

## Interim statement from the board of directors for the first quarter of 2015

- Focus on premium city high street shops strategy continues to be primary theme in activities.
- Acquisition of a premium city high street shop on Schuttershofstraat in Antwerp for an investment amount of € 4 million.
- Start of prominent redevelopment and thorough restoration of a premium city high street shop of 3.000 m<sup>2</sup> on Zonnestraat in Ghent.
- Divestment of a non-strategic shop in Bruges.
- As at 31 March 2015, 50% of the real estate portfolio consists of premium city high street shops, 18% of high street shops and 32% of other retail property (retail parks and retail warehouses).
- Realisation of 6 rental transactions representing approximately 4% of the total annual rental income, resulting in average rental growth of 29%.
- Occupancy rate as at 31 March 2015: 96% (98% as at 31 December 2014). The occupancy rate of the premium city high street shops remains stable at 100% compared to the end of 2014.
- Increase in fair value by € 4 million or approximately 1%<sup>1</sup> of the existing real estate portfolio in the first quarter of 2015, mainly as a result of the stronger yields of the premium city high street shops in the larger cities.
- Decrease of the operating distributable result in the first quarter of 2015 to € 0,64 per share (€ 0,67 for the first quarter of 2014) due to the divestment in 2014 of 19 non-strategic shops.
- Limited debt ratio of 31% as at 31 March 2015.

1 Based on an unchanged composition of the real estate portfolio compared with 31 December 2014.

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## 1. Operational activities for the first quarter of 2015

In the first quarter of 2015 Vastned Retail Belgium remains true to its investment strategy of focusing on premium city high street shops. A building has been acquired on Schuttershofstraat in Antwerp, and a prominent redevelopment and restoration is planned on Zonnestraat in Ghent. The divestment of a non-strategic shop in Bruges fits within the same strategy. Half of the real estate portfolio now consists of premium city high street shops.

The result of the strategic focus on premium city high street shops is that the buildings attract high-quality tenants and that the average rent increases when lease agreements are renewed. The success of the strategic focus is also apparent from the 100% occupancy rate in this segment and the increase in fair value of the real estate portfolio.

### Investments, redevelopments and divestments

In the first quarter of 2015 Vastned Retail Belgium has acquired a premium city high street shop in the historic centre of Antwerp, located **Schuttershofstraat 22**, for an amount of € 4 million. The combination of this building and the one at number 24, which is already part of the portfolio, makes for a surface area of 220 m<sup>2</sup> on the

ground floor and 310 m<sup>2</sup> on the first floor. The company will use this to create a beautiful large retail surface area in a prime location on a luxury shopping street, whereby it can respond to the increasing demand for larger commercial spaces from luxury retailers.

Antwerp, Schuttershofstraat 22, continuing into Kelderstraat



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Vastned Retail Belgium has also announced its plans to carry out a prominent **redevelopment** and thorough restoration of a premium city high street shop in **Zonnestraat in Ghent** that was originally occupied by fabric shop Franchomme & Cie and built by architect Maurice Fétu in 1922. It is the company's express intention to give back to the retail property in this prime location its original character and appeal. The vacant space on the first floor will be opened up so that it offers a view of the beautiful art deco stained glass domes. The façade will also be given a thorough overhaul and restored to its original state as much as possible. Vastned Retail Belgium commissioned Karuur Architecten from Antwerp for this project. The planned redevelopment and restoration amounting to approximately € 2 million is entirely in keeping with the real estate company's strategy to invest in premium city high street shops.

Vastned Retail Belgium sold a **non-strategic shop located in Bruges** for an amount of €1.1 million in the first quarter of 2015. The building has a total retail surface area of 600 m<sup>2</sup> and is leased to Decor Heytens.

