

# ANNUAL RESULTS



## Summary for 2017

- Continued execution of the strategy to ensure that the share of core city assets in the real estate portfolio exceeds 75% in the long term.
- Acquisition of 3 adjoining core city assets in the centre of Antwerp, located at Steenhouwersvest 44 - 46 - 48 for an investment value of about €6 million.
- As at 31 December 2017, 59% of the real estate portfolio consists of core city assets and 41% of mixed retail locations (inner-city shops outside of the premium cities, retail parks and retail warehouses).
- Realisation of 23 rental transactions representing approximately 9% of the total annual rental income.
- Occupancy rate as at 31 December 2017: 99% (98% as at 31 December 2016).
- Increase by approximately 6.2%<sup>1</sup> in the fair value of the existing real estate portfolio in financial year 2017, mainly as a result of the stronger yields of the core city assets and the mixed retail locations.
- Gross dividend amounts to €2.62 per share for financial year 2017 (€2.45 for financial year 2016). Gross dividend yield of 5.8% based on the closing share price on 31 December 2017, i.e. €45.00.
- Increase of the EPRA<sup>2</sup> earnings in financial year 2017 to €2.62<sup>3</sup> per share (€2.45 for financial year 2016) partly due to the decrease in financing costs.
- Limited debt ratio of 27% as at 31 December 2017.

<sup>1</sup> With unchanged composition of the real estate portfolio compared with 31 December 2016.

<sup>2</sup> In accordance with the issued guidelines of the European Securities and Markets Authority (ESMA), which are applicable as of 3 July 2016, the Alternative Performance Measures (APM) used by Vastned Retail Belgium are included. The definitions, the use and the related reconciliation tables are included in the chapter "Alternative Performance Measures" of the Annual Report 2017 and also on the website [www.vastned.be](http://www.vastned.be) there is a separate Lexicon available with regard to these APM's. A consequence of these guidelines is that the term used prior to this, "operating distributable result", is no longer usable and has been changed to "EPRA earnings". However, with regard to content there is no difference from "operating distributable result", the term used previously.

<sup>3</sup> The increase in EPRA earnings compared to the prognosis as at 30 September 2017 is the result of changed insights in the accounting treatment of the settlement of an interest rate swap.

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## 1. Operating activities in 2017

### 1.1. General and strategic developments

Vastned Retail Belgium continued to pursue its approach in 2017 by means of an **investment strategy** focusing explicitly on premium quality locations and properties.

Vastned Retail Belgium believes that popular high streets in the city centres of major cities guarantee the most authentic and unique shopping experience while at the same time offering the greatest security as a long-term investment. Based on currently identifiable trends in the retail market, Vastned Retail Belgium intends to continue to concentrate on core city assets. Core cities are attractive shopping cities that have positive demographic growth, strong purchasing power, a historic city centre, are highly attractive to tourists and are home to national and international institutions and universities. These include cities such as Antwerp, Brussels, Bruges and Ghent. Vastned Retail Belgium will focus exclusively on the prime high streets in the historic centres of these cities. On 31 December 2017, 59% of the real estate portfolio has already been invested in these types of locations.

The aim is to achieve the strategic goal of investing 75% of the portfolio in these markets in the segment of core city assets through acquisitions and divestments. For the remaining 25%, Vastned Retail Belgium will continue to retain high-quality retail warehouse locations, retail parks and inner-city locations in other cities in its portfolio.

In this context, the company invested in **three core city assets** in the historic city centre of Antwerp in 2017, namely 3 contiguous core city assets located at Steenhouwersvest 44, 46 and 48, representing a total investment of €6 million. On Zonnestraat in Ghent, the construction of the commercial premises for a new core city asset is almost complete.

In terms of **divestments**, in 2017 Vastned Retail Belgium sold one non-strategic retail warehouse at a secondary retail location, thereby further increasing the quality of the real estate portfolio.

The strategic focus on core city assets is manifesting itself in the letting of the properties to solid international tenants. The success of the strategic focus is also apparent from the 100% **occupancy rate** in this segment and the increase in the fair value of the real estate portfolio.

In the area of **leases**, 2017 was an active year for Vastned Retail Belgium. A total of 23 rental transactions were concluded that were valued at €1.9 million in annual rental income which represents approximately 9% of the company's total annual rental income.

**EPRA earnings** amounted to €13.3 million for financial year 2017, compared with €12.5 million for financial year 2016, showing an increase of €0.8 million or about 6.8%. This increase is mainly attributable to an increase in rental income combined with a decrease in financing costs.

With 5.078.525 shares, this represents a **gross dividend** of €2.62 per share for financial year 2017, compared to €2.45 in 2016. This implies that the gross dividend share yield is 5.8% based on the share price as at 31 December 2017.



Antwerp - Steenhouwersvest - Diane Von Furstenberg

## 1.2. Development of real estate portfolio<sup>4</sup>

As at 31 December 2017, 59% of the real estate portfolio of Vastned Retail Belgium consisted of core city assets, i.e. prime retail properties located on the best shopping streets of the major cities of Antwerp, Brussels, Ghent and Bruges (59% as

at 31 December 2016). 41% of the portfolio consists of mixed retail locations, i.e. inner-city shops outside the premium cities, retail parks and retail warehouses (41% as at 31 December 2016).

REAL ESTATE PORTFOLIO	31.12.2017	31.12.2016
Fair value of investment properties (€ 000)	378.195	350.719
Total leasable space (m <sup>2</sup> )	89.877	90.255

As at 31 December 2017, the fair value of the **investment properties** of Vastned Retail Belgium was €378 million (€351 million). This increase by €27 million in 2017 compared to 31 December 2016 is primarily the combined effect of:

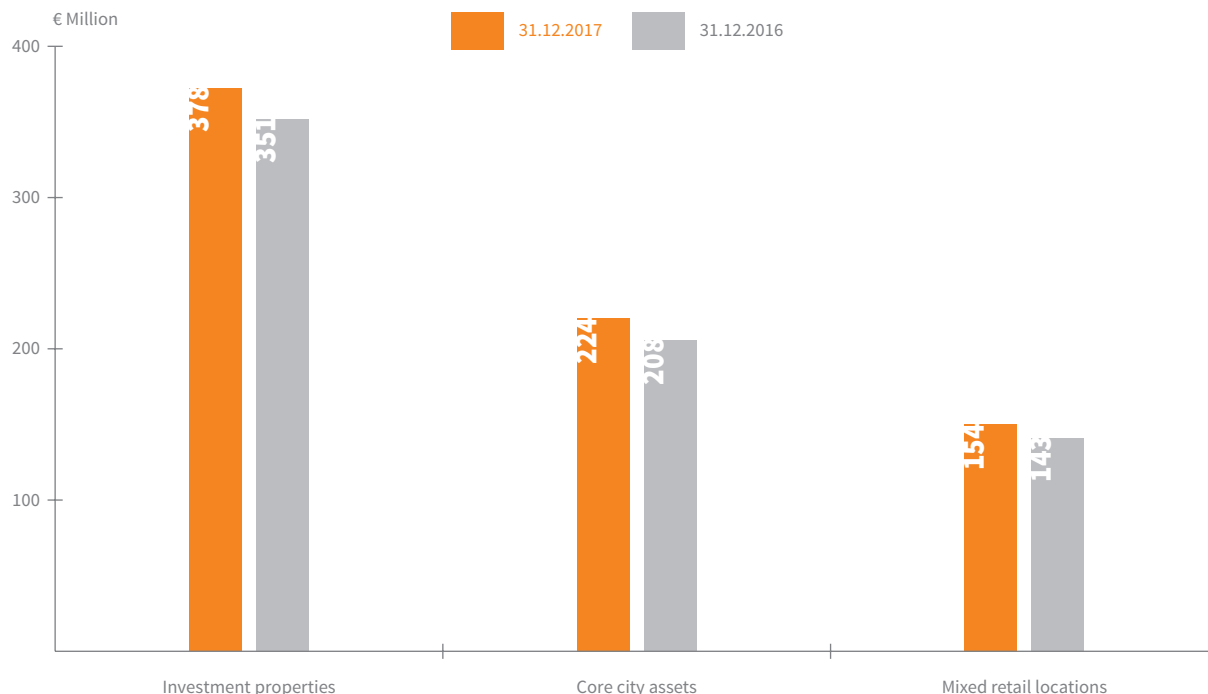
- the acquisition of three core city assets in Antwerp with a total fair value of €6 million;
- the investments in the existing real estate portfolio with a total value of €1 million;
- the divestment of 1 non-strategic retail warehouse at a secondary location with a total fair value of €1 million as at 31 December 2016;
- a €21 million increase in the fair value of the existing real estate portfolio, primarily from core city assets as a result of stronger yields and new leases.

*The total fair value of investment properties as of 31 December 2017 is €378 million.*



Mechelen - Bruul - H&M

Evolution of the fair value of the existing real estate portfolio (million €)



The **fair value of the existing real estate portfolio** of Vastned Retail Belgium increased by €22 million or by approximately 6% in 2017 (based on an unchanged composition of the real estate portfolio compared to 31 December 2016). The fair value of the core city assets rose by approximately 5% and the fair value of the mixed retail locations rose by approximately 8%.

Market rents and yields<sup>5</sup> improved in 2017, as well as for the core city assets as in the segment of the mixed retail locations. The average yield in the real estate company's portfolio decreased slightly by 30 base points.

As at 31 December 2017, the average yield in the Vastned Retail Belgium portfolio was 4.47% for core city assets (4.75% as at 31 December 2016) and 6.45% for mixed retail locations (6.76% as at 31 December 2016).



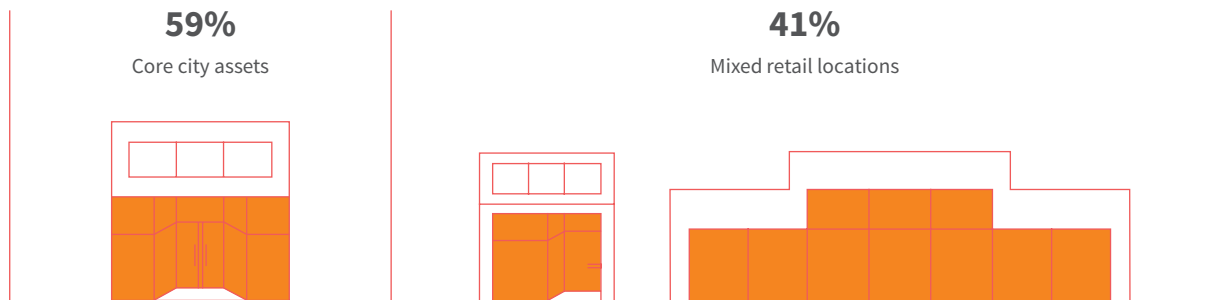
Antwerp - Arme Duivelstraat - Les Hommes

<sup>5</sup> Yield is calculated as the ratio between current rents (increased by the estimated rental value of unoccupied rental premises) and the fair value of investment properties.

Vastned Retail Belgium's investment policy is geared toward retail properties and includes criteria for spreading risk in the real estate portfolio. These criteria are based on the type of property, the geographic location and the type of tenants.

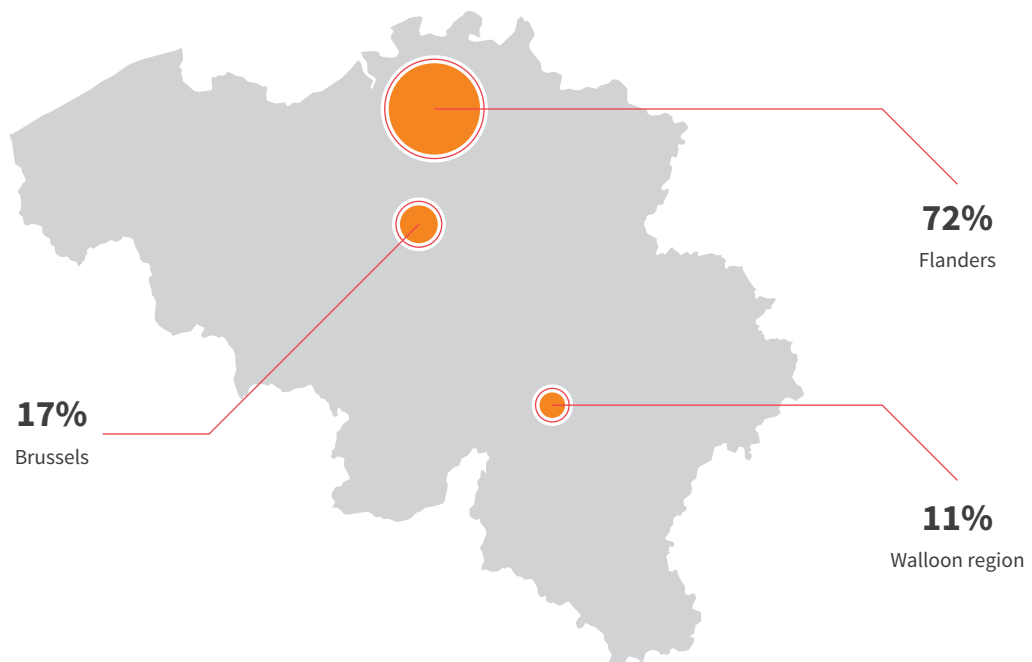
As at 31 December 2017 this risk spread was as follows:

### Type of retail property



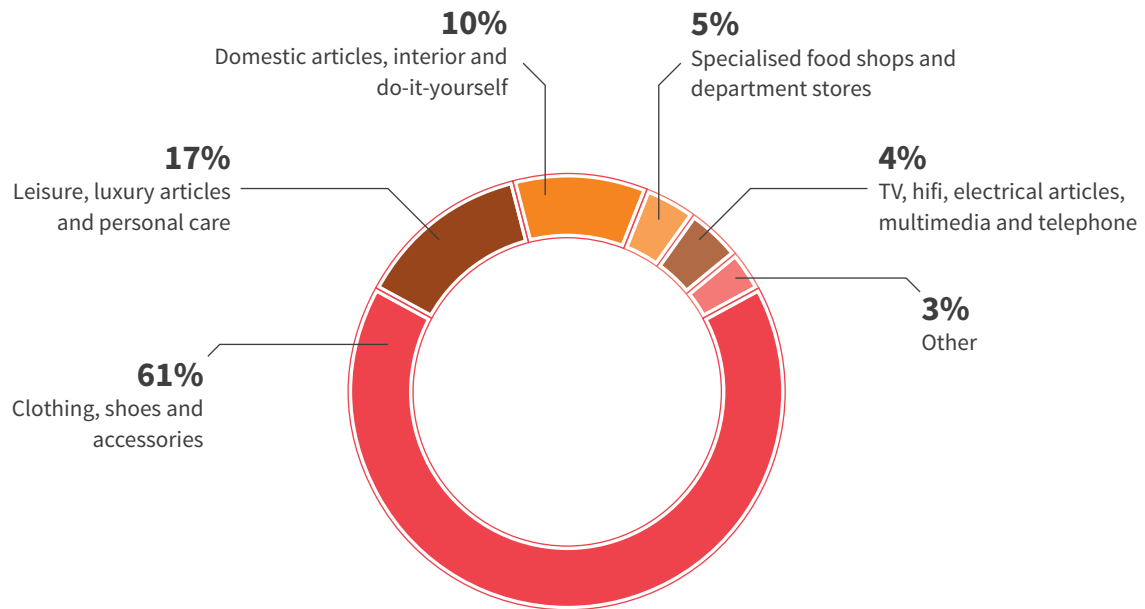
As at 31 December 2017, 59% of the real estate portfolio consists of core city assets and 41% of mixed retail locations (inner-city shops outside the premium cities, retail parks and retail warehouses).

### Geographic spread



The portfolio contains as per 31 December 2017 149 leasable units, distributed across 61 different locations.

Sector of tenants



Spread per tenant by size

Vastned Retail Belgium had obtained a derogation from the FSMA regarding the 20% limitation until October 2017 in accordance with Article 30 §3 and §4 of the RREC Act. This Article prohibits RRECs from investing more than 20% of their assets in a single property entity. As a result of this derogation, the debt ratio of the company had been limited to 33% instead of the statutory 65%. At the time the derogation expired, the share of the buildings let to H&M was less than 20%, the consequence being that the company did not have to request an extension of this derogation.

As a result, the company is no longer bound to the limitation of its debt ratio.

As at 31 December 2017, the share of the buildings let to H&M (Hennes & Mauritz) amounted to 19.7% of the consolidated assets of Vastned Retail Belgium.





### 1.3. Investments

Regarding new investments, the focus of Vastned Retail Belgium is on high-quality retail property in prime locations in the centre of major cities in Belgium such as Antwerp, Brussels, Ghent and Bruges.

The acquisition of three properties, located at Steenhouwersvest 44-46-48 in the historic city centre of Antwerp, is entirely in line with Vastned Retail Belgium's strategy to invest in core city assets. These three properties were recently completely renovated and converted into three commercial units and five apartments.

The retail property located at number 44 has a sales surface of 60 square metres on the ground floor and is leased to Diane Von Furstenberg. The store located at number 46 has a sales surface of 66 square metres on the ground floor and 180 square metres on the first floor and is leased to Damoy. The store located at number 48 measures 65 square metres and is leased to Le Pain Quotidien.

The properties have been acquired for a total amount of approximately €6 million via the acquisition of the shares of the company RR Developments NV. This acquisition, at a yield in line with market conditions, is being financed from the available credit lines and by the takeovers of the credit lines of RR Developments. The purchase value is in line with the valuation by the company's independent property expert.

This acquisition will generate a rental income flow for the regulated real estate company of approximately €0.3 million annually and immediately contribute to the consolidated EPRA earnings.



## 1.4. Redevelopments

### Ghent - Zonnestraat 10

The second phase, dealing with the prominent redevelopment and thorough restoration of a core city asset in the historic city centre of Ghent, has been launched at the end of March 2017.

The existing retail property at Zonnestraat 10 in Ghent was demolished and construction works have progressed very well. The retail property will be rebuilt as an up-to-date building with both retail and residential functionalities.

This redevelopment involves an investment amount of approximately €1 million. Delivery of the commercial premises to the new tenant, the women's clothing brand YAYA, took place on 25 January 2018. The opening of this shop specialising in women's apparel, described as a mix of authentic items, both feminine and casual and nonchalant with a feminine edge, along with lifestyle products, is planned for March 2018.

Delivery of the apartments above the shop is anticipated in the course of the third quarter of 2018.



Ghent - Zonnestraat - AS Adventure

### Mechelen - Bruul 42-44

In the first quarter of 2017, Vastned Retail Belgium merged the shop let to H&M on Bruul 42-44 in Mechelen with the adjacent vacant corner retail property, expanding the current retail space of H&M to make space to open an H&M Home in this retail unit alongside H&M's clothing offer. This redevelopment involves an investment amount of €0.4 million.



Mechelen - Bruul - H&M

## 1.5. Divestments

It is the strategy of Vastned Retail Belgium to reduce in the long term the share of mixed retail locations in the company's real estate portfolio and to move towards a 75% share of core city assets in the portfolio.

Vastned Retail Belgium sold a non-strategic retail property located in Kurne for an amount of €0.5 million in the second quarter of 2017. The building has a total retail surface area of 736 m<sup>2</sup> and has been vacant for quite some time.

This divestment is entirely in keeping with the strategy of the real estate company to focus on core city assets. Kurne is a secondary retail location where rents are under pressure as a result of decreasing numbers of visitors and the increase in internet sales. For these reasons, the real estate company considered it opportune to divest the retail property.

## 1.6. Leases

In the area of leases, 2017 was an active year for Vastned Retail Belgium. A total of 23 rental transactions were concluded that were valued at €1.9 million in annual rental income. This represents roughly 9% of the company's total annual rental income. In 2017, 15 lease agreements went into force.

