Annual Report 2016

Residential • Retail • Industrial

ALTERA
VASTGOED NV

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For convenience only.

Residential • Retail • Industrial

Contents

» Preface by the Management Board

We are pleased to present you with the Altera Vastgoed NV Annual Report 2016. The overall tone of the report is positive, as 2016 has been an exceptionally good year for Altera's sector portfolios. For one, we attracted several new shareholders in the Residential and Retail sectoral funds. It has also been an especially dynamic year, with portfolio returns for 2016 having improved significantly over the returns for the 2015 financial year, which were likewise very good. At a rate of return of 15.3%, Residential is the highest-performing portfolio, but we would also like to note the increase in returns in the Retail sector. This was in line with our market vision and strategy: the retail market is recovering and we are building positive momentum. The Industrial sector has been another powerhouse, with portfolio returns of 10.9%.

We saw many significant changes in 2016, including, crucially, the sale of the office portfolio. After the decision was made in late 2015 to sell our office properties, we managed to achieve sales (within a very short space of time) at prices approaching the appraisal values of the properties. Thanks to various sales and renovations, we have also been able to improve the structure of the Retail and Industrial portfolios. This is of strategic importance, as we are now able to focus on the 'Residential, Retail and Business' trifecta (each of which has been optimised) and on building a solid management organisation. The importance of focus and the value we attribute to our relationships with our shareholders and the interests we serve are also reflected in the interest in our portfolios and organisation: we had the privilege of welcoming six new shareholders in 2016.

Another key change in 2016 was the departure of René Hogenboom as our Managing Director. Mr Hogenboom had headed Altera Vastgoed since its inception, and it was under his stewardship that we evolved into a highly respected and successful property management company for a large group of shareholders over the past 17 years. His management priorities were professionalism, transparency, efficiency and integrity: the signature cornerstones of Altera Vastgoed's strategy.

The focus in the future will be on performance, best practices and innovation. We are already leading the market in terms of the latter, with the online rental of homes and a strong focus on our tenants' customer satisfaction. We previously introduced account managers for the Retail and Residential sectors for this purpose, with the results being particularly positive and promising. Online communications with our various stakeholders will be further developed over the coming year: this will enable us to provide our shareholders with even more detailed information about the performance of our organisation and to strengthen our ties with tenants. I am referring, in particular, to the relationship with some of the larger tenants in the Retail and Industrial sectors.

We began the year 2017 with confidence, secure in the knowledge that there are strong foundations in place for property markets, supported by a strong economy and with growth in a large number of sectors. At the same time, consumers and businesses have regained their confidence. We nevertheless remain alert to any factors which could potentially affect the economy, and by implication our sector, such as Brexit or the ECB's monetary policy. In our policies and implementation, we will therefore focus in particular on managing and diversifying risk and on achieving stable (direct) returns. This is consistent with the focus on high-quality homes in the deregulated (private) rental market, food service outlets and convenience services in retail areas, and consistently high occupancy rates.

Our 2017 agenda includes the following action items:
- Refining the Retail sector strategy with a focus on convenience stores, supported in part by portfolio transactions
- Attracting share capital from foreign institutional investors, including by engaging the services of a third party
- Supplying data to support trading on a secondary platform
- Increasing interaction with our shareholders
- Using innovations in rental, communications and IT

We expect this to be another strong year for Altera Vastgoed, with growth of the residential portfolio, further optimisation of the retail portfolio and, once again, strong results in the Industrial sector.

We would like to take this opportunity to thank our shareholders and employees for their engagement and commitment over the past year.

Management Board

» Key events in 2016

Portfolio developments

22 February Sale of office portfolio and seven industrial properties. Total transaction amount: €217.4 million. Followed on 31 March by the acquisition of shares in the Office sector for €181.2 million

24 February Tenant found for logistics space in Venray (Limburg province), with an annual rent of €0.6 million

31 March Complex of 47 apartment units in the seaside resort of Scheveningen (near The Hague) completed, and 30 units acquired in the Calypso complex in Rotterdam for €7.2 million, where Altera already owned 48 units

27 May Sale of supermarket in Vriezenveen (Overijssel province) for €4.4 million

30 June Complex of 66 apartment units on Oostelijke Handelskade in Amsterdam and 31 single-family homes completed in Blaricum

7 July Sale of portfolio containing 30 single shops for €26.0 million

26 August Sale of retail properties in Vaals and Heerlen (Limburg province) for €6.4 million

7 September Publication of GRESB scores: Altera ranks second in the Netherlands for its Residential portfolio and third with its Retail portfolio, while all sectoral funds have been awarded a Green Star

15 November Acquisition of complex containing 44 apartment units in Oegstgeest (South Holland province; built in 2006) from a housing corporation for an amount of €11.2 million

25 November Reopening of remodelled Toolenburg shopping centre in Hoofddorp (North Holland province)

31 December Ended the year with an annual rent of €11.4 million in leases signed, including renewals (113,800 square metres in all) and 648 residential rentals; this has caused the occupancy rate in all sectors to increase

Contracted purchase and building agreements: 474 homes

Month	Location	Number of homes	Amount (in €x million)
March	Noorderkwartier, Hoofddorp	35 houses	8.5
March	Hatert, Nijmegen	26 apartments	5.7
May	Neerlandia, Utrecht	66 apartments	12.2
May	Tourmalijn, Ridderkerk	66 apartments	12.3
June	Bisonspoor, Maarssen	60 apartments	14.1
September	Zeeburgereiland, Amsterdam	84 apartments	21.7
October	De Beeckhof, Hoevelaken	28 houses	7.1
October	Koningshof, Gouda	31 apartments	6.9
November	Antoniuskwartier, Utrecht	30 houses	8.1
December	Kanaaldijk, Son en Breugel	48 apartments	10.7
		381 apartments and 93 houses	107.3

Funding

31 December Total balance of new entries by shareholders of €191.0 million and exits in the amount of €111.5 million (excluding Offices); number of shareholders at the public limited liability company (NV) level increased from 30 to 33

Internal organisation

1 April Extension to Altera office and three new employees joined the company: Ferdy Schenk as Retail Portfolio Manager, Ellen Tak as a researcher and Gijs Gijzen as an account manager in Residential

1 June Arnold de Gier joined the company as a project manager

12 September Mathijs Eikelenboom joined as Investor Relations Manager

1 November Jaap van der Bijl succeeded René Hogenboom as Managing Director

Key Figures

In €x million, unless stated otherwise	Residential 2016	Retail 2016	Industrial 2016
Portfolio (year-end)			
Portfolio in operation (including subsidiary)	802	728	133
Secured pipeline	178	-	-
Equity	973	721	141
Same per share (in € x 1)	1.355	1.060	0.860
Number of properties	91	50	11
Number of leases/number of residential units	3,849	589	40
Average annual rent per m² (in € x 1)	N/A	188	54
Average number of years of remaining rent versus contract rent (excluding vacancy)	N/A	4.4	3.2
Gross theoretical current rental level	43.1	56.1	12.5
Gross initial yield	5.4%	7.7%	9.4%
Net/gross rental income financial year	77%	84%	82%
Occupancy rate year-end	98%	93%	90%
Occupancy rate average	98%	92%	89%

	Residential		Retail		Industrial	
	2012-2016	2016	2012-2016	2016	2012-2016	2016
Returns						
Income return	4.2%	4.0%	6.4%	6.2%	7.7%	7.2%
Capital growth	1.7%	10.9%	-3.3%	-2.6%	-2.4%	3.5%
Total property return	6.0%	15.3%	2.9%	3.4%	5.2%	10.9%
Management costs	-0.3%	-0.4%	-0.3%	-0.4%	-0.3%	-0.4%
Impact of cash and leverage	-0.2%	-0.5%	0.0%	0.0%	-0.2%	-0.6%
Other differences	0.1%	0.0%	0.0%	0.1%	0.1%	-0.1%
Fund return	5.5%	14.4%	2.6%	3.1%	4.7%	9.8%
Dividend return	3.5%	2.6%	5.7%	4.5%	6.7%	5.0%

Total for Altera	2016	2015	2014	2013	2012
Invested capital	1,765	1,842	1,738	1,717	1,706
Theoretical rent	112	141	141	138	127
Number of properties	152	211	194	219	218
Management costs					
In basis points of assets under management	37.5	34.5	32.3	32.1	33.3

» Highlights 2016

Performance of the sectoral funds

- Occupancy rate increased, with year-end positions of Residential 98%, Retail 93% and Industrial 90%
- Positive fund returns: Residential 14.4%, Retail 3.1% and Industrial 9.8%
- Management costs 37.5 basis points of assets under management, an increase from 2015 as a result of the sale of the office portfolio, but still among the lowest in the industry

Rental results

- Volume of leases signed in 2016 (including renewals) in the Retail and Industrial sectors worth €11.4 million for 113,800 m² (2015: €8.4 million and 72,100 m²)
- A total of 648 homes rented in 2016, the first 144 of which concerned first-time rentals of newly completed complexes (2015: 675 and 162, respectively)

Sustainability

- Residential portfolio ranked second in GRESB in the Netherlands; Retail ranked third
- Green Stars awarded for all three sector portfolios

Portfolio in operation increased by €59 million in 2016; pipeline increased by €107 million

(in €x mln)	Residential	Retail	Industrial	Total
Projects added to secured pipeline	107.3	-	-	107.3
New properties in operation	54.7	4.5	-	59.2
Sales (excluding Offices)	7.3	36.7	35.3	79.3

Share transactions

- New entries in the amount of €188.5 million and exits in the amount of €111.5 million, excluding Offices; addition of €77.0 million overall (2015: €98.8 million)
- Total of 33 shareholders (2015: 30): six new shareholders and three exits in 2016; shareholders tend to invest in multiple sectors

Amounts in €x mln	Residential	Retail	Offices	Industrial	Total
Shareholder entries	134.5	51.5	-	2.5	188.5
Shareholder exits	-	-77.7	-181.2	-33.8	-292.7
Entries and exits on balance	134.5	-26.2	-181.2	-31.3	-104.8
Number of shareholders at start and end of the year	24 → 29	28 → 26	11 → 0	11 → 11	30 → 33

Organisation and Governance

- Cancellation of Offices sector portfolio following the sale of this portfolio in February 2016
- Jaap van der Bijl appointed Managing Director on 1 November 2016, succeeding René Hogenboom

Altera Vastgoed: Dutch property for institutional investors

Mission

for institutional investors

Altera Vastgoed offers investment products in Dutch property which are tailored to the needs and requirements of institutional investors through a structure of integrated management with letter shares per sector. This entails, among other things:

strict property characteristic; i.e.

...no leverage, no property development

transparency in policies and accountability

- a structure with the advantages of indirect property and the return/risk characteristics of direct property;
- targeted participation in specific sector portfolios (freedom of allocation);
- flexibility of entries and exits;
- absence of structural financing involving loan capital;
- active asset management;
- no in-company activities related to project development;
- a multi-criterion investment objective;
- transparency in policy, processes and accountability;
- application of best practices and a high level of compliance;
- cost-efficiency (low management costs);
- investment based on a research-driven strategy;
- optimal implementation of measures to promote sustainability;
- independence, no conflicts of interest and a strong focus on ethics;
- customer-oriented service provision.

