

PRESS RELEASE

HALF-YEAR REPORT 2019

Solid result in challenging market conditions

Highlights HY1 2019

- Attracted JD Sports for Rue de Rivoli 118-120; Skechers replaces GAP on Rue de Rivoli 102; new lease agreement with UGG for Rue Vieille du Temple 26 in Paris
- Share buyback programme concluded of € 34.7 million in total in 2018 and 2019
- Interest rate derivatives concluded at competitive conditions
- Occupancy rate of the portfolio decreased to 93.1% at the end of June 2019, mainly due to vacancy Rue de Rivoli 118-120 in Paris
- Like-for-like gross rental income decrease of the portfolio 2.3%, due to vacancy Rue de Rivoli 118-120 in Paris
- Limited value decrease of the portfolio of € 6.1 million*
- Clusters in Amsterdam expanded by € 10.8 million; non-strategic properties in the Netherlands and Belgium sold for € 6.4 million
- Direct result HY1 2019 € 0.96 per share; indirect result HY1 2019 € 0.48 per share negative
- Estimated direct result 2019 at the lower end of the guidance range of € 2.00 - € 2.10 per share
- Estimated total dividend 2019: € 2.05 per share; interim dividend HY1 2019 € 0.58 per share

* Excluding acquisitions and divestments

Amsterdam, 31 July 2019 - Vastned, the listed European retail property company focusing on 'venues for premium shopping', today publishes its HY1 2019 figures, showing a direct result of € 0.96 per share.

Taco de Groot, Vastned CEO: *'We are delighted to have concluded three new leases in Paris. Last week, we have reached agreement with the leading sneakers and sportswear retailer JD Sports for our property Rue de Rivoli 118-120. We have also attracted one of the fastest growing shoe retailers, Skechers, to replace GAP at Rue de Rivoli 102. After refurbishment both shops are expected to open for business in the spring of 2020 and in the latter part of 2019 respectively. We have also concluded a new lease with UGG for our property at Rue Vieille du Temple 26.'*

In addition to these new leases we further raised the quality of our portfolio by expanding the clusters in Amsterdam and by selling some non-strategic properties in the Netherlands and Belgium. We also further optimized our financing structure by replacing existing loans with a long-term bond loan from Pricoa Capital Group and by settling existing interest rate derivatives and concluding new interest rate derivatives at more favourable conditions.

Except for Rue de Rivoli 118-120 in Paris, the property portfolio performed well in HY1 2019, in spite of challenging market conditions, and the value of the property portfolio stabilised. We will focus on maintaining a high occupancy rate and further optimizing the portfolio. We expect a direct result for 2019 at the lower end of the guidance range of € 2.00 - € 2.10 per share, mainly due to the vacancy of Rue de Rivoli 118-120 in Paris. We anticipate being able to distribute a stable total dividend of € 2.05 per share for 2019. In line with our dividend policy we will distribute an interim dividend of € 0.58 per share, which is equal to 60% of the direct result for the first half year.'

Key parameters

The portfolio performed well in HY1 2019, despite the challenging market conditions. However, due to the vacancy of Rue de Rivoli 118-120 in Paris, in combination with the lower rental income due to the smaller size of the portfolio compared to 2018 and the fact that there are no one-off benefits like in 2018, the following key figures turned out negative.

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Results

	HY1 2019	HY1 2018
Occupancy rate as at 30 June (%)	93.1	96.2
Like-for-like gross rental growth (%)	(2.3)	(0.1)
Value movements ¹ (%)	(0.4)	1.0
Total appraisal value of the portfolio ² (€ million)	1,579	1,557
Direct result per share (€)	0.96	1.18
Indirect result per share (€)	(0.48)	0.58
Result per share (€)	0.48	1.76

¹ Excluding acquisitions and divestments² Including assets held for sale

NOTES TO THE PROPERTY PORTFOLIO

Portfolio breakdown

The appraisal value of the total property portfolio at 30 June 2019 was € 1.6 billion.

Portfolio breakdown (€ million)

	30 June 2019	% of total
Netherlands	687	44
France	418	26
Belgium	374	24
Spain	100	6
Total	1,579	100

Occupancy rate

In the first half of 2019 the occupancy rate of the total portfolio fell from 98.6% at year-end 2018 to 93.1% as at 30 June 2019, predominantly due to the vacancy of the property on Rue de Rivoli 118-120 in Paris. In the Netherlands, lease contracts ended with Top Fashion and Intertoys in Maastricht. In Belgium, lease contracts ended with Seats & Sofas in Tielt-Winge, Rituals in Antwerp and Mayerline in Namur. Tony Mertens vacated their shop in Wilrijk due to bankruptcy. For the majority of these stores, an interested retailer has already been found.

The new lease for Rue de Rivoli 118-120 in Paris with JD Sports, starting 1 January 2020, will have a significant positive impact on the vacancy rate as from 2020.

Occupancy rate (%)

	30 June 2019	31 March 2019	31 December 2018
Netherlands	96.2	98.1	98.5
France	81.9	82.0	99.2
Belgium	95.7	96.6	98.0
Spain	100.0	100.0	100.0
Total	93.1	94.2	98.6

Leasing activity

In the first six months of 2019, Vastned concluded 37 leases for € 3.1 million in total, or 4.0% of the total theoretical annual gross rental income. The average rental change on the leases concluded was (3.7)% (approx. € 0.1 million decrease). The main new leases were with Jysk in Tielt-Winge, Starbucks and Marie Sixtine in Lille and with Jumbo Supermarkets for an expansion in Tilburg. In addition, leases were renewed with Mango and Coffeecompany in Utrecht, Massimo Dutti in Bruges and with Armani in Antwerp.

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Leasing activity

	<u>HY1 2019</u>
Number of leases	37
Rental income (€ million)	3.1
% of total theoretical annual rent	4.0
Rental change (€ million)	(0.1)
% rental change	(3.7)



On 19 March 2019 Coolcat was declared bankrupt, after which Vastned terminated the lease for Vredenburg 9 in Utrecht. Vastned is working on attracting a new tenant for this location. In the meantime, Kruidvat will open a temporary shop in this property.

In March 2019, Vastned concluded a new lease with UGG for the property Rue Vieille du Temple 26 in Paris. The new lease will take effect later this year.

At the end of June, Vastned signed an agreement with Skechers for the lease of the property Rue de Rivoli 102 in Paris, which is currently leased by GAP. After obtaining the necessary permits and carrying out a refurbishment, the shop is expected to open near the end of 2019.

Value movements

The value of the property portfolio excluding acquisitions and divestments fell by € 6.1 million, or (0.4%), compared to year-end 2018, due to value decreases in Belgium and the Netherlands. The portfolio values in France and Spain saw a limited rise.

Acquisitions

In the first six months of 2019, Vastned expanded its portfolio with two acquisitions for € 10.8 million in total.