### New leases

In 2017, 13 rental transactions were concluded with **new tenants** for a total annual rental volume of €0.6 million.

This concerns 10 rentals of unoccupied shops, 2 rentals immediately following the departure of the previous tenant and 1 rental immediately following a bankruptcy of the previous tenant. These 13 lease agreements represent approximately 3.1% of the company's total rental income. The new rent for these lease agreements is on average 2% lower than the rent for the previous lease agreements. This decrease in rental price represents only € 13.000, or not even 0.1% of the total annual rental income.

There is one lease agreement for which a condition precedent still needs to be fulfilled. The other lease agreements will commence in the course of 2018.

These transactions lead to a drop in vacancy rates in both segments, which in turn results in an increasing cash flow.

The core city assets remain steadfast, and the rent levels for the best locations in these cities are still increasing slightly.

Due to the current market situation, it is impossible to realise a substantial rent increase when leasing mixed retail locations to new tenants, and it is often necessary to lower the rent at secondary locations.

### Lease extensions and renegotiations with existing tenants

Vastned Retail Belgium **renewed 10 lease agreements** in 2017 for a total annual rental volume of approximately €1.3 million. On average, the new rent for these lease agreements

is 1% higher than the rent being charged in the current lease agreements. These 10 lease agreements represent roughly 6% of the company's total rental income.

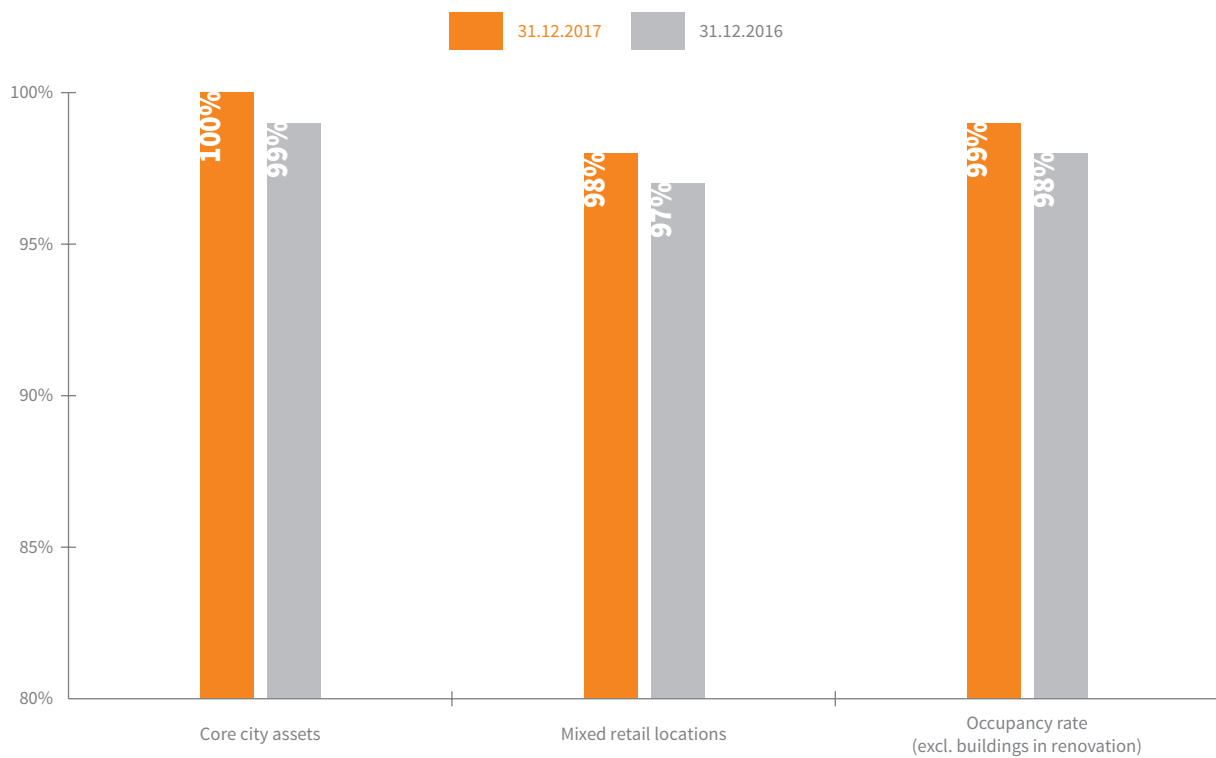


## Occupancy rate

The **occupancy rate** of the portfolio amounted to 99% as at 31 December 2017, which is an increase of 1% compared to 31 December 2016. The occupancy rate of the real estate portfolio with regard to the segment of core city assets

has increased from 99% at the end of 2016 to 100% as at 31 December 2017. The occupancy rate of the mixed retail locations increased also with 1% compared to the previous accounting year and amounts to 98%.

*As at 31 December 2017, the occupancy rate of the real estate portfolio was 99%.*



## 2. Financial results 2017

### 2.1. Consolidated income statement<sup>6</sup>

IN THOUSANDS €	2017	2016
Rental income	19.018	18.475
Rental-related expenses	-131	-136
Property management costs and income	58	39
<b>Property result</b>	<b>18.945</b>	<b>18.378</b>
Property charges	-1.749	-1.781
General costs and other operating costs and income	-980	-1.088
<b>Operating result before result on portfolio</b>	<b>16.216</b>	<b>15.509</b>
Result on disposals of investment properties	-21	17
Changes in fair value of investment properties	20.935	7.062
Other result on portfolio	-501	56
<b>Operating result</b>	<b>36.629</b>	<b>22.644</b>
Financial result (excl. changes in fair value - IAS 39)	-2.595	-2.947
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)	886	889
Taxes	-251	-53
<b>Net result</b>	<b>34.669</b>	<b>20.533</b>
<b>Note:</b>		
EPRA earnings	13.306	12.463
Result on portfolio	20.413	7.135
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39) and other non-distributable elements	950	935

RESULT PER SHARE	2017	2016
Number of shares entitled to dividend	5.078.525	5.078.525
Weighted average number of shares	5.078.525	5.078.525
Net result (€)	6,83	4,04
Gross dividend (€)	2,62	2,45
Net dividend <sup>7</sup> (€)	1,8340	1,7150

<sup>6</sup> Between brackets: comparative figures for the financial year 2016.

<sup>7</sup> The withholding tax on dividends of public regulated real estate companies was increased from 27% to 30% (subject to certain exemptions) with effect from 1 January 2017, pursuant to the Program Act of 25 December 2016, published in the Belgian Official Gazette of 29 December 2016.

