Vesteda Finance B.V.

Financial statements 2018

Contents

Managing Board Report

General
Vesteda Finance B.V. was founded on 18 July 2012 and has its registered seat in Amsterdam, De Boelelaan 759. In 2018, the Managing Board consisted of G.S. van der Baan (CEO) and F. Vervoort (CFO), as statutory directors of Vesteda Investment Management B.V..

Vesteda Finance B.V.'s objective is the financing of the companies affiliated with the Vesteda Group and the execution of financial transactions on behalf of this group.

Vesteda Finance B.V. is managed by Vesteda Investment Management B.V..

Staff
In 2018, Vesteda Finance B.V. had no employees.

Investments
The company does not intend to invest in any tangible fixed assets.

Financing
Vesteda Finance B.V. acts as borrower and issuer of all corporate unsecured debt on behalf of Vesteda Residential Fund FGR and its affiliates ("Vesteda"). As per 31 December 2018, Custodian Vesteda Fund I B.V., Custodian Vesteda Fund III B.V. and Custodian Vesteda Fund IV B.V. act as guarantors for all obligations of the corporate unsecured debt that is borrowed or issued by Vesteda Finance B.V.

Vesteda Finance B.V. has attracted a € 500 million bond in July 2018 because of additional demand within Vesteda for third party financing of its acquisition of a portfolio of real estate.

In July 2019, €300 million of Vesteda Finance B.V. bonds will mature. To ensure sufficient headroom throughout the year, Vesteda has increased its headroom by attracting an additional €200 million in committed financing with one of its relationship banks. Consequently, Vesteda had a headroom of €554 million at year-end 2018.

The leverage ratio for Vesteda Finance B.V. is 99.4% which is aligning with the objective of the company. The solvency ratio is 0,1% as debt to credit institutions is mirrored by receivables from related companies (also in terms and conditions).

Vesteda Finance B.V has a relatively low risk profile given that all financing attracted is lend onwards to affiliated companies that typically invest in income producing real estate investments. A significant and stable proportion of its returns are generated through rental income. Overall Vesteda has a relatively low risk appetite.

For information with regards to the financing risks of Vesteda Finance B.V. we refer to section 'Financial instruments' of the financial statements on page 18.

Vesteda Finance B.V. has entered into a commercial paper program in January 2019 to increase short-term liquidity and decrease interest costs.

Furthermore a bond of €300 million has to be repaid in July 2019. Vesteda Finance B.V. has sufficient headroom available on its bank facilities to repay in April 2019 and after intends to issue a new bond to align with its financing profile and average debt maturity.

Revenues and profitability
Any and all costs the company incurs in connection with its financing activities of real estate are charged on to the (economic) owner of the underlying real estate. The company does not generate any revenues as such. Vesteda Finance B.V. adds a surcharge on the amounts it lends on; this is recognised as 'Other operating income' in the statement of income.

Governance
Vesteda Finance B.V. has no employees and is managed by Vesteda Investment Management B.V.. Vesteda Investment Management B.V. is the manager of the company. The governance and risk management for Vesteda Finance B.V. has been delegated to Vesteda Investment Management B.V..

Vesteda Investment Management B.V. carries out its task solely in the interests of the participants of Vesteda and within the limitations as described in Vesteda's Terms and Conditions as agreed upon between the participants.

The Supervisory Committee supervises the actions of the manager as well as the general course of Vesteda on behalf of the participants.

The Managing Board of the manager comprises of two managing directors jointly able to represent the manager. The Managing Board is supported by its Management Team, comprising of the director Operations and director Acquisitions.

The male/female ratio within the Managing Board is 100/0 and including the Management Team 75/25. Within Vesteda's Supervisory Committee the ratio is 80/20.

Vesteda recognises the importance of an equal split between male and female members of its Managing Board and Supervisory Committee, taking into account that the candidate's qualification and suitability for the function profile are always the leading principle.

Vesteda believes it is important to engage in sustainable relationships with its tenants, participants and stakeholders. Communication of activities in the field of Corporate Sustainability and Social Responsibility (CSSR) is open and transparent and considers it part of their social responsibility to encourage and increase awareness, engagement and responsibility of both its employees and other stakeholders in the field of sustainability.

Risk management
Risk management has been embedded in Vesteda Investment Management's strategic, operational and financial reporting processes. We have defined our risk management policy and implemented a risk management framework in line with the core fund risk profile, as defined in the Terms and Conditions of Vesteda Residential Fund, extending to all levels of the organisation and all lines of business.