On 12 March 2019, Vastned purchased the corner building at Ferdinand Bolstraat 85/1e Jan Steenstraat 89 in Amsterdam, including the 3 apartments on the floors above, for € 3.7 million including acquisition costs. The ground floor has a designated food & beverage use and is leased to Bakker Bart.



On 18 April 2019, Vastned bought the property Nes 67/Sint Barberenstraat 4 in Amsterdam for € 7.1 million including acquisition costs. The total surface area is over 900 square meters, leased to the Bierfabriek Amsterdam restaurant.

Divestments

In order to further lower the risk profile of the portfolio Vastned has sold the following non-strategic properties for € 6.4 million in total: Nieuwstraat 9-11 and Breestraat 65-69 in Beverwijk, Steenstraat 110/d'n Entrepot 3 in Boxmeer, Stationsstraat 18-20 in Boxtel, In de Cramer 140 in Heerlen, Hoofdstraat 25 in Veenendaal and Rue Pont d'Île 35 in Liège.

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NOTES TO THE FINANCIAL RESULTS

Financial results (€ million)

	HY1 2019	HY1 2018
Direct result	16.7	21.5
Indirect result	(8.3)	10.5
Result attributable to Vastned Retail shareholders	8.4	32.0
Result attributable to non-controlling interests	(0.5)	2.2
Result after taxes	7.9	34.2

Result attributable to Vastned Retail shareholders

The result attributable to Vastned shareholders, which comprises the direct and indirect results, was € 8.4 million in the first half of 2019 (HY1 2018: € 32.0 million). The main factor in this lower result was the fall of the indirect result from € 10.5 million positive in HY1 2018 to € 8.3 million negative in HY1 2019. This was caused mainly by on balance negative value movements.

The direct result fell from € 21.5 million in HY1 2018 to € 16.7 million in HY1 2019, mainly due to lower net rental income caused by a buy-out payment received in 2018, divestments in the Netherlands and the vacancy of Rue de Rivoli 118-120 in Paris.

Result per share

The result per share attributable to Vastned shareholders was € 0.48 in HY1 2019 (HY1 2018: € 1.76 per share). This result comprised the direct result per share of € 0.96 (HY1 2018: € 1.18 per share) and the indirect result of € 0.48 negative per share (HY1 2018: € 0.58 positive per share).

NET INCOME FROM PROPERTY

Gross rental income

The gross rental income before adjustment for non-recurring items was € 34.9 million in HY1 2019 compared to € 41.4 million in HY1 2018. After adjustment for non-recurring items, the gross rental income was € 35.3 million in HY1 2019 compared to € 36.9 million in HY1 2018.

The difference is explained by the fact that in 2018, a non-recurring buy-out payment of € 5.3 million was received from the former tenant of the property Kalverstraat 11-17/Rokin 12-16 in Amsterdam. In addition, a non-recurring buy-out payment of € 0.5 million was paid to the departing tenant of the property Kalverstraat 162-164 in Amsterdam. These non-recurring items have been fully recognised in the HY1 2018 direct result. In order to present a balanced view of the like-for-like growth, these non-recurring payments are spread over the duration of the leases with the new tenants. As a result, the gross rental income in the profit and loss account of HY1 2019 is € 0.4 million lower than the gross rental income stated in the table below.

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Gross rental income (€ thousand)	Netherlands before ad- justment for non-recurring items	Adjustment for non-recurring items	Netherlands after adjust- ment for non- recurring items	France	Belgium	Spain	Total
Gross rental income HY1 2018	21,769	(4,429)	17,340	8,111	9,883	1,602	36,936
Acquisitions	387	-	387	449	-	69	905
Divestments	(1,182)	-	(1,182)	(491)	(21)	-	(1,694)
Like-for-like rental growth	(4,636)	4,831	195	(1,095)	54	31	(815)
Gross rental income HY1 2019	16,338	402	16,740	6,974	9,916	1,702	35,332
Other income	-	-	-	143	-	-	143
Operating expenses	(2,346)	-	(2,346)	(595)	(732)	(306)	(3,979)
Net rental income HY1 2019	13,992	402	14,394	6,522	9,184	1,396	31,496
Net rental income HY1 2018	19,364	(4,429)	14,934	7,482	9,092	1,478	32,986
Operating expenses as a % of gross rental income HY1 2019	14.4	-	14.0	8.5	7.4	18.0	11.3
Operating expenses as a % of gross rental income HY1 2018	11.0	-	13.9	10.1	8.0	7.7	11.2

* In the first six months of 2018 the development of the rental income had not yet been adjusted for the buy-out payment paid to the departing tenant of the property Kalverstraat 162-164 in Amsterdam. This adjustment was made for the first time in the 2018 annual figures. In order to present a fair view of the like-for-like growth, the 2018 rental income was adjusted for this.

Acquisitions (€ 0.9 million increase)

In 2018 and HY1 2019, Vastned expanded its portfolio with acquisitions in France, the Netherlands and Spain, raising the gross rental income by € 0.9 million compared to HY1 2018. Of this increase, € 0.8 million concerned acquisitions made in 2018, while € 0.1 million concerned acquisitions completed in HY1 2019.

Divestments (€ 1.7 million decrease)

In order to further improve the quality of the portfolio Vastned sold property for € 70.7 million and € 6.4 million in 2018 and HY1 2019 respectively. This caused a € 1.7 million fall in gross rental income in HY1 2019 compared to HY1 2018. Of the decrease, € 1.6 million was due to divestments in 2018, while € 0.1 million was due to properties sold in HY1 2019.

Like-for-like gross rental growth (€ 0.8 million decrease)

The like-for-like growth of the gross rental income was € 0.8 million negative in HY1 2019; the negative like-for-like rental growth was due to the vacancy of the property Rue de Rivoli 118-120 in Paris.

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

The operating expenses in HY1 2019 were € 4.0 million, € 0.1 million lower than in HY1 2018. This decrease was mainly caused by lower operating expenses due to divestments of non-strategic property in the Netherlands and France.

Value movements property

The value movements in HY1 2019 were € 6.7 million negative. The value movements included value decreases in the Belgian and Dutch portfolios of € 8.2 million and € 2.9 million respectively, but also value increases in the Spanish and French portfolios of € 2.2 million each.

Net result on divestments of property

In HY1 2019, Vastned sold properties for € 6.7 million (book value) on which after deduction of sales costs a net result on divestments of € 0.3 million negative was realized. The net income from the divestments was therefore € 6.4 million.

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EXPENDITURE**Net financing costs**

The net financing costs including value movements of financial derivatives increased from € 8.4 million in HY1 2018 to € 11.4 million in HY1 2019. The development of the net financing costs is shown in more detail in the table below.

Development of net financing costs**(€ million)**

Net financing costs HY1 2018	8.4
Increase due to higher average interest-bearing debts	0.7
On balance decrease due to lower average interest rate and changes in fixed/floating interest and working capital	(0.8)
Value movements in financial derivatives	3.1
Net financing costs HY1 2019	11.4

The net financing costs rose due to higher average interest-bearing debts resulting predominantly from the share buyback programme. Due to changes in the composition of the loan portfolio the average interest rate of the interest-bearing loan capital decreased from 2.5% in the first six months of 2018 to 2.3% in the first six months of 2019. As a result of the altered market interest rate the value movements of the interest rate derivatives were € 3.1 million negative compared to HY1 2018.

