018. This was due mainly to positive value movements of the part of the property portfolio held by regularly taxed entities in the Netherlands and Spain.

Result from discontinued operations

The result from discontinued operations in HY1 2018 was nil. In HY1 2017 the result from the discontinued Turkish operations was € 1.7 million.

FINANCING STRUCTURE

Vastned aims for a conservative financing structure, with a loan-to-value ratio of between 35% and 45% and good diversification of financing sources, e.g. by placing long-term bond loans with institutional investors (such as 'private placements').

Financing structure	**30 June 2018**	**31 December 2017**
Loan-to-value (%)	37.3	38.8
Solvency* (%)	60.7	59.2
Interest coverage ratio	4.8	3.9

** Group equity plus deferred tax liabilities divided by the balance sheet total*

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With a solvency of 60.7% and an interest coverage ratio of 4.8, Vastned complies with all the loan covenants. All financing contracts stipulate a 45% minimum solvency rate and usually require a 2.0 interest coverage ratio. Most financing agreements include a negative pledge clause, with a limited threshold for putting up security.

Loan portfolio as at 30 June 2018

(€ million)	Fixed interest*	Floating interest	Total	% of total
Long-term debt	352.5	82.5	435.0	74.9
Short-term debt	134.0	11.8	145.8	25.1
Total	**486.5**	**94.3**	**580.8**	**100.0**
% of total	83.8	16.2	100.0	

** Interest rate derivatives taken into account*

As at 30 June 2018, the loan portfolio was 83.8% fixed interest. The share of non-bank loans was 46.8% as at 30 June 2018, well above the internal target of 25%.

DEVELOPMENT OF NET ASSET VALUE

As a result of the combined direct and indirect results per share of € 1.76 positive, the other movements of € 0.07 negative and the 2017 final dividend distribution of € 1.41, net asset value per share rose from € 46.12 at year-end 2017 to € 46.40 as at 30 June 2018. EPRA NNNAV per share as at 30 June 2018 was € 46.08 vs. € 45.66 at year-end 2017.

INTERIM DIVIDEND 2018

In line with the dividend policy, the 2018 interim dividend will be 60% of the direct result for the first half year. The direct result for HY1 2018 is € 1.18 per share, so that the interim dividend was set at € 0.71 per share. On 6 August 2018, the Vastned share will quote ex-dividend and the interim dividend will be made payable on 21 August 2018.

TAKEOVER BID FOR VASTNED RETAIL BELGIUM UNSUCCESSFUL

On 12 April 2018 Vastned, supported by the board of directors of Vastned Retail Belgium, issued a takeover bid for all shares in Vastned Retail Belgium it did not yet hold, direct or indirectly. After the prospectus was approved, the acceptance period started on 2 May 2018; it ran until 1 June 2018. During the acceptance period 1.2 million shares were offered, or 70% of the free float. Not enough shares were offered, so that the minimum required acceptance threshold of 90% of the free float was not achieved. This means that the takeover bid failed, and that all shareholders, also those who offered their shares for sale, have retained them. The proposed transformation of Vastned Retail Belgium's status to a specialised property investment fund (FIIS) was cancelled and the shares will continue to be listed on Euronext Brussels.

POSSIBLE CHANGE TO FII REGIME

In the coalition agreement of October 2017 the Dutch government announced that it intended to abolish dividend tax. In order to keep investments in Dutch property taxed, the government is considering abolishing the corporate tax exemption for property funds. This might mean that revenues from the part of the Dutch portfolio that is not held by regularly taxed entities will become liable to corporate tax as of 2020, which might have a material impact on Vastned's result. This measure would create a unique situation within Europe in that most of our neighbouring countries have tax regimes that are comparable to our current FII regime.

Together with peer companies, Vastned has entered into discussions with various members of the ministries involved to stress the importance of the FII regime for the position of Dutch property investors in Europe and many foreign pension funds that invest in Dutch real estate through FII's. The Dutch government is expected to present its plans on Budget Day 2018, which will be followed by a legislative proposal that remains to be passed by the Lower House and the Senate.

Vastned is preparing for a number of different scenarios and will continue to argue for maintaining the FII regime. As soon as more information is disclosed, Vastned can more precisely assess the possible impact for the industry and for Vastned, including any mitigating factors like tax loss carry forwards, deduction of interest expenses and depreciation of property.

OUTLOOK 2018

Vastned is cautiously optimistic about its prospects for the rest of this year. Low unemployment, economic growth and higher consumer spending are positive factors for retailers. However, the retail market is still in transition and many retailers are struggling to adjust to the new reality. To respond to the changing needs of consumers, it is imperative that they continue to innovate and invest in their business models, shops and staff. The quality and service of the physical shop is vital for success.

Consumers increasingly combine their visit to a high street with lunch, dinner or a visit to a museum. This brings them more often to historic centres of big cities for their purchases, and less frequently to smaller cities. For this reason the location of a shop is becoming more and more important for retailers, and Vastned anticipates that big retailers will concentrate their shops increasingly in the big historic European cities, in line with Vastned's core city strategy.

Demand for high street property is high, and yields are under pressure because supply is limited. For Vastned this means a rise in the value of our portfolio, but at the same time it is becoming harder to acquire new core city assets that Vastned can add value to. The results of the portfolio confirm Vastned's strategy. Vastned will keep optimising the portfolio step by step and will continue its focus on core city assets, aiming to realise good and stable long-term results.

Rental income will fall as a result of the divestments made last year and this year, but this will be compensated by the buy-out payment from Forever 21, and by lower interest expenses. Vastned maintains its previously announced forecast for the 2018 direct result of between € 2.10 and € 2.20 per share. Vastned further anticipates being able to distribute a total dividend of € 2.05 per share for 2018.

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RESPONSIBILITY STATEMENT

In accordance with Article 5.25d of the Financial Supervision Act, the Executive Board states that to the best of its knowledge:

- the consolidated interim financial statements give a true and fair view of the assets and liabilities, the financial position and the result of Vastned and its consolidated subsidiaries; and
- the half-year report gives a true and fair view of the main events that occurred in the first six months of the financial year and their impact on the interim financial statements, gives a true and fair description of the main risks and uncertainties of the remaining six months of this financial year (that have not been set out here, but are equal to the 2017 annual report), and gives a true and fair overview of the main transactions with related parties.