As at 31 March 2015, 50% of the real estate portfolio of Vastned Retail Belgium consists of premium city high street shops, i.e. prime retail properties located on the best shopping streets of the major cities of Antwerp, Brussels, Ghent and Bruges (49% as at 31 December 2014). Some 18% of the portfolio consists of high street shops (19% as at 31 December 2014), i.e. inner-city shops outside the premium cities, while 32% consists of other retail property, i.e. retail parks and retail warehouses (32% as at 31 December 2014).

Furthermore, Vastned Retail NV, the Dutch majority shareholder of Vastned Retail Belgium, has also acquired premium city high street shop located on **Korte Gasthuisstraat 17**, which is leased on market term long-term to one of the new brands of H&M, namely "&- Other Stories". This premium city high street shop has a commercial space of nearly 1.100 m<sup>2</sup> over two floors (700 m<sup>2</sup> on the ground floor and 400 m<sup>2</sup> on the first floor). Korte Gasthuisstraat is one of Antwerp's popular shopping streets with retailers such as Superdry, COS, Scotch & Soda and SuperTrash. Korte Gasthuisstraat 17 is in the middle of this well-known shopping street. Besides Korte Gasthuisstraat 17, Vastned Retail Belgium owns Korte Gasthuisstraat 27, leased to the Belgian high-end fashion retailer Terre Bleue.

Ghent, Zonnestraat simulation inside view after redevelopment



Antwerp, Korte Gasthuisstraat 17



- 2 Korte Gasthuisstraat 17 has been acquired by Vastned Retail NV instead of Vastned Retail Belgium to prevent that the share of H&M in the portfolio would exceed 20% of rental income which is not allowed pursuant to article 30 § 1 of the Act of 12 May 2014 on regulated real estate companies.

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## Leases

In addition to Schuttershofstraat 22 and 24, Vastned Retail Belgium also possesses Schuttershofstraat 30 and 32 in Antwerp, leased respectively to the French lingerie brand Pain de Sucre and the exclusive Belgian jeweller Slaets. At number 30 Vastned Retail Belgium will soon welcome the leading Italian fashion brand Manilla Grace after the departure of Pain de Sucre. The lease agreement with Slaets is recently renewed. Both lease agreements show clearly that this location is in demand among leading retailers in the top segment.

In the first quarter of 2015 Vastned Retail Belgium has realised **6 rental transactions** representing approximately 4% of the total annual rental income, resulting in average rental growth of 29%:

- Three rental transactions have been concluded with **new tenants** for a total annual rental volume of € 0,4 million. The new rent for these lease agreements, on average, is 45% higher than the rent charged for the previous lease agreements, as a result of which

the redevelopment of the building in Zonnestraat in Ghent will make it possible to achieve over 50% in rent growth.

- Furthermore, three lease agreements have been **renewed** for an annual rental volume of approximately € 0,4 million. On average, the new rent for these lease agreements is 10% higher than the rent being charged for the current lease agreements.

The **occupancy rate**<sup>3</sup> of the real estate portfolio as at 31 March 2015 is 96% (compared to 98% as at 31 December 2014). The occupancy rate of the real estate portfolio excluding buildings undergoing renovation is 97% as at 31 March 2015 (98% as at 31 December 2014).

The occupancy rate in the first quarter of 2015 decreases among both high street shops and the retail parks and retail warehouses (other retail property). The occupancy rate of the premium city high street shops remained unchanged at 100% compared to the end of 2014.

| OCCUPANCY RATE   | 31.03.2015 | 31.12.2014 |
|--|------------|------------|
| Premium city high street shops   | 100%       | 100%       |
| High street shops  | 91%        | 94%        |
| Other retail property (retail parks and retail warehouses)                             | 96%        | 98%        |
| Occupancy rate of the real estate portfolio  | 96%        | 98%        |
| Occupancy rate of the real estate portfolio, excluding buildings undergoing renovation | 97%        | 98%        |

## Evolution of fair value

As at 31 March 2015 the fair value of the real estate portfolio of Vastned Retail Belgium amounts to € 364 million, a € 7 million increase compared to the end of 2014 (€ 357 million as at 31 December 2014). This increase is the result of the acquisition of a premium city high street shop in Schuttershofstraat in Antwerp for € 4 million and the increase in fair value of the existing real estate portfolio on the one hand, compensated by the sale of a non-strategic shop in Bruges on the other hand.