Vesteda has developed its internal risk management framework on the basis of the recommendations of the Committee of Sponsoring Organisations of the Treadway Commission (COSO), the aim of which is to create a reasonable level of assurance on the achievement of organisational targets. Vesteda Investment Management's internal control systems include various measures for achieving adequate segregation of duties, prompt recording of significant transactions and data security. Internal accountability and management reports, management reviews and other internal research into the design and operation of the internal controls are an integral part of the internal control systems.

The following is a list of the most significant risks Vesteda Investment Management faces:

Strategic risk analysis
In 2017, Vesteda Investment Management conducted an extensive risk analysis based on Vesteda's integrated strategic framework focusing on the risks associated with Vesteda Investment Management's strategic objectives relating to tenants, information technology, organisation, portfolio strategy, participants, funding and corporate sustainability and social responsibility. For almost all of the building blocks in our strategic framework, Vesteda Investment Management assessed the risks that the strategic objectives may not be met within a time horizon of three years.

For each risk identified, the following analysis was performed:

- The gross risk: the inherent risk related to the specific strategic building block
- The likelihood that the risk will occur within the time horizon
- The control measures taken to mitigate and/or prevent the risk
- An evaluation as to whether and to what extent the current control measures are sufficient to mitigate and/or prevent the risk, which results in the net risk
- The impact of the risk if the risk actually occurs. The impact depends on the specific risk and was measured against strategic targets (e.g. performance against MSCI benchmark, participant and tenant satisfaction, GRESB score, etc.) or was expressed in financial terms (e.g. percentage of group equity, impact on rental income, etc.)

For the strategic areas where the net risk, in combination with the potential impact of the risk and the likelihood of occurrence, could be regarded as relatively high, the Risk Committee performed an additional review and evaluation of the control measures in 2018, including (if necessary) additional control measures to be taken.

In the second half of 2018, the above-described risk analysis and follow-up actions were evaluated in a meeting with the Risk Committee, the Managing Board and staff involved in these strategic areas. This evaluation also included an assessment as to whether new risks had occurred in 2018 and to what extent the risks identified in 2017 had changed in 2018, as a result of measures taken or external developments. Based on this evaluation, the following risks are now regarded as the main operational and compliance risks in terms of likelihood of occurrence and potential impact.

Operational risks related to Information Technology (IT)

- Insufficient data security and system failures

This IT risk is partly mitigated by the outsourcing of our IT service delivery function to a third party service provider, which is subject to an annual ISAE 3402 Type II Service Organisation Control Report.

In 2018, Vesteda Investment Management started with the implementation of a new ERP system, which is expected to be fully operational in 2019. At year-end 2018, we ran the first detailed testing sessions of the new system. When implemented, this new system will also reduce the risk of system failures, by reducing the number of legacy applications and applying more recent and stable technology.

Following a review of the measures relating to the continuity of our IT hardware and systems, Vesteda Investment Management took additional disaster recovery measures. We will implement a new Information Security Policy in 2019.

Compliance risks related to non-compliance with legislation and regulations
Vesteda Investment Management has a dedicated Compliance Officer who reports on a quarterly basis to the Managing Board and Supervisory Committee. The scope of the work of the Compliance Officer is set out in a Compliance Charter which was approved by the Managing Board in May 2017. Both internal and external developments, such as trends, risk-increasing developments, incidents and new or changed laws

and regulations, can lead to the (partial) revision or adjustment of a once-established programme. The Compliance Officer constantly monitors these developments, responds to them and discusses them (where necessary) in the quarterly consultation or on an ad hoc basis with the Managing Board and/or the Supervisory Committee. If necessary, the Compliance Officer adjusts its activities (advice, monitoring) accordingly. The annual compliance programme therefore has a dynamic character. It is also possible that the results of (un)planned compliance monitoring lead to the prioritisation of a topic where this was not previously planned. The compliance charter gives substance to this dynamic of compliance activities in various areas.

The Risk Committee, consisting of the CFO, director Operations, the General Counsel, the Finance & Control Manager and the Compliance Officer, focuses on providing support and advice with respect to strategic risks and defining the policy framework for operational risk management. Operational risk management continues to be the responsibility of the business. The Risk Committee will monitor the effectiveness of operational controls and compliance.