General expenses

The general expenses were € 4.5 million in HY1 2019 (HY1 2018: € 4.4 million). While the general expenses fell due to lower consultancy and audit costs and other general expenses, such as office costs, they increased as a result of higher personnel costs and a lower allocation to the operating expenses due to lower gross rental income.

Abortive purchase costs

The abortive purchase costs were nil in HY1 2019. In HY1 2018 these costs were € 1.5 million, and concerned costs incurred in the context of the unsuccessful takeover bid for the shares in Vastned Retail Belgium not yet held by the company.

Current income tax expense

The income tax payable for the regularly taxed entities in the Netherlands, Spain and Belgium was € 0.3 million in HY1 2019 (HY1 2018: € 0.3 million).

Movement in deferred tax assets and liabilities

The movements in deferred tax assets and liabilities decreased from € 2.7 million negative in HY1 2018 to virtually nil in HY1 2019. This was due mainly to lower positive value movements of the part of the property portfolio held by regularly taxed entities.

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').

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Financing structure	30 June 2019	31 December 2018
Loan-to-value (%)	41.9	39.0
Solvency* (%)	55.9	59.0
Interest coverage ratio	4.0	4.5

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

Solvency, being group equity plus deferred tax liabilities divided by the balance sheet total, was 55.9% as at 30 June 2019 (30 June 2018: 59.0%). With this solvency rate of 55.9% and an interest coverage ratio of 4.0, Vastned complies with all its loan covenants.

Loan portfolio as at 30 June 2019

(€ million)	Fixed interest*	Floating interest	Total	% of total
Long-term debt	442.5	180.9	623.4	94.0
Short-term debt	25.0	14.7	39.7	6.0
Total	467.5	195.6	663.1	100.0
% of total	70.5	29.5	100.0	

* Interest rate derivatives taken into account

As at 30 June 2019, the loan portfolio was 70.5% fixed interest. Vastned fixes its interest rates using interest rate derivatives. In HY1 2019, Vastned settled part of its derivatives portfolio with a notional amount of € 135 million at their market value of € 5.3 million negative; new interest rate derivatives were then concluded with a notional amount of € 150 million based on the current market interest rate.

The share of non-bank loans was 35.8% as at 30 June 2018, well above the internal target of 25%.

In January 2019, Vastned placed a € 50.0 million long-term bond loan with Pricoa Capital Group. The new loan was used to refinance existing loans, including the convertible bond loan redeemed in April 2019.

DEVELOPMENT OF NET ASSET VALUE PER SHARE

As a result of the combined direct and indirect results of € 0.48 positive per share in total, the other movements of € 0.51 positive and the 2018 final dividend distribution of € 1.34 per share, the net asset value per share fell from € 46.40 at year-end 2018 to € 46.05 as at 30 June 2019. The increase of the net asset value due to the other movements was mainly due to the share buyback below net asset value. The EPRA NNNNAV per share as at 30 June 2019 was € 45.84 vs. € 46.49 at year-end 2018.

INTERIM DIVIDEND 2019

In line with the dividend policy, the interim dividend will be 60% of the direct result for the first half year. The direct result for HY1 2019 is € 0.96 per share, so that the interim dividend is set at € 0.58 per share. On 5 August 2019 the Vastned share will quote ex-dividend and the interim dividend will be made payable on 20 August 2019.

SHARE BUYBACK PROGRAMME

On 19 October 2019, a share buyback programme was started of € 40 million maximum which, after extension, ran through to 17 April 2019. Below, we list the transactions by period, including the cumulative end total of the buyback programme. The purchased shares will be held as treasury shares.

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Share buyback	Number of shares	Average price (€)	Total amount (€ million)
Q4 2018	292,208	33.47	9.8
Q1 2019	607,336	33.22	20.2
Q2 2019	135,280	34.78	4.7
Total	1,034,824	33.50	34.7

EVENTS AFTER BALANCE SHEET DATE

Last week, Vastned signed a heads of terms with JD Sports for the property at Rue de Rivoli 118-120 in Paris. The lease will take effect on 1 January 2020, and after a refurbishment the shop is expected to open for business in the spring of 2020.

On 19 July 2019, Vastned purchased the corner building Keizersgracht 233 in Amsterdam, including the apartment on the floors above, for € 2.4 million including acquisition costs. The property is located in the popular shopping area De 9 Straatjes in Amsterdam. The ground floor is leased to shoe brand Nubikk.

In July, Vastned sold the non-strategic properties Wouwsestraat 48 in Bergen op Zoom and Lange Bisschopstraat 50 in Deventer for € 1.0 million in total.

In July, Vastned extended its existing syndicated credit facility of € 325.0 million by one year to 12 September 2024.

OUTLOOK 2019

Vastned remains cautious about market conditions in view of the limited investment opportunities and the ongoing transition in the retail landscape. Vastned will continue its strategy, and will keep focusing on the best retail properties in the best locations of larger European cities. Vastned expects major retailers to increasingly concentrate their shops in these locations, which supports Vastned's goal to realise good and stable long-term results.

In 2019, the company will focus on maintaining a high occupancy rate and on further optimizing the portfolio in spite of the challenging retail landscape. Vastned expects to realize a direct result for 2019 at the lower end of the guidance range of € 2.00 - € 2.10 per share. In view of the stable and predictable long-term results of the portfolio in conjunction with potential growth of the direct result Vastned anticipates being able to distribute a total dividend of € 2.05 for 2019.

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 interim 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 2018 annual report), and gives a true and fair overview of the main transactions with related parties.

Amsterdam, 31 July 2019

Executive Board:

Taco de Groot, CEO

Reinier Walta, CFO

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CONFERENCE CALL

On 1 August 2019 at 10am, Vastned will comment on the half-year results 2019 in a conference call and presentation for investors and analysts. The conference call can be followed live on www.vastned.com/webcast.

FINANCIAL CALENDAR 2019

5 August 2019		Ex interim dividend date 2019
6 August 2019		Interim dividend record date 2019
20 August 2019		Interim dividend payment date 2019
29 October 2019	after trading	9M trading update 2019

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 high streets in the bigger cities. Vastned's tenants are strong and leading international and national retail brands. The property portfolio had a size of approximately € 1.6 billion as at 30 June 2019.