The increase in fair value of existing investment properties amounts to € 4,0 million or approximately 1%<sup>4</sup> in the first quarter of 2015, and is mainly the result of the stronger yields of Vastned Retail Belgium's premium city high street shops.

<sup>3</sup> The occupancy rate is calculated as the ratio between the rental income and the sum of this income and the estimated rental income of unoccupied rental premises.

<sup>4</sup> Based on an unchanged composition of the real estate portfolio compared with 31 December 2014.

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## 2. Financial results for the first quarter of 2015

### Consolidated income statement

| in thousands €   | 31.03.2015        | 31.03.2014        |
|--|-------------------|-------------------|
| Rental income  | 4.944             | 5.461             |
| Rental-related expenses  | -26               | -31               |
| Property management costs and income   | 1                 | 4                 |
| <b>Property result</b>   | <b>4.919</b>      | <b>5.434</b>      |
| Property charges   | -470              | -719              |
| General costs and other operating costs and income   | -305              | -269              |
| <b>Operating result before result on portfolio</b>   | <b>4.144</b>      | <b>4.446</b>      |
| Result on disposals of investment properties   | -7                | 270               |
| Changes in fair value of investment properties   | 4.072             | 325               |
| Other result on portfolio  | -100              | -51               |
| <b>Operating result</b>  | <b>8.109</b>      | <b>4.990</b>      |
| Financial result (excl. changes in fair value - IAS 39)  | -821              | -1.040            |
| Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)                                      | 91                | -453              |
| Taxes  | -72               | -8                |
| <b>NET RESULT</b>  | <b>7.307</b>      | <b>3.489</b>      |
| Note:  |                   |                   |
| Operating distributable result   | 3.234             | 3.378             |
| Result on portfolio  | 3.965             | 544               |
| Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39) and other non-distributable elements | 108               | -433              |
| <b>INFORMATION PER SHARE</b>   | <b>31.03.2015</b> | <b>31.03.2014</b> |
| Number of shares entitled to dividend  | 5.078.525         | 5.078.525         |
| Net result (€)   | 1,44              | 0,69              |
| Operating distributable result (€)   | 0,64              | 0,67              |

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## Results analysis<sup>5</sup>

The **rental income** of Vastned Retail Belgium in the first quarter of 2015 amounts to € 5,0 million (€ 5,5 million). The € 0,5 million decrease is mainly attributable to the divestment of 19 non-strategic shops and high street shops (i.e. retail warehouses and inner-city shops at secondary locations), which account for approximately 12% of the real estate portfolio, on the one hand, compensated by the acquisition of a premium city high street shop in the centre of Ghent in July 2014, the indexation of existing lease agreements, and lease renewals carried out, on the other hand.

The **property charges** for the first quarter of 2015 amount to € 0,5 million (€ 0,7 million) and decreases in terms of maintenance costs, commercial costs, vacancy costs and costs for the owner as a result of the divestment of 19 non-strategic shops in 2014.

The **general costs** remain at the same level as in the first quarter of the previous financial year.

The **changes in fair value of the investment properties** are positive in the first quarter of 2015 and amount to € 4,1 million (€ 0,3 million). The increase in the fair value of the investment properties is mainly attributable to the stronger yields of the premium city high street shops in the larger cities.

The **financial result (excl. changes in fair value - IAS 39)** amounts to - € 0,8 million, a decrease of € 0,2 million compared to the first quarter of 2014 (- € 1,0 million), primarily because of the decreased use of credit as a consequence of the divestment of 19 non-strategic shops in 2014 and lower interest rates. The average interest rate for financing fell to 3,1%, including bank margins for the first quarter of 2015 (3,5%).