Amsterdam, 1 August 2018

Executive Board:
Taco de Groot, CEO
Reinier Walta, CFO

CONFERENCE CALL

On 2 August 2018 at 10am, Vastned will comment on the half-year results 2018 in a conference call and presentation for investors and analysts. The conference call can be followed live on www.vastned.com/webcast.

FINANCIAL CALENDAR 2018

6 August 2018		Ex interim dividend date
7 August 2018		Interim dividend record date
21 August 2018		Interim dividend payment date
30 August 2018	**after trading**	Q3 trading update 2018

ABOUT VASTNED

Vastned is a listed European retail property company (Euronext Amsterdam: VASTN) focusing on 'venues for premium shopping'. Vastned invests in selected cities in Europe, with a clear focus on the best retail property in the most popular shopping streets in the bigger cities. Vastned's tenants are strong and leading international and national retail brands. The property portfolio had a size of € 1.6 billion as at 30 June 2018.

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This press release is an English translation of the Dutch press release. In the event of discrepancies between the Dutch text and the English translation, the Dutch text will prevail.

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KEY FIGURES

Results (€ thousand)	**30 June 2018**	**31 December 2017**	**30 June 2017**
Gross rental income from continuing operations	41,365	77,480	38,807
Direct result	21,534	41,134	20,206
Indirect result	10,492	53,511	43,991
Result	**32,026**	**94,645**	**64,197**
Balance sheet (€ thousand)			
Property	1,556,654 [1]	1,591,564 [2]	1,578,684
Equity	936,173	933,415	909,039
Equity Vastned Retail shareholders	843,844	838,685	819,119
Long-term liabilities	463,378	633,910	566,105
Solvency (%)	60.7	59.2	57.9
Loan-to-value (%)	37.3	38.8	40.2
Interest coverage ratio	4.8	3.9	3.8
Financial occupancy rate total portfolio (%)	97.0	97.1	96.9
Core city assets (%)	98.4	98.9	98.8
Mixed retail locations (%)	93.6	93.8	93.7
Average number of ordinary shares in issue	18,186,800	18,505,783	18,830,054
Number of ordinary shares in issue (end of period)	18,186,800	18,186,800	18,186,800
Per share (€)			
Equity Vastned Retail shareholders at beginning of year (including final dividend)	46.12	42.26	42.26
Adjustment related to IFRS 9	(0.07)	-	-
	46.05	42.26	42.26
Final dividend previous financial year	(1.41)	(1.32)	(1.32)
Equity Vastned Retail shareholders at beginning of period (excluding final dividend)	44.64	40.94	40.94
Direct result	1.18	2.22	1.07
Indirect result	0.58	2.89	2.34
Result	1.76	5.11	3.41
Remeasurement of defined benefit pension obligation	-	0.05	-
Reclassification of unrealised results of financial derivatives to profit and loss account, after tax	-	(0.01)	-
Reclassification of translation reserve to profit and loss account	-	0.31	0.30
Other movements	-	0.36	0.39
Interim-dividend	-	(0.64)	-
Equity Vastned Retail shareholders at end of period (including final dividend)	**46.40**	**46.12**	**45.04**
Share price (end of period)	40.40	41.30	36.655
Premium/(Discount) (%)	(12.9)	(16.1)	(18.6)

[1] Including Assets held for sale at €1,250

[2] Including Assets held for sale at € 65,202

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DIRECT AND INDIRECT RESULT (€ THOUSAND)

Direct result	**HY1 2018**	**HY1 2017**
Gross rental income	41,365	38,807
Other income	189	184
Ground rents paid	(62)	(69)
Net service charge expenses	(296)	(298)
Operating expenses	(3,780)	(4,251)
Net rental income	**37,416**	**34,373**
Financial income	15	9
Financial expenses	(7,403)	(9,145)
Net financing costs	(7,388)	(9,136)
General expenses	(4,442)	(4,505)
Direct result before tax	25,586	20,732
Current income tax expense	(343)	1
Movement deferred tax assets and liabilities	(1,251)	(9)
Direct result after tax from continuing operations	23,992	20,724
Direct result after tax from discontinued operations	-	1,656
Direct result after tax	23,992	22,380
Direct result attributable to non-controlling interests	(2,458)	(2,174)
Direct result attributable to Vastned Retail shareholders	**21,534**	**20,206**
Indirect result		
Value movements property in operation	14,706	49,018
Value movements property under renovation	(250)	-
Total value movements in property	14,456	49,018
Net result on disposal of property	(291)	581
Financial expenses	(405)	(405)
Value movements financial derivatives	(648)	1,917
Reclassification of unrealised results on financial derivatives from equity	58	58
Abortive purchase costs	(1,498)	-
Indirect result before tax	11,672	51,169
Movement deferred tax assets and liabilities	(1,448)	(2,200)
Indirect result after tax from continuing operations	10,224	48,969
Indirect result after tax from discontinued operations	-	1
Indirect result	10,224	48,970
Indirect result attributable to non-controlling interests	268	(4,979)
Indirect result attributable to Vastned Retail shareholders	**10,492**	**43,991**
Result attributable to Vastned Retail shareholders	**32,026**	**64,197**

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DIRECT AND INDIRECT RESULTS

PER SHARE (€)	**HY1 2018**	**HY1 2017**
from continuing operations:		
Direct result attributable to Vastned Retail shareholders	1.18	0.98
Indirect result attributable to Vastned Retail shareholders	0.58	2.34
	1.76	3.32
from discontinued operations:		
Direct result attributable to Vastned Retail shareholders	-	0.09
Indirect result attributable to Vastned Retail shareholders	-	-
	-	0.09
total:		
Direct result attributable to Vastned Retail shareholders	1.18	1.07
Indirect result attributable to Vastned Retail shareholders	0.58	2.34
	1.76	3.41