Altera Vastgoed aims for growth of the assets under management for the benefit of its shareholders and prospective shareholders; this also helps to improve the risk/return characteristics.

Investment objective

multi-criterion objective

The objective of the Altera Vastgoed sectoral funds is to offer institutional investors a stable fund return on core investments in Dutch property.
The degree to which this objective is achieved is evaluated against the following criteria:

- Relative portfolio return per sector in relation to the 5-year total return on all investments listed in the IPD Dutch Property Index;
- Relative fund return by sector, based on a peer group analysis and the INREV TER for core funds;
- Amount of management costs for the sectoral funds combined (with the aim of making these costs among the lowest in the sector);
- Progress in terms of sustainability;
- Level of transparency;
- Governance aspects.

Investment policy

Altera Vastgoed aims to achieve this objective by investing in selected market segments of the Dutch property market with a long-term investment horizon.
The investment policy will be implemented in a transparent manner and on the basis of research-based analyses. The risk will be limited by not applying structural leverage, and refraining from project development activities. The purpose of this policy is to retain the pure characteristics of direct property as far as possible. A secondary purpose is to remain fully invested.
A medium to long-term (three-year) framework, which will be submitted to the General Shareholders' Meeting of the relevant sector for approval, has been formulated for every sector portfolio. Within these frameworks Altera Vastgoed formulates annual investment plans for each sector, which are subject to the approval of the Supervisory Board.

Regulation and supervision

AIFMD licence

Altera Vastgoed holds a licence issued under the AIFMD (number 15001214) and is regulated by the AFM (Netherlands Authority for the Financial Markets).

Company Profile

product characteristics in Company Profile

The product characteristics are detailed in the Company Profile. This contains detailed descriptions of all the main product characteristics and policy principles of Altera Vastgoed, including business objectives, processes, procedures, valuation policy, performance objectives, rules for entry and exit, reporting and accountability structure. A copy of this Company Profile is provided upon request.

» Supervisory Board Report

unqualified audit opinion

We hereby present you with the annual report prepared by the Management Board and the 2016 financial statements. Deloitte Accountants B.V. has audited the financial statements and issued an unqualified audit opinion. We propose that you adopt the financial statements accordingly.

The dividend for the fourth quarter of 2016 was distributed on 16 January 2017. We endorse the proposal of the Management Board to pay the final dividend specified below in addition to the dividend already paid for the fourth quarter:

Dividend (amounts in €)	Q4 16 January 2017	Final 12 April 2017
Residential	7,492,112	705,444
Retail	9,978,878	1,067,259
Industrial	1,975,919	222,747
Total	19,446,909	1,995,450

Altera Vastgoed therefore satisfies the requirements set for fiscal investment institutions with a distribution obligation.

Description of duties

In accordance with the law and the company's articles of association, the Supervisory Board is tasked with supervising the policy of the Management Board, as well as the day-to-day operations of the company and its business. In addition, it advises the Management Board. In fulfilling their duties, the Supervisory Board members are guided by the interests of the company and its business and all stakeholders involved.

main duties

The duties of the Supervisory Board include:

- Supervising and monitoring the Management Board in relation to the achievement of the objectives of the company, the strategy and the risks associated with the company's operations, its structure and the performance of the risk management and monitoring systems, the financial reporting process and compliance with laws and regulations;
- Disclosing, complying with, and enforcing the company's corporate governance structure;
- Providing a pre-recommendation along with the financial statements;
- Selecting and nominating the company's external auditor;
- Approving the annual Investment Plans, the Business Plan, and the budgets included in these plans;
- Approving investments and divestments in excess of €25 million or in excess of 10% of the size of a sector portfolio;
- Selecting and nominating members of the Supervisory Board and the Management Board;
- Setting the remuneration of the members of the Management Board as approved by the General Meeting of Shareholders;
- Assessing the remuneration policy;
- Evaluating and assessing the performance of the Supervisory Board and Management Board along with their individual members;
- Verifying if shareholders nominated by the management, not including pension funds and insurance companies, satisfy the requirements defined for this group;
- Reviewing, and making decisions regarding, any conflicts of interest or potential conflicts of interest relating to members of the Management Board (in accordance with the Altera Vastgoed Code of Conduct) and any suspicions of incidents or abuses reported (in accordance with the policy for reporting incidents and abuses and the company's whistleblower policy).

The Chairman of the Supervisory Board also serves as the company's Compliance Officer.

Composition of the Supervisory Board

independent and impartial

The composition, organisation and policies and procedures of the Supervisory Board are in line with the prevailing Corporate Governance Code. The members of the Supervisory Board are independent and impartial within the meaning of best practice provision III.2.1 of this Code. On account of the size of the Supervisory Board, no committees have been established.

The annual meeting of 14 April 2016 decided that Mr J. van der Ende would be appointed for a second four-year term.
The Secretary of the Management Board also serves as the Supervisory Board's Secretary. The added value of this dual role is the Secretary's knowledge of events and developments in both boards, the procedures to be followed, and the scheduling of the decision-making process.

Procedures of the Supervisory Board
Virtually all the items discussed in the Supervisory Board's meetings were prepared in the form of notes, reports and investment plans of the Management Board. The Supervisory Board concluded once again in 2016 that these documents were highly professional and of a superior quality.

in-depth and open discussions

The discussions with the Management Board are in-depth, open and transparent, and free from restricted subject matter. In the evaluation of its performance, the Supervisory Board has concluded that it possesses a sufficient level of mental independence/impartiality vis-a-vis the Management Board in order to supervise the management in a constructively critical manner.
As is to be expected, the financial results are discussed in each of these meetings, while market trends and the related risk profile are other frequently discussed topics.

Attendance
All the members of the Supervisory Board attended each of the five regular meetings in 2016, with the exception of the meeting held on 16 November 2016, which one of the members was unable to attend. This brings the attendance rate for 2016 to 93% (2015: 100%).
In addition to the regular meetings, various meetings were held with the Management Board to discuss topics such as the nomination of the new Managing Director, strategy, fund characteristics, approaches from other property companies, and proposals for investment and divestment.

Key topics in 2016
The Supervisory Board and Management Board convened on five occasions during the year under review, in line with the schedule as prepared.
A key focus in 2016 was the succession of the Managing Director, R.J.M. Hogenboom, following his retirement, potential acquisitions by/partnerships with other investments funds, the settlement of the liquidation of the office portfolio, and the assessment of the strategy pursued by the management organisation and the sector portfolios.

performed to satisfaction

In addition, the Supervisory Board also convened once without the Management Board being present. Topics discussed during this meeting included the evaluation of the Management Board, the future composition of the Management Board, and the evaluation of the Supervisory Board's performance.
Based on a number of aspects, the Supervisory Board evaluated its own performance and the performance of its individual members in a plenary meeting, during which the opinion of the Management Board on these items was discussed. It was concluded that the Board performed adequately, and no problems were observed.

The main topics discussed during the regular meetings are outlined below.

Succession of the Managing Director
After the proposed successor to the Managing Director, R.J.M. Hogenboom, decided to decline this job offer after having previously accepted it, the succession process was re-launched in 2016 based on a new search profile. This search profile needed to be modified somewhat following the update of the company strategy at the end of 2015 (including an expansion of the shareholder base). The Supervisory Board is very grateful to Mr Hogenboom for his willingness to postpone his retirement in order to guarantee the continuity of the management. The process

J.E.W. van der Bijl new managing director

has resulted in the nomination of Mr J.E.W. van der Bijl to the Extraordinary Meeting of Shareholders on 26 August 2016. Mr Van der Bijl was appointed Managing Director effective 1 November 2016, after which Mr Hogenboom was available for the transfer until the end of 2016.

Approaches from other property companies
A management organisation with a high level of performance and appealing portfolios is likely to attract the interest of other companies with aspirations of growth and quality improvement.
In 2016 we were approached by several companies that were interested in acquiring the individual sector port-

folios. In light of the strategy with the proposed portfolio composition and size as coordinated with the shareholders in December 2015, the Management Board and the Supervisory Board concluded that this interest and the attendant offer were not an attractive option for the shareholders. The Management Board detailed the offer to the shareholders on 3 November 2016, after which the bidding process could be terminated. This was subsequently formally approved by the General Meeting of Shareholders on 7 December 2016 The process relating to the offer and the discussions with the shareholders also prompted the decision to further discuss with the shareholders the strategy of the management organisation, the profile and characteristics of the sectoral funds, and the strategy relating to the Retail sector portfolio. This process will be continued in 2017, with the objective being to add more focus and to bring the strategy, profile and characteristics of the sectoral funds and the management organisation more in line with each other.

discussion of strategy with shareholders

Termination of the office portfolio

office portfolio sold

The Extraordinary Meeting of Shareholders decided on 10 September 2015 to sell the entire office portfolio and to transfer some properties to the Residential and Retail portfolios. The sale was completed successfully, and the portfolio was transferred in February 2016. The shares in the Offices sector were purchased by the company effective 31 March 2016, followed by withdrawal on 15 November 2016.

Investment Plans and Business Plan

In autumn 2016, the Supervisory Board discussed the Investment Plans and Business plan drafted by the Management Board in detail, including the operating budgets and the budgets for management costs included therein. These plans were explained to the shareholders during the General Meeting of Shareholders on 7 December 2016. The plans reveal an accelerated growth of the Residential portfolio and a focus on convenience stores for the Retail portfolio. The sector policy parameters included in the investment plans for the medium term were approved by the shareholders, subject to any modifications arising from the discussions held with the shareholders about the strategy in early 2017.

Quarterly reports and financial performance

The Supervisory Board has reviewed the quarterly reports prepared the Management Board in conjunction with the Management board, including the discrepancy analyses of budget, actuals/realisation and forecasts for the sector portfolios, along with the management costs. A special area of focus was the progress of the rental activities, bankruptcies in the retail sector, the acquisition of homes, and disposals/sales. The relative performance of the Altera sectoral funds in relation to competitors was analysed based on a scorecard prepared by the Management Board.

Relationship with shareholders

The Supervisory Board is of the view that the emergence and contribution and input of the shareholders to the General Meeting of Shareholders and the Participants' Board support the impression that there is a close relationship between the company and its shareholders. In fact, ties with shareholders have become stronger as a result of approaches from other property companies.

informal dialogue with shareholders

The meetings of the Participants' Board, which are generally not attended by the members of the Supervisory Board, provide the opportunity for an informal dialogue without an actual official decision-making process. The Supervisory Board discusses the report of the Participants' Board with the Management Board and reviews the meeting documents.