In 2017, the **rental income** of Vastned Retail Belgium amounted to €19.0 million (€18.5 million). The increase of €0.5 million, or 3% compared to 2016, is mainly attributable to the acquisition of three core city assets in the city centre of Antwerp on the one hand, and to new leases entered into in the course of the 2016 and 2017 financial years on the other. Furthermore, one-off indemnity payments were received from tenants who left their premises before the contractual break.

The **real estate costs** amounted to €1.7 million (€1.8 million) and decreased by €0.1 million, primarily due to a drop in the charges and taxes on unlet properties as a result of a decrease in the vacancy rate during the 2017 financial year.

**General costs and other operating income and costs** amounted to €1.0 million (€1.1 million) and decreased by €0.1 million compared to previous financial year as a result of a more limited staffing in finance and administration.

The increase in rental income is reflected in the increase of the **operating result before result on portfolio** of 2017, this result increased by €0.7 million to €16.2 million (€15.5 million).

*The operational margin of Vastned Retail Belgium is 86% for financial year 2017 (84% in 2016).*



Brussels - Elsenesteenweg - Action

The **result on disposal of investment properties** amounts to €-21.000 (€17.000) and comprises the capital loss realised on the sale of one non-strategic retail warehouse at a secondary location in 2017. The net sales price of €0.5 million is approximately 3.7% below the carrying amount as at 31 December 2016 (fair value as determined by the company's independent property expert).

In 2017, the fair value of the existing real estate portfolio of Vastned Retail Belgium increased by 6.2% compared to 2016 year-end. The **changes in fair value of investment properties** are also positive in 2017 and amount to €20.9 million compared to €7.1 million in 2016. This increase is primarily due to a €21 million increase in the fair value of the existing real estate portfolio, and this in both segments, i.e. core city assets and mixed retail locations, as a result of stronger yields and new leases.

The **financial result (excl. changes in the fair value of financial assets and liabilities (ineffective hedges - IAS 39))** amounted to €-2.6 million for the 2017 financial year (€-2.9 million), which constitutes a €0.3 million decrease compared to 2016, primarily attributable to the refinancing of the entire loan portfolio under better conditions.

*The average interest rate of the credit facilities of the company for financial year 2017 decreased to 2.6% including bank margins (3.0% in 2016). The average interest rate, excluding the early termination fee for the refinancing, was 2.5% in 2017.*



Antwerp - Schuttershofstraat - Terre Bleue

In 2017 the **changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)** included the decrease in the negative market value of the interest rate swaps which, in line with IAS 39, cannot be classified as cash flow hedging instruments, in the amount of €0.9 million (€0.9 million).

The **net result** of Vastned Retail Belgium for financial year 2017 amounts to €34.7 million (€20.5 million) and may be divided into:

- the **EPRA earnings** of €13.3 million (€12.5 million) or an increase of €0.8 million or approximately 7%, which is primarily due to an increase of €0.5 million in rental income combined with a decrease of €0.3 million in financing costs;
- the **result on portfolio** of €20.4 million (€7.1 million), which is primarily due to the increase in the fair value of the investment properties;
- **changes in the fair value of financial assets and liabilities (ineffective hedges - IAS 39) and other non-distributable elements** in the amount of €1.0 million (€0.9 million).

The **EPRA earnings** of Vastned Retail Belgium therefore increased in financial year 2017 to €13.3 million (€12.5 million). With 5.078.525 shares, this represents a gross dividend of €2.62 per share for financial year 2017, compared to €2.45 in 2015. This implies that the **gross dividend share yield** is 5.8% based on the share price as at 31 December 2017.

The increase in EPRA earnings compared to the prognosis as at 30 September 2017 is the result of changed insights in the accounting treatment of the settlement of an interest rate swap. Due to the fact that this transaction was processed in a different manner as at 31 December 2017 compared to the initial processing, this has positively influenced the EPRA earnings and consequently the gross dividend per share by 12 cents per share.

## 2.2. Consolidated balance sheet<sup>8</sup>

IN THOUSANDS €	31.12.2017	31.12.2016
<b>ASSETS</b>		
Non-current assets	378.759	351.329
Current assets	1.907	1.583
<b>Total assets</b>	<b>380.666</b>	<b>352.912</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>	<b>274.508</b>	<b>252.281</b>
Share capital	97.213	97.213
Share premium	4.183	4.183
Reserves	138.443	130.352
Net result of the financial year	34.669	20.533
Non-controlling interest	0	0
<b>Liabilities</b>	<b>106.158</b>	<b>100.631</b>
Non-current liabilities	98.146	63.304
Current liabilities	8.012	37.327
<b>Total shareholders' equity and liabilities</b>	<b>380.666</b>	<b>352.912</b>

<sup>8</sup> Between brackets: comparative figures for the financial year 2016.

## Assets

On 31 December 2017, the fair value of the **investment properties** of Vastned Retail Belgium was €378 million (€351 million). This increase by €27 million in 2017 compared to 31 December 2016 is primarily the combined effect of:

- the acquisition of three core city assets in Antwerp with a total fair value of €6 million;
- the investments in the existing real estate portfolio with a total value of €1 million;
- the divestment of 1 non-strategic retail warehouse at a secondary location with a total fair value of €1 million as at 31 December 2016;
- a €21 million increase in the fair value of the existing real estate portfolio, primarily from core city assets as a result of stronger yields and new leases.

*The fair value of the real estate portfolio amounts to € 378 million as at 31 December 2017.*

## Liabilities

The company's **shareholders' equity** amounts to €275 million (€252 million). The share **capital** (€97 million) and the **share premium** (€4 million) remained unchanged in comparison to last year. The total number of shares entitled to dividend amounted to 5.078.525 units as at 31 December 2017. The company's **reserves** amount to €138 million (€130 million) as at 31 December 2017.

In comparison to 2016, the **non-current liabilities** increased to €98 million (€63 million) and consist mainly of long-term financing in the amount of €96 million and additionally the negative market value of the long-term hedging instruments in the amount of €2 million. The increase of €35 million is primarily due to the refinancing of the loan portfolio implemented in 2017. Through this refinancing, the maturity of the loan portfolio was significantly extended to an average of 5.3 years, compared to an average of 2.8 years in the previous financial year.

**Current liabilities** amounted to €8 million (€37 million), and consisted of €4 million (€33 million) in current financial debts (all of which comprise short-term financing on a rolling basis), €2 million (€3 million) in trade debts and other current debts and €1 million (€1 million) in accrued charges and deferred income and other liabilities.

The **debt ratio** of the company amounted to 27% as at 31 December 2017 and remained stable compared to 31 December 2016.





As at 31 December 2017, the company had a stable balance sheet with a low debt ratio of 27% (27% as at 31 December 2016).