'In control' statement

The Managing Board is responsible for implementing and maintaining adequate risk management and internal control systems and for assessing the effectiveness of these systems.

During the year under review, we evaluated and monitored our risk management and internal control systems, as further described in the above Risk management section of this report. Based on this assessment we have concluded with reasonable, but not absolute, assurance that:

- the annual report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
- the annual report states those material risks and uncertainties that are relevant to the expectation of Vesteda Investment Management's continuity for the period of twelve months after the preparation of the report.

It is important to note that effective risk management, with embedded internal controls, no matter how well designed and implemented, provides the Managing Board with only reasonable assurance regarding the achievement of Vesteda Investment Management's objectives. The achievement of objectives is affected by limitations inherent in all management processes. Therefore, in this context 'reasonable assurance' refers to the degree of certainty that would be satisfactory for a prudent manager in the management of his business and affairs in the given circumstances.

The above-mentioned risks have no direct financial impact on Vesteda Finance B.V. and the potential of these risks has not been quantified as such in any greater detail.

With regard to Vesteda Finance B.V., the risk management focuses on the following:

Treasury

Description of the risk

The risk that Vesteda is unable to attract the borrowed capital it needs to execute its strategy at market conditions and rates. Treasury also pertains to the risk that Vesteda Finance B.V. cannot meet its financial obligations and covenants.

Control measure(s)

Vesteda chooses to reduce its refinancing risk by taking out loans with a spread of terms, which limits refinancing risks on the dates said loans lapse. The duration of any refinancing periods is being made flexible. In addition, Vesteda is aiming to have a leverage below 30% on fund level. The leverage at year end 2018 is 23,7%.
Vesteda has implemented control measures to ensure that it remains within the parameters of its financial covenants. Stress testing is one of the control measures. Vesteda meets all covenants at year end 2018.

Recoverability of claims on related companies
In view of the fact that Vesteda Finance B.V. lends on the loans it takes out on the capital markets to other Vesteda entities, Vesteda Finance B.V. has significant claims on related companies. The risk that these claims will be irrecoverable is considered negligible, taking into account the solid financial position of said entities in combination with their historical payment behaviour for these commitments. The related companies also act as guarantors for the loans.

The above-mentioned risks have no direct financial impact on Vesteda Finance B.V. and the potential impact of these risks is not quantified as such in any greater detail.

Amsterdam, 27 March 2019

Managing Board: Vesteda Investment Management B.V.

G.S. van der Baan	F. Vervoort
CEO	CFO

Financial statements

1. Balance sheet as at 31 December 2018
(after profit appropriation)

Amounts x € 1,000	31 December 2018	31 December 2017
ASSETS		
Fixed assets		
Financial fixed assets		
Receivables from related companies[1]	1,438,503	1,171,888
Current assets		
Receivables from related companies[2]	310,941	5,818
Cash and cash equivalents[3]	184	52
	1,749,628	**1,177,758**
EQUITY AND LIABILITIES		
Equity[4]	1,441	988
Long-term debt		
Debts to credit institutions[5]	1,438,503	1,171,888
	1,438,503	1,171,888
Short-term debt		
Debts to credit institutions[5]	300,000	-
Taxes[6]	49	24
Accrued liabilities[7]	9,635	4,858
	309,684	4,882
	1,749,628	**1,177,758**

2. Statement of income for 2018

Amounts x € 1,000		2018		2017
Other operating income[8]		573		371
Operating expenses and other costs[9]		13-		4-
Interest income receivables from related companies[10]	30,325		29,775	
Income movements in derivatives[11]	-		6,278	
Income unwind derivatives[12]	-		12,307	
Interest expenses debts to credit institutions[13]	30,325-		29,775-	
Expenses movements in derivatives[14]	-		6,278-	
Expenses unwind derivatives[15]	-		12,307-	
Other financial income	9		8	
Financial income and expenses		**9**		**8**
Result before taxes		**569**		**375**
Corporate income taxes[16]		116-		77-
Result after taxes		**453**		**298**