Portfolio transactions

growth through acquisitions

The Board was briefed on progress achieved in the acquisition of residential properties. The residential portfolio grew further in 2016 as a result of the large number of acquisitions and the extension of the pipeline. In addition, the Supervisory Board reviewed sales for amounts in excess of €25 million in the Retail sector (the sub-portfolio of single shops) and the office portfolio as a whole. In 2016 no investment proposals were made in excess of €25 million or in excess of 10% of the size of a sector portfolio which required the approval of the Supervisory Board. The Supervisory Board receives a summary listing all acquisitions below the threshold amount.

Assessment of the remuneration of the Management Board

A third-party service provider assessed the company's executive pay against the benchmark group, in accordance with the company's remuneration policy. The remuneration has been adjusted effective 1 January 2016, based on this assessment.

Risk management and ethics

The Board also assessed the Management Board's risk management processes and procedures in 2016. In the ISAE 3000 report, the external auditor reported on compliance in 2015 with the set of internal control measures agreed with the shareholders.

The 2016 report, which was reviewed on 23 March 2017, indicates that the internal organisation performs in accordance with these measures. In the meeting in which the annual report was discussed, the Risk Manager provided further details on the activities of the Control department and their findings.

On 15 March 2017, the Supervisory Board discussed risk management and the findings of the external auditor with the CFO, the Risk Manager and the external auditor. They also discussed the previously implemented measures to further reduce the risk of cybercrime and measures implemented in the second quarter of 2017.

Just like last year, key areas of attention included ethics and measures implemented to reduce fraud risk. There are no further details to report.

appreciation for management board and employees

The Supervisory Board is indebted to the shareholders for the trust they have placed in the company. In addition, the Board would like to take this opportunity to thank Mr Hogenboom for the excellent way in which he managed Altera Vastgoed from its inception in 2000 to 2016. The Supervisory Board has every confidence that it has appointed an excellent successor in the person of Mr Van der Bijl.

The Supervisory Board would like to express its appreciation for the Management Board and the employees for their commitment to achieving the company objectives.

Amstelveen, the Netherlands, 23 March 2017

Supervisory Board

» Supervisory Board

Members and rotation schedule

Name	Date of appointment	Nominated by/on behalf of	Position	Date of retirement
Mr G.H. Hoefsloot (born in the Netherlands in 1950)	17 April 2014	Independent and impartial, no economic ties to shareholders	Chairman of the Supervisory Board	Annual General Meeting in 2018
Mr H.C.A. de Vos tot Nederveen Cappel (born in the Netherlands in 1943)	19 April 2006; reappointed on 28 April 2010 and 17 April 2014	Independent and impartial, no economic ties with shareholders	Supervisory Board member	Annual General Meeting in 2018
Mr J. van der Ende (born in the Netherlands in 1959)	7 December 2011; reappointed on 14 April 2016	Independent and impartial, no economic ties with shareholders	Supervisory Board member	Annual General Meeting in 2020

CVs of the Supervisory Board members

Mr G.H. Hoefsloot (b. 1950)
Mr Hoefsloot served as chairman of the executive board of Heijmans NV from 2003 to 2008. He was previously employed by Hollandse Beton Groep NV (HBG) from 1984 to 2002, including, from 2000 to 2002, as a member of the executive board. From 1978 to 1984 he held various positions at Amro Bank NV and Barclays Bank. Since 2013, he has been a member of the supervisory board of Brabantse Ontwikkelings Maatschappij Holding BV and of Tilburg Bastianen Groep BV.

Mr H.C.A. de Vos tot Nederveen Cappel (b. 1943)
Mr De Vos tot Nederveen Cappel was a managing partner at Twynstra Gudde from 1993 to 2002. From 1972 to 1992, he worked for the consultancy agency Diepenhorst De Vos en Partners, of which he served as director from 1976. Since May 2013, he has served as chairman of the supervisory board of WoondroomZorg BV. From 2004 to 2014, he chaired the investment committee of Triodos Vastgoedfonds NV, a property fund of which he joined the supervisory board in April 2014.

Mr J. van der Ende (b. 1959)
Mr Van der Ende was employed by PGGM from 2005 to 2010: from 2008 as chief investment officer and in 2010 also as a member of the executive committee. From 1986 to 2004 he held various positions at ING Group. He also serves as an independent member of the Investment Committee of CBRE Global Investment Partners and is a member of the Supervisory Board of Q-Park NV and MN. He also serves as a consultant to Amundi Asset Management. From 2007 to 2010, he was the chairman of INREV and a member of the supervisory board of Amnest NV and from 2009 to 2010 he served as chairman of Eumedion. He is currently the chair of the Amsterdam School of Real Estate, having taken up this position in 2014.

Supervisory Board Remuneration Report

Management Board

The basic principle for the Management Board's remuneration policy is remuneration in conformity with the market on a median level, based on a labour market reference group. This consists of Dutch institutional property funds and property asset managers. The remuneration policy was amended as part of the introduction of supervision under the AIFMD, whereby variable pay (i.e. performance-based pay) is no longer awarded. The previously variable pay has been converted into a non-pensionable fixed salary component based on a conversion factor.

remuneration assessed every two years

The remuneration is checked against the reference group every two years. The actual remuneration is determined by the Supervisory Board in compliance with the remuneration policy and after seeking external advice. The salary can be amended by the Supervisory Board in the interim. This policy was most recently approved by the General Shareholders' Meeting of 11 December 2013.

The employment contracts of the Management Board members have been entered into for an indefinite period, and are therefore not limited to four years. According to the Dutch Corporate Governance Code, an appointment for four years is primarily intended for exchange-listed institutions.

total remuneration detailed in financial statements

The members of the Management Board are subject to the same pension scheme as the company's other employees: a CDC scheme for the pensionable salary up to €101,519 (threshold amount for 2016) with an accrual rate of 1.875%. Gross compensation is paid for salaries exceeding this amount.

Supervisory Board

Under article 26 of the company's articles of association, the remuneration of each supervisory director is determined by the General Meeting of Shareholders. The remuneration of the Supervisory Board was approved by the General Meeting of Shareholders on 17 April 2014.
The annual remuneration of the Chairman of the Supervisory Board is €25,000; the other members of the Supervisory Board each earn €18,000.

» Management Board Report

From left to right: E.G.M. Wessels, H.C.A. de Vos tot Nederveen Cappel, J.E.W. van der Bijl, G.H. Hoefsloot, J. van der Ende and C.J.M. van den Hoogen

Property markets in relation to the Altera portfolios

high transaction volume; also at Altera

The property investment climate for Dutch property was excellent in 2016, resulting in a record number of transactions. A total of more than €14 billion in commercial property and residential investment property was transferred to other owners in 2016 as a whole. Altera has also contributed to this large number of new property transactions. This occurred in a number of ways, including through the sale of the office portfolio and seven industrial premises (which together account for almost 200,000 square metres), with a transaction size of €217.4 million to Goldman Sachs, as a result of the sale of retail properties for a total amount of more than €36.7 million and owing to a significant expansion of the pipeline of residential projects.

The general expectation is that the Dutch economy – and, by extension, the property investment market – will continue to grow in 2017, but will slow down somewhat, including through slightly higher inflation and a moderate increase in interest rates.

strong price increase residential property

We again observed some noteworthy trends in the residential investment market in 2016. This caused prices to increase, as in the previous years. The price increases were the result of scarcity in both the middle end of the residential rental market and in the private owner-occupied housing market, along with the improving economy. In 2016, this even resulted in excessive price increases in the traditionally tight housing markets in the Randstad conurbation, particularly in Amsterdam, Utrecht and other economically strong cities and regions. An additional factor was that the further increase in consumer confidence and the consistently low interest rates had a positive impact on the demand for new homes.

improvement retail market from mid-2016

It is generally known that the retail property market always lags somewhat behind and takes longer to recover in the property cycle. The year 2015 was a weak year in terms of the retail property market: a poor, underperforming year with a large number of bankruptcies of retailers and fast-growing vacancy rates. These negative trends continued into the first half of 2016, including the highly publicised bankruptcy of long-standing Dutch department store chain V&D and several other chains. However, the tide turned in the second half of 2016. Consumer spending was up and retailers became increasingly resourceful when it came to the changing market, partly as a result of online purchases. The renowned Canadian retailer Hudson's Bay and other retailers have filled the void that V&D and its counterparts have created in many Dutch cities. Some of the more upscale retail areas saw the emergence of other new chains and concepts, the majority of which were foreign-based. This causes yields in the first-rate retail areas to fall and become more competitive. There also continues to be concern regarding the high vacancy rates in lesser retail areas and in cities with declining populations.

limited demand offices Dutch institutional investors

Trends in the office market confirmed that Altera's shareholders made the right decision in late 2015 to sell the office portfolio, on account of the volatile nature of this segment of the property market. Based on the fast-growing economic confidence, along with macroeconomic and politically charged developments such as Brexit, we can observe that the nadir in the Dutch office market was reached in the course of 2016. The demolition and transformation of office buildings, coupled with an actual stop of the construction of new buildings, has resulted in the vacancy rate falling by more than 15% in the Dutch office market as a whole. Prime locations such as the Amsterdam Zuidas business district, for example, are even dealing with a shortage of office space. The Dutch office market has mainly become the territory of foreign property investors and private companies which, on account of their high leverage, are better able to respond to market trends in an countercyclical manner, and is no longer the domain of Dutch institutional investors.

industrial property a stable sector

The Industrial sector also benefited from the improving economy, particularly the logistics segment. The fast-growing consumer confidence has created a rise in the demand for new logistics buildings, distribution centres and mixed-use industrial premises. The general expectation for 2017 is that this sector will continue to grow steadily. This applies, in particular, to the upper segments high tech, life sciences & health and agri & food, which still have a large demand for high-quality industrial premises and business parks or industrial estates.

higher occupancy rate and increased returns

The market factors described above have contributed to the recovery of the occupancy rate in our three sector portfolios, Residential, Retail and Industrial. The result of the market factors is that overall fund return increased above average in 2016, with the Residential sector being the highest-performing at 14.4%. The fund return of 9.8% in the Industrial sector was also excellent. Conversely, the fund return for the Retail sector portfolio, at 3.1%, was significantly weaker. We expect that a long period of rent decreases in this sector has now come to an end and that the stronger retail areas and segments will show a slight increase.
The dividend return of the sectoral funds is lower on a one-time basis because the dividend for the fourth quarter is no longer distributed in December but in January effective 2016.