DATA PER SHARE	31.12.2017	31.12.2016
Number of shares entitled to dividend	5.078.525	5.078.525
Net value (fair value) (€)	54,05	49,68
Net value (investment value) (€)	55,83	51,36
Net asset value EPRA <sup>9</sup> (€)	54,52	50,33
Share price on closing date (€)	45,00	53,85
Premium (+) / Discount (-) to net value (fair value) (%)	-17%	8%
Debt ratio (max 65 %)	27%	27%

As at 31 December 2017, the **net value** (fair value) of the share was €54.05 (€49.68). As the share price as at 31 December 2017 was €45.00, the Vastned Retail Belgium share is listed at a discount of approximately 17% compared to this net value (fair value).

As the share price of Vastned Retail Belgium as at 31 December 2017 was €45.00, the company is offering a gross dividend yield of 5.8%.

<sup>9</sup> Financial performance indicator calculated according to EPRA's Best Practices Recommendations (European Public Real Estate Association). These data are not required by regulation regarding regulated real estate companies and are not subject to a control by government authorities. See also [www.epra.com](http://www.epra.com).

## 2.3. Financial structure

Vastned Retail Belgium has a conservative financial structure as at 31 December 2017 allowing it to continue to carry out its activities in 2018 accordingly.

The most important characteristics of the financial structure as at 31 December 2017 are:

- Amount of financial debts: €100.0 million;
- 92% of available credit lines are long-term financing schemes with financial institutions with a weighted average remaining duration of 5.3 years;
- well-spread expiry dates of credit facilities between 2022 and 2024;
- spread of credit facilities over 4 European financial institutions;
- €25.0 million of available non-withdrawn credit lines at financial institutions;
- 64% of the available credit facilities have an interest rate fixed by interest rate swaps, 36% have a variable interest rate; with regard to the withdrawn credit facilities these figures are 80% and 20%, respectively;
- fixed interest rates are fixed for a remaining period of 5.5 years on average;
- average interest rate for 2017: 2.6% including bank margins;
- market value of financial derivatives: €1.9 million negative;
- limited debt ratio of 27% (statutory maximum: 65%).

As at 31 December 2017, 92% of the available credit lines at financial institutions comprise long-term financing. 8% of the credit lines are short-term financing, of which 100% are credit facilities with an indefinite duration (€ 10 million). Vastned Retail Belgium does not need to carry out any more refinancing of its credit facilities in the coming financial year 2018.

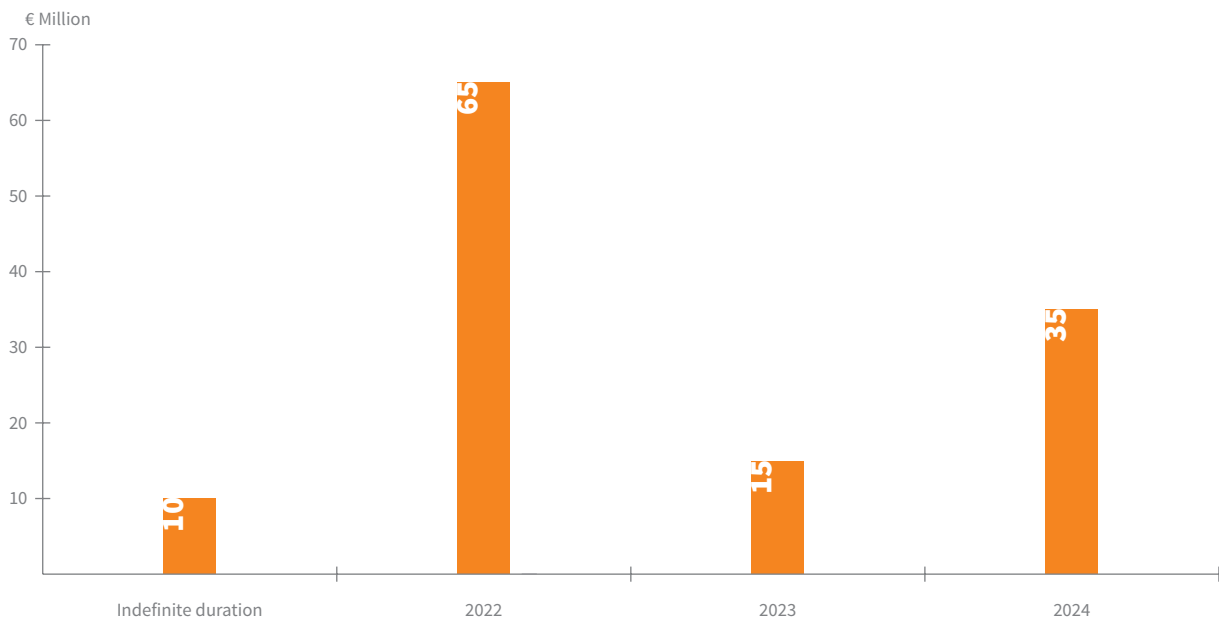
### Balance between long-term and short-term financing

**92%**  
Long-term credit facilities



**8%**  
Short-term credit facilities,  
of which 100% are credit facilities with  
an indefinite duration

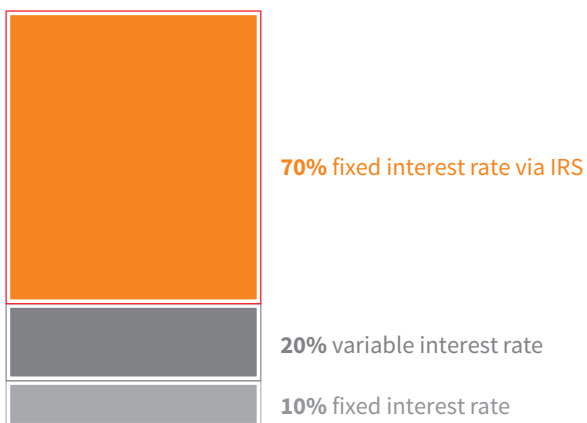




To safeguard its operating results from future interest rate fluctuations, Vastned Retail Belgium is partially hedging these interest rate fluctuations with interest rate swaps.

As at 31 December 2017, Vastned Retail Belgium had a notional amount of €70 million in active interest rate swaps, with an average remaining term of 5.5 years.

### Balance credit lines with variable and fixed interest rate



The company has a limited debt ratio of 27%.



Antwerp - Korte Gasthuisstraat - Terre Bleue

### 3. Outlook for 2018<sup>10</sup>

The Belgian economy is doing well and continues to expand, with growth of 1.7% expected in 2018. Real disposable income for private individuals rose by 0.9% in 2017, and a more pronounced increase of 2.2% is expected in 2018. Private consumption is expected to rise by 1.9% in 2018, thanks in part to a high level of consumer confidence. Employment growth is expected to be 1% in 2018.