3. Cash flow statement for 2018

Amounts x € 1,000	2018	2017
Income received from financing activities	573	371
Taxes paid	91-	64-
Other expenses paid	13-	4-
Cash flow from operating activities	**469**	**303**
Loans provided to related companies	1,042,271-	100,853-
Proceeds from repayment loans to related companies	473,000	85,000
Income received from unwind derivatives	-	12,307
Proceeds from oncharging transaction expenses	4,607	767
Interest income received from related companies	23,920	26,198
Proceeds from loans drawn from credit institutions	1,041,745	100,000
Repayment loans to credit institutions	473,000-	85,000-
Paid transaction expenses	4,607-	767-
Paid interest expenses external	23,731-	26,205-
Paid expenses unwind derivatives	-	12,307-
Cash flow from financing activities	**337-**	**860-**
Total cash flow	**132**	**557-**
Cash and cash equivalents at end financial year	184	52
Cash and cash equivalents at start financial year	52	609
	132	**557-**

4. Notes to the financial statements

General
Vesteda Finance B.V., with its registered office and its actual place of business in Amsterdam and filed with the Trade Register at the Chamber of Commerce under number 55723322, is one of the consolidated entities of the Vesteda Residential Fund FGR ("Vesteda"), a mutual fund. Vesteda Finance B.V.'s objective is the financing of the companies affiliated with Vesteda and the execution of financial transactions on behalf of this group. Vesteda Finance B.V.'s other objectives include the borrowing, lending and collection of funds, such to include the issuance of bonds, and entering agreements related to same.

Vesteda Finance B.V. is managed by Vesteda Investment Management B.V..

General accounting principles for the preparation of the financial statements
The financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code.

Valuation of assets and liabilities and determination of the result take place under the historical cost convention, unless presented otherwise. Income and expenses are accounted for on an accrual basis. Profit is only included when realised on balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

The preparation of the financial statements requires management to make estimates, assumptions and judgements that can affect the reported amounts of assets and liabilities, income and expenses and the disclosure of contingent liabilities, income and expenses not included on the balance sheet at the date of the financial statements. The accounting policies that the Managing Board believes are the most significant in terms of the financial situation and operating results are discussed in the relevant explanatory notes. The same applies to the subjects that involve the Managing Board making assumptions and estimates regarding matters that are intrinsically uncertain.
The management notes that future events often deviate from predictions and that it is frequently necessary to adjust estimates.

Financial instruments
Financial instruments are primary financial instruments (such as receivables and debts).
The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the carrying amount. If the financial instrument is not recorded in the balance sheet the information on the fair value is disclosed in the notes to the 'Non-recognised assets and liabilities and contingent assets and liabilities'.

Primary financial instruments
For the principles of primary financial instruments, reference is made to the recognition per balance sheet item of the 'Accounting principles for the valuation of assets and liabilities'.

Accounting principles for the valuation of assets and liabilities

Financial fixed assets
The financial fixed assets consist exclusively of the charging on of external financing and are therefore valued according to the same accounting principles used to value long-term debts. If reason exists impairment is used to reflect the potential non-payment of debts.
For the principles applied, please see long-term borrowings.

Receivables
Upon initial recognition the receivables on and loans to associated companies and other receivables are valued at fair value and then valued at amortised cost, which equals the face value, after deduction of any provisions.

Cash and cash equivalents
The cash is valued at face value. If cash is not freely disposable, then this has been taken into account upon valuation.

Derivatives
Financial derivatives are recognised initially at fair value, including transaction costs in line with the external reports of the banks, and subsequently valued at their fair value on each reporting date. If hedge accounting is not used, any value movements are incorporated in the statement of income.

Long-term borrowings
Borrowings are initially recognised at the fair value of the amounts received, net of transaction costs and any premiums or discounts. Any borrowings are subsequently recognised at amortised cost price using the effective interest method. The amortised cost price is calculated taking into account any premiums or discounts. The interest expenses are accounted for in the period in which they are incurred and recognised in the statement of income.

Current liabilities
Trade payables and other current liabilities are valued at amortised cost price, which generally corresponds with face value.

Taxes
Vesteda Finance B.V. is liable for corporate income tax on the basis of the fee Vesteda Finance B.V. receives by virtue of its intercompany financing activities.

Accounting principles for the determination of results

General
Recognised expenses are stated at historical cost price. Income is recognised as soon as it is realised, expenses as soon as they are known. Income and expenses are attributed to the period in which they are generated or incurred.

Other operating income
The fees Vesteda Finance B.V. receives by virtue of its intercompany financing activities are recognised as other operating income.

Operating expenses and other expenses
All expenses that Vesteda Finance B.V. incurs as a result of its day-to-day business operations are recognised as operating expenses and other expenses.

Interest income and expenses
Interest income and expenses are recognised in the statement of income in the period in which they have incurred.

