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Venues for Premium Shopping

HALF-YEAR REPORT 2017

Core city assets drive positive results Vastned

Highlights
- Introduction strategy update: focus on growth in selected cities in Europe
- Turkish portfolio sold and € 30.1 million (including costs) of the proceeds used for share buy-back
- Occupancy rate core city assets up to 99.5% and occupancy rate total portfolio remains high at 97.3%
- Positive like-for-like gross rent growth of 3.8% for core city assets results in like-for-like gross rent growth of 1.1% for total portfolio
- Value increase of core city assets* of 4.8% (€ 54.4 million), leading to 3.1% value increase of total portfolio (€ 47.4 million)
- Direct result HY1 2017 € 1.07 per share
- Indirect result HY1 2017 € 2.34 per share
- Interim-dividend HY 2017 € 0.64 per share
- Estimated direct result 2017 unchanged € 2.10 - € 2.20 per share
- Estimated dividend 2017 € 2.05 per share

**Excluding acquisitions and divestments*

Amsterdam, 2 August 2017 - Vastned, the listed European retail property company focusing on venues for premium shopping, realised positive results with a direct result of € 1.07 per share in the first half of 2017.

Taco de Groot, Vastned CEO: *"This year, we are reaping the rewards of the focus on core city assets and the strategic rotation in the portfolio that we started with the introduction of the high street strategy. The positive results of the core city assets are increasing their impact on the total portfolio. For example, the 3.8% positive like-for-like gross rental growth of the core city assets resulted in a 1.1% positive like-for-like gross rental growth of the total portfolio.*

Over the past few years we have expanded the core city assets portfolio and sharply improved the quality of the total portfolio by making targeted acquisitions and divestments. In the first half of 2017, we have once again been able to add two core city assets to our Paris portfolio. After balance sheet date, three adjacent core city assets in Antwerp were acquired.

In addition to acquisitions, we continue to focus on improving the quality of the portfolio by means of divestments. A major divestment in the first half year of 2017 was the sale of our portfolio in Turkey. In spite of the high quality of these core city assets, this portfolio no longer contributed to the stable results that we strive for due to the political and economic developments in Turkey. Part of the proceeds of the Turkish divestments were used for a share buy-back, which was an attractive investment in view of the Vastned share price at that time and the limited availability of acquisition opportunities.

This limited availability and increasing demand for high-quality property are making attractive acquisition opportunities scarcer. Keeping in mind that we only pursue acquisitions that meet all our conditions, we will execute our strategy step by step in a disciplined way.

Our efforts in the first half year have led to a direct result of € 1.07 per share and we stick to our guidance of the 2017 direct result of between € 2.10 and € 2.20 per share that we gave early this year.

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In addition, the quality improvement we have realised over the past years give us the confidence to distribute a higher ratio of the direct result as dividend than in 2016. This means that we expect to maintain a dividend of € 2.05 per share over the year 2017. In line with our dividend policy we will pay out an interim-dividend of € 0.64 per share, which is 60% of the direct result of the first six months of 2017."


Leidsestraat 2, Amsterdam

Key parameters

The good results of the core city assets ensured positive results for the total portfolio on all key parameters.

in %	Core city assets	Mixed retail locations	Total
Occupancy rate	99.5	93.5	97.3
Like-for-like rent growth	3.8	(3.2)	1,1
Value movements *	4.8	(1.9)	3.1
Share of portfolio	77	23	100
Total value (in € million)	1,219	360	1,579

**Excluding acquisitions and divestments*

The share of the core city assets in the total portfolio grew from 75% at year-end 2016 to 77% at 30 June 2017 due to value increases of the core city assets, acquisitions and divestments, and value decreases of non-strategic assets.

REVIEW OF THE PROPERTY PORTFOLIO

Occupancy rate

During the first half of 2017 the occupancy rate of the core city assets rose from 99.0% to 99.5%. The increase occurred in all countries where Vastned is active, except for Spain, where the portfolio is already fully let. The occupancy rate of the total portfolio remained high and was 97.3% as at 30 June 2017.

Occupancy rate 30 June 2017 (%)

Country	Netherlands	France	Belgium	Spain	Total
Core city assets	**99.7**	**99.3**	**99.4**	**100.0**	**99.5**
Mixed retail locations	92.0	83.0	97.5	100.0	93.5
Total	96.0	98.3	98.5	100.0	97.3

Occupancy rate year-end 2016 (%)

Country	Netherlands	France	Belgium	Spain	Total
Core city assets	99.1	98.6	99.2	100.0	99.0
Mixed retail locations	92.3	88.3	97.6	100.0	93.9
Total	95.8	97.9	98.5	100.0	97.1

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Leasing activity

Over the past six months, Vastned concluded 51 leases for € 4.7 million in total, or 5.8% of the theoretical gross rental income. Fourteen of these were agreed for core city assets, for a total of € 2.1 million.

Oudegracht 157, Utrecht

Vastned renewed leases with inter alia Pepe Jeans for its shop at Calle de Fuencarral 23 in Madrid, Cyrillus for rue de la Grande Chaussée 33-35 in Lille and Chasin' for Oudegracht 157 in Utrecht.

Vastned also welcomed new tenants in the past six months, such as Clarins at Cours de l'Intendance 64-66 in Bordeaux and Nespresso at rue des Francs Bourgeois 29 in Paris. In the latter property, Vastned has joined together the shop and the showroom space behind the shop, creating one larger retail space of over 200 square metres, which was just right for Nespresso to create its newest concept store which will open its doors in October 2017.

In the smaller cities in the Netherlands, where a large number of the leases for mixed retail locations were agreed, such as Leeuwarden, Hoorn, Spijkenisse and Zwijndrecht, falling demand for retail space led to lower rents.

In spite of the fact that for core city assets fewer leases were concluded in comparison with the mixed retail locations, the 10.1% rent increase (€ 193,000) that Vastned realised on concluded leases for the core city assets offset the larger part of the 9.4% (€ 268,000) decrease on the leases concluded for mixed retail locations.

Leasing activity in H1 2017

		Volume		Rental change	
	Number of leases concluded	€ in million	% of TGOI	%	in € '000
Core city assets	14	2.1	2.6	10.1	193
Mixed retail locations	37	2.6	3.2	(9.4)	(268)
Total	**51**	**4.7**	**5.8**	(1.6)	(75)

Rue de la Grande Chaussée 33-35, Lille

Value movements

Increasing demand for high-quality retail property in conjunction with scarce supply has a positive effect on the value development of the core city assets.

The value of the core city assets rose by 4.8% or € 54.4 million, excluding acquisitions and divestments. This clearly surpassed the 1.9% or € 7.0 million decrease on the mixed retail locations. The value of the total portfolio rose by € 47.4 million, excluding acquisitions and divestments. This represented a rise of 3.1% compared to year-end 2016.

Value movements*

	in € million	in %
Core city assets	54.4	4.8
Mixed retail locations	(7.0)	(1.9)
Total	**47.4**	**3.1**

*Excluding acquisitions and divestments

At 30 June 2017, the total value of the portfolio was € 1.6 billion.

Acquisitions and divestments

Rue des Francs Bourgeois 29, Paris

Acquisitions

In the first half of 2017, Vastned acquired two core city assets for € 19.8 million in total. These two acquisitions were completed in the historic district of Le Marais in Paris. Vastned acquired rue des Francs Bourgeois 29 for € 15.8 million including acquisition costs and rue des Rosiers 19 for € 4.0 million including acquisition costs. With these acquisitions, Vastned has expanded its cluster in Le Marais in Paris to six core city assets within a two-year period.

On 3 July, after balance sheet date, Vastned also acquired three adjacent core city assets at Steenhouwersvest 44-46-48 in the historic city centre of Antwerp for a total amount of approximately € 6 million including acquisition costs.