The influence of the internet on consumers is exceeding all expectations, and customers have a completely different buying experience than they did before, with mobile technology becoming increasingly important. Physical shops still have added value, and they remain relevant when they connect consumers, products, brands and employees. Despite strong growth in online shopping, consumers still buy 80 to 85% of their non-food products in physical shops.

Vastned Retail Belgium intends to pursue its strategy further in 2018 by focusing more explicitly on premium quality retail locations and retail parks. The company will continue to work towards a clear predominance of core city assets, i.e. the very best retail property in the most popular shopping streets in the major cities. The primary focus is on the acquisition of retail property in the Antwerp city centre, and additionally in other major cities. By focusing on a limited number of city centres, the market knowledge of the asset team of the company grows, thereby allowing for a good assessment of opportunities. New investments will, to a considerable

extent depend on further developments on the retail property market. The long-term goal is to ensure that 75% of all investments are in this type of real estate. At the end of 2017 the company owned 59% of core city assets.

In past years, Vastned Retail Belgium has greatly increased the quality of its real estate portfolio by investing in high-quality core city assets and divesting from various non-strategic mixed retail locations. For this reason, the vacancy rate for the portfolio had dropped to less than 1% as at the end of the 2017 financial year.

As from the 2018 financial year Vastned Retail Belgium expects that EPRA earnings will continue to grow as a result of a high-quality real estate portfolio with limited vacancies on the one hand and the refinancing implemented in July 2017 on the other. The result of this refinancing is a further decrease of the average interest rate of the credit facilities, which will have a positive effect on EPRA earnings.

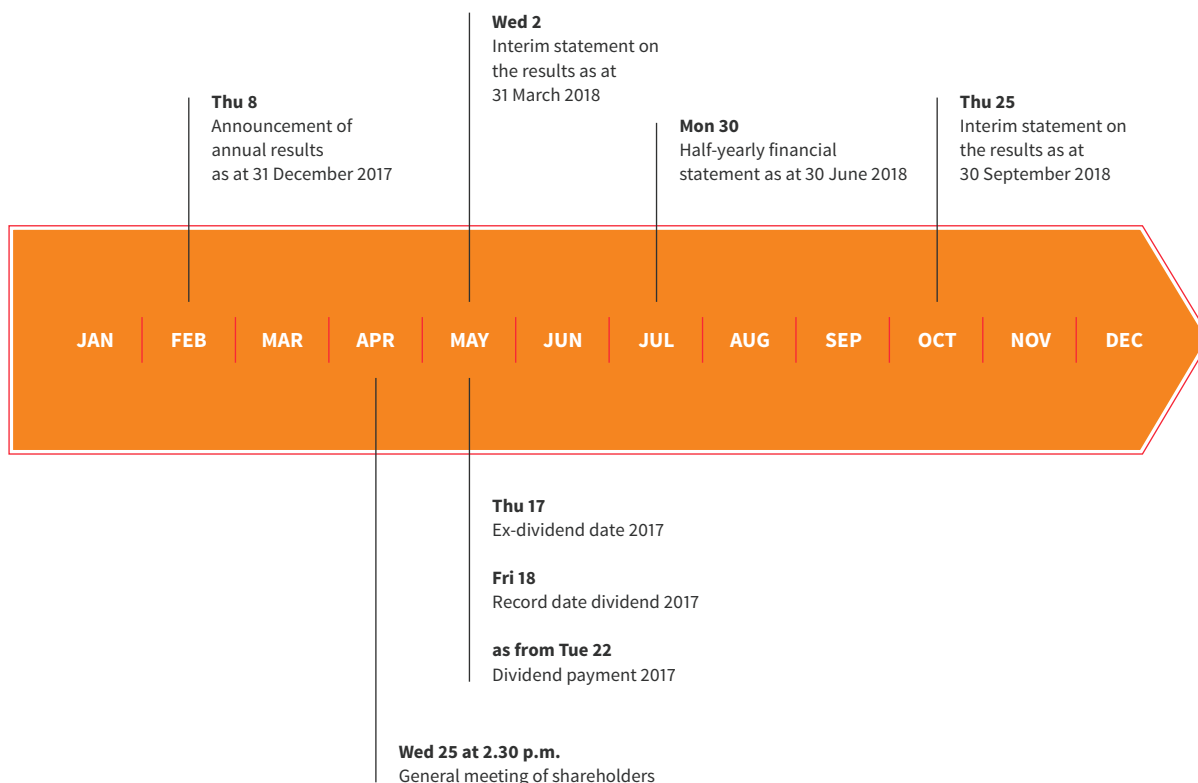
### 4. Subsequent events

On 14 January 2018, Vastned Retail N.V., which directly and indirectly holds 65.49% of the shares in Vastned Retail Belgium NV, has announced its intention to make a voluntary and conditional takeover bid of €57.50 per share in cash for all the shares in Vastned Retail Belgium that it does not hold.

In the context of the intended takeover bid Vastned proposes to convert Vastned Retail Belgium from a public regulated real estate company into a specialised real estate investment fund. In this context, the stock listing of Vastned Retail Belgium will be cancelled.

<sup>10</sup> Sources: Federaal Planbureau ; Sectorprognose, Rabobank 2018 ; Retail Update newsletter, different number January - December 2017 ; Marketbeat Belgium Retail, HY 2017, Cushman & Wakefield ; The Belgian Retail Market 2017, CBRE

## 5. Financial calendar 2018



The annual report concerning financial year 2017 will be published on the company's website ([www.vastned.be](http://www.vastned.be)) as from 23 March 2018.

**About Vastned Retail Belgium.** Vastned Retail Belgium is a public regulated real estate company (RREC), the shares of which are listed on Euronext Brussels (VASTB). Vastned Retail Belgium invests exclusively in Belgian commercial real estate, more specifically in core city assets (prime retail properties located on the best shopping streets in the major cities of Antwerp, Brussels, Ghent and Bruges), and mixed retail locations (inner-city shops outside of the premium cities, high-end retail parks and retail warehouses). The RREC intends to achieve a 75% investment ratio in core city assets in due course.

**For more information, please contact:**

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This press release contains prospective information, forecasts, convictions and estimates prepared by Vastned Retail Belgium on the expected future performance of Vastned Retail Belgium and the markets in which it operates. Readers are held to observe that such prospects are subject to risks and uncertainties which can cause the actual results to differ considerably from those expressed in such prospective statements. Prospective statements such as these can be impacted by significant factors such as changes in the economic situation, tax, competitive along with environmental factors. Vastned Retail Belgium cannot guarantee that the assumptions underlying the prospective information are free of misstatements.