As at 31 March 2015, 87% of the **credit lines** are long-term financing, with an average remaining term of 2,5 years. Some 13% of the credit lines consist of short-term, open-ended financing. As at 31 March 2015, there are

€ 30 million in non-withdrawn available credit lines for the purpose of absorbing fluctuations in liquidity requirements, to finance future investments and to pay the dividend for the 2014 financial year.

In the first quarter of 2015, Vastned Retail Belgium has extended the financing term on an amount of € 25 million by 5 years for a loan falling due on 31 March 2015. The credit has been refinanced with the same financial institution under normal market conditions. In doing so, the company has already completed all its refinancing for the 2015 financial year.

The **changes in the fair value of financial assets and liabilities (ineffective hedges - IAS 39)** in the first quarter of 2015 include the decrease in the negative market value of the interest rate swaps which, in line with IAS 39, cannot be classified as cash flow hedging instruments, in the amount of € 0,1 million (- € 0,5 million).

The **net result** of Vastned Retail Belgium for the first quarter of 2015 amounts to € 7,3 million (€ 3,5 million) and may be divided into:

- the operating distributable result of € 3,2 million (€ 3,4 million), or a decrease of approximately 4%, primarily due to the divestment of 19 non-strategic shops in 2014, resulting in a drop in rental income, partly compensated by lower property charges and financing costs
- results on the portfolio of € 4,0 million (€ 0,5 million)
- changes in the fair value of financial assets and liabilities (ineffective hedges - IAS 39) and other non-distributable elements in the amount of € 0,1 million (- € 0,4 million).

The **operating distributable result per share** drops by 4% and amounts to € 0,64 (€ 0,67) in the first quarter of 2015.

<sup>5</sup> The figures between brackets are the comparative figures from the first quarter of 2014.

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| BALANCE SHEET INFORMATION PER SHARE   | 31.03.2015 | 31.12.2014 |
|---------------------------------------|------------|------------|
| Number of shares entitled to dividend | 5.078.525  | 5.078.525  |
| Net value (fair value) (€)            | 49,25      | 47,81      |
| Net value (investment value) (€)      | 51,03      | 49,59      |
| Net asset value EPRA (€)              | 50,13      | 48,71      |
| Share price on closing date (€)       | 60,96      | 57,97      |
| Premium to net value (fair value) (%) | 24%        | 21%        |

On 31 March 2015, the **net value** (fair value) is € 49,25 per share (€ 47,81 as at 31 December 2014). As the share price as at 31 March 2015 is € 60,96, the Vastned Retail Belgium (VASTB) share is listed at a premium of 24% compared to this net value (fair value).

The **debt ratio** of the company remains unchanged in the first quarter of 2015 and amounts to 31% as at 31 March 2015 (31% as at 31 December 2014).

### 3. General meeting and dividend distribution

The general meeting of shareholders of 29 April 2015 approved the statutory and consolidated annual accounts of Vastned Retail Belgium closed on 31 December 2014, including the profit appropriation. A gross dividend of € 2,72 per share is being distributed for the 2014 financial year. After deducting an amount of 25% for withholding tax, the net dividend for the 2014 financial year amounts to € 2,0400 per share.

The dividend is payable as from 7 May 2015 based on the shareholding on 6 May 2015.

As regards dematerialised shares, the financial institutions with which the shares are held in a securities account pay the dividend to the holders. The company automatically pays the dividend for the registered shares to the shareholders by bank transfer.

Ghent, Zonnestraat after redevelopment



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## 4. Forecast

Vastned Retail Belgium intends to pursue this strategy further in 2015 by focusing explicitly on premium quality locations and properties. After all, Vastned Retail Belgium intensified its investment strategy at the start of 2015 and intends, in due course, to achieve a 75% investment ratio in high street shops in Belgium. In this context, the share of premium city high street shops, i.e. the prime retail properties on the most popular high streets in the major cities of Antwerp, Brussels, Ghent and Bruges, must amount to over 50% of the overall real estate portfolio.