Further information:

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KEY FIGURES

Results (€ thousand)

	30 June 2019	31 December 2018	30 June 2018
Gross rental income	34,930	77,060	41,365
Direct result	16,668	40,354	21,534
Indirect result	(8,246)	741	10,492
Result	8,422	41,095	32,026

Balance sheet (€ thousand)

Property (appraisal value)	1,578,960 ¹	1,579,569 ²	1,556,654 ³
Equity	877,009	923,029	936,173
Equity Vastned Retail shareholders	789,906	830,392	843,844
Long-term liabilities	655,970	505,357	463,378
Solvency (%)	55.9	59.0	60.7
Loan-to-value (%)	41.9	39.0	37.3
Interest coverage ratio	4.0	4.5	4.8
Financial occupancy rate property portfolio (%)	94.9	96.7	97.0
Average number of shares in issue	17,390,195	18,151,962	18,186,800
Number of shares in issue (end of period)	17,151,976	17,894,592	18,186,800

Per share (€)

Equity Vastned Retail shareholders at beginning of period (including final dividend)	46.40	46.05	46.05
Final dividend previous financial year	(1.34)	(1.41)	(1.41)
<i>Equity Vastned Retail shareholders at start of period (excluding final dividend)</i>	45.06	44.64	44.64
Direct result	0.96	2.22	1.18
Indirect result	(0.48)	0.04	0.58
Result	0.48	2.26	1.76
Remeasurement of defined benefit pension obligation	(0.05)	0.01	-
Reclassification of unrealised results on financial derivatives to profit-and-loss account after taxes	-	(0.01)	-
Other movements	0.56	0.21	-
Interim dividend	-	(0.71)	-
<i>Equity Vastned Retail shareholders at end of period (including final dividend)</i>	46.05	46.40	46.40
Share price (end of period)	28.40	41.30	40.40
Premium/(Discount) (%)	(38.3)	(16.1)	(12.9)

¹ Including Assets held for sale of € 6,047² Including Assets held for sale of € 3,500³ Including Assets held for sale of € 1,250

DIRECT AND INDIRECT RESULT (€ THOUSAND)

Direct result	HY1 2019	HY1 2018
Gross rental income	34,930	41,365
Other income	143	189
Ground rents paid	-	(62)
Net service charge expenses	(129)	(296)
Operating expenses	(3,850)	(3,780)
<i>Net rental income</i>	31,094	37,416
Financial income	13	15
Financial expenses	(7,477)	(7,403)
<i>Net financing costs</i>	(7,464)	(7,388)
General expenses	(4,480)	(4,442)
<i>Direct result before taxes</i>	19,150	25,586
Current income tax expense	(308)	(343)
Movement deferred tax assets and liabilities	362	(1,251)
<i>Direct result after taxes</i>	19,204	23,992
Direct result attributable to non-controlling interests	(2,536)	(2,458)
<i>Direct result attributable to Vastned Retail shareholders</i>	16,668	21,534
Indirect result		
Value movements in property in operation	(6,746)	14,706
Value movements in assets held for sale	-	(250)
<i>Total value movements in property</i>	(6,746)	14,456
Net result on divestments of property	(297)	(291)
Financial expenses	(221)	(405)
Value movements in financial derivatives	(3,790)	(648)
Reclassification of unrealised results on financial derivatives from equity	58	58
Abortive purchase costs	-	(1,498)
<i>Indirect result before taxes</i>	(10,996)	11,672
Movement deferred tax assets and liabilities	(325)	(1,448)
<i>Indirect result after taxes</i>	(11,321)	10,224
Indirect result attributable to non-controlling interests	3,075	268
<i>Indirect investment result attributable to Vastned Retail shareholders</i>	(8,246)	10,492
<i>Result attributable to Vastned Retail shareholders</i>	8,422	32,026
PER SHARE (€)		
Direct investment result attributable to Vastned Retail shareholders	0.96	1.18
Indirect investment result attributable to Vastned Retail shareholders	(0.48)	0.58
	0.48	1.76

EPRA Best Practices Recommendations published by EPRA's Reporting and Accounting Committee ('BPR') contain recommendations concerning the determination of key performance indicators for the performance of the property portfolio. Vastned endorses the importance of standardizing the reporting of performance indicators from the point of view of comparability and improvement of the quality of the information investors and other users. The overviews included in this chapter are presented in euros, with amounts being rounded off to thousands of euros, unless stated otherwise.

EPRA performance indicator	Table	(€ THOUSAND)		PER SHARE (€)	
		HY1 2019	HY1 2018	HY1 2019	HY1 2018
EPRA Earnings	1	16,668	21,534	0.96	1.18
EPRA NAV	2	807,681	861,565	47.08	47.37
EPRA NNNAV	3	786,214	837,995	45.84	46.08
EPRA Net Initial Yield (NIY)	4 (i)	3.8%	3.8% ¹		
EPRA 'topped-up' NIY	4 (ii)	3.8%	4.1% ¹		
EPRA Vacancy Rate	5	7.1%	1.5% ¹		
EPRA Cost Ratio (including direct vacancy costs)	6 (i)	24.1%	20.5%		
EPRA Cost Ratio (excluding direct vacancy costs)	6 (ii)	23.3%	19.5%		
Capital expenditure	7				

¹ 31 December 2018

1 EPRA EARNINGS

	HY1 2019	HY1 2018
<i>Result as stated in consolidated IFRS profit and loss account</i>	8,422	32,026
Value movements in property	6,746	(14,456)
Net result on divestments of property	297	291
Financial expenses	221	405
Value movements in financial derivatives	3,732	590
Movement in deferred tax assets and liabilities	325	1,448
Attributable to non-controlling interests	(3,075)	(268)
EPRA Earnings	16,668	20,036
<i>Company-specific adjustments</i>		
Abortive purchase costs	-	1,498
EPRA Earnings after company-specific adjustments	16,668	21,534
EPRA Earnings per share (EPS)	0.96	1.10
<i>Company-specific adjustments</i>		
Abortive purchase costs	-	0.08
Adjusted earnings per share	0.96	1.18

2 and 3 EPRA NAV and EPRA NNNAV

	30 June 2019		30 June 2018	
		per share (€)		per share (€)
Equity Vastned Retail shareholders	789,906	46.05	843,844	46.40
Fair value of financial derivatives	2,626	0.15	3,533	0.19
Deferred tax	15,149	0.88	14,188	0.78
EPRA NAV	807,681	47.08	861,565	47.37
Fair value of financial derivatives	(2,626)	(0.15)	(3,533)	(0.19)
Fair value of interest-bearing loans and lease obligations	(9,048)	(0.52)	(9,813)	(0.54)
Deferred tax	(9,793)	(0.57)	(10,224)	(0.56)
EPRA NNNAV	786,214	45.84	837,995	46.08