## Financial statements<sup>11</sup>

### 1. Consolidated income statement

IN THOUSANDS €	2017	2016
Rental income	19.018	18.475
Rental-related expenses	-131	-136
<b>NET RENTAL INCOME</b>	<b>18.887</b>	<b>18.339</b>
Recovery of rental charges and taxes normally payable by tenants on let properties	1.016	1.323
Rental charges and taxes normally payable by tenants on let properties	-1.016	-1.323
Other rental-related income and expenses	58	39
<b>PROPERTY RESULT</b>	<b>18.945</b>	<b>18.378</b>
Technical costs	-397	-455
Commercial costs	-284	-165
Charges and taxes on unlet properties	-5	-70
Property management costs	-1.018	-1.084
Other property charges	-45	-7
<b>Property charges</b>	<b>-1.749</b>	<b>-1.781</b>
<b>OPERATING PROPERTY RESULT</b>	<b>17.196</b>	<b>16.597</b>
General costs	-1.005	-1.113
Other operating income and costs	25	25
<b>OPERATING RESULT BEFORE RESULT ON PORTFOLIO</b>	<b>16.216</b>	<b>15.509</b>
Result on disposals of investment properties	-21	17
Changes in fair value of investment properties	20.935	7.062
Other result on portfolio	-501	56
<b>OPERATING RESULT</b>	<b>36.629</b>	<b>22.644</b>
Financial income	4	11
Net interest charges	-2.594	-2.954
Other financial charges	-5	-4
Changes in fair value of financial assets and liabilities ineffective hedges - IAS 39)	886	889
<b>Financial result</b>	<b>-1.709</b>	<b>-2.058</b>
<b>RESULT BEFORE TAXES</b>	<b>34.920</b>	<b>20.586</b>
Corporate tax	-251	-53
<b>Taxes</b>	<b>-251</b>	<b>-53</b>
<b>NET RESULT</b>	<b>34.669</b>	<b>20.533</b>

<sup>11</sup> The statutory auditor has confirmed that his full audit, which has been substantially completed, has not revealed material adjustments which would have to be made to the accounting information disclosed in this press release and that an unqualified auditor's report will be issued.

IN THOUSANDS €	2017	2016
<b>NET RESULT</b>	<b>34.669</b>	<b>20.533</b>
<b>Note:</b>		
EPRA earnings	13.306	12.463
Result on portfolio	20.413	7.135
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39) and other non-distributable elements	950	935
<b>Attributable to:</b>		
Equity holders of the parent company	34.669	20.533
Non-controlling interest	0	0

RESULT PER SHARE (IN €)	2017	2016
Number of shares entitled to dividend	5.078.525	5.078.525
Weighted average number of shares	5.078.525	5.078.525
Net result (€)	6,83	4,04
Diluted net result (€)	6,83	4,04
EPRA earnings (€)	2,62	2,45

## 2. Consolidated statement of comprehensive income

IN THOUSANDS €	2017	2016
<b>NET RESULT</b>	<b>34.669</b>	<b>20.533</b>
<b>Other components of comprehensive income (recyclable in the income statement)</b>	<b>0</b>	<b>0</b>
Changes in the effective part of fair value of allowed hedging instruments that are subject to hedge accounting	0	0
<b>COMPREHENSIVE INCOME</b>	<b>34.669</b>	<b>20.533</b>
<b>Attributable to:</b>		
Equity holders of the parent company	34.669	20.533
Minority interests	0	0

### 3. Consolidated balance sheet

<b>ASSETS IN THOUSANDS €</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Non-current assets</b>	<b>378.759</b>	<b>351.329</b>
Intangible assets	15	1
Investment properties	378.195	350.719
Other tangible assets	546	606
Trade receivables and other non-current assets	3	3
<b>Current assets</b>	<b>1.907</b>	<b>1.583</b>
Trade receivables	373	381
Tax receivables and other current assets	151	110
Cash and cash equivalents	367	320
Deferred charges and accrued income	1.016	772
<b>TOTAL ASSETS</b>	<b>380.666</b>	<b>352.912</b>

<b>SHAREHOLDERS' EQUITY AND LIABILITIES IN THOUSANDS €</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Shareholders' equity</b>	<b>274.508</b>	<b>252.281</b>
<b>Shareholders' equity attributable to the shareholders of the parent company</b>	<b>274.508</b>	<b>252.281</b>
Share capital	97.213	97.213
Share premium	4.183	4.183
Reserves	138.443	130.352
Net result of the financial year	34.669	20.533
<b>Non-controlling interest</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>	<b>106.158</b>	<b>100.631</b>
<b>Non-current liabilities</b>	<b>98.146</b>	<b>63.304</b>
Non-current financial debts	95.625	60.000
<i>Credit institutions</i>	95.625	60.000
Other non-current financial liabilities	1.880	3.154
Other non-current liabilities	145	109
Deferred taxes - liabilities	496	41
<b>Current liabilities</b>	<b>8.012</b>	<b>37.327</b>
Provisions	269	269
Current financial debts	4.400	32.900
<i>Credit institutions</i>	4.400	32.900
Other current financial liabilities	0	106
Trade debts and other current debts	2.107	2.725
Other current liabilities	625	628
Accrued charges and deferred income	611	699
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>380.666</b>	<b>352.912</b>



#### 4. Statement of consolidated changes in equity

IN THOUSANDS €	Share capital	Share premium	Reserves	Net result of financial year	Non controlling interest	Total shareholders' equity
<b>Balance at 31 December 2015</b>	<b>97.213</b>	<b>4.183</b>	<b>127.797</b>	<b>15.302</b>	<b>0</b>	<b>244.495</b>
Comprehensive income of 2016				20.533		20.533
Transfer through result allocation 2015:						
Transfer from result on portfolio to reserves			2.308	-2.308		0
Transfer from changes in fair value of financial assets and liabilities			197	-197		0
Other movements			50	-50		0
Dividends financial year 2015				-12.747		-12.747
<b>Balance at 31 December 2016</b>	<b>97.213</b>	<b>4.183</b>	<b>130.352</b>	<b>20.533</b>	<b>0</b>	<b>252.281</b>
Comprehensive income of 2017				34.669		34.669
Transfer through result allocation 2016:						
Transfer from result on portfolio to reserves			7.136	-7.136		0
Transfer from changes in fair value of financial assets and liabilities			889	-889		0
Other movements			66	-66		0
Dividends financial year 2016				-12.442		-12.442
<b>Balance at 31 December 2017</b>	<b>97.213</b>	<b>4.183</b>	<b>138.443</b>	<b>34.669</b>	<b>0</b>	<b>274.508</b>

# ANNUAL RESULTS

# 2017

## VASTNED RETAIL BELGIUM

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