Key figures by sector in 2016 and 2015	Residential		Retail		Industrial	
	2016	2015	2016	2015	2016	2015
Income return	4.0%	4.3%	6.2%	6.4%	7.2%	6.7%
Capital growth	10.9%	7.7%	-2.6%	-2.8%	3.5%	0.2%
Total property return	15.3%	12.2%	3.4%	3.4%	10.9%	6.9%
Fund return	14.4%	11.5%	3.1%	3.2%	9.8%	6.2%
Dividend return	2.6%	3.9%	4.5%	6.0%	5.0%	6.1%
Gross initial yield (plus costs on theoretical rent)	5.4%	5.9%	7.7%	7.9%	9.4%	10.5%
Average occupancy rate	98%	97%	92%	93%	89%	85%
New leases (in annual rent or number of units)	648	675	€8.4 mln	€6.1 mln	€3.0 mln	€2.3 mln

residential portfolio to top €1 billion in 2017

Residential sector moves toward €1.5 billion

After a strong year 2015, 2016 was even better for Altera. With an occupancy rate of 98% and an exceptionally high capital growth of 10.9%, the fund return increased to 14.4%. With the increase of the pipeline in 2016 by 10 projects (which together account for a total of 474 homes), the secured pipeline has increased to an amount of €178 million. The unsecured pipeline (i.e. homes for which the construction has not yet been secured) and the prospect pipeline (potential new housing projects), have also increased, ensuring strong growth for Altera in the coming years. Specifically, this means that Altera's housing portfolio will pass the symbolic limit of €1.0 billion already in 2017, while at the same time the company is heading towards €1.5 billion, one of the targets set out in its medium-term policy.
This positive trend is also reflected in the entry of new shareholders and the provision of new share capital. In 2016, Altera attracted a total of €134.5 million in new share capital in the Residential sector, with the addition of six new shareholders. This trend illustrates the desire among institutional shareholders to invest even more in residential property, but at the same time it is putting pressure on the acquisition of housing projects in a tight market.

The prospect of substantial value increases over the next several years has been reduced on account of the high capital growth over the past two years. Gross initial yields for high-quality locations in the Randstad conurbation have fallen below 5.0%. Based on the opportunities provided by the investment markets, a product with an income return of around 4.0% with rents which are at least adjusted to inflation are still compatible with the investment portfolios of the majority of institutional shareholders.

Retail sector poised for further growth, with a focus on convenience stores

increase number of leases

The larger number of leases signed, particularly in the second half of 2016, shows that there are reasons to be optimistic again in the Retail sector and the retail segment in general. Returns in 2016 were at the same level as in 2015. The occupancy rate is significant: this had fallen from 99% in 2010 to 91% in early 2016, but then increased to 93% at the end of 2016. A further increase in the occupancy rate requires active asset management, and a number of HR measures were taken to this end.

sale of 30 small retail properties

Altera sold a total of 30 single shops in 2016; in so doing, we have begun focusing the portfolio even more strongly on the convenience store segment. We will continue this policy at an accelerated pace in 2017 through various sales in the 'comparison retail' segment. The convenience store segment performed significantly better in recent years than comparison retail. Research has shown that investments in 'convenience retail' areas have been showing consistently high returns for many years, at a limited risk level. This retail segment has never even generated losses on investment and this is not expected to change in the coming years. Irrespective of any economic crisis, consumers will continue to consume food and drink, and therefore make purchases in convenience stores. It is expected that this segment will not be affected to the same extent by the consistently growing trend of online shopping. In addition, the social aspect of convenience shopping plays a significantly larger role than in experience retail; this also increases the appeal of these types of retail areas.

focus on convenience

optimism for 2017-18

With an income return of 6% and a prospect of value increases starting in 2017-2018, we expect interest by institutional investors in the retail sector to increase rapidly. The Retail portfolio will initially decrease in size as a result of sales. We expect this to be followed by growth, with a clear focus on the convenience store segment.

Industrial property remains a profitable niche

Owing to its limited size, the Industrial sector represents a niche in the investment market, in which a high income return can be achieved. While the portfolio size of our Industrial portfolio declined following the sale of six properties in 2015 and another seven properties in 2016, the quality of the remaining portfolio has further improved. Fund return for 2016 increased to 9.8% (2015: 6.2%) due to a variety of factors, including the signing of new leases and various renewals of existing contracts.
This also increased the capital growth in this sector. The occupancy rate at year-end 2016 was 90% (year-end 2015: 87%).

further rejuvenation and expansion

In 2017, we intend to further rejuvenate and expand the Industrial portfolio, including by increasing the share of light industrials to 50% of the overall portfolio. The central focus is the needs and requirements of the users and therefore the tenants/lessees, as a result of the changing processes in the various sectors and industries.

The sector reports included in the second part of this annual report detail the results of the sectoral funds.

Organisation focused on active management

increase in expenses due to fast sale offices

Management costs amounted to 0.375% of the assets under management in 2016. While this is a slight increase from 2015, when the management costs amounted to 0.345% of the assets under management, the rate remains low for the property sector.
The relative increase results largely from the fast sale of the office portfolio, causing the average assets under management to fall sooner than expected. Cost levels may decline in 2017 as a result of the growth of the Residential portfolio.

direct interaction with tenants/lessees

Active management across the full width of our organisation is a condition for optimum performance. Altera's workforce increased in 2016 from 27 to 31 FTEs, including reinforcement for account management and investor relations. The emphasis is different for the various sectors. In all sectors, we acknowledge the importance of direct interaction between account management and tenants/lessees. We also provide high-quality hold/sell analysis, which enables us to reorganise the portfolios in a timely manner, and for the strict supervision of external property managers.

focus on sustainability

Sustainability is a growing factor when it comes to achieving maximum return for the portfolios. Active management is therefore a requirement for improving the portfolio performance in this area on an ongoing basis. This is detailed in the sustainability report included elsewhere in this annual report, including Altera's high scores in the annual GRESB surveys.

substantial transaction volume

In the Residential sector, the active management focuses, for example, on effective acquisition, supported by research and portfolio management. As a result, Altera has also been able to contract a high volume of pipeline projects (for a total amount of €107.3 million) and also to acquire existing properties (in the amount of €18.4 million) in 2016. Furthermore, contact has been established and arrangements have been made for a large number of housing projects in the coming years, which are likely to result in new contracts. While the optimisation of draft project plans requires a significant amount of expertise and commitment, it is necessary in order to acquire the desired quality of design, differentiation in metres, use of materials, and sustainability. A good example of this innovative management is the acquisition of two office properties in Amstelveen and The Hague by the Residential sector from the Offices sector portfolio, before this was sold in 2016. These two office properties were demolished, and new apartment complexes will be erected in these two locations, which will be included in the portfolio of the Residential sector. The demolition process is currently underway in Amstelveen, while in The Hague the designation process takes more time.

use of social media

Another apt example of effective account management in the Residential sector is the use of social media for the rental of homes included in the Residential portfolio. The entire rental process is supported by web-based applications. This form of rental has shown to be significantly more effective than the traditional way of leasing with advertising in local newspapers and the construction of model homes shortly before the start of the operation. The result is that all homes are generally leased at the time of completion. In addition, this rental method provides us in an early stage with valuable information about the interest of potential tenants; we can subsequently take this into account in our pricing policies.

increase in rental volume

In the Retail sector, we will be using active management for a balanced retail mix in shopping centres, the facilitation of the need for space of key tenants, reorganisations/reclassification of the portfolio and, if necessary, the alteration and upgrade of shopping centres in order to ensure that they meet the needs and requirements of consumers and retailers. This is how we protect future sustainability. This has contributed to retail volumes in 2016 to increase to an annual rent of €8.4 million (2015: €6.1 million). The sale of 30 single shops also marks the start of the implementation of the amended strategy for dominant segmentation in convenience retail.

renovation shopping centres

One example of this active management in the Retail sector is the upgrade in 2016 of the Toolenburg local shopping centre in Hoofddorp. Two existing supermarkets were expanded, while the retail mix was optimised overall. These efforts have increased the occupancy rate from 89% at year-end 2015 to 100% currently. Several supermarkets in the portfolio have also been upgraded in this manner, while plans have been launched for several others. For example, in the town of Oosterhout shopping centre De Arendshof was renovated, and at Jorisplein in Amersfoort modifications are made in order to accommodate several tenants. The renovation of Altera's location in the home furnishing centre in Utrecht has even resulted in a fully rented complex. We are also investigating whether the retail locations in Houten and Oosterhout are suitable for homebuilding in sections that are less marketable for use as retail locations.

Key message of the industry associations for the immediate future

Altera is a member of the Association of Institutional Property Investors in The Netherlands (IVBN) and endorses the long-term objectives of this interest group in order to improve the Dutch housing market and retail market. We clearly see the public significance of investment in Dutch rental homes in the deregulated

part of the market. People are allocated the high-quality rental homes they are looking for, while pension fund members and holders of life insurance policies can continue to expect stable and inflation-proof payments. In those areas where housing corporations focus on the actual social housing segment (rental homes) with monthly rents of up to approximately €710, institutional investors, including Altera's shareholders, focus on the rental segment between €710 and €1,000 to €1,200. These same institutional investors aim to build 25,000 new homes in this rental segment over the next three to four years, in some cases in close cooperation with the housing corporations in areas developments. Further increase will also be possible in the future. This may result in a moderate increase in rental prices. In addition, we aim to work on improving the further sustainability of the existing housing stock.

stronger role institutional investors in residential market

This same quality-improvement objective also applies to the Dutch housing stock. Altera endorses the action plan drafted by IVBN, NRW and INRetail to reduce the amount of retail space by 20%. The Dutch Minister of Economic Affairs, Henk Kamp, established what is known as an 'impulse team' last year as part of the Retail Agenda, the objective of which is to ensure that municipal and provincial authorities reduce retail vacancy rates by 20%. This can be achieved, for example, by repurposing unused retail space into homes and cultural spaces. Altera aims to actively contribute to this process from its own portfolio.

reducing amount of retail space

Improving quality

Altera Vastgoed is a highly valued investment fund, and we intend for things to remain this way. We worked on this across our business operations in 2016 and will continue to do so in 2017.

Investor Relations

We intend to build closer relationships with our shareholders in order to learn more about their investment needs.

We will further develop this in the first half of 2017, whereby the characteristics will also be shown from an international perspective. An Investor Relations Manager was hired in September 2016 in order to actively approach new Dutch and foreign investors, with the support of external parties.

further improving reports

The contents of the quarterly reports were modified for this purpose in 2016, in order to outline the main features more quickly and more clearly. These reports will be refined further in 2017.

Altera already reported the implementation costs for 2016 to the shareholders, in accordance with the recommendations provided by the Pension Federation, for implementation in 2017. This report also includes transaction expenses in addition to asset management costs.

report on implementation costs

Altera endorses the United Nations Principles for Responsible Investment (UNPRI) and joined the PRI Association in early 2017.

UNPRI member

HR and IT

Portfolio management requires professional teams with the support of state-of-the-art systems.

With the appointment of account managers in the Residential and Retail sectors, relations with the tenants and the rental process itself have been improved. The staff was extended with a project manager, who is responsible for further professionalising the assessment of the design.

Additionally, extra IT support will further increase professionalism and flexibility in 2017.

extra focus on IT

The Reaturn property software system was fully implemented in 2016, also in view of full support. This makes it possible to even more efficiently meet information requirements at all levels of the organisation.

There was a significant internal focus on the implementation of the Redex platform in 2017. This facilitates the full transfer of data between the managers and the fund. Altera supports an important standard in the property sector, aimed at increasing professionalism. In 2017 the external property managers will supply data to Altera through Redex.