Divestments

During the first half of 2017, Vastned divested property totalling € 102.6 million. After the divestment of the Turkish portfolio Vastned sold a number of mixed retail locations in the Netherlands, inter alia several high street shops in Dalfsen, Enschede and Zwolle and a retail warehouse in Kuurne, Belgium. Vastned realised a net result on disposals of € 6.3 million on the divestments in the first half of 2017.

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REVIEW OF THE HY1 2017 FINANCIAL RESULTS

Results from discontinued operations

By qualifying the divested Turkish activities as 'discontinued operations', the results from these activities are recognised separately in the profit and loss account. The comparative figures for HY1 2016 have been adjusted for this reason.

Result attributable to Vastned Retail shareholders

The result, comprising the direct and indirect result, increased from € 12.6 million in HY1 2016 to € 64.2 million in HY1 2017. This was due to the positive value movements of the core city assets in HY1 2017.

Direct result

The direct result fell from € 23.0 million in HY1 2016 to € 20.2 million in HY1 2017. The main causes for the lower direct result in HY1 2017 were the sale of the entire Turkish portfolio and divestments, in particular in the Dutch property portfolio. As a result of these divestments the quality of the property portfolio improved strongly.

Indirect result

The indirect result was € 44.0 million positive (HY1 2016: € 10.4 million negative). The rise in the indirect result was mainly caused by value increases in HY1 2017. The value movements consisted of value increases of the core city assets of € 56.1 million and value decreases of the mixed retail locations of € 7.1 million in total.

Net rental income from property

Gross rental income

The gross rental income was € 38.8 million in HY1 2017 compared to € 41.4 million in HY1 2016. The developments in the gross rental income were as follows:

- Acquisitions (€ 1.0 million increase)
  Acquisitions of core city assets in the Netherlands, France and Spain yielded a positive contribution to the gross rental income of € 1.0 million.
- Divestments (€ 4.0 million decrease)
  Divestments of non-strategic assets in the Netherlands, Spain, Portugal and Belgium reduced the gross rental income by € 4.0 million.
- Like-for-like rent growth (€ 0.4 million increase)
  The like-for-like rent growth of the gross rental income was € 0.4 million positive in HY1 2017. This figure comprised positive like-for-like growth of the core city assets of € 0.9 million, and like-for-like gross rent growth of the mixed retail locations of € 0.5 million negative.

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

The total operating expenses for the past half year were € 4.6 million, down € 1.2 million from HY1 2016.
The decrease was mostly due to lower allocations to the provision for doubtful debtors and the release of the provision made for doubtful debtors.

Value movements property

The value movements of the investment properties were € 49.0 million positive in HY1 2017. The value movements consisted of the value increases of the core city assets of € 56.1 million and the value decreases of the mixed retail locations of € 7.1 million in total.

Net result on disposals of property

In the first half of 2017, Vastned realised a net result of € 0.6 million on divestments (excluding the Turkish property portfolio) totalling € 6.8 million.

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EXPENDITURE

Net financing costs

The net financing costs including value movements of financial derivatives decreased from € 13.1 million in HY1 2016 to € 7.6 million in HY1 2017. The development of the net financing costs is presented in the table below.

Development of net financing costs

(in € million)

Net financing costs HY1 2016	13.1
Decrease due to lower average interest-bearing debts	(0.7)
Increase on balance due to higher average interest rate and changes in fixed/floating and working capital	0.3
Value movements financial derivatives	(5.1)
Net financing costs HY1 2017	**7.6**

The net financing costs fell due to lower average interest-bearing debts arising from divestments. However, as the proceeds of the divestments were used primarily to redeem short-term loans with relatively low interest rates, the average interest rate of the interest-bearing debts increased marginally from 2.7% on the first half year of 2016 to 2.8% on the first half of 2017. The value movements of the interest rate derivatives were € 5.1 million positive due to the changed market interest rate and the shorter duration of the derivatives compared to HY1 2016.

General expenses

The general expenses were € 4.3 million in HY1 2017 (HY1 2016: € 4.1 million). The limited increase was caused among others by a one-off charge in personnel costs.

Current income tax expense

The current income tax expense in HY1 2017 was € 0.2 lower than in HY1 2016 due to a lower tax burden of the Dutch and Spanish regular taxed entities.

Movement deferred tax assets and liabilities

The movement deferred tax assets and liabilities was € 2.2 million negative in HY1 2017 (HY1 2016: € 0.7 million negative) and was mainly due to value increases in the core city assets in Spain and the value increase of a core city asset in the Netherlands that is held by a regularly taxed entity.

Result from discontinued operations

The direct result from the discontinued operations in Turkey fell by € 1.7 million in HY1 2017 compared to HY1 2016 due to the divestment of these activities. The net result of disposal of property was € 5.7 million positive (HY1 2016: nil) and the translation reserve of € 5.7 million negative included in equity was transferred to the profit and loss account so that the indirect result in HY1 2017 was nil (HY1 2016: value movements property € 3.5 million negative, and movement deferred tax liabilities € 0.4 million positive).

Result per share

In May 2017, Vastned bought back 849,846 shares for a total of € 30.1 million including costs. Due to this share buy-back the average number of Vastned shares outstanding fell from approx. 19.0 million in HY1 2016 to approx. 18.8 million in HY1 2017. The result per share was € 3.41 positive (HY1 2016: € 0.66 per share positive). The result is comprised of the direct result per share of € 1.07 (HY1 2016: € 1.21) and the indirect result per share of € 2.34 positive (HY1 2016: € 0.55 negative).

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FINANCING STRUCTURE

As at 30 June 2017, Vastned's balance sheet reflected a healthy financing structure with the following features:

	30 June 2017	31 December 2016
Loan-to-value (in %)	40.2	41.8
Solvency (in %)	57.9	56.1
Interest coverage ratio	3.8	4.0

Solvency, being group equity plus deferred tax liabilities divided by the balance sheet total, was 57.9% as at 30 June 2017 (30 June 2016: 56.1%). With this solvency rate of 57.9% and an interest coverage ratio of 3.8, Vastned complies with all its loan covenants.

Loan portfolio

As at 30 June 2017, the loan portfolio was 83.9% fixed interest. The share of non-bank loans was 48.5% as at 30 June 2017, well above the internal target of 25%. The loan portfolio further had the following features:

	30 June 2017	31 December 2016
Duration based on contract dates (years)	4.4	4.4
Duration based on interest review dates (years)	3.0	3.5

During the first half of 2017, Vastned extended the duration of its existing € 375 million syndicated loan facility by one year to February 2023. The unused credit facilities were € 202.3 million at 30 June 2017.

Loan portfolio at 30 June 2017:

(in € million)

	Fixed interest rate 1)	Floating interest rate	Total	% of total
Long term debt	449.6	90.7	540.3	85.2
Short term debt	82.5	11.6	94.1	14.8
	532.1	102.3	634.4	100.0
% of total	83.9	16.1	100.0	

1) *Interest derivatives taken into account.*

SHARE BUY-BACK

On 11 April 2017, Vastned made a tender offer for a maximum € 50 million share buy-back, for which part of the proceeds of the divestment of the Turkish portfolio were used. 849,846 shares were purchased in total at a share price of € 35.19, for a total amount of € 30.1 million including costs. The purchased shares will be held as treasury shares. The total number of shares outstanding fell as a result of the share buy-back from 19,036,646 to 18,186,800.