EPRA PERFORMANCE INDICATORS

EPRA performance indicators	**Tabel**	(€ THOUSAND) **HY1 2018**	(€ THOUSAND) **HY1 2017**	PER SHARE (€) **HY1 2018**	PER SHARE (€) **HY1 2017**
EPRA Earnings	1	21,534	20,206	1.18	1.07
EPRA NAV	2	861,565	835.378	47.37	45.88
EPRA NNNAV	3	837,995	807,377	46.08	44.39
EPRA Net Initial Yield (NIY)	4 (i)	3.8%	4.1% [1]		
EPRA 'topped-up' NIY	4(ii)	4.0%	4.2% [1]		
EPRA Vacancy Rate	5	4.1%	2.0% [1]		
EPRA Cost Ratio (including direct vacancy costs)	6 (i)	20.5%	23.3%		
EPRA Cost Ratio (excluding direct vacancy costs)	6 (ii)	19.5%	22.1%		
Capital expenditure	7				

[1] 31 December 2017

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1 EPRA earnings

	HY1 2018	HY1 2017
Result as stated in consolidated IFRS profit and loss account	32,026	64,197
Value movements in property	(14,456)	(49,018)
Net result on disposal of property	291	(581)
Financial expenses	405	405
Value movements in financial derivatives	590	(1,975)
Movement in deferred tax assets and liabilities	1,448	2,200
Result from discontinued operations (related items above)	-	(1)
Attributable to non-controlling interests	(268)	4,979
EPRA Earnings	**20,036**	**20,206**
Company specific adjustments		
Abortive purchase costs	1,498	-
Company specific Adjusted Earnings	**21,534**	**20,206**
EPRA Earnings per share (EPS)	**1.10**	**1.07**
Company specific adjustments		
Abortive purchase costs	0.08	-
Adjusted earnings per share	**1.18**	**1.07**

2 en 3 EPRA NAV en EPRA NNNAV

	30 June 2018		30 June 2017	
		per share (€)		per share (€)
Equity Vastned Retail shareholders	843,844	46.40	819,119	45.04
Adjustment for effect of convertible bond	-	-	-	-
Diluted equity Vastned Retail shareholders	**843,844**	**46.40**	**819,119**	**45.04**
Fair value of financial derivatives	3,533	0.19	3,434	0.19
Deferred tax	14,188	0.78	11,825	0.65
EPRA NAV	**861,565**	**47.37**	**834,378**	**45.88**
Fair value of financial derivatives	(3,533)	(0.19)	(3,434)	(0.19)
Fair value of interest-bearing loans	(9,813)	(0.54)	(14,369)	(0.79)
Deferred tax	(10,224)	(0.56)	(9,198)	(0.51)
EPRA NNNAV	**837,995**	**46.08**	**807,377**	**44.39**

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4 EPRA NET INITIAL YIELD EN EPRA TOPPED-UP NET INITIAL YIELD AS AT 30 JUNE

	Netherlands		France		Belgium		Spain		Total	
	30 June 2018	**31 December 2017**	**30 June 2018**	**31 December 2017**	**30 June 2018**	**31 December 2017**	**30 June 2018**	**31 December 2017**	**30 June 2018**	**31 December 2017**
Property in operation	677,386	677,514	398,396	433,995	388,921	388,560	91,951	91,495	1,556,654	1,591,564
addition: Estimated transaction fees	47,417	47,426	28,720	33,603	9,512	9,715	2,501	2,489	88,150	93,233
Investment of property in operation (B)	**724,803**	**724,940**	**427,116**	**467,598**	**398,433**	**398,275**	**94,452**	**93,984**	**1,644,804**	**1.684,797**
Annualised gross rental income	31,079	35,656	15,989	17.613	20,114	19,926	2,393	3,374	69,575	76,569
Non-recoverable operating expenses	(3,548)	(4,594)	(1,336)	(1,120)	(1,817)	(1,855)	(124)	(225)	(6,825)	(7,794)
Annualised net rental income (A)	**27,531**	**31,062**	**14,653**	**16,493**	**18,297**	**18,071**	**2,269**	**3,149**	**62,750**	**68,775**
Effect of rent-free periods and other lease incentives	2,802	457	311	419	232	279	3	25	3.348	1,180
Topped-up annualised net rental income (C)	**30,333**	**31,519**	**14,964**	**16,912**	**18,529**	**18,350**	**2,272**	**3,174**	**66,098**	**69,955**
(i) EPRA Net Initial Yield (A/B)	3.8%	4.3%	3.4%	3.5%	4.6%	4.5%	2.4%	3.4%	3.8%	4.1%
(ii) EPRA Topped-up Net Initial Yield (C/B)	4.2%	4.3%	3.5%	3.6%	4.7%	4.6%	2.4%	3.4%	4.0%	4.2%

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4 EPRA NET INITIAL YIELD EN EPRA TOPPED-UP NET INITIAL YIELD AS AT 30 JUNE

	Core city assets		**Mixed retail locations**		**Total**	
	30 June 2018	**31 December 2017**	**30 June 2018**	**31 December 2017**	**30 June 2018**	**31 December 2017**
Property in operation	1,255,610	1,259,650	301,044	331,914	1,556,654	1,591,564
addition: Estimated transaction fees	74,081	77,024	14,069	16,209	88,150	93,233
Investment of property in operation (B)	**1,329,691**	**1,336,674**	**315,113**	**348,123**	**1,644,804**	**1,684,797**
Annualised gross rental income	48,017	51,366	21,558	25,203	69,575	76,569
Non-recoverable operating expenses	(3,877)	(4,302)	(2,948)	(3,492)	(6,825)	(7,794)
Annualised net rental income (A)	**44,140**	**47,064**	**18,610**	**21,711**	**62,750**	**68,775**
Effect of rent-free periods and other lease incentives	3,181	963	167	217	3,348	1,180
Topped-up annualised net rental income (C)	**47,321**	**48,027**	**18,777**	**21,928**	**66,098**	**69,955**
(i) EPRA Net Initial Yield (A/B)	3.3%	3.5%	5.9%	6.2%	3.8%	4.1%
(ii) EPRA Topped-up Net Initial Yield (C/B)	3.6%	3.6%	6.0%	6.3%	4.0%	4.2%