Divestments will, for the most part, be made in an opportunistic way, and are only being considered for less strategic high-street shops in smaller cities and less strategic retail warehouses or retail parks.

In regards to future rent increases, stemming primarily from lease renewals negotiated in 2015, Vastned Retail Belgium is mildly optimistic. A number of prime locations definitely have the potential for rent increases, but there are some cases in which we might have to be content with current rent levels. The rate of inflation will likely remain low.

In 2014, Vastned Retail Belgium divested 19 non-strategic shops (i.e. retail warehouse properties and inner-city shops at secondary locations), thereby increasing the quality of the real estate portfolio. The short-term consequence of this is that the 2015 operating distributable result is expected to be significantly lower than in 2014. The actual decrease in the operating distributable result will depend largely on the investments that the company is able to make.

**About Vastned Retail Belgium.** Vastned Retail Belgium is a public regulated real estate company (RREC), the shares of which are listed on Euronext Brussels (VASTB). Vastned Retail Belgium invests exclusively in Belgian commercial real estate, more specifically in premium city high street shops (high quality shops in the best shopping streets in the larger cities like Antwerp, Brussels, Ghent and Bruges), in high street shops (inner city shops in non-premium cities) and in other retail property (high quality retail parks and warehouses). The RREC intends to achieve a 75% investment ratio in high street shops in due course.

**For more information, please contact:**

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## FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

| in thousands €   | 31.03.2015   | 31.03.2014    |
|--|--------------|---------------|
| Rental income  | 4.944        | 5.461         |
| Rental-related expenses  | -26          | -31           |
| <b>NET RENTAL INCOME</b>   | <b>4.918</b> | <b>5.430</b>  |
| Recovery of rental charges and taxes normally payable by tenants on let properties   | 27           | 7             |
| Rental charges and taxes normally payable by tenants on let properties   | -27          | -7            |
| Other rental-related income and expenses   | 1            | 4             |
| <b>PROPERTY RESULT</b>   | <b>4.919</b> | <b>5.434</b>  |
| Technical costs  | -110         | -144          |
| Commercial costs   | -45          | -146          |
| Charges and taxes on unlet properties  | -21          | -49           |
| Property management costs  | -319         | -324          |
| Other property charges   | 25           | -56           |
| <b>Property charges</b>  | <b>-470</b>  | <b>-719</b>   |
| <b>OPERATING PROPERTY RESULT</b>   | <b>4.449</b> | <b>4.715</b>  |
| General costs  | -322         | -275          |
| Other operating income and costs   | 17           | 6             |
| <b>OPERATING RESULT BEFORE RESULT ON PORTFOLIO</b>   | <b>4.144</b> | <b>4.446</b>  |
| Result on disposals of investment properties   | -7           | 270           |
| Changes in fair value of investment properties   | 4.072        | 325           |
| Other result on portfolio  | -100         | -51           |
| <b>OPERATING RESULT</b>  | <b>8.109</b> | <b>4.990</b>  |
| Financial income   | 2            | 0             |
| Net interest charges   | -820         | -1.037        |
| Other financial charges  | -3           | -3            |
| Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)                                      | 91           | -453          |
| <b>Financial result</b>  | <b>-730</b>  | <b>-1.493</b> |
| <b>RESULT BEFORE TAXES</b>   | <b>7.379</b> | <b>3.497</b>  |
| <b>Taxes</b>   | <b>-72</b>   | <b>-8</b>     |
| <b>NET RESULT</b>  | <b>7.307</b> | <b>3.489</b>  |
| Note:  |              |               |
| Operating distributable operating result   | 3.234        | 3.378         |
| Result on portfolio  | 3.965        | 544           |
| Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39) and other non-distributable elements | 108          | -433          |
| Attributable to:   |              |               |
| Shareholders of the parent company   | 7.306        | 3.489         |
| Minority interests   | 1            | 0             |