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DEVELOPMENT OF NET ASSET VALUE

Due to the share buy-back the average number of Vastned shares in issue fell from approx. 19.0 million in HY1 2016 to approx. 18.8 million in HY1 2017. As a result of the combined direct and indirect result of € 3.41 positive, the other movements of € 0.69 positive and the 2016 final dividend distribution of € 1.32, the net asset value per share rose from € 42.26 at year-end 2016 to € 45.04 as at 30 June 2017. EPRA NNNAV per share as at 30 June 2017 was € 44.39 vs. € 41.68 at year-end 2016.

INTERIM DIVIDEND 2017

In line with the dividend policy, the 2017 interim dividend will be 60% of the direct result for the first half year. The direct result for HY1 2017 is € 1.07 per share, so that the interim dividend is set at € 0.64 per share. On 4 August 2017 the share will trade ex-dividend and on 21 August 2017 the interim-dividend will be made payable.

EVENTS AFTER BALANCE SHEET DATE

In early July 2017, Vastned acquired three adjacent core city assets at Steenhouwersvest 44-46-48 in the historic city centre of Antwerp for a total amount of approximately € 6 million including acquisition costs. The three retail locations are leased to Diane van Fürstenberg, Damoy and Le Pain Quotidien.

Steenhouwersvest 44-48, Antwerp

OUTLOOK 2017

The sentiment in Europe appears to be improving. Unemployment is decreasing, there is cautious economic growth and consumer spending and consumer confidence are rising. The election victory of president Macron in France also appears to be contributing to the positive sentiment and unanimity in Europe.

Especially retailers with shops in well-known and upcoming high streets of big historic European cities are benefiting from increased consumer spending since these are the locations where consumers enjoy spending time. However, retailers need to remain innovative in order to continue to be appealing to consumers. Nowadays, consumers are far better informed and have much wider choice, both online and offline.

The current investment climate is generating increasing demand for high-grade European retail property with solid returns, which in conjunction with the limited supply of high-grade retail property in the well-known and upcoming high streets in Europe is causing yield compression in the market.

Rue du Vieille du Temple 26, Paris

For Vastned, this means positive value changes for the core city assets property portfolio, but also fewer acquisition opportunities where Vastned can add value. Vastned does not anticipate any change to this situation, with the current low market interest rates and the search for returns. Vastned will continue executing its strategy step by step and focusing its acquisitions on expanding the clusters in the five selected European cities and divesting non-strategic assets in mainly smaller cities in the Netherlands.

Early this year, Vastned issued a estimation for the 2017 direct result of between € 2.10 and € 2.20 per share. The company confirms this range and expects to distribute a dividend for 2017 of € 2.05 per share.

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Responsibility statement

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

- the interim financial statements give a true and fair view of the assets and liabilities, the financial position and the result of Vastned and its consolidated subsidiaries; and
- the half-year report gives a true and fair view of the main events that occurred in the first six months of the financial year and the impact thereof on the interim annual accounts, and a true and fair view of the main risks and uncertainties for the remaining six months of the financial year (that have not been mentioned, but are equal to the 2016 annual report), as well as of the main related party transactions.

Amsterdam, 1 August 2017

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

Conference call

On 2 August 2017 at 10am, Vastned will comment on the half-year results 2017 in a conference call for analysts and shareholders. The conference call can be followed live on http://vastned.com/investeerders/investor_relations.

Financial calendar 2017

4 August 2017	Ex interim dividend date
7 August 2017	Interim dividend record date
21 August 2017	Interim dividend payment date
1 November 2017	Nine months' trading update 2017

About Vastned

Vastned is a listed European retail property company focusing on venues for premium shopping. Vastned invests in selected cities in Europe, with a clear focus on the best retail property in the most popular shopping streets in the bigger cities. Vastned's tenants are strong and leading international and national retail brands. The property portfolio has a size of € 1.6 billion.

Further information:

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DEVELOPMENT NET RENTAL INCOME H1 2017 (X € 1000)

Core city assets	**Netherlands**	**France**	**Belgium**	**Spain/ Portugal**	**Total continuing operations**	**Discontinued operations**	**Total**
Gross rental income 2016	10,332	7,337	4,579	1,079	23,327	4,156	27,483
Acquisitions	235	376	-	432	1,043	-	1,043
Divestments	(388)	-	-	-	(388)	(2,305)	(2,693)
Like-for-like-rental growth	108	358	369	41	876	-	876
Gross rental income 2017	10,287	8,071	4,948	1,552	24,858	1,851	26,709
Operating expenses	(1,761)	(651)	(474)	(133)	(3,019)	(40)	(3,059)
Net rental income 2017	8,526	7,420	4,474	1,419	21,839	1,811	23,650
Net rental income 2016	8,835	6,713	4,279	973	20,800	3,904	24,704
Operating expenses in % from gross rental income 2017	17.1%	8.1%	9.6%	8.6%	12.1%	2.2%	11.5%
Operating expenses in % from gross rental income 2016	14.5%	8.5%	6.6%	9.8%	10.8%	6.1%	10.1%

Mixed retail locations	**Netherlands**	**France**	**Belgium**	**Spain/ Portugal**	**Total continuing operations**	**Discontinued operations**	**Total**
Gross rental income 2016	11,941	656	4,709	761	18,067	-	18,067
Acquisitions	-	-	-	-	-	-	-
Divestments	(2,800)	-	(176)	(674)	(3,650)	-	(3,650)
Like-for-like-rental growth	(539)	(123)	192	2	(468)	-	(468)
Gross rental income 2017	8,602	533	4,725	89	13,949	-	13,949
Operating expenses	(880)	(311)	(405)	(3)	(1,599)	-	(1,599)
Net rental income 2017	7,722	222	4,320	86	12,350	-	12,350
Net rental income 2016	9,425	401	4,213	727	14,766	-	14,766
Operating expenses in % from gross rental income 2017	10.2%	58.3%	8.6%	3.4%	11.5%	-	11.5%
Operating expenses in % from gross rental income 2016	21.1%	38.9%	10.5%	4.5%	18.3%	-	18.3%

Total	**Netherlands**	**France**	**Belgium**	**Spain/ Portugal**	**Total continuing operations**	**Discontinued operations**	**Total**
Gross rental income 2016	22,273	7,993	9,288	1,840	41,394	4,156	45,550
Acquisitions	235	376	-	432	1,043	-	1,043
Divestments	(3,188)	-	(176)	(674)	(4,038)	(2,305)	(6,343)
Like-for-like-rental growth	(431)	235	561	43	408	-	408
Gross rental income 2017	18,889	8,604	9,673	1,641	38,807	1,851	40,658
Operating expenses	(2,641)	(962)	(879)	(136)	(4,618)	(40)	(4,658)
Net rental income 2017	16,248	7,642	8,794	1,505	34,189	1,811	36,000
Net rental income 2016	18,260	7,114	8,492	1,700	35,566	3,904	39,470
Operating expenses in % from gross rental income 2017	14.0%	11.2%	9.1%	8.3%	11.9%	2.2%	11.5%
Operating expenses in % from gross rental income 2016	18.0%	10.9%	8.6%	7.6%	14.1%	6.1%	13.3%