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5 EPRA VACANCY RATE

30 June 2018

	Gross rental income	Net rental income	Lettable floor area (sqm)	Annualised cash passing rental income	Estimated rental value (ERV) of vacant properties	Estimated rental value (ERV)	EPRA Vacancy Rate
Netherlands	21,769	19,364	120,608	31,079	927	34,646	2.7%
France	8,111	7,482	29,902	15,989	429	17,139	2.5%
Belgium	9,883	9,092	92,637	20,114	590	19,227	3.1%
Spain	1,602	1,478	3,291	2,393	1,146	3,722	30.8%
Total property	**41,365**	**37,416**	**246,438**	**69.575**	**3,092**	**74,734**	**4.1%**
Core city assets	29,691	27,168	94,839	48,017	1,813	54,035	3.4%
Mixed retail locations	11,674	10,248	151,599	21,558	1,279	20,699	6.2%
Total property	**41,365**	**37,416**	**246,438**	**69,575**	**3,092**	**74,734**	**4.1%**

31 December 2017

	Gross rental income	Net rental income	Lettable floor area (sqm)	Annualised cash passing rental income	Estimated rental value (ERV) of vacant properties	Estimated rental value (ERV)	EPRA Vacancy Rate
Netherlands	37,081	32,571	139,675	35,656	1,072	37,249	2.9%
France	17,631	16,304	36,103	17,613	335	18,760	1.8%
Belgium	19,443	17,863	92,646	19,926	175	19,459	0.9%
Spain	3,325	3,100	3,291	3,374	-	3,710	-
Turkey	1,851	1,811	-	-	-	-	-
Total property	**79,331**	**71,649**	**271,715**	**76,569**	**1,582**	**79,178**	**2.0%**
Core city assets	52,279	47,721	97,025	51,366	264	54,774	0.5%
Mixed retail locations	27,052	23,928	174,690	25,203	1,318	24,404	5.4%
Total property	**79,331**	**71,649**	**271,715**	**76,569**	**1,582**	**79,178**	**2.0%**

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6 EPRA cost ratios

	HY1 2018	HY1 2017
General expenses	4,442	4,505
Ground rents paid	62	69
Operating expenses	3,780	4,251
Net service charge expenses	296	298
less:		
Ground rents paid	(62)	(69)
EPRA costs (including vacancy costs) (A)	**8,518**	**9,054**
Vacancy costs	(412)	(438)
EPRA costs (exclusive vacancy costs) (B)	**8,106**	**8,616**
Gross rental income less ground rents paid (C)	**41,492**	**38,922**
(i) EPRA Cost Ratio (including vacancy costs) (A/C)	**20.5%**	**23.3%**
(ii) EPRA Cost Ratio (exclusive vacancy costs) (B/C)	**19.5%**	**22.1%**

[1] Including other income € 189 (HY1 2017 € 184)

7 CAPITAL EXPENDITURE

	HY1 2018	HY1 2017
Acquisitions [1]	10,960	19,757
Development	-	-
Like-for-like-portfolio [2]	2,340	1,122
Others	-	-
	13,300	**20,879**

[1] Concerns the acquisition of core city assets in Utrecht (2017: Paris).
[2] Concerns improvements to several properties already owned throughout various countries.

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2018 HALF-YEAR FINANCIAL STATEMENTS
Content

- Consolidated profit and loss account
- Consolidated statement of comprehensive income
- Consolidated balance sheet
- Consolidated statement of movements in equity
- Consolidated cash flow statement
- Notes to the 2018 half-year consolidated financial statements

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CONSOLIDATED PROFIT AND LOSS ACCOUNT (€ THOUSAND)

	Note	HY1 2018	HY1 2017
Income from property			
Gross rental income	4,5	41,365	38,807
Other income	4	189	184
Ground rents paid	4	(62)	(69)
Net service charge expenses	4	(296)	(298)
Operating expenses	4	(3,780)	(4,251)
Net rental income		37,416	34,373
Value movements in property in operation	4	14,706	49,018
Value movements in assets held for sale	4	(250)	-
Total value movements in property		14,456	49,018
Net result on disposal of property	4	(291)	581
Total net income from property		**51,581**	**83,972**
Expenditure			
Financial income		15	9
Financial expenses		(7,808)	(9,550)
Value movements in financial derivatives		(648)	1,917
Reclassification of unrealised results on financial derivatives from equity		58	58
Net financing costs		(8,383)	(7,566)
General expenses		(4,442)	(4,505)
Abortive purchase costs	6	(1,498)	-
Total expenditure		**(14,323)**	**(12,071)**
Result before taxes		**37,258**	**71,901**
Current income tax expense		(343)	1
Movement in deferred tax assets and liabilities		(2,699)	(2,209)
Total income tax		(3,042)	(2,208)
Result after tax from continuing operations		**34,216**	**69,693**
Result after tax from discontinued operations		-	1,657
Result after tax		**34,216**	**71,350**
Result from continuing operations attributable to Vastned Retail shareholders		32,026	62,540
Result from discontinued operations attributable to Vastned Retail shareholders	7	-	1,657
Result attributable to non-controlling interests		2,190	7,153
		34,216	**71,350**
Per share (€)			
Result from continuing operations		1.76	3.32
Result from discontinued operations		-	0.09
Result		**1.76**	**3.41**
Diluted result from continuing operations		1.62	3.00
Diluted result from discontinued operations		-	0.08
Diluted result		**1.62**	**3.08**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (€ THOUSAND)

	HY1 2018	**HY1 2017**
Result after tax from continuing operations	34,216	69,693
Result after tax from discontinued operations	-	1,657
Result after tax	34,216	71,350
Items that have been or could be reclassified to the profit and loss account		
Reclassification of unrealised results on financial derivatives to profit and loss account	(58)	(58)
Reclasification of the translation reserve to the profit and loss account	-	5,728
Taxes on items that have been or could be reclassified to the profit and loss account	-	-
Other comprehensive result after tax	(58)	5,670
Comprehensive income	**34,158**	**77,020**
Attributable to:		
Vastned Retail shareholders	31,968	69,867
Non-controlling interests	2,190	7,153
	34,158	**77,020**

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CONSOLIDATED BALANCE SHEET (€ THOUSAND)