The internal databases will be made accessible more efficiently in 2017 using a document management system purchased specifically for this purpose. A key focus is compliance with the Dutch Personal Data Protection Act (Wet bescherming persoonsgegevens).

data transfer with external providers

Valuation process

The regular valuation of the underlying property is necessary but costly at the same time. Preparations have been made in the past year to implement a valuation management system in mid-2017. In such system, investors themselves provide the fixed data so as to ensure that the appraiser can focus on market variables and investment benchmarks. Since this concerns a fixed calculation model, the discrepancies between the

implementation valuation management system

models of the appraisers used will be a thing of the past and the valuation process will become more transparent and more efficient.
We further refined the valuation process in 2016, while we will also have the pipeline properties over which we have acquired the legal ownership due to the delivery of land appraised by an external company. At the same time, we have abandoned the set-up of homogeneous sub-portfolios with lower valuation frequencies. Since the end of 2016, all properties in the Altera portfolio are valued by an external appraiser once every quarter.

Research

greater use of big data

Altera Vastgoed assesses the policy and strategy in all sectors against changing circumstances on an ongoing basis in the various markets in which it operates. In-house research and analysis based on external databases and sources, internal databases and the analysis of our own operational activities provide input for the ongoing assessment process and allow for modifications to be made to the policy if necessary. The data collection of market information was further structured across the portfolio in 2016. In addition, an inventory was made of relevant big-data systems. In 2017 we decided, based on a price-quality assessment, what data systems we intend to use. This facilitates further structuring of the assessment of the investment qualities of individual properties and portfolios. We also intend to initiate tenant-focused surveys in order to ensure that product requirements are in line with expected trends.

Outlook for 2017

2017: a good year

We expect that, after 2015 and 2016, 2017 will also be a favourable year for the Dutch property investment market.
In particular, we anticipate that the more late-cyclical Retail sector will show stronger numbers than in 2016. The fund return may still end up high (8 to 9%) for the Residential sector in 2017, although the level will presumably not be as high as in 2015 and 2016.

impact of interest rate policy

A great deal will depend on the ECB's interest rate policy: an increase in interest rates can change the overall picture. Furthermore, factors not directly related to property can have a huge impact on market trends, e.g. political tension as a result of elections in the Netherlands, France and Germany. It is difficult to predict at this stage what impact the election outcomes will have on the property markets. Note, however, that these global and continental trends and developments also affect other investment categories in a positive or negative sense. From a historical perspective, the impact on the property sector is likely to be the lowest.

Depending on our outlook for returns in the rental market, the size of the Residential sector will further increase. The fund will reach a total size of €1.0 billion in 2017, and we will soon be seeing further growth.
For the Retail sector, too, we are expecting a further increase in consumer spending. After years of downgrades (ranging from 2 to 4%), we are likely to see a slight uptick, bringing a fund return from 6 to 7% within reach.
For Industrial, we assume a fund return of 6 to 7%.

» Benchmarking, guidelines and recommendations in the property sector

positive guidelines for sector

Various organisations issue guidelines and make recommendations that contribute to the enhanced professionalism of the institutional property sector. This leads to a further improvement of transparency in the sector. The main organisations for Altera Vastgoed in this context are INREV, StiVAD, IPD/MSCI and IVBN. Altera Vastgoed is an active and frequent participant in several working groups within these organisations. These organisations also publish various benchmarks.

INREV

Altera Vastgoed has been a member of INREV (European Association for Investors in Non-listed Real Estate Vehicles) since its foundation in 2002. In this time INREV has published a range of guidelines and recommendations, which have been integrated into the INREV Guidelines since 2008, and have been periodically reviewed since then.

Altera complies with INREV guidelines

These guidelines and recommendations can be downloaded from the INREV website: www.inrev.org.
In so far as they are applicable, Altera Vastgoed largely complies with these guidelines. However, for reasons related to competition, Altera Vastgoed does not issue any information on the valuation of individual properties.
INREV has made recommendations for applied net asset value calculations, whereby allowance is made for various adjustments. These are only applicable to Altera Vastgoed to a limited extent.
The most relevant adjustment for Altera Vastgoed is that for transfer tax, but in this case we have opted for a compensation scheme for this type of tax.

INREV TER and REER

The definition of management costs employed by Altera Vastgoed fully coincides with INREV's definition. Altera Vastgoed relates the management costs to the average assets under management (property investments plus liquid assets available for reinvestment). INREV makes a distinction between two criteria for these costs: total expense ratio (management costs of the fund divided by either the average net asset value or the gross asset value) and real estate expense ratio, which also takes into account other types of costs.

The total expense ratio for 2016 for Altera Vastgoed (i.e. all sectors combined) is shown below.

	versus gross asset value (INREV principles)		versus net asset value (INREV principles)		versus assets under management (Altera Vastgoed principles)	
	2016	2015	2016	2015	2016	2015
Management costs (in € x 1,000)	6,635	6,215	6,635	6,215	6,635	6,215
Total expense ratio (in basis points)	36.6	33.7	37.3	35.0	37.5	34.5

The total expense ratio (TER) and the real estate expense ratio (REER) in basis points versus the gross asset value (GAV) by sector is as follows:

	INREV TER (in % versus GAV)	INREV TER (in % versus GAV)		INREV REER (in % versus GAV)	
	average 2012 - 2016	2016	2015	2016	2015
Residential	0.338%	0.362%	0.335%	1.09%	1.34%
Retail	0.332%	0.369%	0.332%	0.97%	0.99%
Offices	0.358%	-	0.358%	-	1.35%
Industrial	0.347%	0.371%	0.348%	1.27%	1.83%
Total result for all sectors	0.339%	0.366%	0.337%	1.05%	1.23%

The discrepancies in the total expense ratio by sector arise mainly from valuation costs and non-deductible value-added tax.

lower management costs than INREV benchmark

According to the most recent survey by INREV (dating from December 2016), the average management expenses of core property funds are 69 basis points (before the performance fee, which Altera does not use) of the gross asset value and 98 basis points of the net asset value: at 37 basis points, Altera Vastgoed is well below this level in 2016. Altera Vastgoed has made the completed INREV due diligence questionnaires available to provide to prospective shareholders. These questionnaires are updated annually.

INREV SDDS available to shareholders

INREV has drafted a 'Standard Data Delivery Sheet' (SDDS), with the aim that the affiliated investment funds report to their shareholders every quarter in the prescribed manner. Altera Vastgoed has adopted this recommendation, and since this time has issued the INREV SDDS every quarter.

annual report complies to large extent with INREV guidelines

Every year, an audit firm engaged by the INREV tests the annual reports of the investors that are affiliated with INREV for compliance with the guidelines and recommendations. The most recently assessed Altera Vastgoed Annual Report (dating from 2014) complies with this to a very high extent (97%).

IPD Dutch Property Index

Altera is a participant in IPD Dutch Property Index

Since 1995, the IPD Dutch Property Index and the International Property Databank (IPD) in London have been publishing the property index and property benchmarks for the Dutch property industry, subdivided into four sectors. IPD is a subsidiary of MSCI. More than 70 portfolios, with a total size of €38 billion, are measured in the Dutch index. The participants provide their valuation, transaction and operational information, and the yields are calculated on this basis (time-weighted and in accordance with the GIPS standards). Valuations are performed in accordance with the applicable appraisal standards of the International Valuation Standards Council (IVS) and the Regulations for Business Property (plus Addendum for Corporate Property) of the Netherlands Register of Real Estate Valuers (Nederlands Register Vastgoed Taxateurs - NRVT).
Altera Vastgoed monitors that this is complied with in the case of external valuations. The information that is provided to IPD matches the figures included in the annual accounts.

IVBN

Altera complies with the IVBN codes

The Netherlands Association of Institutional Investors in Property (Vereniging van Institutionele Beleggers in Vastgoed, Nederland - IVBN) is an interest group whose members together represent some 90% of institutional property assets in the Netherlands.

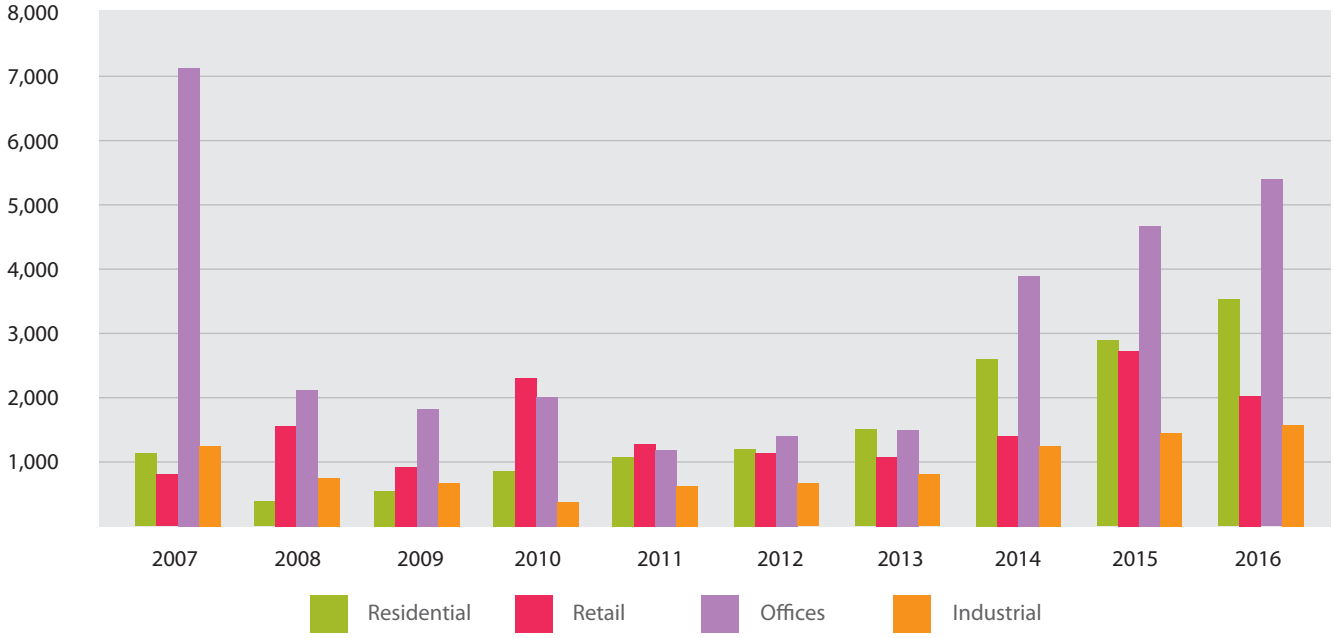
The members must comply with a Code of Ethics, and a model internal code of conduct has also been drawn up. A specific code has been drawn up for the sale of residential rental properties, which takes the interests of the tenants into account. Altera Vastgoed complies with these codes, and the code of conduct for the employees of Altera Vastgoed is partly based on them. A transaction registration is also maintained for property transactions. On the Integrity platform, the members exchange experiences on the practical aspects of integrity audits.