Income and expenses value movements derivatives
Any movements in the fair value of the derivatives and the unwind expenses are recognised in the item income and expenses value movements derivatives.

Corporate income tax
Corporate income tax is calculated on the basis of the fiscally taxable amount, taking into account tax relief items.

Principles for preparation of the cash flow statement

The cash flow statement is prepared according to the direct method.

The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered to be highly liquid investments.

Corporate income taxes, other operating income and other operating expenses are presented under the cash flow from operating activities. Interest received, interest paid and financing costs paid are presented under the cash flow from financing activities.

Transactions that do not result in exchange of cash and cash equivalents, such as financial lease, are not presented in the cash flow statement. The payments of the lease instalments on account of the financial lease contract are presented as redemptions of debts for the redemption component and as paid interest for the interest component.

Notes to the balance sheet and statement of income

Receivables from related companies (1)

Amounts x € 1,000

	2018	2017
As at 1 January	1.171.888	1.155.766
Loans provided	1.327.000	100.000
Discount	255-	-
Depreciation discount	660	612
Repayments	758.000-	85.000-
Transfer to current assets	300.000-	-
Transaction expenses paid	4.607-	767-
Amortisation transaction expenses	1.817	1.277
As at 31 December	**1.438.503**	**1.171.888**

In 2018, Vesteda Finance B.V. extended loans to related companies. These are all external loans provided to Vesteda Finance B.V. and which are subsequently lend onwards to related companies. The lending on towards related companies is effected at the same terms and conditions as agreed upon with the external credit institutions, with a minimum administrative surcharge recognised as operating income.

The risk of non-payment related to these receivables is considered very limited, taking into account the solid financial position of said entities in combination with the fact that said related companies have in the past always met their obligations. The related companies in question also act as guarantors for the loans.

Receivables from related companies (2)

Amounts x € 1,000	31-12-2018	31-12-2017
Loans receivable from related companies	301,379	853
Interest receivable	9,382	4,851
Other receivables	180	114
	310,941	**5,818**

The short-term loans receivable from related companies relate to excess liquidity provided towards Custodian Vesteda Fund I B.V. plus € 300 million of external loans lend onwards and repayable within one year. The interest receivable relates to the interest on the long-term borrowings towards related companies.

Cash and cash equivalents (3)

Amounts x € 1,000	31-12-2018	31-12-2017
Bank account balances	184	52
	184	**52**

Vesteda Finance B.V. has full and free disposal of its cash.

Equity (4)

The company's registered capital amounts to € 90,000. This is divided into 9,000,000 ordinary shares each with a value of € 0.01. The subscribed and paid-up capital amounts to € 18,000.

Amounts x € 1,000	Subscribed and paid-up capital	Other reserves	Total
As at 31 December 2016	**18**	**672**	**690**
Result 2017	-	298	298
As at 31 December 2017	**18**	**970**	**988**
Result 2018	-	453	453
As at 31 December 2018	**18**	**1,423**	**1,441**

Appropriation of result for the financial year 2017
The annual report 2017 was adopted in the general meeting of shareholders held on 4 April 2018. The general meeting of shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

Proposed appropriation of result for the financial year 2018
The board of directors proposes, that the result for the financial year 2018 amounting to € 453,363 should be transferred to reserves without payment of dividend. The financial statements reflect this proposal.

Long-term debt

Debts to credit institutions (5)

Amounts x € 1,000	Loans			
	Bank facilities	**Bonds**	**Private placements**	**Total**
As at 31 December 2016	**359,620**	**596,146**	**200,000**	**1,155,766**
Disbursements	382,000	-	100,000	482,000
Discount	-	-	300-	300-
Depreciation discount	-	612	-	612
Repayments	467,000-	-	-	467,000-
Transaction expenses paid	-	6-	461-	467-
Depreciation transaction expenses	728	532	17	1,277
As at 31 December 2017	**275,348**	**597,284**	**299,256**	**1,171,888**
Disbursements	827,000	500,000	-	1,327,000
Discount	-	255-	-	255-
Depreciation discount	-	639	21	660
Repayments	758,000-	-	-	758,000-
Transfer to short-term debt	-	300,000-	-	300,000-
Transaction expenses paid	2,281-	2,326-	-	4,607-
Depreciation transaction expenses	1,426	336	55	1,817
As at 31 December 2018	**343,493**	**795,678**	**299,332**	**1,438,503**