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KEY FIGURES

Results (x € 1,000)	**30 June 2017**	**31 December 2016**	**30 June 2016**
Gross rental income[1]	38,807	81,298	41,394
Direct result	20,206	46,115	23,020
Indirect result	43,991	(19,684)	(10,466)
Result	**64,197**	**26,431**	**12,554**
Balance sheet (x € 1,000)			
Property	1,578,684	1,614,793	1,657,558
Equity	909,039	891,497	884,857
Equity Vastned Retail shareholders	819,119	804,437	802,196
Long-term liabilities	566,105	636,921	702,318
Solvency (in %)	57.9	56.1	54.5
Loan-to-value (in %)	40.2	41.8	42.9
Interest coverage ratio	3.8	4.0	4.0
Financial occupancy rate total portfolio (in %)	96.9	95.9	96.1
Core city assets (in %)	98.8	98.1	98.3
Mixed retail locations (in %)	93.7	92.9	91.6
Average number of ordinary shares in issue	18,830,054	19,036,646	19,036,646
Number of ordinary shares in issue (end of period)	18,186,800	19,036,646	19,036,646
Per share (x € 1)			
Equity Vastned Retail shareholders at beginning of year (including final dividend)	42.26	42.90	42.90
Final dividend previous financial year	(1.32)	(1.31)	(1.31)
Equity Vastned Retail shareholders at beginning of period (excluding final dividend)	40.94	41.59	41.59
Direct result	1.07	2.42	1.21
Indirect result	2.34	(1.03)	(0.55)
Result	3.41	1.39	0.66
Remeasurement of defined benefit pension obligation	-	0.02	(0.11)
Reclassification of unrealised results of financial derivatives to profit and loss account, after taxes	-	(0.01)	-
Reclassification of translation reserve to profit and loss account	0.30	-	-
Other movements	0.39	-	-
Interim dividend	-	(0.73)	-
Equity Vastned Retail shareholders at end of period (including final dividend)	**45.04**	**42.26**	**42.14**
Share price (end of period)	36.655	36.86	36.505
Premium/(Discount) (in %)	(18.6)	(12.8)	(13.4)

[1] The comparative figures for 2016 have been adjusted relating to the discontinued operations in Turkey.

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DIRECT AND INDIRECT RESULT (x € 1,000)

Direct result

	HY1 2017	HY1 2016 [1]
Gross rental income	38,807	41,394
Ground rents paid	(69)	(78)
Net service charge expenses	(298)	(304)
Operating expenses	(4,251)	(5,446)
Net rental income	**34,189**	**35,566**
Financial income	9	9
Financial expenses	(9,145)	(9,567)
Net financing costs	(9,136)	(9,558)
General expenses	(4,321)	(4,119)
Direct result before taxes	20,732	21,889
Current income tax expense	1	(167)
Movement deferred tax assets and liabilities	(9)	(5)
Direct result after tax from continuing operations	20,724	21,717
Direct result after tax from discontinued operations	1,656	3,372
Direct result	22,380	25,089
Direct result attributable to non-controlling interests	(2,174)	(2,069)
Direct result attributable to Vastned Retail shareholders	**20,206**	**23,020**

Indirect result

	HY1 2017	HY1 2016 [1]
Value movements property in operation	49,018	(2,000)
Value movements property under renovation	-	(1,163)
Total value movements in property	49,018	(3,163)
Net result on disposal of property	581	714
Financial expenses	(405)	(407)
Value movements financial derivatives	1,917	(3,233)
Reclassification of unrealised results on financial derivatives from equity	58	58
Indirect result before taxes	51,169	(6,031)
Movement deferred tax assets and liabilities	(2,200)	(692)
Indirect result after tax from continuing operations	48,969	(6,723)
Indirect result after tax from discontinued operations	1	(3,125)
Indirect result	48,970	(9,848)
Indirect result attributable to non-controlling interests	(4,979)	(618)
Indirect result attributable to Vastned Retail shareholders	**43,991**	**(10,466)**
Result attributable to Vastned Retail shareholders	**64,197**	**12,554**

[1] The comparative figures for 2016 have been adjusted relating to the discontinued operations in Turkey.

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DIRECT AND INDIRECT RESULT

PER SHARE (x € 1)	**HY1 2017**	**HY1 2016**
from continuing operations:		
Direct result attributable to Vastned Retail shareholders	0.98	1.03
Indirect result attributable to Vastned Retail shareholders	2.34	(0.39)
	3.32	**0.64**
from discontinued operations:		
Direct result attributable to Vastned Retail shareholders	0.09	0.18
Indirect result attributable to Vastned Retail shareholders	-	(0.16)
	0.09	**0.02**
total:		
Direct result attributable to Vastned Retail shareholders	1.07	1.21
Indirect result attributable to Vastned Retail shareholders	2.34	(0.55)
	3.41	**0.66**

EPRA PERFORMANCE INDICATORS

EPRA performance indicators	**Tabel**	(x € 1,000) **HY1 2017**	(x € 1,000) **HY1 2016**	PER SHARE (x € 1) **HY1 2017**	PER SHARE (x € 1) **HY1 2016**
EPRA Earnings	1	20,206	23,020	1.07	1.21
EPRA NAV	2	834,378	834,073	45.88	43.82
EPRA NNNAV	3	807,377	792,326	44.39	41.62
EPRA Net Initial Yield (NIY)	4 (i)	4.1%	4.4% [1]		
EPRA 'topped-up' NIY	4(ii)	4.3%	4.6% [1]		
EPRA Vacancy Rate	5	3.0%	2.7%		
EPRA Cost Ratio (including direct vacancy costs)	6 (i)	22.9%	22.3%[2]		
EPRA Cost Ratio (excluding direct vacancy costs)	6 (ii)	21.8%	21.3%[2]		
Capital expenditure	7	20,879	27,050		

[1] 31 december 2016.
[2] The comparative figures for 2016 have been adjusted relating to the discontinued operations in Turkey.

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1 EPRA earnings

	HY1 2017	HY1 2016
Result as stated in consolidated IFRS profit and loss account	64,197	12,554
Value movements in property	(49,018)	3,163
Net result on disposal of property	(581)	(714)
Financial expenses	405	407
Value movements in financial derivatives	(1,975)	3,175
Movement in deferred tax assets and liabilities	2,200	692
Discontinued operations	(1)	3,125
Attributable to non-controlling interests	4,979	618
EPRA Earnings	**20,206**	**23,020**
EPRA Earnings per share (EPS)	**1.07**	**1.21**

2 and 3 EPRA NAV and EPRA NNNAV

		30 June 2017		30 June 2016
		per share (x € 1)		per share (x € 1)
Equity Vastned Retail shareholders	819,119	45.04	802,196	42.14
Adjustment for effect of convertible bond	-	-	-	-
Diluted equity Vastned Retail shareholders	**819,119**	**45.04**	**802,196**	**42.14**
Fair value of financial derivatives	3,434	0.19	7,151	0.38
Deferred tax	11,825	0.65	24,726	1.30
EPRA NAV	**834,378**	**45.88**	**834,073**	**43.82**
Fair value of financial derivatives	(3,434)	(0.19)	(7,151)	(0.38)
Fair value of interest-bearing loans	(14,369)	(0.79)	(18,921)	(1.00)
Deferred tax	(9,198)	(0.51)	(15,675)	(0.82)
EPRA NNNAV	**807,377**	**44.39**	**792,326**	**41.62**

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4 EPRA NET INITIAL YIELD AND EPRA TOPPED-UP NET INITIAL YIELD PER 30 JUNE

	Netherlands		France		Belgium		Spain		Turkey		Total	
	30 Jun 2017	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Property in operation	691,185	684,010	423,745	382,305	374,254	360,935	89,500	87,543	-	100,000	1,578,684	1,614,793
addition: Estimated transaction fees	52,025	51,485	30,257	29,521	9,356	9,025	2,503	2,450	-	3,093	94,141	95,574
Investment of property in operation (B)	**743,210**	**735,495**	**454,002**	**411,826**	**383,610**	**369,960**	**92,003**	**89,993**	**-**	**103,093**	**1,672,825**	**1,710,367**
Annualised gross rental income	38,002	37,913	17,163	16,639	19,081	19,176	3,344	3,282	-	7,780	77,590	84,790
Non-recoverable operating expenses	(5,711)	(5,514)	(1,104)	(1,136)	(1,738)	(1,724)	(213)	(214)	-	(598)	(8,766)	(9,186)
Annualised net rental income (A)	**32,291**	**32,399**	**16,059**	**15,503**	**17,343**	**17,452**	**3,131**	**3,068**	**-**	**7,182**	**68,824**	**75,604**
Effect of rent-free periods and other lease incentives	503	562	972	601	767	456	37	-	-	714	2,279	2,333
Topped-up annualised net rental income (C)	**32,794**	**32,961**	**17,031**	**16,104**	**18,110**	**17,908**	**3,168**	**3,068**	**-**	**7,896**	**71,103**	**77,937**
(i) EPRA Net Initial Yield (A/B)	4.3%	4.4%	3.5%	3.8%	4.5%	4.7%	3.4%	3.4%		7.0%	4.1%	4.4%
(ii) EPRA Topped-up Net Initial Yield (C/B)	4.4%	4.5%	3.8%	3.9%	4.7%	4.8%	3.4%	3.4%		7.7%	4.3%	4.6%