	Note	30 June 2018	31 December 2017	30 June 2017
Assets				
Property in operation	4,10	1,551,572	1,523,723	1,575,696
Accrued assets in respect of lease incentives	4	3,832	2,639	2,988
Total property		1,555,404	1,526,362	1,578,684
Tangible fixed assets		1,104	1,120	1,161
Financial derivatives		-	-	266
Total fixed assets		**1,556,508**	**1,527,482**	**1,580,111**
Assets held for sale	11	1,250	65,202	-
Debtors and other receivables		8,087	2,894	8,594
Income tax		167	155	37
Financial derivatives		1,551	2,077	1,976
Cash and cash equivalents		**11,055**	**70,328**	**10,607**
Total assets		**1,567,563**	**1,597,810**	**1,590,718**
Equity and liabilities				
Capital paid-up and called		95,183	95,183	95,183
Share premium reserve		472,640	472,640	472,640
Hedging reserve in respect of financial derivatives		325	383	441
Other reserves		243,670	175,834	186,658
Result attributable to Vastned Retail shareholders		3,026	94,645	64,197
Equity Vastned Retail shareholders		843,844	838,685	819,119
Non-controlling interests		92,329	94,730	89,920
Total equity		**936,173**	**933,415**	**909,039**
Deferred tax liabilities		15,129	12,431	11,864
Provisions in respect of employee benefits	12	5,326	5,477	5,913
Long-term interest-bearing loans	13	434,981	608,609	540,358
Financial derivatives		4,206	3,558	4,073
Guarantee deposits and other long-term liabilities		3,736	3,835	3,897
Total long-term liabilities		**463,378**	**633,910**	**566,105**
Payable to banks	13	11,750	7,227	21,570
Redemption long-term interest-bearing loans	13	134,032	18	72,518
Financial derivatives		-	-	261
Income tax		220	186	561
Other liabilities and accruals		22,010	23,054	20,664
Total short-term liabilities		**168,012**	**30,485**	**115,574**
Total equity and liabilities		**1,567,563**	**1,597,810**	**1,590,718**

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CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY (€ THOUSAND)

	Capital paid-up and called -up	Share premium reserve	Hedging reserve in respect of financial derivatives	Translation reserve	Other reserves	Result attributable to Vastned Retail shareholders	Equity Vastned Retail shareholders	Non-controlling interests	Total equity
Balance as at 1 January 2017	**95,183**	**472,640**	**499**	**(5,728)**	**215,412**	**26,431**	**804,437**	**87,060**	**891,497**
Result						64,197	64,197	7,153	71,350
Other comprehensive income			(58)	5,728			5,670		5,670
Comprehensive income	-	-	**(58)**	**5,728**	-	**64,197**	**69,867**	**7,153**	**77,020**
Final dividend for previous financial year in cash						(25,126)	(25,126)	(4,293)	(29,419)
Contribution from profit appropriation					1,305	(1,305)	-		-
Buyback of shares					(30,059)		(30,059)		(30,059)
Balance as at 30 June 2017	**95,183**	**472,640**	**441**	**-**	**186,658**	**64,197**	**819,119**	**89,920**	**909,039**
Balance as at 31 December 2017	**95,183**	**472,640**	**383**	**-**	**175,834**	**94,645**	**838,685**	**94,730**	**933,415**
Adjustment related to IFRS 9			-		(1,165)		(1,165)		(1,165)
Result						32,026	32,026	2,190	34,216
Other comprehensive income			(58)				(58)		(58)
Comprehensive income	**-**	**-**	**(58)**	**-**	**-**	**32,026**	**31,968**	**2,190**	**34,158**
Final dividend for previous financial year in cash						(25,644)	(25,644)	(4,591)	(30,235)
Contribution from profit appropriation					69,001	(69,001)	-		-
Balance as at 30 June 2018	**95,183**	**472,640**	**325**	**-**	**243,670**	**32,026**	**843,844**	**92,329**	**936,173**

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CONSOLIDATED CASH FLOW STATEMENT (€ THOUSAND)

	Note	HY1 2018	HY1 2017
Cash flow from operating activities			
Result after tax		34,216	71,350
Adjustments for:			
Value movements in property	4	(14,456)	(49,018)
Net result on disposal of property	4	291	(581)
Net financing costs		8,383	7,578
Income tax		3,042	2,246
Cash flow from operating activities before changes in working capital and provisions		**31,476**	**31,575**
Movement in current assets		(5,936)	(2,014)
Movement in short-term liabilities		2,857	246
Movement in provisions		(208)	(153)
		28,189	**29,654**
Interest received		15	13
Interest paid		(7,029)	(8,784)
Income tax paid		(322)	(199)
Cash flow from operating activities		**20,853**	**20,684**
Cash flow from investing activities			
Property acquisitions		(15,603)	(19,001)
Property investments		(2,334)	(1,819)
Disposal of property		64,013	4,967
Disposal of subsidiaries		-	95,167
Cash flow from property		**46,076**	**79,314**
Movement in tangible fixed assets		16	119
Cash flow from investing activities		**46,092**	**79,433**
Cash flow from financing activities			
Buyback of shares		-	(30,059)
Dividend paid	8	(25,644)	(25,126)
Dividend paid to non-controlling interests		(4,591)	(4,293)
Interest-bearing loans drawn-down		4,523	6,728
Interest-bearing loans redeemed		(41,660)	(47,009)
Movements in guarantee deposits and other long-term liabilities		(99)	338
Cash flow from financing activities		**(67,471)**	**(99,421)**
Movement in cash and cash equivalents		**(526)**	**696**
Cash and cash equivalents as at 1 January		2,077	1,280
Cash and cash equivalents at end of period		**1,551**	**1,976**

1. GENERAL

Vastned Retail N.V. ('the Company' or 'Vastned'), with principal place of business in Amsterdam and registered office in Rotterdam, the Netherlands, is a property company that invests sustainably in top quality retail property with a clear focus on the best retail real estate on the popular shopping streets of bigger cities (core cities). Smaller investments are being high street shops in other cities, Belgian retail warehouses, a number of supermarkets and in (parts of) a few smaller shopping centres. The property is located in the Netherlands, France, Belgium, and Spain.

Vastned is entered in the trade register of the Chamber of Commerce under number 24262564. Vastned is listed on the Euronext stock exchange of Amsterdam.

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

The half-yearly financial statements have been drawn up by the Executive Board and authorised for publication by the Supervisory Board on 1 August 2018.

The results of HY1 2018 and HY1 2017 have been reviewed by Ernst & Young Accountants LLP.
The results as at year-end 2017 are audited by Ernst & Young Accountants LLP.