» Trends and developments in the property investment market

substantial increase investment volume

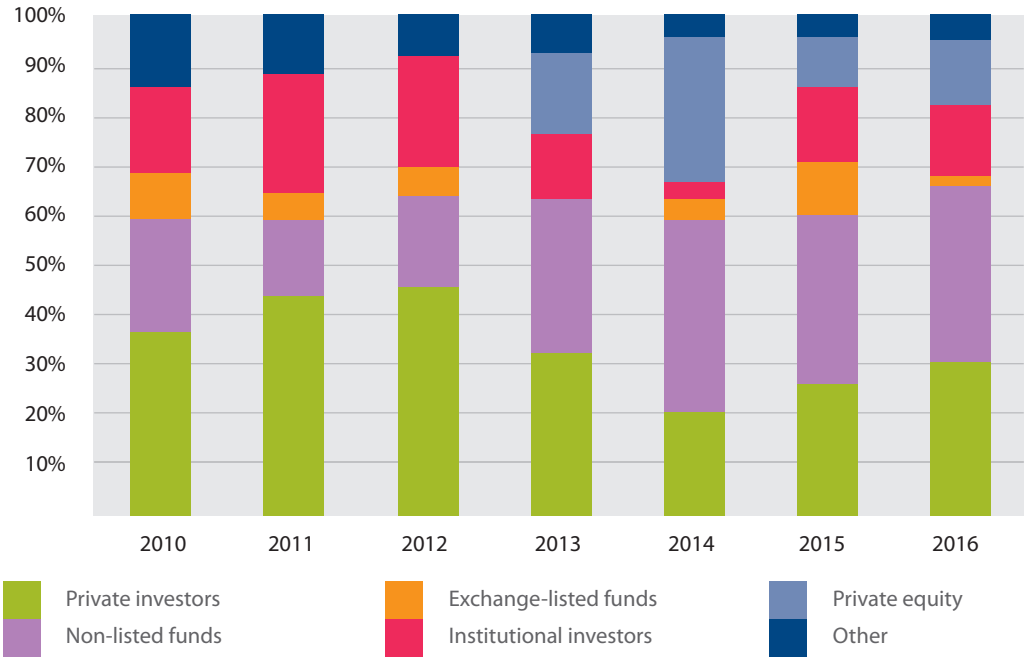
Investment volumes increased again in Dutch property: from €12.4 billion in 2015 to €13.5 billion in 2016. Solely the retail property sector lagged behind, showing a slight decrease in investment volume versus 2015. Interest in Dutch retail property remained at the same level in 2016 as in previous years, but in 2015 the investment volume was exceptionally high on account of a single large transaction. The Residential, Retail and Industrial sectors showed record volumes.
The level of the record years 2006 and 2007 has not been reached, but the largest investment volume since 2008 was achieved.

Investment volumes by sector and by investor type, in millions of euros, 2007-2016 (source: DTZ/PropertyNL)



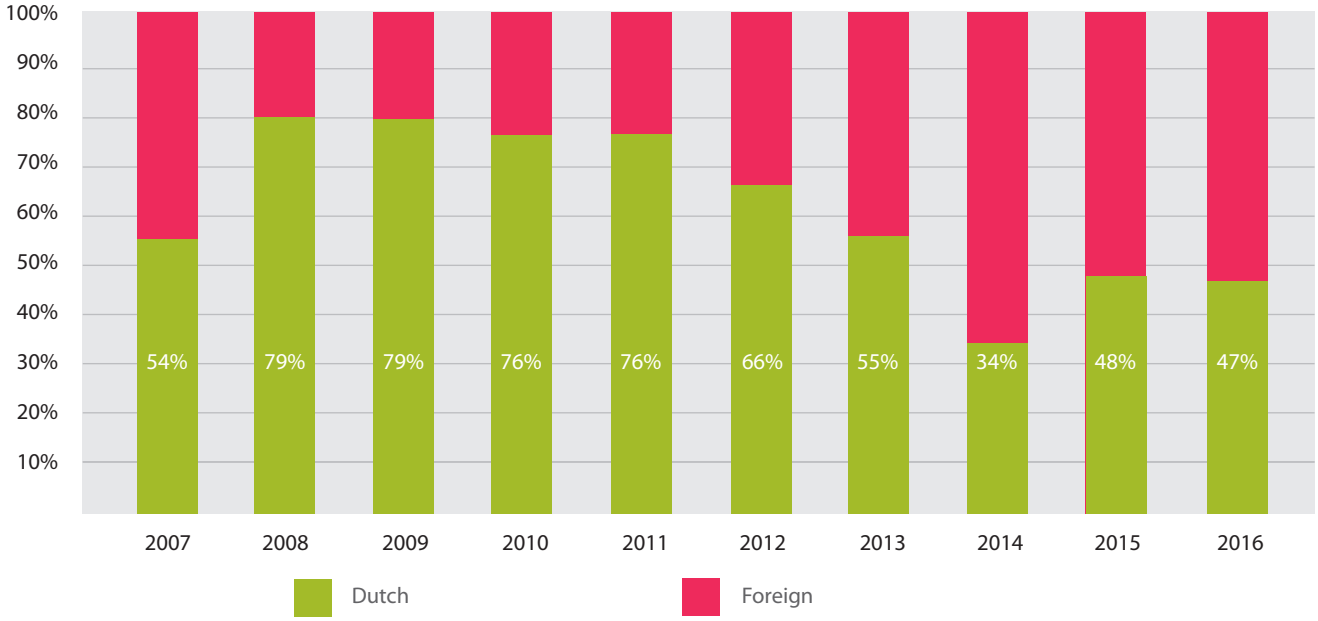
With the exception of exchange-listed funds, all types of investors were more active in 2016 than in 2015. Private investors and non-listed funds, in particular, were significantly interested in property in 2016.

Breakdown of investments by investor type (source: PropertyNL)

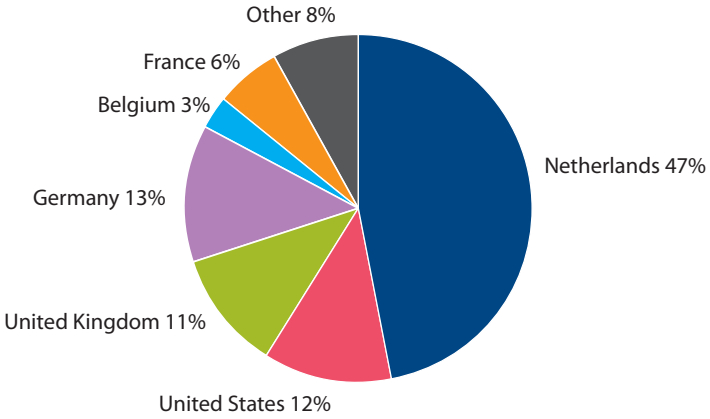


Number of foreign investors remains high
Both Dutch investors and foreign investors invested more in property in 2016 than they did in 2015. Solely investors from the United States invested marginally less in Dutch real estate compared to 2015. The increase among foreign investors was slightly larger than with Dutch investors, causing their share to increase slightly.

Number of Dutch and foreign investors in annual transaction volumes (source: PropertyNL)



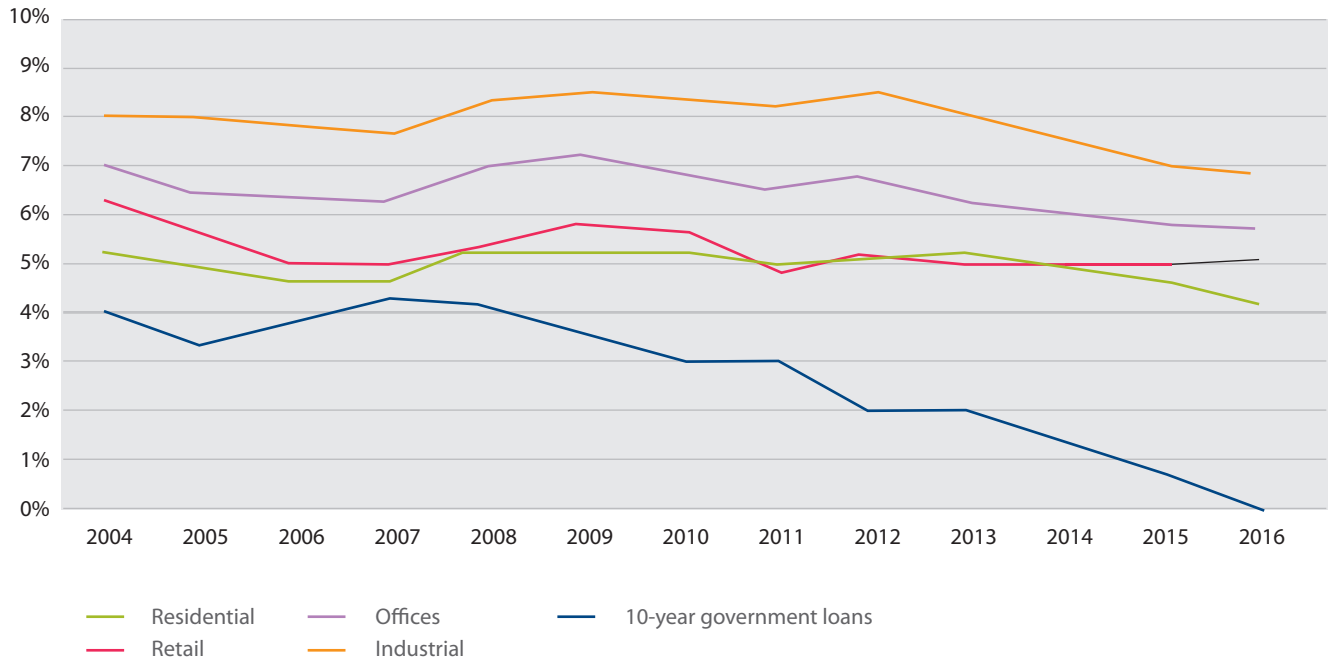
Breakdown of foreign investors 2016 (source PropertyNL)



Initial yields continue to fall while spread has increased
Due to the large amount of capital available, the low interest rates and a lack of alternative investments, property investments in 2016 were up from previous years; this higher demand is creating scarcity and causing initial yields to fall. The Retail sector continues to lag behind, with a slight increase in initial yields from last year, partly as a result of the sale of weaker-performing parts of the portfolio.

While initial yields have been falling since 2012-2013, the yield over bond has increased. It is likely that the low interest rates are driving down initial yields because investors are looking for yield. The current yield over bond of 300-400 bp is appealing.

Gross initial yields in prime locations by sector and 10-year interest, 2004-2016 (source: DTZ/PropertyNL, edited by Altera)



Institutional investors and property investments

A total of 10% of Dutch pension funds were terminated during the period 2015-2016 (source: Dutch Central Bank), while the total capital of pension funds has increased. Two-thirds of these funds had assets under management of less than €250 million, placing them in the category of smaller pension funds. Approximately one-third of the discontinued funds were transferred to insured schemes at insurance companies, while a limited part was transferred to foreign funds (i.e. enterprise funds with foreign parent company) and the remaining portion was integrated into existing larger funds. The larger funds of €10 to €100 billion in assets under management benefited the most from this, while medium-sized funds of €1-10 billion attracted new investors in this manner.