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4 EPRA NET INITIAL YIELD AND EPRA TOPPED-UP NET INITIAL YIELD PER 30 JUNE

	Core city assets		**Mixed retail locations**		**Total**	
	30 Jun 2017	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Property in operation	1,218,670	1,243,490	360,014	371,303	1,578,684	1,614,793
addition: Estimated transaction fees	74,761	74,969	19,380	20,605	94,141	95,574
Investment of property in operation (B)	**1,293,431**	**1,318,459**	**379,394**	**391,908**	**1,672,825**	**1,710,367**
Annualised gross rental income	50,088	56,951	27,502	27,839	77,590	84,790
Non-recoverable operating expenses	(4,733)	(5,032)	(4,033)	(4,154)	(8,766)	(9,186)
Annualised net rental income (A)	**45,355**	**51,919**	**23,469**	**23,685**	**68,824**	**75,604**
Effect of rent-free periods and other lease incentives	1,623	1,684	656	649	2,279	2,333
Topped-up annualised net rental income (C)	**46,978**	**53,603**	**24,125**	**24,334**	**71,103**	**77,937**
(i) EPRA Net Initial Yield (A/B)	3.5%	3.9%	6.2%	6.0%	4.1%	4.4%
(ii) EPRA Topped-up Net Initial Yield (C/B)	3.6%	4.1%	6.4%	6.2%	4.3%	4.6%

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5 EPRA vacancy rate

30 June 2017

	Gross rental income	Net rental income	Lettable floor area (sqm)	Annualised cash passing rental income	Estimated rental value (ERV) of vacant properties	Estimated rental value (ERV)	EPRA Vacancy Rate
Netherlands	18,889	16,248	155,184	38,097	1,575	39,345	4.0%
France	8,604	7,642	35,722	17,289	598	18,967	3.2%
Belgium	9,673	8,794	91,333	19,081	306	19,458	1.6%
Spain	1,641	1,505	3,291	3,344	-	3,677	-
Total property in operation	**38,807**	**34,189**	**285,530**	**77,811**	**2,479**	**81,447**	**3.0%**
Core city assets	24,858	21,839	95,026	50,224	244	54,126	0.5%
Mixed retail locations	13,949	12,350	190,504	27,587	2,235	27,321	8.2%
Total property in operation	**38,807**	**34,189**	**285,530**	**77,811**	**2,479**	**81,447**	**3.0%**

31 Dec 2016

	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	42,486	36,117	157,415	37,913	1,737	40,653	4.3%
France	16,460	14,746	35,435	16,639	358	18,722	1.9%
Belgium	18,900	17,344	92,085	19,176	339	19,131	1.8%
Spain	3,452	3,138	3,291	3,282	-	3,677	-
Turkey	8,171	7,710	13,100	7,780	34	7,887	0.4%
Total property in operation	**89,469**	**79,055**	**301,326**	**84,790**	**2,468**	**90,070**	**2.7%**
Core city assets	53,569	48,466	107,943	56,951	570	59,599	1.0%
Mixed retail locations	35,900	30,589	193,383	27,839	1,898	30,471	6.2%
Total property in operation	**89,469**	**79,055**	**301,326**	**84,790**	**2,468**	**90,070**	**2.7%**

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6 EPRA cost ratios

	HY1 2017	HY1 2016 [1]
General expenses	4,321	4,119
Ground rents paid	69	78
Operating expenses	4,251	5,446
Net service charge expenses	298	304
less:		
ground rents paid	(69)	(78)
EPRA costs (including vacancy costs) (A)	**8,870**	**9,869**
Vacancy costs	(438)	(479)
EPRA costs (exclusive vacancy costs) (B)	**8,432**	**9,390**
Gross rental income less ground rents paid (C)	**38,738**	**41,316**
(i) EPRA Cost Ratio (including vacancy costs) (A/C)	**22.9%**	**23.9%**
(ii) EPRA Cost Ratio (exclusive vacancy costs) (B/C)	**21.8%**	**22.7%**

[1] The comparative figures for 2016 have been adjusted relating to the discontinued operations in Turkey.

7 CAPITAL EXPENDITURE

	2017	2016
Acquisitions [1]	19,757	23,805
Development	-	-
Like-for-like-portfolio [2]	1,122	2,802
Others [3]	-	443
	20,879	**27,050**

[1] Concerns the acquisitions in Paris (in 2016: Utrecht and Paris).
[2] Involves improvements to a number of properties already owned throughout various countries.
[3] Concerns among others improvements to properties, sold during the course of the financial year.

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2017 HALF-YEAR FINANCIAL STATEMENTS

Content

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CONSOLIDATED PROFIT AND LOSS ACCOUNT (x € 1,000)

	Note	HY1 2017	HY1 2016
Income from property			
Gross rental income		38,807	41,394
Ground rents paid		(69)	(78)
Net service charge expenses		(298)	(304)
Operating expenses		(4,251)	(5,446)
Net rental income	4	34,189	35,566
Value movements in property in operation	4	49,018	(2,000)
Value movements in property under renovation	4	-	(1,163)
Total value movements in property		49,018	(3,163)
Net result on disposal of property	4	581	714
Total net income from property		**83,788**	**33,117**
Expenditure			
Financial income		9	9
Financial expenses		(9,550)	(9,974)
Value movements in financial derivatives		1,917	(3,233)
Reclassification of unrealised results on financial derivatives from equity		58	58
Net financing costs		(7,566)	(13,140)
General expenses		(4,321)	(4,119)
Total expenditure		**(11,887)**	**(17,259)**
Result before taxes		**71,901**	**15,858**
Current income tax expense		1	(167)
Movement in deferred tax assets and liabilities		(2,209)	(697)
Total income tax		(2,208)	(864)
Result after tax from continuing operations		**69,693**	**14,994**
Result after tax from discontinued operations	5	1,657	247
Result		**71,350**	**15,241**
Result from continuing operations attributable to Vastned Retail shareholders		62,540	12,307
Result from discontinued operations attributable to Vastned Retail shareholders		1,657	247
Result attributable to non-controlling interests		7,153	2,687
		71,350	**15,241**
Per share (x € 1)			
Result from continuing operations		3.32	0.65
Result from discontinued operations		0.09	0.01
		3.41	0.66
Diluted result from continuing operations		3.00	0.65
Diluted result from discontinued operations		0.08	0.01
		3.08	0.66

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (x € 1,000)

	Note	HY1 2017	HY1 2016
Result after tax from continuing operations		69,693	14,994
Result after tax from discontinued operations		1,657	247
Result after tax		71,350	15,241
Items not reclassified to the profit and loss account			
Remeasurement of defined benefit obligation	10	-	(2,001)
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)
Reclasification of the translation reserve to the profit and loss account	5	5,728	-
Taxes on items that have been or could be reclassified to the profit and loss account		-	-
Other comprehensive result after taxes		5,670	(2,059)
Comprehensive income		**77,020**	**13,182**
Attributable to:			
Vastned Retail shareholders		69,867	10,495
Non-controlling interests		7,153	2,687
		77,020	**13,182**