Bank facilities

In 2018 the existing 600-million revolving credit facility was amended and extended. The facility size increased by €100m to €700 m and is funded on 1-Month and 3-Months Euribor. The facility has a 5-year initial term plus two 1-year extension options and is provided by the lenders ABN Amro, Rabobank, BNP Paribas, Deutsche Bank, ING and SMBC. The remaining legal term is 4.4 years. At year-end 2018, of the total facility of €700 million an amount of €155 million was outstanding and an amount of €545 million had not been drawn.
Pricing of the revolving credit facility is subject to a margin grid, whereby an LTV below 27.5% equates to a margin of 0.50%. Utilised commitment less than 33.3% equates to a utilisation fee of 0.10%, and utilised commitments exceeding 33.3% but less or equal to 66.7% equate to a utilisation fee of 0.20%. Utilised commitments exceeding 66.7% equate to a utilisation fee of 0.40%.

In 2018 Vesteda arranged a €200m revolving credit facility with Sumitomo Mitsui Banking Corporation (SMBC). The facility is funded on Euribor for the relevant interest period and has an initial end date of August 2019 plus an option to extend until December 2020. The remaining legal term is 1.9 years. At year-end 2018 of the total facility of €200m an amount of €191m was outstanding and an amount of €9m had not been drawn.

Pricing of the SMBC revolving facility is subject to a margin grid whereby an LTV below 27.5% equates to a margin of 0.45% and no utilisation fee.

Bonds

In 2018, Vesteda Finance B.V. continued its borrowing of senior unsecured notes that were issued under its programme for the issuance of Euro Medium Term Notes (EMTN). Standard & Poor's rated the notes BBB at the time of issuance. The credit rating of the notes was upgraded to BBB+ in 2016, in line with Standard & Poor's credit rating upgrade of Vesteda Residential Fund:

- A first tranche of €300 million senior unsecured notes was issued in July 2014. The notes pay an annual fixed coupon of 1.75% and are due on 22 July 2019. The intended remaining term to maturity of the notes is 0.6 years. This tranche has been reflected as short-term debt in the balance sheet.

- A second tranche of €300 million senior unsecured notes was issued in October 2015. The notes pay an annual fixed coupon of 2.50% and are due on 27 October 2022. The intended remaining term to maturity of the notes is 3.8 years.

In July 2018, Vesteda Finance B.V. issued an additional €500 million in senior unsecured notes. The notes pay an annual fixed coupon of 2.00% and are due on 10 July 2026. The intended remaining term to maturity of the notes is 7.5 years.

Private placements

In 2014 a € 100 million private placement borrowing was attracted with funds provided by PRICOA Capital Group under a note purchase agreement. The senior notes have a fixed annual coupon of 3.18%, payable on a semi-annual basis and are due on 8 May 2021. The intended remaining term to maturity of the notes is 2.4 years.

A second € 100 million private placement borrowing was attracted in 2016 with funds provided once again by PRICOA Capital Group under a note purchase agreement. The senior notes have a fixed annual coupon of 1.80%, payable on a semi-annual basis and are due on 16 December 2026. The intended remaining term to maturity of the notes is 8.0 years.

In 2017 Vesteda Finance B.V. issued € 100 million senior unsecured notes under its programme for the issuance of Euro Medium Term Notes (see Bonds) as a private placement transaction:

- € 35 million senior unsecured notes pay an annual fixed coupon of 1.899% and are due on 15 December 2027. The intended remaining term to maturity of the notes is 9.0 years;
- € 65 million senior unsecured notes pay an annual fixed coupon of 2.478% and are due on 15 December 2032. The intended remaining term to maturity of the notes is 14.0 years.

Taxes (6)

Amounts x € 1,000	**31-12-2018**	**31-12-2017**
Corporate income tax payable	49	24
	49	**24**

Accrued liabilities (7)

Amounts x € 1,000	31-12-2018	31-12-2017
Interest payable	9,382	4,851
Other	252	7
	9,634	**4,858**

The interest payable relates to the debts to credit institutions.

Other operating income (8)

Amounts x € 1,000	2018	2017
Income financing activities	573	371
	573	**371**

Other operating income represents the surcharge that Vesteda Finance B.V. charges on the onwards lending of the debts to credit institutions towards related companies for its group financing activities.