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| in thousands €   | 31.03.2015   | 31.03.2014   |
|--|--------------|--------------|
| <b>NET RESULT</b>  | <b>7.307</b> | <b>3.489</b> |
| <b>Other components of comprehensive income (recyclable through income statement)</b>                              |              |              |
| Changes in the effective part of fair value of authorised hedging instruments that are subject to hedge accounting | -4           | 81           |
| <b>COMPREHENSIVE INCOME</b>  | <b>7.303</b> | <b>3.570</b> |
| Attributable to:   |              |              |
| Shareholders of the parent company   | 7.302        | 3.570        |
| Minority interests   | 1            | 0            |

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## CONSOLIDATED BALANCE SHEET

| ASSETS in thousands €                          | 31.03.2015     | 31.12.2014     |
|--|----------------|----------------|
| <b>NON-CURRENT ASSETS</b>                      | <b>364.579</b> | <b>357.023</b> |
| Intangible fixed assets                        | 2              | 3              |
| Investment properties                          | 364.062        | 356.536        |
| Other tangible fixed assets                    | 508            | 477            |
| Trade receivables and other non-current assets | 7              | 7              |
| <b>CURRENT ASSETS</b>                          | <b>4.465</b>   | <b>5.391</b>   |
| Assets held for sale                           | 1.913          | 4.156          |
| Trade receivables                              | 139            | 163            |
| Tax receivables and other current assets       | 691            | 213            |
| Cash and cash equivalents                      | 489            | 339            |
| Deferred charges and accrued income            | 1.233          | 520            |
| <b>TOTAL ASSETS</b>                            | <b>369.044</b> | <b>362.414</b> |

| SHAREHOLDERS' EQUITY AND LIABILITIES in thousands €                            | 31.03.2015     | 31.12.2014     |
|--|----------------|----------------|
| <b>SHAREHOLDERS' EQUITY</b>  | <b>250.270</b> | <b>242.967</b> |
| <b>Shareholders' equity attributable to shareholders of the parent company</b> | <b>250.102</b> | <b>242.800</b> |
| Share capital  | 97.213         | 97.213         |
| Share premium  | 4.183          | 4.183          |
| Reserves   | 120.906        | 120.910        |
| Net result of the financial year 2014  | 20.494         | 20.494         |
| Net result of the financial year - first quarter of 2015                       | 7.306          | 0              |
| <b>Minority interests</b>  | <b>168</b>     | <b>167</b>     |
| <b>LIABILITIES</b>   | <b>118.774</b> | <b>119.447</b> |
| <b>Non-current liabilities</b>   | <b>105.615</b> | <b>91.632</b>  |
| Non-current financial debts  | 101.004        | 86.906         |
| <i>Credit institutions</i>   | 101.000        | 86.900         |
| <i>Financial leases</i>  | 4              | 6              |
| Other non-current financial liabilities  | 4.465          | 4.552          |
| Other non-current liabilities  | 129            | 174            |
| Deferred taxes - liabilities   | 17             | 0              |
| <b>Current liabilities</b>   | <b>13.159</b>  | <b>27.815</b>  |
| Provisions   | 109            | 205            |
| Current financial debts  | 6.106          | 19.256         |
| <i>Credit institutions</i>   | 6.100          | 2.250          |
| <i>Financial leases</i>  | 6              | 6              |
| <i>Other current financial debts</i>   | 0              | 17.000         |
| Trade debts and other current debts  | 5.709          | 7.209          |
| Other current liabilities  | 152            | 136            |
| Deferred charges and accrued income  | 1.083          | 1.009          |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>                              | <b>369.044</b> | <b>362.414</b> |