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CONSOLIDATED BALANCE SHEET (x € 1,000)

	Note	30 June 2017	31 December 2016	30 June 2016
Assets				
Property in operation	4,9	1,575,696	1,611,725	1,646,118
Property under renovation	4,9	-	-	8,425
Accrued assets in respect of lease incentives	4	2,988	3,068	3,015
Total property		1,578,684	1,614,793	1,657,558
Tangible fixed assets		1,161	1,280	1,081
Financial derivatives		266	275	-
Total fixed assets		**1,580,111**	**1,616,348**	**1,658,639**
Debtors and other receivables		8,594	5,674	4,972
Income tax		37	204	108
Financial derivatives		1,976	1,280	4,171
Cash and cash equivalents		**10,607**	**7,158**	**9,251**
Total assets		**1,590,718**	**1,623,506**	**1,667,890**
Equity and liabilities				
Capital paid-up and called		95,183	95,183	95,183
Share premium reserve		472,640	472,640	472,640
Hedging reserve in respect of financial derivatives		441	499	558
Translation reserve	5	-	(5,728)	(5,728)
Other reserves	6	186,658	215,412	226,989
Result attributable to Vastned Retail shareholders		64,197	26,431	12,554
Equity Vastned Retail shareholders		819,119	804,437	802,196
Non-controlling interests		89,920	87,060	82,661
Total equity		**909,039**	**891,497**	**884,857**
Deferred tax liabilities		11,864	19,598	24,793
Provisions in respect of employee benefits	10	5,913	6,009	8,020
Long-term interest-bearing loans	11	540,358	601,610	657,218
Financial derivatives		4,073	6,145	8,661
Guarantee deposits and other long-term liabilities		3,897	3,559	3,626
Total long-term liabilities		**566,105**	**636,921**	**702,318**
Payable to banks	11	21,570	14,654	33,195
Redemption long-term interest-bearing loans	11	72,518	57,518	20,017
Financial derivatives		261	106	-
Income tax		561	1,076	4,937
Other liabilities and accruals		20,664	21,734	22,566
Total short-term liabilities		**115,574**	**95,088**	**80,715**
Total equity and liabilities		**1,590,718**	**1,623,506**	**1,667,890**

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CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY (x € 1,000)

	Capital paid-up and called -up	Share premium reserve	Hedging reserve in respect of financial deriva-tives	Trans-lation reserve	Other reserves	Result attributa-ble to Vastned Retail sharehol-ders	Equity Vastned Retail sharehol-ders	Non-controlling interests	Total equity
Balance as at 1 January 2016	95,183	472,640	616	(5,728)	188,458	65,471	816,640	84,373	901,013
Result from continuing operations						12,307	12,307	2,687	14,994
Result from discontinued operations						247	247		247
Other comprehensive income			(58)		(2,001)		(2,059)		(2,059)
Comprehensive income	-	-	*(58)*	-	*(2,001)*	*12,554*	*10,495*	*2,687*	*13,182*
Final dividend for previous financial year in cash						(24,939)	(24,939)	(4,399)	(29,338)
Contribution from profit appropriation					40,532	(40,532)	-		-
Balance as at 30 June 2016	95,183	472,640	558	(5,728)	226,989	12,554	802,196	82,661	884,857
Balance as at 1 January 2017	95,183	472,640	499	(5,728)	215,412	26,431	804,437	87,060	891,497
Result from continuing operations						62,540	62,540	7,153	69,693
Result from discontinued operations						1,657	1,657		1,657
Other comprehensive income			(58)	5,728			5,670		5,670
Comprehensive income	-	-	*(58)*	*5,728*	-	*64,197*	*69,867*	*7,153*	*77,020*
Final dividend for previous financial year in cash						(25,126)	(25,126)	(4,293)	(29,419)
Contribution from profit appropriation					1,305	(1,305)	-		-
Share buy-back					(30,059)		(30,059)		(30,059)
Balance as at 30 June 2017	95,183	472,640	441	-	186,658	64,197	819,119	89,920	909,039

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CONSOLIDATED CASH FLOW STATEMENT (x € 1,000)

	Note	HY1 2017	HY1 2016
Cash flow from operating activities			
Result		71,350	15,241
Adjustments for:			
Value movements in property		(49,018)	6,660
Net result on disposal of property		(581)	(714)
Net financing costs		7,578	13,117
Income tax		2,246	1,015
Cash flow from operating activities before changes in working capital and provisions		31,575	35,319
Movement in current assets		(2,014)	(1,917)
Movement in short-term liabilities		246	102
Movement in provisions		(153)	(103)
		29,654	33,401
Interest received		13	32
Interest paid		(8,784)	(10,073)
Income tax paid		(199)	(913)
Cash flow from operating activities		**20,684**	**22,447**
Cash flow from investing activities			
Property acquisitions		(19,001)	(24,484)
Property investments		(1,819)	(3,201)
Disposal of property		4,967	10,818
Disposal of subsidiaries		95,167	-
Cash flow from property		**79,314**	**(16,867)**
Movement in tangible fixed assets		119	65
Cash flow from investing activities		**79,433**	**(16,802)**
Cash flow from financing activities			
Share buy-back	6	(30,059)	-
Dividend paid		(25,126)	(24,939)
Dividend paid to non-controlling interests		(4,293)	(4,399)
Interest-bearing loans drawn-down		6,728	50,042
Interest-bearing loans redeemed		(47,009)	(25,009)
Movements in guarantee deposits and other long-term liabilities		338	69
Cash flow from financing activities		**(99,421)**	**(4,236)**
Movement in cash and cash equivalents		**696**	**1,409**
Cash and cash equivalents as at 1 January		1,280	2,762
Cash and cash equivalents at end of period		**1,976**	**4,171**

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NOTES TO THE 2017 HALF-YEAR FINANCIAL STATEMENTS

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

The property is located in the Netherlands, France, Belgium, and Spain.

Vastned is entered in the trade register of the Chamber of Commerce under number 24262564.

Vastned is listed on the Euronext stock exchange of Amsterdam.

The half-yearly financial statements of Vastned comprise Vastned and its subsidiaries (jointly referred to as 'the Group') and the interests the Group has in associates and entities over which it has joint control. The half-yearly financial statements have been drawn up by the Executive Board and authorised for publication by the Supervisory Board on 1 August 2017.

The results of H1 2017 and H1 2016 have been reviewed by Ernst & Young Accountants LLP. The results as at year-end 2016 are audited by Ernst & Young Accountants LLP.

2. Principles applied in the presentation of the consolidated half-year financial statements
The financial statements are presented in euros; amounts are rounded off to thousands of euros, unless stated differently.

This consolidated half-year financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as endorsed by the European Union. The consolidated half-year financial statements do not contain all the information required for full financial statements and therefore should be read in conjunction with the consolidated financial statements 2016.

The principles applied in the preparation of the consolidated half-year financial statements are consistent with the principles set out in the annual report for the 2016 financial year, with the exception of the application of new standards and interpretations described below.

Effect of new, amended and improved standards
For the new financial year, no new standards or revised standards have come into effect that have been endorsed by the European Union. A number of new standards will come into effect for financial years beginning on or after 1 January 2018, including IFRS 9, 15 and 16.

- **IFRS 9 Financial Instruments** *(effective for financial years beginning on or after 1 January 2018)*
  The standard concerns classification and measurement, impairment and hedge accounting of financial instruments.

  Classification and measurement
  Given the insignificant volume of financial assets it holds, the Group does not expect the application of this standard to have any material impact on the presentation, notes or financial results of the Group.