Operating expenses and other costs (9)

Amounts x € 1,000	2018	2017
Audit and tax consultancy fees	13	4
	13	**4**

Interest income receivables from related companies (10)
Interest income from loans to related companies represents the interest income on Vesteda Finance B.V.'s lending towards related companies.

Income movements in derivatives (11)
Income movements in derivatives represent positive value movements or, in the case of negative value movements, the charging on of same to related companies.

Income unwind derivatives (12)
Income unwind derivatives represents the positive value unwinding or, in the case of negative value movements, the charging on of same to related companies.

Interest expenses debts to credit institutions (13)
Interest expenses on debts to credit institutions represent interest expenses related to the loans provided to Vesteda Finance B.V.

Expenses movements in derivatives (14)
Expenses movements derivatives represent the negative value movements or, in the event of positive movements the charging on of same to related companies.

Expenses unwind derivatives (15)
Expenses unwind derivatives represent the negative value unwinding and in the event of a positive value movement the charging on of same to related companies.

Corporate income tax (16)
Corporate income tax is calculated on the basis of the fiscal taxable amount, taking into account any tax relief items. The effective tax rate is 20% (2017: 20%) and is therefore the same as the applicable tax rate.

Financial instruments
Vesteda Finance B.V.'s principal financial liabilities are loans and borrowings. The main purpose of the loans and borrowings is to finance the Vesteda Companies property portfolio. Vesteda Finance B.V. runs no risks related to the loans and derivatives it has taken out; the loans and derivatives are lent on in their entirety and on the same conditions to the entities of the fund.

For the notes on financial instruments reference is made to the specific item by item note.

- General
The main financial risks Vesteda Finance B.V. is exposed to are liquidity risk and credit risk. Vesteda actively manages liquidity risk and credit risk as part of its treasury policy.

Vesteda fully incorporates risk management in its strategic and operational processes. The risk management framework addresses all levels and lines of business in order to strengthen 'in control' performance. The Vesteda Managing Board assesses its proper functioning on a regular basis and continues to pursue further improvement and optimisation of the internal risk management and control procedures.

- Cashflow and liquidity risk
The risk that Vesteda is unable to attract the borrowed capital it needs to execute its strategy at market conditions and rates. Treasury also pertains to the risk that Vesteda cannot meet its financial obligations and covenants.

Vesteda chooses to reduce its refinancing risk by taking out loans with a spread of terms, which limits refinancing risks on the dates said loans lapse. The duration of any refinancing periods is being made flexible. In addition, Vesteda is aiming to have a leverage below 30%.
Vesteda has implemented control measures to ensure that it remains within the parameters of its financial covenants. Stress testing is one of the control measures.

Year ended 31 December 2017 (x mln)						
	On demand	< 3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	-	-	977	200	1.177
Interest		1	23	96	-	120
Trade and other payables	-	-	-	-	-	39
	28	26	23	1.073	200	1.350
Year ended 31 December 2018						
	On demand	< 3 months	3-12 months	1-5 years	>5 years	Total
Interest-bearing loans and borrowings			300	746	700	1.746
Interest	0	0	31	86	53	170
Trade and other payables	-	-	-	-	-	-
	-	0	331	832	753	1.916

Estimated interest obligations for the revolving credit facility are based on the outstanding amount at year-end.

Fair value of financial Instruments
This section describes the comparison between the carrying amounts of Vesteda Finance B.V.'s financial instruments and their estimated fair values.

Cash and cash equivalents are recognised at fair value. With respect to the floating rate financial liabilities (both short term and long term), these are carrying a variable interest rate based on Euribor plus a mark-up, which also takes into account the perceived credit risk of the Vesteda Companies. As a result, their carrying amount approximates their fair value.

The fair value measurement of senior public notes issued by Vesteda Finance B.V. can be qualified as Level 1 valuation. Inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

The fair value measurement of the senior private notes that were placed can be qualified as Level 2 valuation, with inputs other than quoted market prices included within Level 1 that are observable for the asset or liability. In this case, interest rates and yield curves are observable at commonly quoted intervals.

The fair value measurement of the senior notes placed by Vesteda Finance B.V. under its EMTN programme as a private placement transaction can be qualified as Level 2 valuation, with inputs other than quoted market prices included within Level 1 that are observable for the asset or liability. In this case, interest rates and yield curves are observable at commonly quoted intervals.

The senior public notes, the senior private notes and the senior notes privately placed under the EMTN programme are all fixed rate.