The investment strategies pursued by the funds have remained largely unchanged from 2015, with a permanent demand for investments in Dutch property, particularly residential property.

Outlook

Residential

Demographic pressure is creating a growing demand, while the supply in suitable locations remains limited for the time being. This keeps the potential for an increase in rents in check and results in rising property values. If interest rates increase only moderately, initial yields will further decline in the coming year.

Retail

The retail market is visibly improving and is developing in line with the growing consumer confidence. The occupancy rate has stabilised in the past year and the number of bankruptcies in the retail sector is at a low level thanks to higher consumer spending. We expect this trend to continue in 2017, resulting in growth in total investment returns.

Industrial

Due to the economic upturn, investments in industrial properties look positive in the immediate future. The marketability of industrial properties which comply with all modern requirements is increasing, which will result in high income return in this sector.

» ESG Report

Altera Vastgoed and Corporate Responsibility

Altera aims to establish a reputation as a responsible, transparent and ethical investor in Dutch property. As such, Corporate Social Responsibility (CSR) is an integral part of the operation and acquisition of property. CSR goes further and wider than the term 'sustainability', which has been part of the vernacular far longer; 'sustainability' refers in particular to the environmental targets defined based on the conviction that all property investors have an environmental responsibility toward all their stakeholders.

Corporate Responsibility can add value

Corporate Social Responsibility extends beyond environmental issues alone and specifically also refers to how Altera Vastgoed conducts business, what the company's position is in society and how it treats its employees and other stakeholders in its business supply chain, including the 'environment' of its properties. This includes issues such as transparency, ethics and responsible business and focusing on employees' interests. Altera Vastgoed believes that fulfilling these standards and values has a favourable effect on value, risk and returns, including in the long term.

CSR broken down into

Corporate Social Responsibility breaks down into three aspects: Environmental, Social and Governance. Altera aims to render account to shareholders who invest in Altera's funds, as well as to the tenants, users, advisors/consultants, consumers and managers.

Altera Vastgoed renders account for its corporate social responsibility based on measurable criteria, benchmarks and the codes agreed. Altera's principle is that investments in sustainability should at least be yield-neutral and therefore chooses a pragmatic approach, with the use of proven techniques, plus pilot projects relating to new methods and techniques.

ESG reporting and accountability

measurement and benchmarking

Altera uses several nationally recognised measuring methods (including the Energy Label and GPR Building) in determining and improving the performance of the buildings in the portfolio. These are the most frequently used sustainable tools for measuring the sustainability of Dutch property portfolios.
In order to measure the performance of the various portfolios, Altera also participates in the Global Real Estate Sustainability Benchmark (GRESB), in which Corporate Social Responsibility is also subdivided into the following three aspects, as specified: Environmental, Social and Governance. In addition, Altera Vastgoed aims to report in compliance with the INREV Guidelines for Sustainability Reporting to the largest extent possible.

Altera endorses the United Nations Principles for Responsible Investment (UNPRI) and joined the PRI Association in early 2017.

Environmental

less energy and water consumption

Altera is committed to reducing energy and water consumption on an ongoing basis. We aim to improve Energy Performance Certificates and GPR Building scores by taking a series of maintenance measures, and through acquisitions and renovations. The related route is set out in the Sustainability Strategy 2017-2019. This details the targets sets, including the achievement of 100% green portfolios with energy label A, B or C and a further reduction of the related energy index. Altera aims to achieve a GPR score of 7 or higher in the areas of environmental care, comfort, indoor climate quality and water efficiency as far as the portfolio properties are concerned.

Social context

actively involving stakeholders

A key aspect for Altera is the active involvement of stakeholders. This applies to all stakeholders, including shareholders, tenants, suppliers, personnel, and the local community.

Tenants

Altera communicates with tenants regarding the use of their home and options to increase the sustainability of these homes. A number of practical tools are used for this purpose, including a user manual. Tenants of residential properties also receive an offer to install solar panels, whereby the revenue is higher for the tenant than the rent increase.

For its business tenants (lessees), Altera uses green lease, which comes with a set of mutual responsibilities. Altera informs tenants of shops and business premises regarding the actual consumption and possibilities for reducing this, in order to provide an incentive to tenants and foster commitment. We also actively monitor tenant satisfaction using various digital tools.

customer satisfaction survey

Altera conducts an annual customer satisfaction survey among a large number of its tenants. Since 2015, Altera has been participating in the Tenant Satisfaction Survey for Institutional Investors in Residential Properties. This survey measures satisfaction with the actual residential property (home), maintenance, the living environment and the services provided by property managers.
The results of the survey are translated into focus plans in association with the property managers; these focus plans are monitored throughout the year.
The results for 2016 indicate that tenant satisfaction with the services provided and the interaction with the property manager has increased from previous year and in relation to the benchmark. In addition, Altera tenants are generally highly satisfied with their home and the living environment. Both the residences themselves and the living environment score above the benchmark with 7.6; a superior result from last year. Tenants were more critical about the complaints handling process, and we will focus on this in each of the sub-processes in the immediate future.

Shareholders

Our shareholders are committed to ESG and wish to be informed on this topic.
Each quarter, Altera's shareholders receive information about the progress and performance relating to sustainability at the fund level. Sustainability is a key topic in the Participants' Council.

Suppliers

Via external property managers, Altera is working on the maintenance and renovations with leading maintenance companies and contractors. Since 2015, we have been working with national, certified execution partners for corrective maintenance to homes, for which Altera has agreed on terms regarding quality, customer contact and execution. This contributes to a short lead time and a high level of tenant satisfaction.

Local community

Altera invests in the quality of life and support of the local community, for example by organising activities in shopping centres together with retail associations.

Personnel

active HR policy

Altera is a compact organisation with a workforce of 33 people. The company employs a market-level remuneration policy including assessment by an external company. All employees have annual performance reviews and are provided with training and education opportunities to allow them to further develop and improve. This training and education ranges from professional training courses (e.g. a master's degree from the Amsterdam School of Real Estate) to courses aimed to improve personal effectiveness. We organise various in-company training courses for employees, including 'Dealing with tenant associations' and 'Flexible leases for homes'. Altera employees also regularly attend various seminars or are members of industry associations. Periodic Workplace Medical Examinations are held in order to provide employees with information about their health.

social commitment

Altera provides employees with the opportunity, with a financial contribution from Altera Vastgoed, to perform work outside the company as part of Altera's corporate sustainability policy. One example is the work of one of our colleagues, who is working on improving education for children in Gambia.

The Gambian Children First: Education is development – a personal account by Simon Heijnen, Portfolio Manager at Altera:

"During a trip to Gambia, my family and I were very much touched by the local population: people who share what little they have with genuine kindness. This filled me with the desire to do something for these people, who are determined to achieve something in life despite their poverty.
Since 2014 my wife and I have served on the board of the foundation 'The Gambian Children First', which was

established in 2002 and is dedicated to supporting teenage girls by paying their course fees for various vocational programmes. We have paid the training programme for more than 500 teenagers since the foundation was established. This academic year, 2016-2017, we are supporting 82 adolescents.
In addition to providing local education, an important new objective is preventing migration to Europe, as a large number of Gambians have migrated to Europe in recent years in search of a better life. Both girls and boys should be given the opportunity to pursue education and learn a trade, so as to help them build a solid future in their own country.
The foundation has already partnered with six local skill centres (i.e. vocational schools). The Gambian government makes a quality assessment, but does not provide grants or funding as such; both the schools and the students are responsible for securing their own funds. In paying the tuition fees, the foundation provides teenagers with the opportunity to attend a 2- or 3-year course at one of these skill centres. They learn a trade so they can start working as car mechanics, electricians or carpenters, or work in a hotel or start their own sewing workshop.
It is extremely inspiring to meet young people who have been able to pursue an education thanks to our contribution and who have since qualified as teachers, secretaries or car mechanics.
It just goes to show that supporting these young men and women in their careers really makes a difference!
I have a background in finance and manage the foundation's accounts. Virtually every euro is spent on the students. The work is educational, enlightening, time-consuming and – above all – requires a great deal of patience. We also spend our time looking for sponsors and donors. Without contributions from private donors and – especially – the revenues of school projects and other initiatives that have selected our foundation as charitable cause, we would not be able to continue our work in Gambia."
See the foundation's website: www.gambianchildren.nl.

compliance with governance codes

Governance
Governance refers to the full range of processes, customs, policies, laws and rules which are significant to the way people run, manage, control and monitor an organisation. At the same time, governance also relates to relationships between the various stakeholders and the organisational objectives.
Under the GRESB method, governance relates to the sustainability policy and the strategy devised on this basis, at both portfolio and organisational level. Altera maintains a rolling 3-year sustainability strategy for this purpose, which is updated annually based on the latest results and new insights. This strategy is applied to the portfolios and translated into measures relating to maintenance and investments.

Altera Vastgoed has its own code of conduct, as well as endorsing the IVBN Code of Conduct. All activities of Altera Vastgoed are monitored on an ongoing basis by the Management Board, the Supervisory Board and the employees. The company also maintains its own whistleblower policy, which is available on the website. No cases or incidents were identified and/or reported under this policy in 2016.
The 'Corporate Governance' section details the policy with respect to governance and corporate ethics; see also the 'Governance' section of this annual report.

GRESB benchmark of property funds
GRESB has become a commonly used criterion for assessing the sustainability performance of property funds. As a standardised benchmark for all types of property in the world, GRESB strives to create more transparency in sustainability.

Altera has been part of the benchmark with its three sector portfolios since 2012. The positions in the relevant peer group are shown below, followed by the GRESB scores.

Portfolio	Peer group	2012	2013	2014	2015	2016
Residential	NL	2nd	2nd	11th	1st Sector Leader	2nd Green Star
Retail	NL	2nd	2nd	3rd Green Star	3rd Green Star	3rd Green Star
Industrial	EU	2nd	7th	7th	7th Green Star	8th Green Star

GRESB score by sector (in %)

Altera has shown a consistent performance in the benchmark, with an upward trend in the scores. The scores for 2014 are not included in the trend, since GRESB erroneously did not include GPR Building criterion that year. GRESB has stated its need for a stable questionnaire, and focuses more on quality assurance, including validation and on-site visits.