  Impairment
  Application of this standard will result in, among other things, earlier inclusion of expected credit losses on financial assets. The Group expects to apply the simplified approach and to include the losses expected for the entire life of its financial assets.
  The Group's principal financial assets consist of cash and cash equivalents, debtors and other receivables. The cash and cash equivalents are held at reputable banks with at least an investment grade rating. Tenants are carefully screened in advance.
  Security is also required from tenants in the form of guarantee deposits or bank guarantees and rents are paid in advance. The Group therefore believes that the effect on the Group's financial results will not be material.

  Hedge accounting
  The Group does not apply hedge accounting

- **IFRS 15 Revenue from Contracts with Customers** *(effective for financial years beginning on or after 1 January 2018)*
  The standard contains guidelines for recognising turnover from contracts with customers. The Group receives its income from leases. The rental income can be regarded as income from leases and does not fall under this standard, therefore.
  The standard also provides for a model for reporting and determining profit and loss on the sale of certain non-financial assets, which includes property. The Group does not expect application of the standard is likely to have any material impact on the presentation, notes or financial results of the Group.

- **IFRS 16 Leases** *(effective for financial years starting on or after 1 January 2019, not yet endorsed by the European Union)*
  This standard describes how both financial and operating leases must be recognised. The standard mainly has implications for lessees. Except in the case of certain exemptions, lessees must include all lease obligations on the balance sheet. An exemption applies for leases for assets with insignificant value and short-term leases. Lessees report a lease obligation with a corresponding asset (right of use) and must report interest and depreciation separately. Certain events necessitate the lessee to reassess particular key elements (for example, lease period and variable rents on the basis of an index).
  The Group leases a number of offices for its organisation and will have to report a right of use and a lease obligation on its balance sheet on account of this. The amounts involved with this are not material, however. The reporting of leases by lessors remains largely unchanged; application of the new standard consequently is not expected to have any material impact on the Group's financial results. More detailed information will have to be provided, however.

In the preparation of the consolidated financial interim report, the essential judgements used by the Executive Board in the application of Vastned Retail's principles for financial reporting and the main estimates are identical to the essential judgements and main estimates used in the 2016 financial statements. The actual results may deviate from these estimates.

3. Consolidation scope

In April 2017, Vastned sold its subsidiary Vastned Emlak Yatırım ve İnşaat A.Ş., which entity is the owner of the Turkish property portfolio. Vastned Emlak Yatırım ve İnşaat A.Ş. is no longer included in the consolidation as of the selling date.

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

On 8 March 2017, Vastned published a strategy update. One of the changes in this update is the segmentation of the property portfolio. The number of segments was reduced from three (premium city high street shops, high street shops and non-high street shops) to two, which are: core city assets and mixed retail locations. The comparative figures have been adjusted for this reason.

HY1 2017

	Netherlands	France	Belgium	Spain	Turkey	Total
Net rental income	16,248	7,642	8,794	1,505	-	34,189
Value movements in property in operation	12,334	21,354	13,355	1,975	-	49,018
Value movements in property under renovation	-	-	-	-	-	-
Net result on disposal of property	545	50	(21)	7	-	581
Total net income from property	**29,127**	**29,046**	**22,128**	**3,487**	**-**	**83,788**
Net financing costs						(7,566)
General expenses						(4,321)
Income tax						(2,208)
Result from continuing operations, after taxes						**69,693**
Result from discontinued operations, after taxes					**1,657**	1,657
Result						**71,350**

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

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HY1 2016

	Netherlands	France	Belgium	Spain/ Portugal	Turkey	Total
Net rental income	18,260	7,114	8,492	1,700	-	35,566
Value movements in property in operation	(7,588)	1,341	2,064	2,183	-	(2,000)
Value movements in property under renovation	(1,163)	-	-	-	-	(1,163)
Net result on disposal of property	169	124	-	421	-	714
Total net income from property	**9,678**	**8,579**	**10,556**	**4,304**	**-**	**33,117**
Net financing costs						(13,140)
General expenses						(4,119)
Income tax						(864)
Result from continuing operations, after taxes						**14,994**
Result from discontinued operations, after taxes					**247**	247
Result						**15,241**

	Netherlands	France	Belgium	Spain/ Portugal	Turkey	Total
Estate in exploitation:						
Balance as at 1 January	741,647	337,849	356,348	76,333	132,651	1,644,828
- Acquisitions	15,752	8,053	-	-	-	23,805
- Capital expenditure	1,755	993	554	-	-	3,302
- Transferred to property under renovation	(9,645)	-	-	-	-	(9,645)
- Disposals	(3,625)	-	-	(7,050)	-	(10,675)
	745,884	346,895	356,902	69,283	132,651	1,651,615
- Value movements	(7,589)	1,341	2,064	2,183	(3,496)	(5,497)
Balance as at 30 June	**738,295**	**348,236**	**358,966**	**71,466**	**129,155**	**1,646,118**
Accrued assets in respect of lease incentives	1,680	303	472	115	445	3,015
Appraisal value as at 30 June	**739,975**	**348,539**	**359,438**	**71,581**	**129,600**	**1,649,133**
Property under renovation	8,425	-	-	-	-	8,425
Property	**748,400**	**348,539**	**359,438**	**71,581**	**129,600**	**1,657,558**

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HY1 2017

	Core city assets	Mixed retail locations	Total
Net rental income	21,839	12,350	34,189
Value movements in property in operation	56,064	(7,046)	49,018
Value movements in property under renovation	-	-	-
Net result on disposal of property	374	207	581
Total net income from property	**78,277**	**5,511**	**83,788**
Net financing costs			(7,566)
General expenses			(4,321)
Income tax			(2,208)
Result from continuing operations, after taxes			**69,693**
Result from discontinued operations, after taxes			1,657
Result			**71,350**

	Core city assets	Mixed retail locations	Total
Property in operation:			
Balance as at 1 January	1,241,404	370,321	1,611,725
- Acquisitions	19,757	-	19,757
- Capital expenditure	617	505	1,122
- Taken into operation	-	-	-
- Disposals	(101,060)	(4,866)	(105,926)
	1,160,718	365,960	1,526,678
- Value movements	56,064	(7,046)	49,018
Balance as at 30 June	**1,216,782**	**358,914**	**1,575,696**
Accrued assets in respect of lease incentives	1,888	1,100	2,988
Appraisal value as at 30 June	**1,218,670**	**360,014**	**1,578,684**
Property under renovation	-	-	-
Property	**1,218,670**	**360,014**	**1,578,684**

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HY1 2016

	Core city assets	Mixed retail locations	Total
Net rental income	20,800	14,766	35,566
Value movements in property in operation	13,105	(15,105)	(2,000)
Value movements in property under renovation	-	(1,163)	(1,163)
Net result on disposal of property	-	714	714
Total net income from property	**33,905**	**(788)**	**33,117**
Net financing costs			(13,140)
General expenses			(4,119)
Income tax			(864)
Result from continuing operations, after taxes			**14,994**
Result from discontinued operations, after taxes			247
Result			**15,241**

	Core city assets	Mixed retail locations	Total
Property in operation:			
Balance as at 1 January	1,163,790	481,038	1,644,828
- Acquisitions	23,805	-	23,805
- Capital expenditure	2,157	1,145	3,302
- Transferred to property under renovation	-	(9,645)	(9,645)
- Disposals	-	(10,675)	(10,675)
	1,189,752	461,863	1,651,615
- Value movements	9,608	(15,105)	(5,497)
Balance as at 30 June	**1,199,360**	**446,758**	**1,646,118**
Accrued assets in respect of lease incentives	2,002	1,013	3,015
Appraisal value as at 30 June	**1,201,362**	**447,771**	**1,649,133**
Property under renovation	-	8,425	8,425
Property	**1,201,362**	**456,196**	**1,657,558**

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5. Result after taxes from discontinued operations

The result after taxes from discontinued operations comprises the result of the activities in Turkey, which were sold in April 2017. The result after taxes from discontinued operations can be specified as follows:

	HY1 2017	**HY1 2016**
Net rental income	1,811	4,070
Value movements property	-	(3,497)
Net result on disposal	5,729	-
Net financing costs	(5,740)	23
General expenses	(105)	(198)
Result before taxes from discontinued operations	1,695	398
Current income tax expense	(38)	(523)
Movement in deferred tax assets and liabilities	-	372
Result after taxes from discontinued operations	**1,657**	**247**

In the net financing costs an amount of € 5.7 million is included related to the transfer of the translation reserve from equity.