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

	Netherlands		France		Belgium		Spain		Total
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	
Property	687,486	684,410	417,676	415,336	374,171	382,643	99,627	97,180	1,579,569
addition:									
Estimated transaction fees	48,124	47,909	30,240	30,048	9,292	9,566	2,700	2,634	90,157
<i>Investment value of property (B)</i>	735,610	732,319	447,916	445,384	383,463	392,209	102,327	99,814	1,669,726
Annualised gross rental income	33,210	31,207	13,634	16,413	19,973	20,251	3,458	2,531	70,402
Non-recoverable operating expenses	(3,969)	(4,151)	(934)	(674)	(1,485)	(1,808)	(232)	(230)	(6,863)
<i>Annualised net rental income (A)</i>	29,241	27,056	12,700	15,739	18,488	18,443	3,226	2,301	63,539
Effect of rent-free periods and other lease incentives	210	2,688	110	213	162	221	113	1,000	4,122
<i>Topped-up annualised net rental income (C)</i>	29,451	29,744	12,810	15,952	18,650	18,664	3,339	3,301	67,661
(i) EPRA Net Initial Yield (A/B)	4.0%	3.7%	2.8%	3.5%	4.8%	4.7%	3.2%	2.3%	3.8%
(ii) EPRA Topped-up Net Initial Yield (C/B)	4.0%	4.1%	2.9%	3.6%	4.9%	4.8%	3.3%	3.3%	4.1%

5 EPRA VACANCY RATE

30 June 2019

	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	16,338	13,992	109,907	33,210	1,300	33,926	3.8%
France	6,974	6,522	21,149	13,634	3,043	17,451	17.4%
Belgium	9,916	9,184	90,718	19,973	965	19,191	5.0%
Spain	1,702	1,396	3,419	3,458	-	3,823	-
Total property	34,930	31,094	225,193	70,275	5,308	74,391	7.1%

31 December 2018

	Gross rental income	Net rental income	Lettable floor area (sqm)	Annualised cash passing rental income	Estimated rental value (ERV) of vacant properties	Estimated rental value (ERV)	EPRA Vacancy Rate
Netherlands	38,189	34,743	117,617	31,207	569	34,273	1.7%
France	16,291	15,320	21,151	16,413	133	17,629	0.8%
Belgium	19,779	18,102	92,637	20,251	419	19,574	2.1%
Spain	2,801	2,611	3,419	2,531	-	3,776	-
Total property	77,060	70,776	234,824	70,402	1,121	75,252	1.5%

6 EPRA COST RATIOS

	HY1 2019	HY1 2018
General expenses	4,480	4,442
Ground rents paid	-	62
Operating expenses	3,850	3,780
Net service charge expenses	129	296
less:		
Ground rents paid	-	(62)
EPRA costs (including vacancy costs) (A)	8,459	8,518
Vacancy costs	(283)	(412)
EPRA costs (excluding vacancy costs) (A)	8,176	8,106
Gross rental income less ground rents paid¹ (C)	35,073	41,492
(i) EPRA Cost Ratio (including vacancy costs) (A/C)	24.1%	20.5%
(ii) EPRA Cost Ratio (excluding vacancy costs) (B/C)	23.3%	19.5%

¹ Including other income € 143 (HY1 2018 € 189)

7 CAPITAL EXPENDITURE

	HY1 2019	HY1 2018
Acquisitions ¹	10,813	10,960
Development	-	-
Like-for-like-portfolio ²	1,317	2,340
Other	-	-
	12,130	13,300

¹ Concerns the acquisition of two properties in Amsterdam (2018: one property in Utrecht).

² Concerns improvements to several properties already owned in various countries.

Vastned has no interests in joint ventures.

2019 HALF-YEAR FINANCIAL STATEMENTS

Contents

- 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 2019 half-year consolidated financial statements

CONSOLIDATED PROFIT AND LOSS ACCOUNT (€ THOUSAND)

	Note	HY1 2019	HY1 2018
Net income from property			
Gross rental income	4, 5	34,930	41,365
Other income	4	143	189
Ground rents paid	4	-	(62)
Net service charge expenses	4	(129)	(296)
Operating expenses	4	(3,850)	(3,780)
<i>Net rental income</i>		31,094	37,416
Value movements in property in operation	4	(6,746)	14,706
Value movements in assets held for sale	4	-	(250)
<i>Total value movements in property</i>		(6,746)	14,456
Net result on divestments of property	4	(297)	(291)
<i>Total net income from property</i>		24,051	51,581
Expenditure			
Financial income		13	15
Financial expenses		(7,698)	(7,808)
Value movements in financial derivatives	14	(3,790)	(648)
Reclassification of unrealised results on financial derivatives from equity		58	58
<i>Net financing costs</i>		(11,417)	(8,383)
General expenses		(4,480)	(4,442)
Abortive purchase costs	6	-	(1,498)
<i>Total expenditure</i>		(15,897)	(14,323)
<i>Result before taxes</i>		8,154	37,258
Current income tax expense		(308)	(343)
Movement in deferred tax assets and liabilities		37	(2,699)
<i>Total income tax</i>		(271)	(3,042)
<i>Result after taxes</i>		7,883	34,216
Result attributable to Vastned Retail shareholders		8,422	32,026
Result attributable to non-controlling interests		(539)	2,190
		7,883	34,216
Per share (€)			
<i>Result</i>		0.48	1.76
<i>Diluted result</i>		0.48	1.62

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (€ THOUSAND)

	HY1 2019	HY1 2018
Result after taxes	7,883	34,216
Items not reclassified to the profit and loss account		
Remeasurement of defined benefit pension obligation	(946)	-
Taxes on items not reclassified to the profit and loss account	-	-
Items that have been or could be reclassified to the profit and loss account		
Reclassification of unrealised results on financial derivatives to profit and loss account	(58)	(58)
Taxes on items that have been or could be reclassified to the profit and loss account	-	-
<i>Other comprehensive income after tax</i>	(1,004)	(58)
<i>Comprehensive income</i>	6,879	34,158
Attributable to:		
Vastned Retail shareholders	7,418	31,968
Non-controlling interests	(539)	2,190
	6,879	34,158

CONSOLIDATED BALANCE SHEET (€ THOUSAND)

	Note	30 June 2019	31 December 2018	30 June 2018
Assets				
Property in operation	4, 9	1,571,355	1,571,727	1,551,572
Accrued assets in respect of lease incentives	4	5,003	4,342	3,832
Total property		1,576,358	1,576,069	1,555,404
Tangible fixed assets		1,139	1,114	1,104
Right-of-use assets		739	-	-
Total fixed assets		1,578,236	1,577,183	1,556,508
Assets held for sale	10	6,047	3,500	1,250
Debtors and other receivables		9,935	8,905	8,087
Income tax		111	116	167
Cash and cash equivalents		1,253	1,546	1,551
Total current assets		17,346	14,067	11,055
Total assets		1,595,582	1,591,250	1,567,563
Equity and liabilities				
Capital paid-up and called		95,183	95,183	95,183
Share premium reserve		468,555	472,640	472,640
Hedging reserve in respect of financial derivatives		209	267	325
Other reserves	11	217,537	221,207	243,670
Result attributable to Vastned Retail shareholders		8,422	41,095	32,026
Equity Vastned Retail shareholders		789,906	830,392	843,844
Equity non-controlling interests	3	87,103	92,637	92,329
Total equity		877,009	923,029	936,173
Deferred tax liabilities		15,591	15,628	15,129
Provisions in respect of employee benefits	12	6,059	5,362	5,326
Long-term interest-bearing loans	13	623,345	475,638	434,981
Long-term lease liabilities	13	3,944	-	-
Financial derivatives	14	3,515	5,031	4,206
Guarantee deposits and other long-term liabilities		3,516	3,698	3,736
Total long-term liabilities		655,970	505,357	463,378
Payable to banks	13	14,715	6,020	11,750
Redemption of long-term interest-bearing loans	13	25,000	134,661	134,032
Short-term lease liabilities	13	240	-	-
Income tax		334	159	220
Other liabilities and accruals		22,314	22,024	22,010
Total short-term liabilities		62,603	162,864	168,012
Total equity and liabilities		1,595,582	1,591,250	1,567,563