2. PRINCIPLES APPLIED IN THE PRESENTATION OF THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

The financial statements are presented in euros; amounts are rounded off to thousands of euros, unless stated differently.

These consolidated half-year financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as endorsed by the European Union.
The consolidated half-year financial statements do not contain all the information required for full financial statements and therefore should be read in conjunction with the consolidated financial statements 2017.

The principles applied in the preparation of the consolidated half-year financial statements are consistent with the principles set out in the annual report for the 2017 financial year, with the exception of the application of new standards and interpretations described below.

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

- IFRS 9 Financial Instruments

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

(a) Classification and measurement of financial assets

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

The classification and measurement of the financial assets of the Group are as follows:

- **Debt instruments measured at amortised cost**
  This classification applies to financial assets held within a business model with the objective of holding the financial assets in order to receive contractual cash flows that fulfils the SPPI criterion. This class comprises the Debtors and other receivables of the Group.

- **Financial assets measured at FVPL**
  These assets comprise the financial derivatives.

The assessment of the business models of the Group was made on the date of first application, 1 January 2018, and was then applied with retrospective effect to the financial assets that were not removed from the balance sheet before 1 January 2018. The assessment of whether the contractual cash flows comprise solely the principal and interest was made based on the facts and circumstances upon first recognition of the assets.

The application of IFRS 9 did not result in a change in classification of the financial assets of the Group.

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

Modification of long-term liabilities
The Group has identified three modifications that did not result in extinguishment of the loans. In accordance with IAS 39 at the time of modification no result was recognised. IFRS 9 prescribes that the gain or loss arising from a modification must be recognised directly in profit or loss. In accordance with this prescription the adjustment as of 1 January 2018 as a result of the application of IFRS 9 has been taken directly to equity. The initial recognition of the adjustment of the modifications resulted in a reduction of shareholders' equity as at 1 January 2018 by an amount of € 1,220 and an increase of the Long-term interest-bearing loans by the same amount.

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

The cash and cash equivalents of the Group are subject to the 'low credit risk exemption'. Application of the low credit exemption has no effect on the financial results of the Group.

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

(d) Transition method
The Group has applied IFRS 9 retrospectively without adjusting of the comparative figures.

The total impact on equity as at 1 January 2018 is € 1,165 negative.

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

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

Service costs charged to tenants
The Group has analysed the service charges and believes based on this that the Group may be qualified as an agent. Implementation of the standard therefore does not impact the presentation of the service costs charged to tenants in the consolidated profit and loss account. They will continue to be presented net in net service charge expenses.

Management of general areas
In France, a number of leases stipulate a fee for the management of general areas. Analysis shows that in this case the Group can be qualified as a principal. This means that this income can no longer be charged to general expenses, but must be recognised as revenue.
As of 2018, these revenues are recognised in Other income in the consolidated profit and loss account. The comparative figures for 2017 have been adjusted accordingly.

	HY1 2017 before application of IFRS 15	effect of IFRS 15 application	HY1 2017 after application of IFRS 15
Other income	-	184	184
General expenses	(4,321)	(184)	(4,505)

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

Sale of property
Under IAS 18 the timing of the recognition of a property sale used to be based on the assessment of the time when the risks and rewards were transferred. In IFRS 15 the timing of the recognition is based on an assessment of the time when control is transferred. The Group believes that control is transferred when the property is transferred to the buyer and this party can therefore actually dispose of the property.
The implementation of IFRS 15 in this area has not resulted in adjustment of the comparative figures.

The Group has applied the modified retrospective approach.

- **Clarifications to IFRS 15 Revenue from Contracts with Customers**
  The changes concern a number of clarifications in the area of goods and services. The changes do not affect the presentation, the notes or the financial results of the Group.

- **Amendments to IAS 40: Transfers of Investment Property**
  The amendment concerns a clarification of when property must be transferred to or from property in operation or under renovation. The amendment has no effect on the presentation, notes and the financial results of the Group.

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

- **Amendments to IFRS 9: Prepayment Features with Negative Compensation** (effective for financial years starting on or after 1 January 2019)
  The amendments concern the recognition of financial instruments with the option of early repayment at a lower amount than the contractual payments of the principal and interest. The amendment has no effect on the presentation, notes and the financial results of the Group.

- **IFRS 16 Leases** (effective for financial years starting on or after 1 January 2019)
  This standard describes how both financial and operating leases must be recognised. The standard mainly has implications for lessees. Except in the case of certain exemptions, lessees must include all lease obligations on the balance sheet. An exemption applies for leases for assets with insignificant value and short-term leases. Lessees report a lease obligation with a corresponding asset (right of use) and must report interest and depreciation separately. Certain events necessitate the lessee to reassess particular key elements (for example, lease period and variable rents on the basis of an index).
  The Group acts virtually exclusively as lessor. The recognition of leases by lessors remains largely unchanged; application of the new standard consequently is not expected to have any material impact on the Group's financial results. In a very limited number of cases the Group is a lessee. This concerns a number of leases for offices that the Group leases for its organisation, and a small number of ground lease agreements. Pursuant to this the Group will include a right of use and a lease obligation in its balance sheet. However, the impact on the balance sheet as at 1 January 2019 and the Group's financial results for 2019 is not material.

3. SCOPE OF CONSOLIDATION

The scope of consolidation has not changed in the first half of 2018.

Vastned holds a 65.5% interest in the publicly regulated property company under Belgian law Vastned Retail Belgium NV, which is listed on Euronext Brussels. The 34.5% interest in the equity and the result of this company attributable to non-controlling interests is recognised separately in the balance sheet and the profit and loss account.
Vastned has made a bid for all shares in Vastned Retail Belgium NV that it not yet holds. Due to not achieving the required 90% acceptance threshold of the free float, the bid was not successful (see also 6. Abortive purchase costs).

Vastned has a 100% interest in and full control over all its other subsidiaries.