In the cash flow statement 2017 the following positive amounts have been included related to the discontinued operations: operating activities € 2.2 million (2016: € 3.5 million), investment activities € 95.2 million (2016: nil) and financing activities nil (2016: nil).

6. Other reserves

On 18 May 2017, Vastned purchased 849,846 shares for a total amount of € 30.1 million including costs. This amount was charged to the Other reserves. For the time being, Vastned has no intention of cancelling the repurchased shares.

7. Dividend

On 9 May 2017 the final dividend over financial year 2016 was made payable. The dividend amounted to € 1.32 per share in cash, totalling € 25.1 million.

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

		30 June 2017		31 December 2016		30 June 2016	
	Level	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	1,578,684	1,578,684	1,614,793	1,614,793	1,649,133	1,649,133
Property under renovation	3	-	-	-	-	8,425	8,425
Current assets							
Debtors and other receivables	3	8,594	8,594	5,674	5,674	4,972	4,972
Cash and cash equivalents	3	1,976	1,976	1,280	1,280	4,171	4,171
Liabilities valued at fair value							
Long-term liabilities							
Long-term interest-bearing loans	2	540,358	554,714	601,610	618,883	657,218	676,080
Financial derivatives	2	4,073	4,073	6,145	6,145	8,661	8,661
Guarantee deposits and other long-term liabilities	3	3,897	3,897	3,559	3,559	3,626	3,626
Short-term liabilities							
Payable to banks	3	21,570	21,570	14,654	14,654	33,195	33,195
Redemption long-term interest-bearing loans	3	72,518	72,518	57,518	57,518	20,017	20,017
Financial derivatives	2	261	261	106	106	-	-
Other liabilities and accruals	3	20,664	20,664	21,734	21,734	22,566	22,566

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

The fair value of the long-term interest-bearing loans is calculated as the present value of the cash flows based on the swap yield curve and credit spreads in effect at 30 June 2017.

The fair value of the 'Debtors and other receivables', 'Cash and cash equivalents', 'Guarantee deposits and other longterm liabilities', 'Payable to banks', and 'Other liabilities and accruals' is considered to be equal to the book value, because of the short-term nature of these assets and liabilities or the fact that they are subject to a floating interest rate.

During the first half year of 2017 no changes have occured that changed the principles for determing the fair value. Additionally, no reclassification between the levels occured for financial assets in the first half year of 2017.

9. Property

The appraisal of the property portfolio resulted in a net yield (purchasing costs payable by the vendor) of 4.3% (31 December 2016: 4.6%). 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 by € 87.7 million or 5.6% (31 December 2016: € 84.0 miljoen or 5.2%) and an increase 236 basis points increase in the loan-to-value ratio (31 December 2016: 229 basis points). For further information on the property portfolio we refere to the 2017 half-year report.

10. Provisions in respect of employee benefits

Due to the limited deviation of the discount rate as at 30 June 2017 from the discount rate as at year-end 2016, the defined benefit obligation has not been remeasured as of 30 June 2017. In the first half of 2016, the defined benefit obligation was remeasured in view of the then strong decline of the discount rate. This remeasurement resulted in an increase in the defined benefit obligation of € 2.0 million.

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11. Interest bearing debts

	30 June 2017	31 December 2016	30 June 2016
Long-term liabilities			
Secured loans	152	160	169
Unsecured loans	432,422	494,286	550,514
Convertible bond	107,784	107,164	106,535
	540,358	**601,610**	**657,218**
Short-term liabilities			
Payable to banks	21,570	14,654	33,195
Redemption long-term interest-bearing loans	72,518	57,518	20,017
	94,088	**72,172**	**53,212**
Total	**634,446**	**673,782**	**710,430**

For further information on the interest bearing loans we refer to the 2017 half year report.

12. Rights and obligations not recorded in the balance sheet

In 2014, Vastned sold the company Hispania Retail Properties S.L.U., owner of the seven shopping centres/galleries and a retail park in Spain, to Orange Parent B.V., a company held by a consortium of The Baupost LLC, GreenOak Real Estate and Grupo Lar. In addition to the usual balance sheet guarantees, this consortium was given a guarantee concerning a tax-offsettable loss that existed in 2012, which is composed of multiple years. The balance sheet guarantee expired in 2015, without the buyers having invoked it. The guarantee concerning the tax-offsettable loss expired on 25 July 2017 without the buyers having called it.

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. AAs the parent company, Vastned Retail stood as guarantor vis-à-vis the buyer's parent companies for the payment obligations of Vastned Projecten under this contract of sale. The customary guarantees will lapse 18 months after the transfer of the shares in the company, being 2 June 2019. The tax indemnifications will lapse after expiry of the statutory periods for additional assessments of the relevant year. The longest remainig period concerns the 2016 calendar year, which will lapse on 31 December 2020. Vastned does not expect any significant impact.

On 10 April 2017, Vastned transferred all shares in the company Vastned Emlak Yatırım ve İnşaat Ticaret A.Ş., owner of the property located in Istanbul, Turkey, to a group of local private investors. The guarantees customary in such transactions were provided to the buyer. The customary guarantees will lapse 12 months after the transfer of the shares in the company, i.e. on 10 April 2018. The tax guarantees will lapse after expiry of the statutory periods for additional assessments of the relevant year. The longest remainig period concerns the 2017 calendar year, which will lapse on 31 December 2022. Vastned does not expect any significant impact.

In the past, companies have been acquired that own property. These acquisitions were accounted for as the acquisition of assets. The provisions for deferred tax liabilities not recognised in the balance sheet amount to € 14.7 million in total.

13. Subsequent events

In July Vastned Retail Belgium acquired three historical core city assets located at Steenhouwersvest 44-46-48 in Antwerp for an amount of approximately € 6 million.

14. Related parties transactions

Except with respect to the issues described below, no material changes occurred in the first half year of 2017 in the nature, scale or volume of transactions with related parties compared to what was set out in the notes to the 2016 financial statements.

During the first half of 2017, none of the members of the Supervisory Board and Executive Board of Vastned had a personal interest in Vastned investments. To Vastned's best knowledge, no property transactions were effected during the period under review involving persons or institutions that could be regarded as related parties.

Interests of major investors

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

A. van Herk	15.41%
M. Ohayon	7.14%
Commonwealth Bank of Australia	5.79%
JP Morgan Asset Management Holdings Inc.	4.99%
NN Group N.V.	4.99%
BlackRock. Inc.	4.89%
FMR LLC	4.81%
Société Fédérale de Participations et d'Investissement (SFPI)	3.02%

Review report

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

Introduction
We have reviewed the accompanying consolidated interim financial information of Vastned Retail N.V., Rotterdam, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statements of income, comprehensive income, movements in equity, and cash flows for the 6-month period ended 30 June 2017, 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 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Utrecht, 1 August 2017

Ernst & Young Accountants LLP

Signed by W.H. Kerst