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY (€THOUSAND)

	Capital paid-up and called-up	Share premium reserve	Hedging reserve in respect of financial derivatives	Other reserves	Result attributable to Vastned Retail shareholders	Vastned Retail shareholders	Non-controlling interests	Total equity
Balance as at 1 January 2018	95,183	472,640	383	174,669	94,645	837,520	94,730	932,250
Result					32,026	32,026	2,190	34,216
Other comprehensive income			(58)		(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
Balance as at 1 January 2019	95,183	472,640	267	221,207	41,095	830,392	92,637	923,029
Result					8,422	8,422	(539)	7,883
Other comprehensive income			(58)	(946)	(1,004)	(1,004)		(1,004)
Comprehensive income	-	-	(58)	(946)	8,422	7,418	(539)	6,879
Final dividend for previous financial year in cash					(22,984)	(22,984)	(4,995)	(27,979)
Contribution from profit appropriation				18,111	(18,111)	-		-
Equity component of convertible bond loan ¹		(4,085)		4,085		-		-
Share buyback				(24,920)		(24,920)		(24,920)
Balance as at 30 June 2019	95,183	468,555	209	217,537	8,422	789,906	87,103	877,009

¹ For further explanation, see 13 Interest-bearing debits

CONSOLIDATED CASH FLOW STATEMENT (€ THOUSAND)

		HY1 2019	HY1 2018
Cash flow from operating activities			
Result after taxes		7,883	34,216
Adjustments for:			
Value movements in property	4	6,746	(14,456)
Net result on divestments of property	4	297	291
Net financing costs		11,417	8,383
Income tax		271	3,042
<i>Cash flow from operating activities before changes in working capital and provisions</i>		26,614	31,476
Movement in current assets		(1,902)	(5,936)
Movement in short-term liabilities		704	2,857
Movement in provisions		(307)	(208)
		25,109	28,189
Interest received		13	15
Interest paid		(7,318)	(7,029)
Income tax paid		(128)	(322)
Cash flow from operating activities		17,676	20,853
Cash flow from investing activities			
Property acquisitions		(10,813)	(15,603)
Capital expenditure on property		(1,610)	(2,334)
Divestments of property		6,922	64,013
<i>Cash flow from property</i>		(5,501)	46,076
Movement in tangible fixed assets		(25)	16
Cash flow from investing activities		(5,526)	46,092
Cash flow from financing activities			
Share buyback	11	(24,920)	-
Dividend paid	7	(22,984)	(25,644)
Dividend paid to non-controlling interests		(4,995)	(4,591)
Interest-bearing loans drawn down		181,173	4,523
Interest-bearing loans and lease liabilities redeemed		(135,229)	(41,660)
Settlement of interest rate derivatives	14	(5,306)	-
Movements in guarantee deposits and other long-term liabilities		(182)	(99)
Cash flow from financing activities		(12,443)	(67,471)
Net increase/(decrease) in cash and cash equivalents		(293)	(526)
Cash and cash equivalents as at 1 January		1,546	2,077
Cash and cash equivalents at end of period		1,253	1,551

1. GENERAL

Vastned Retail N.V. ('Vastned'), with its registered office in Amsterdam, the Netherlands, is a property company that invests sustainably in top quality retail property with a clear focus on the best retail property in the popular high streets of selected cities. Smaller investments are also made in high street shops in other cities, Belgian 'baanwinkel' shops, a number of supermarkets and in smaller shopping centres. The properties are located in the Netherlands, France, Belgium and Spain.

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

Vastned is listed on the Euronext stock exchange in Amsterdam.

The half-year 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-year financial statements were drawn up by the Executive Board and authorised for publication by the Supervisory Board on 31 July 2019.

The financial information for the first half of 2019 and the first half of 2018 has been reviewed by Ernst & Young Accountants LLP. The financial information as at year-end 2018 was audited by Ernst & Young Accountants LLP.

2. PRINCIPLES APPLIED IN THE PRESENTATION OF THE 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 half-year financial statements do not contain all the information required for full financial statements, and therefore should be read in conjunction with the 2018 consolidated financial statements.

The principles applied in the preparation of the half-year financial statements are consistent with the principles set out in the annual report for the 2018 financial year, with the exception of the application of new standards and interpretations described below.

New or amended standards and interpretations that became effective on 1 January 2019

- IFRS 16 Leases

This standard describes how both financial and operating leases must be recognised. The standard mainly has consequences for lessees. Except in certain exempt situations, lessees must include all leases on the balance sheet. An exemption applies for leases for low-value assets and short-term leases. Lessees report a lease liability with a corresponding asset (right of use) and recognise interest and depreciation separately. Certain events necessitate a reassessment by the lessee of certain key elements (for example, lease period and variable rents based on an index). The Group operates almost exclusively as lessor. The recognition of leases by lessors remains largely unchanged, so that application of the new standard will not have any material impact on the Group's financial position and results.

In a limited number of cases the Group is a lessee. This concerns a number of ground rent agreements and a number of leases for offices that the Group leases for its organisation. For these cases the Group has included a right-of-use asset and a lease liability in its balance sheet. The right-of-use assets relating to the ground leases are included under property. These right-of-use assets are measured at fair value and therefore not be depreciated. The right-of-use assets relating to the leases of the offices used by the organisation are depreciated straight-line. The depreciation of these right-of-use assets is recognised under general expenses. On first application of the standard the right-of-use assets are generally measured at an amount equal to the lease liability. For the calculation of the lease liabilities a weighted average incremental borrowing rate of 2.2% was used.

The Group has applied the modified retrospective approach. The Group has applied the practical expedient that allows the Group to not reassess whether a contract is or contains a lease contract on the date of first application. In addition, the Group has made use of the recognition exemption for leases with a term shorter than one year and leases for which the underlying asset is of low value. In such cases the lease payments related to these contracts are accounted for straight-line as costs in the profit and loss account.