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4. SEGMENTED INFORMATION (€ THOUSAND)
HY1 2018

	Netherlands	France	Belgium	Spain	Turkey	Total
Net rental income	19,364	7,482	9,092	1,478	-	37,416
Value movements in property in operation	12,934	1,909	(611)	474	-	14,706
Value movements in assets held for sale	(250)	-	-	-	-	(250)
Net result on disposal of property	118	(409)	-	-	-	(291)
Total net income from property	**32,166**	**8,982**	**8,481**	**1,952**	**-**	**51,581**
Net financing costs						(8,383)
General expenses						(4,442)
Abortive purchase costs						(1,498)
Income tax						(3,042)
Result from continuing operations, after taxes						**34,216**
Result from discontinued operations, after taxes					-	-
Result after taxes						**34,216**

	Netherlands	France	Belgium	Spain	Turkey	Total
Property in operation:						
Balance as at 1 January	648,742	395,580	388,025	91,376	-	1,523,723
- Acquisitions	10,960	-	-	-	-	10,960
- Investments	919	313	1,108	-	-	2,340
- Transfered from/to assets held for sale	1,750	-	-	-	-	1,750
- Disposals	(1,820)	(87)		-	-	(1,907)
	660,551	395,806	389,133	91,376	-	1,536,866
- Value movements	12,934	1,909	(611)	474	-	14,706
Balance as at 30 June	**673,485**	**397,715**	**388,522**	**91,850**	**-**	**1,551,572**
Accrued assets in respect of lease incentives	2,651	681	399	101	-	3,832
Balance as at 30 June	**676,136**	**398,396**	**388,921**	**91,951**	**-**	**1,555,404**

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HY1 2017

	Netherlands	France	Belgium	Spain	Turkey	Total
Net rental income	16,248	7,826	8,794	1,505	-	34,373
Value movements in property in operation	12,334	21,354	13,355	1,975	-	49,018
Value movements in assets held for sale	-	-	-	-	-	-
Net result on disposal of property	545	50	(21)	7	-	581
Total net income from property	**29,127**	**29,230**	**22,128**	**3,487**	**-**	**83,972**
Net financing costs						(7,566)
General expenses						(4,505)
Income tax						(2,208)
Result from continuing operations, after taxes						**69,693**
Result from discontinued operations, after taxes					**1,657**	1,657
Result after taxes						**71,350**

	Netherlands	France	Belgium	Spain	Turkey	Total
Estate in exploitation:						
Balance as at 1 January	682,335	381,848	360,503	87,409	99,630	1,611,725
- Acquisitions	-	19,757	-	-	-	19,757
- Investments	565	156	401	-	-	1,122
- Transfered from/to assets held for sale	-	-	-	-	-	-
- Disposals	(5,735)	-	(561)	-	(99,630)	(105,926)
	677,165	401,761	360,343	87,409	-	1,526,678
- Value movements	12,334	21,354	13,355	1,975	-	49,018
Balance as at 30 June	**689,499**	**423,115**	**373,698**	**89,384**	**-**	**1,575,696**
Accrued assets in respect of lease incentives	1,686	630	556	116	-	2,988
Appraisal value as at 30 June	**691,185**	**423,745**	**374,254**	**89,500**	**-**	**1,578,684**

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HY1 2018

	Core city assets	Mixed retail locations	Total
Net rental income	27,036	10,380	37,416
Value movements in property in operation	15,590	(884)	14,706
Value movements in assets held for sale	-	(250)	(250)
Net result on disposal of property	(410)	119	(291)
Total net income from property	**42,216**	**9,365**	**51,581**
Net financing costs			(8,383)
General expenses			(4,442)
Abortive purchase costs			(1,498)
Income tax			(3,042)
Result from continuing operations, after taxes			**34,216**
Result from discontinued operations, after taxes			-
Result after taxes			**34,216**

	Core city assets	Mixed retail locations	Total
Property in operation:			
Balance as at 1 January	1,221,413	302,310	1,523,723
- Acquisitions	10,960	-	10,960
- Investments	2,247	93	2,340
- Transfered from/to assets held for sale	1,750	-	1,750
- Disposals	-	(1,907)	(1,907)
	1,236,370	300,496	1,536,866
- Value movements	15,590	(884)	14,706
Balance as at 30 June	**1,251,960**	**299,612**	**1,551,572**
Accrued assets in respect of lease incentives	3,650	182	3.832
Appraisal value as at 30 June	**1,255,610**	**299,794**	**1,555,404**

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HY1 2017

	Core city assets	Mixed retail locations	Total
Net rental income	22,023	12,350	34,373
Value movements in property in operation	56,064	(7,046)	49,018
Value movements in assets held for sale	-	-	-
Net result on disposal of property	374	207	581
Total net income from property	**78,461**	**5,511**	**83,972**
Net financing costs			(7,566)
General expenses			(4,505)
Income tax			(2,208)
Result from continuing operations, after taxes			**69,693**
Result from discontinued operations, after taxes			1,657
Result after taxes			**71,350**

	Core city assets	Mixed retail locations	Total
Property in operation:			
Balance as at 1 January	1,241,404	370,321	1,611,725
- Acquisitions	19,757	-	19,757
- Investments	617	505	1,122
- Transfered from/to assets held for sale	-	-	-
- Disposals	(101,060)	(4.866)	(105,926)
	1,160,718	365,960	1,526,678
- Value movements	56,064	(7,046)	49,018
Balance as at 30 June	**1,216,782**	**358,914**	**1,575,696**
Accrued assets in respect of lease incentives	1,888	1,100	2,988
Appraisal value as at 30 June	**1,218,670**	**360,014**	**1,578,684**

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5. GROSS RENTAL INCOME

In the gross rental income of the first half of 2018, a lump sum payment of € 5,250 received from a departing tenant is included.

6. ABORTIVE PURCHASE COSTS

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

7. RESULT AFTER TAXES FROM DISCONTINUED OPERATIONS

This concerns the result from the Turkish operations that were discontinued in 2017.

8. DIVIDEND

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

9. FAIR VALUE

The assets and liabilities valued at fair value on the balance sheet are divided into a hierarchy of three levels:
Level 1: The fair value is determined based on published listings in an active market
Level 2: Valuation methods based on information observable in the market
Level 3: Valuation methods based on information that is not observable in the market, which has a more than significant impact on the fair value of the asset or liability.

The table below indicates at which level the fair value of the valued assets and liabilities of the Group are valued.