Fixed rate debt is initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Type	Notional amount	Estimated fair value amount	Level valuation
Senior public notes	1.100	1.110	1
Senior private notes	300	294	2
	1.400	1.404	

- Credit risk

In view of the fact that Vesteda Finance B.V. lends on the loans it takes out on the capital markets to other Vesteda entities, Vesteda Finance B.V. has significant claims on related companies. The risk that these claims will be irrecoverable is considered negligible, taking into account the solid financial position of said entities in combination with their historical payment behaviour for these commitments. The related companies also act as guarantors for the loans.

Transactions with related companies

The entities Vesteda Finance B.V., Custodian Vesteda Fund I B.V., Custodian Vesteda Fund III B.V., Custodian Vesteda Fund IV B.V. and Vesteda Project Development B.V. are related to each other in such a way that they are classified as related companies. This classification is a result of their organisational relationship, the central management and the economic unity of the parties.

In 2018, there were several transactions between abovementioned entities. These transactions related to the lending activities and related interest charged. At the end of the year under review, the balance between Vesteda Finance B.V. and Custodian Vesteda Fund I B.V. amounted to € 1,096,000,000, while the balance between Vesteda Finance B.V. and Custodian Vesteda Fund III B.V. was € 302,107,000, the balance between Vesteda Finance B.V. and Custodian Vesteda Fund IV B.V. was € 299,676,000 and finally the balance between Vesteda Finance B.V. and Vesteda Project Development B.V. was € 50,497,000.

Number of employees

The company had no employees in the year under review.

Service fees paid to external auditors

Operating expenses include the following amounts charged by Deloitte: for audit services € 9.400 (2017: € 600), for audit related services nil (2017: nil) and for other services € 91,000 (2017: nil), for which the latter was fully capitalized as financing costs. In 2018 € 4,400 has been paid for audit services regarding 2017. Deloitte did not charge costs related to tax advisory services provided in either year.

Other notes

Remuneration members of the Managing Board

In 2018, the company was not charged amounts for the remuneration of members of the Managing Board.

Post reporting date events

In the past Vesteda Finance B.V. received a fiscal ruling regarding the fee amount on its intercompany financing activities charged to affiliated companies. This ruling has expired at the end of 2018.
In December Vesteda Finance B.V. applied for a new tax ruling via a formal request send to the tax authorities. The request has been drafted on a similar basis as the existing ruling.
Vesteda Finance B.V. expects to be granted this new ruling by the tax authorities in the upcoming months.

Signing of the financial statements

Amsterdam, 27 March 2019

The Managing Board: Vesteda Investment Management B.V.

Signed by:	G.S. van der Baan	F. Vervoort
	CEO	CFO

Other information

1. Profit appropriation according to the articles of association

Article 17 of the Vesteda Finance B.V. articles of association reads as follows:

17.1 The general meeting is authorised to appropriate the profit determined upon the adoption of the financial statements and to determine payments, with due observance of the provisions of the law.

17.2 The authority of the general meeting to determine payments applies to both payments charged to the not yet allocated profit and to payments charged to the only reserve, and to both payments upon the occasion of the adoption of the financial statements and interim payments.

17.3 A resolution to make a payment has no consequences as long as the Managing Board has not given its approval. The Managing Board may refuse to grant said approval if it knows or should reasonably be expected to predict that following said payment the company will be unable to continue to pay its outstanding debts.

2. Independent auditor's report

To the shareholders of Vesteda Finance B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements 2018 of Vesteda Finance B.V., based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Vesteda Finance B.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The balance sheet as at 31 December 2018.

2. The statement of income for 2018.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Vesteda Finance B.V. in accordance with the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 17,300,000. The materiality is based on 1% of debts to credit institutions. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 865.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Audit response
Counter party credit risk	
The key objective of the entity is to finance the companies affiliated with the Vesteda Group and the execution of financial transactions on behalf of the Vesteda Group. The key risk for the entity is the ability of the Vesteda Group entities to meet the loan requirements such as loan compliance and repayment schemes.	We have assessed management position on the recoverability of the loans to the Vesteda Group and reviewed the financial position of the Vesteda Group to support management position. Furthermore we have performed testing on the loan compliance in the current year for the loans with the Vesteda Group.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:

- Managing Board Report.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Managing Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Supervisory Board as auditor of Vesteda Finance B.V. on 1 April 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 27 March 2019.

Deloitte Accountants B.V.

Signed on the original: J. Holland