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

Assets	31 December 2018	effect of IFRS 16 application	1 January 2019
Property in operation (including accrued assets in respect of lease incentives)	1,576,069	3,497	1,579,566
Tangible fixed assets	1,114	-	1,114
Right-of-use assets	-	857	857
Total fixed assets	1,114	857	1,971
Total current assets	14,067	-	14,067
Total assets	1,591,250	4,354	1,595,604
Equity and liabilities			
Equity Vastned Retail shareholders	830,392	-	830,392
Equity non-controlling interests	92,637	-	92,637
Total equity	923,029	-	923,029
Lease liabilities	-	4,053	4,053
Other long-term liabilities	505,357	-	505,357
Total long-term liabilities	505,357	4,053	509,410
Lease liabilities	-	360	360
Other liabilities and accruals	162,864	(59)	162,805
Total short-term liabilities	162,864	301	163,165
Total equity and liabilities	1,591,250	4,354	1,595,604

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

The effect on the 2019 result is expected to be approx. € 0,1 million positive.

- Improvements to IFRS Standards 2015-2017 Cycle

The changes are minor amendments to a number of standards.

The changes do not affect the financial results and position of the Group, or the presentation and the notes.

- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments prescribe the accounting of service costs, net interest and the asset ceiling of changes to, curtailment or settlement of the pension plan.

The changes do not affect the financial results and position of the Group, or the presentation and the notes.

- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures

The amendments clarify that an entity must apply IFRS 9 to long-term interests in associated participating interests or joint ventures to which it does not apply the equity method.

The changes do not affect the financial results and position of the Group, or the presentation and the notes.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments concern reporting of financial instruments with the option of early repayment at a lower amount than the contractual payments of the principal and interest. The changes do not affect the financial results and position of the Group, or the presentation and the notes.

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation clarifies the recognition of uncertain tax positions in the financial statements. The uncertainty in the amount reported and the assumptions used must be explained.

The interpretation does not materially affect the financial results and position of the Group, or the presentation and the notes.

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

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

- Amendments to IAS 1 and IAS 8: Definition of Material (effective for financial years starting on or after 1 January 2020)

The amendments clarify the definition of material and how it should be applied by including guidelines in the definition that were previously included elsewhere in the IFRS standards. Furthermore, the notes to the definition were improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS standards.

The amendments are not expected to have any impact on the presentation and notes of the Group.

- Amendment to IFRS 3 Definition of a Business (effective for financial years starting on or after 1 January 2020)

The amendment aims to simplify the decision as to whether an acquisition of operations and assets should be qualified as a business combination or the acquisition of a group of assets.

The amendment might be relevant for future acquisitions, and in such cases it will be applied by the Group.

3. SCOPE OF CONSOLIDATION

The scope of consolidation has not changed in the first half of 2019.

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

4. Segmented information

As set out in the 2018 annual report the transformation of the property portfolio is now complete. For this reason, as of 2019 no distinction will be made going forward between core city assets and mixed retail locations. The segmented information is only presented based on the countries where the investment properties are located.

	Netherlands		France		Belgium		Spain		Total	
	HY1 2019	HY1 2018	HY1 2019	HY1 2018	HY1 2019	HY1 2018	HY1 2019	HY1 2018	HY1 2019	HY1 2018
Net rental income	13,992	19,364	6,522	7,482	9,184	9,092	1,396	1,478	31,094	37,416
Value movements in property in operation	(2,921)	12,934	2,176	1,909	(8,252)	(611)	2,251	474	(6,746)	14,706
Value movements in assets held for sale	-	(250)	-	-	-	-	-	-	-	(250)
Net result on divestments of property	(194)	118	50	(409)	(153)	-	-	-	(297)	(291)
Total net income from property	10,877	32,166	8,748	8,982	779	8,481	3,647	1,952	24,051	51,581
Net financing costs									(11,417)	(8,383)
General expenses									(4,480)	(4,442)
Abortive purchase costs									-	(1,498)
Income tax									(271)	(3,042)
Result after taxes									7,883	34,216

Property in operation:

	Netherlands		France		Belgium		Spain		Total
	HY1 2019	HY1 2018	HY1 2019	HY1 2018	HY1 2019	HY1 2018	HY1 2019	HY1 2018	HY1 2018
Balance as at 31 December	677,483	648,742	414,717	395,580	382,428	388,025	97,099	91,376	1,571,727
Right-of-use assets ground lease contracts (adjustment in respect of IFRS 16)	2,573	-	-	-	924	-	-	-	3,497
Balance as at 1 January	680,056	648,742	414,717	395,580	383,352	388,025	97,099	91,376	1,575,224
Acquisitions	10,813	10,960	-	-	-	-	-	-	10,813
Capital expenditure	620	919	75	313	622	1,108	-	-	1,317
Transferred from Assets held for sale	-	1,750	-	-	-	-	-	-	-
Transferred to Assets held for sale	(3,535)	-	-	-	(2,500)	-	-	-	(6,035)
Divestments	(2,355)	(1,820)	-	(87)	(863)	-	-	-	(3,218)
Value movements	685,599	660,551	414,792	395,806	380,611	389,133	97,099	91,376	1,578,101
	(2,921)	12,934	2,176	1,909	(8,252)	(611)	2,251	474	(6,746)
Balance as at 30 June	682,678	673,485	416,968	397,715	372,359	388,522	99,350	91,850	1,571,355
Accrued assets in respect of lease incentives	3,833	2,651	708	681	185	399	277	101	5,003
Total property in operation	686,511	676,136	417,676	398,396	372,544	388,921	99,627	91,951	1,576,358
Lease liabilities	(2,572)	-	-	-	(873)	-	-	-	(3,445)
Appraisal value as at 30 June	683,939	676,136	417,676	398,396	371,671	388,921	99,627	91,951	1,572,913
									1,555,404

5. GROSS RENTAL INCOME

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

6. ABORTIVE PURCHASE COSTS

The abortive purchase costs concern the costs incurred in HY1 2018 for the unsuccessful takeover bid on all shares in Vastned Retail Belgium NV that the company did not yet hold.

7. DIVIDEND

On 7 May 2019, the final dividend for the 2018 financial year was made payable. The dividend was € 1.34 per share in cash. The dividend payment totalled € 23.0 million.

8. 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 shows according to which level the assets and liabilities of the Group are valued at fair value:

	Level	30 June 2019		31 December 2018		30 June 2018	
		Book value	Fair value	Book value	Fair value	Book value	Fair value
Assets valued at fair value							
Property							
Property in operation (including accrued assets in respect of lease incentives)	3	1,576,638	1,576,638	1,576,069	1,576,069	1,555,404	1,555,404
Assets held for sale	3	6,047	6,047	3,500	3,500	1,250	1,250
Liabilities valued at fair value							
Long-term liabilities							
Long-term interest-bearing loans	2	623,345	631,094	475,638	477,523	434,981	444,414
Lease liabilities	2	3,944	4,917	-	-	-	-
Financial derivatives	2	3,515	3,515	5,031	5,031	4,206	4,206

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

In the first half of 2019 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 2019.

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

The fair value of the 'Long-term interest-bearing loans' and the 'Lease liabilities' is calculated as the present value of the cash flows based on the swap yield curve and credit spreads in effect at 30 June 2019.