		30 June 2018		31 December 2017		30 June 2017	
	Level	Book value	Fair value	Book value	Fair value	Book value	Fair value
Assets valued at fair value							
Property							
Property in operation (including accrued assetsin respect of lease incentives)	3	1,555,404	1,555,404	1,526,362	1,526,362	1,578,684	1,578,684
Assets held for sale	3	1,250	1,250	65,202	65,202	-	-
Liabilities valued at fair value							
Interest-bearing loans	2	569,013	578,446	608,627	619,475	612,876	627,232
Financial derivatives	2	4,206	4,206	3,558	3,558	4,334	4,334

All assets and liabilities have been valued as at the balance sheet date.

In the first half of 2018 no changes took place in the principles for the determination of the fair value. Nor were any financial assets reclassified to a different level in the first half of 2018.

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

The fair value of the interest-bearing loans is calculated as the present value of the cash flows based on the swap yield curve and credit spreads in effect at 30 June 2018.

The fair value of the derivatives is determined with reference to information from reputable financial institutions, which is also based on direct and indirect observable market data. For verification purposes, this information is compared to internal calculations made by discounting cash flows based on the market interest rate for comparable financial derivatives on the balance sheet date. The credit risk of the Group or counterparty is taken into account for the fair value determination of financial derivatives.

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

10. PROPERTY

The appraisal of the property portfolio resulted in a net yield (purchase costs payable by the vendor) of 4.0% (31 December 2017: 4.2%). A 25 basis point increase in the net initial yields used in the appraisal values will result in a decrease in the value of the property by € 93.1 million or 6.0% (31 December 2017: € 87.3 million or 5.7%) and a 238 basis points increase in the loan-to-value ratio (31 December 2017: 226 basis points).
For further information on the property portfolio please refer to the chapter Value movements in the 2018 half-year report.

11. ASSETS HELD FOR SALE

	30 June 2018	31 December 2017	30 June 2017
Balance as at 1 January	65,202	-	-
Transferred from/to property in operation	(1,750)	64,873	-
Transferred from accrued assets in respect of lease incentives	-	329	-
Divestments	(61,952)	-	-
	1,500	65,202	-
Value movements	(250)	-	-
Balance as at 30 June	**1,250**	**65,202**	**-**

In the first half of 2018 6 properties were sold and one property was taken into operation again. As at 30 June one property remains which the Executive Board expects will be sold in the second half of 2018.

For further notes on the divestments please refer to the chapter Acquisitions and divestments in the 2018 half-year report.

12. PROVISIONS IN RESPECT OF EMPLOYEE BENEFITS

Due to the limited changes to the underlying factors compared to year-end 2017, the defined benefit obligation was not remeasured as of 30 June 2018, as it was not as at 30 June 2017.

13. INTEREST-BEARING DEBTS

	30 June 2018	31 December 2017	30 June 2017
Long-term liabilities			
Secured loans	-	142	152
Unsecured loans	434,981	500,054	432,422
Convertible bond	-	108,413	107,784
	434,981	**608,609**	**540,358**
Short-term liabilities			
Payable to banks	11,750	7,227	21,570
Redemption long-term interest-bearing loans	25,000	18	72,518
Redemption convertible bond	109,032	-	-
	145,782	**7,245**	**94,088**
Total	**580,763**	**615,854**	**634,446**

For further information about interest-bearing debts please refer to the chapter Financing structure in the 2018 half-year report.

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14. RIGHTS AND OBLIGATIONS NOT RECORDED IN THE BALANCE SHEET

In the past companies have been acquired that owned property. These acquisitions were recognised as the takeover of assets. The provisions for deferred tax liabilities not recorded in the balance sheet total € 14.8 million.

In 2016, Vastned Projecten, a subsidiary of Vastned, sold the company Vastned Lusitania Investimentos Imobiliários, S.A. (Lusitania), the owner of the property located in Portugal, to Prowinko Portugal S.A. In addition to the guarantees customary in such transactions, indemnities were also provided to the buyer for some amounts not paid to the owners' associations by Lusitania and for some tax positions. As the parent company, Vastned Retail has provided guarantees towards the parent company of the buyer for the payment obligations of Vastned Projecten pursuant to this purchase agreement. The customary guarantees expire on 2 June 2019. The tax indemnifications will expire after expiry of the statutory periods for additional assessments of the relevant year. The period that will remain outstanding longest is the 2016 calendar year, which will lapse on 31 December 2020. Vastned does not expect any impact to be significant.

On 10 April 2017, Vastned transferred all shares in the company Vastned Emlak Yatırım ve İnşaat Ticaret A.Ş., owner of the property located in Istanbul, Turkey, to a group of local private investors. The guarantees customary in such transactions were provided to the buyer. The customary guarantees expired on 10 April 2018 without the buyer having invoked them. The tax guarantees will lapse after expiry of the statutory periods for additional assessments of the relevant year. The period that will remain outstanding longest is the 2017 calendar year, which will lapse on 31 December 2022. Vastned does not expect any impact to be significant.

15. SUBSEQUENT EVENTS

No events have taken place after the balance sheet date that affect the consolidated half-year accounts.

16. RELATED PARTY TRANSACTIONS

Except with respect to the issues described below, no material changes occurred in the first half year of 2018 in the nature, scale or volume of transactions with related parties compared to what was set out in the notes to the 2017 financial statements.

During the first half of 2018, none of the members of the Supervisory Board and Executive Board of Vastned had a personal interest in Vastned investments. To Vastned's best knowledge, no property transactions were effected during the period under review involving persons or institutions that could be regarded as related parties.

Interests of major investors

At the time of writing of these half-year financial statements The Netherlands Authority for the Financial Markets (AFM) had received the following notifications from shareholders holding an interest in Vastned exceeding three percent:

A. van Herk	25.05%
M. Ohayon	7.14%
BlackRock, Inc.	5.06%
JP Morgan Asset Management Holdings Inc.	4.99%
Société Fédérale de Participations et d'Investissement (SFPI)	3.02%

REVIEW REPORT

To: Management and Supervisory Board of Vastned Retail N.V.

Introduction
We have reviewed the accompanying consolidated interim financial information of Vastned Retail N.V., Rotterdam, which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statements of income, comprehensive income, movements in equity, and cash flows for the 6-month period ended 30 June 2018, and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope
We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information for the 6-month period ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Utrecht, 1 August 2018

Ernst & Young Accountants LLP

Signed by W.H. Kerst