The fair value of the derivatives is determined with reference to information from reputable financial institutions, which is also based on directly and indirectly observable market data. For verification purposes, this information is compared to internal

calculations made by discounting cash flows based on the market interest rate for comparable financial derivatives on the balance sheet date. When determining the fair value of financial derivatives the credit risk of the Group or counterparty is taken into account.

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

9. PROPERTY

The appraisal of the property portfolio resulted in a net yield (including transaction costs) of 3.8% (31 December 2018: 4.1%, 30 June 2018: 4.0%). A 25 basis point increase in the net initial yields used in the appraisal values will result in decrease in the value of the property of € 99.2 million or 6.3% (31 December 2018: € 91.9 million or 5.8%, 30 June 2018: € 93.1 million or 6.0%) and a 282 basis points increase in the loan-to-value-ratio (31 December 2018: 241 basis points, 30 June 2018: 238 basis points).

For further information on the property portfolio please refer to the chapter Value Movements in the 2019 half-year report.

10. ASSETS HELD FOR SALE

	30 June 2019	31 December 2018	30 June 2018
Balance as at 1 January	3,500	65,202	65,202
Transferred from Property in operation	6,035	3,500	(1,750)
Transferred from Accrued assets in respect of lease incentives	12	-	-
Transferred to Property in operation	-	(3,000)	-
Divestments	(3,500)	(61,952)	(61,952)
	6,047	3,750	1,500
Value movements	-	(250)	(250)
Balance as at 30 June	6,047	3,500	1,250

One property was sold in the first half of 2019.

Assets held for sale includes 6 properties in the Netherlands and 1 property in Belgium that will be sold in the second half of 2019. Two of these properties were sold at book value in July 2019 (see 16 Events after balance sheet date).

For further notes on the divestments please refer to the chapter Acquisitions and divestments in the 2019 half-year report.

11. SHARE BUYBACK

The share buyback programme that started on 19 October 2018 was concluded in the first half of 2019. In this period 1,034,824 shares were purchased, 292,208 in 2018 and 742,616 in 2019. The buyback concerned a total amount of € 34.7 million. € 9.8 million in 2018 and € 24.9 million in 2019. The purchased shares will be held as treasury shares.

12. PROVISIONS IN RESPECT OF EMPLOYEE BENEFITS

In view of the strongly reduced discount rate in the first half of 2019 the defined benefit pension obligation was recalculated, in contrast to last year. This recalculation led to an increase in the defined benefit obligation of € 0.9 million.

13. INTEREST-BEARING DEBTS

	30 June 2019	31 December 2018	30 June 2018
Long-term liabilities			
Unsecured loans	623,345	475,638	434,981
Lease liabilities	3,944	-	-
	627,289	475,638	434,981
Short-term debts			
Payable to banks	14,715	6,020	11,750
Redemption long-term interest-bearing loans	25,000	25,000	25,000
Redemption convertible bond loan	-	109,661	109,032
Lease liabilities	240	-	-
	39,955	140,681	145,782
Total	667,244	616,319	580,763

In January 2019, Vastned placed a € 50.0 million long-term bond loan with Pricoa Capital Group. The bond has a 7-year duration and a 2.73% coupon. Furthermore, in the first half of 2019 Vastned drew down a additional amount of € 122.5 million from its existing credit facilities. This amount was used in conjunction with the new loan inter alia to refinance existing loans, including the convertible bond loan of € 110.0 million that was redeemed in April 2019 and the share buyback.

Due to the fact that the holders of the convertible bond loan have not made use of their conversion right and the loan has been redeemed, the equity component of € 4.1 million has been transferred from the share premium reserve to the other reserves.

For further information about interest-bearing debts please refer to the chapter Financing structure in the 2019 half-year report.

14. FINANCIAL DERIVATIVES

In the first half of 2019 a number of interest rate derivatives was settled, whereby the negative value of these derivatives of € 5.3 million was paid. Furthermore, new interest rate derivatives were concluded in the first half of 2019 at the current market interest rate. As a result of the lower market interest rate the value movements of the interest rate derivatives were € 3.8 million negative.

For further information about the financial derivatives please refer to the chapter Financing structure chapter in the 2019 half-year report.

15. RIGHTS AND OBLIGATIONS NOT RECORDED IN THE BALANCE SHEET

In the past companies have been acquired that owned property. These acquisitions were recognised as a takeover of assets. The provisions for deferred tax liabilities not recorded in the balance sheet total € 12.5 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 stood as guarantor to the parent companies of the buyer for the payment obligations of Vastned Projecten under this purchase agreement. The customary guarantees and the indemnification for the amounts not paid to the owners' associations by Lusitania expired on 2 June 2019 without the buyer having invoked them. The tax guarantees and indemnifications will expire upon expiry of the statutory periods for additional assessments for the particular year. The longest running term still outstanding concerns the 2016 calendar year,

which will expire on 31 December 2020. Vastned does not expect any effect to be significant.

In 2017, Vastned transferred all shares in the company Vastned Emlak Yatırım ve İnşaat Ticaret A.Ş., owner of the property located in Istanbul, Turkey, to a group of local private investors. The guarantees customary in such transactions were given to the buyer. The customary guarantees expired in 2018 without the buyer having invoked them. The tax indemnifications will expire upon expiry of the statutory periods for additional assessments for the particular year. The longest running term still outstanding concerns the 2017 calendar year, which will expire on 31 December 2022. Vastned does not expect any impact to be significant.

16. EVENTS AFTER BALANCE SHEET DATE

In July, Vastned signed a heads of terms with JD Sports for the property at Rue de Rivoli 118-120 in Paris. The lease will take effect on 1 January 2020, and after a refurbishment the shop is expected to open for business in the spring of 2020.

The property Lange Bisschopstraat 50 in Deventer was sold at book value on 1 July 2019. The net sales proceeds came to € 0.7 million.

The property Wouwsestraat 48 in Bergen op Zoom was sold at book value on 1 July 2019. The net sales proceeds came to € 0.3 million.

The property Keizersgracht 233 in Amsterdam was purchased on 19 July 2019. The acquisition price including transaction costs was € 2.4 million.

In July, Vastned extended its existing syndicated credit facility of € 325.0 million by one year to 12 September 2024.

17. RELATED PARTY TRANSACTIONS

Except with respect to the issues described below, no material changes occurred in the first half year of 2019 in the nature, scale or volume of transactions with related parties compared to what was stated in the notes to the 2018 financial statements.

During the first half of 2019, none of the members of the Supervisory Board and Executive Board of Vastned had any personal interest in Vastned's 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:

Van Herk Investments B.V.	24.98%
BlackRock, Inc.	4.54%
Baillie Gifford & Co	3.04%
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., Amsterdam, which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statements of income, comprehensive income, movements in equity, and cash flows for the six-month period ended 30 June 2019, 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 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Utrecht, 31 July 2019

Ernst & Young Accountants LLP

Signed by W.H. Kerst