Sustainability up to 2021

Existing construction

The climate conference of the UNFCCC (United Nations Framework Convention on Climate Change) held in Paris at the end of 2015 resulted in the Paris Agreement, which was signed by 174 countries on 22 April 2016. A legally binding framework has been agreed to reduce carbon emissions and keep global warming to a minimum (the target being 1.5 degrees, with a maximum of 2 degrees) compared with the pre-industrial level. This requires a sharp reduction in the consumption of fossil fuels, since they are among the main causes of excessive carbon emissions. This means we need to become less dependent for our properties on fossil fuel through energy-efficiency and sustainable energy generation. We do this in a number of ways, including through improved insulation of our properties, replacing single glazing with HR++ double glazing, the use of LED lighting and smart light switching, along with the use of more energy-efficient systems and the installation of solar panels. In the long term (i.e. beyond 2020), we will stop using gas altogether to heat our properties. Altera Vastgoed is currently investigating the possibilities and effects of switching to alternative, sustainable energy generation for heating and warm tap water.

elimination gas consumption in the long term

New construction

The Highly Energy-Efficient New Buildings (Zeer Energiezuinige Nieuwbouw - ZEN) platform was set up for new buildings. This platform of property developers, contractors and housing corporations aims to promote the construction of nearly energy-neutral to energy-generating homes. What makes this initiative different from other, similar initiatives is that, rather than the technology being the central focus, what matters is whether residents' requirements are being met. Altera underscores the importance of energy-efficiency and comfort in residents' experience and aims to use realistic ZEN concepts in the acquisition of new properties, provided this is in line with Altera's sustainability policy.

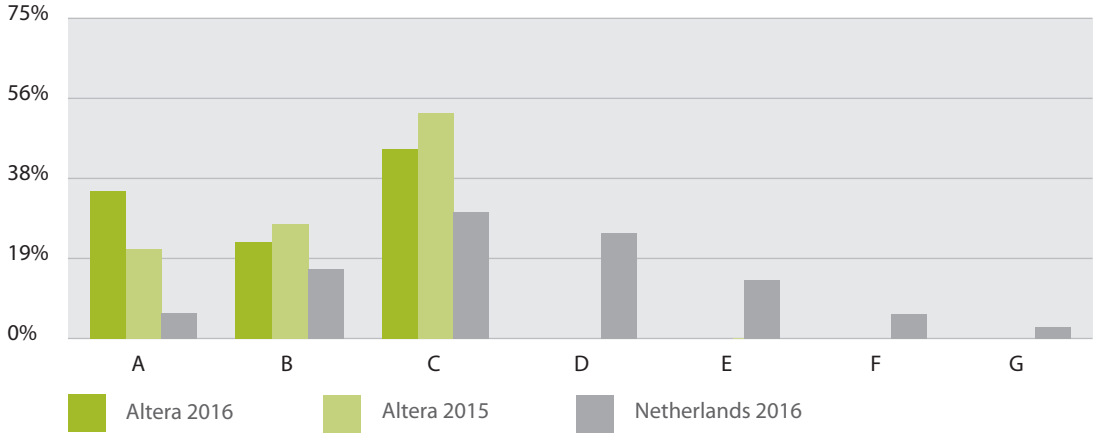
» Residential sector: results and goals

Residential	2016	2015	2017-2019 target
Green energy labels A-C (%)	100% (index 1.18)	100% (index 1.26)	Energy Index ↓
Number of solar panels	1,764	954	3,500
Energy savings in general areas (%)	3.8%	12.3%	5% per year
Average GPR Building score Residential	6.9	6.7	7.0 (portfolio) / 7.5 (new construction)
GRESB benchmark	2nd NL, Green Star	1st NL, Sector leader	Top 3 position

Energy labels
Altera has made improvements to hundreds of homes over the past few years: this resulted in a 100% green portfolio in 2015 and a further reduction in the energy indexes for 2016.

Energy labels	2016	2015	2017-2019 target
Green energy labels A-C (%)	100% (index 1.18)	100% (index 1.26)	Energy Index ↓

Energy labels for Altera homes



2015: 100% green, 2016: higher share of A

Electricity consumption and carbon emissions in public/shared areas
By using LED lighting and smart light switching in public/shared areas and parking garages, a total of 3.8% of energy was saved on general power consumption in 2016.

Electricity consumption and carbon emissions in general/shared areas	2016	2015	2017-2019 target
Energy savings in public/shared areas [%]	3.8%	12.3%	5% per year
General electricity consumption per home (MWh per year)	0.51	0.53	
Carbon emissions per home for general electricity consumption (kg of carbon per year)	181	188	Average 5% annual savings
Carbon emissions savings on general electricity consumption (kg of carbon per year)	7	11	

GPR Building

GPR Building is a method used to assess homes based on the criteria Energy, Environment, Health, User Quality and Future Value.

Energy	Environment	Health	User quality	Future value
Energy performance	Water	Sound	Accessibility	Future-oriented facilities
Additional energy-efficiency measures	Environmental care	Air quality	Functionality	Flexibility
	Materials and	Thermal comfort	Technical quality	Amenity value
		Light and visual comfort	Social safety	

Altera has arranged for the home types in the Residential portfolio to be assessed through an external assessment with GPR Building (baseline measurement 2012). The homes have since been improved, while the GPR assessments have been updated and new properties have been added.

Residential	2016	2015	2017-2019 target
Average GPR Building score	6.9	6.7	7.0 (portfolio) / 7.5 (new construction)

Solar panels

Single-family homes:

- If there are any changes, solar panels are installed in a number of properties. A total of 6, 8 or 10 panels are installed in each home, depending on estimated usage by the tenants, the amount of space available on the roof, and position towards the sun. The market rent for these properties is increased, so that the investment can be earned back over a 10-year period.
- Through an offer made to current tenants and at tenants' request, solar panels are installed in a number of properties, while the rent is increased at the same time. The basic idea is that the tenant starts paying more rent and ends up saving money overall thanks to lower energy costs.
- For new construction complexes featuring single-family homes, standard solar panels are used for the purpose of the tenant's energy meter. A minimum of 8 solar panels are installed in each home, with a minimum capacity of 250 Wp per panel.

Apartments:

- Solar panels are used for a number of apartment complexes for the purpose of for example lifts and general lighting. The investment is earned back over a 10-year period through the service charges. Altera includes a production fee per Kwh in the service charges. This enables tenants to save money overall: electricity an be supplied at a slightly lower cost. The rising energy prices are also expected to result in an indexation advantage.
- Solar panels are used standard in the new construction of apartment complexes. The solar panels are used to offset the collective electricity consumption of for example lifts and general lighting. The number of panels is adjusted to 85% of the estimated consumption of the general facilities.

Solar panels	2016	2015	2017-2019 target
Number of solar panels installed	810	592	1,750 in 2017-2019
Total number of solar panels (cumulative)	1,764	954	3,500 in 2019
Solar panel generated electricity in MWh per year	382 MWh	207 MWh	759 MWh
Reduction in carbon emissions in tonnes per year	180 tonnes of carbon	197 tonnes of carbon	357 tonnes of carbon in 2019

Examples

LED lighting in Argentinië apartment complex in Amsterdam

In the Argentinië complex on Amsterdam's Oostelijke Handelskade, the traditional lighting and emergency lighting in the general areas have been replaced with LED lighting. This is an investment on the part of the Homeowners' Association, in which Altera holds a majority interest, being the owner of 61 units.

The new lighting fixtures are equipped with both a light sensor and a motion sensor. In addition, the lighting fixtures have a low/high level control system: this means that only 20% of the lights' capacity is used if no motion is detected and 100% if motion is detected. A total of 318 lighting fixtures have been replaced altogether.

In the old set-up, a total of 92,681 kWh was consumed; in the new situation, this is 8,419 kWH, representing savings of more than 90%. The return on investment is 3.6 years.

New construction 31 single-family homes Blaricummermeent Blaricum

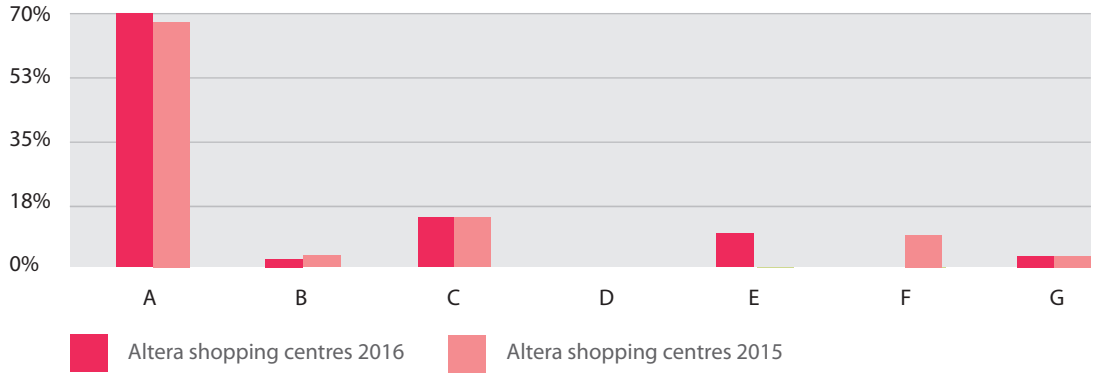
These new homes, which were delivered to Altera in mid-2016, are connected to a hot/cold storage system combined with a heat pump and solar panels. The heat pump eliminates the need for a boiler, and, by extension, for a gas connection. The energy sourced from the collective hot/cold storage generates heat and cold. The heat pump increases the temperature of the source heat generated until it is suitable for heating and preparing warm tap water. The heat pump contains a reservoir for warm tap water. The heat pump operates on electricity, while solar panels are used to offset the additional electricity consumption.

Retail sector: results and goals

Shopping centres	2016	2015	2017-2019 target
Green energy labels A-C (%)	87% (index 1.06)	87% (index 1.06)	100%
Centres with energy-efficient general lighting systems (LED)	9 of 16	7 of 16	16 of 16 (100%)
Shopping centres featuring solar panels	-	-	5
Energy savings in general areas (%)	4.8%	2.2%	5% per year
Average GPR Building score	6.9	6.8	7.0 (portfolio) / 7.5 (new construction)
GRESB benchmark	3rd NL, Green Star	3rd NL, Green Star	Top 3 position

Energy labels for shopping centres	2016	2015	2017-2019 target
Green energy labels A-C (%)	87% (index 1.06)	87% (index 1.11)	100%

Energy labels for Altera shopping centres



2016: 87% green, 70% 'A' label

Certification

GPR Building is a method used to assess shopping centres based on the criteria Energy, Environment, Health, User Quality and Future Value. Altera has arranged for the shopping centres in the Retail portfolio to be assessed through an external assessment with GPR Building (baseline measurement 2013). The centres have since been improved, while the GPR assessments have been modified accordingly.

Shopping centres	2016	2015	2017-2019 target
Average GPR Building score	6.9	6.8	7.0 (portfolio) / 7.5 (new construction)

Examples

BREEAM certificate for Gouweplein shopping centre in Waddinxveen

For the Gouweplein shopping centre in Waddinxveen completed at the end of 2014, the Dutch Green Building Council provided a BREEAM NL certificate with a 4-star classification. This makes the Gouweplein property the first retail development to achieve a score of 'Excellent'. The Gouweplein shopping centre consists of more than 18,500 square metres of retail space and a parking garage that can accommodate 1,200 cars.

The main criteria for high construction quality are good insulation and draught proofing, combined with sustainable construction materials and sustainable on-site energy generation: a system of hot/cold storage. The parking garage is fully equipped with LED lighting. In addition, the location, accessibility, and the excellent mix of residential, business, retail and parking purposes are all key sustainability factors. The leases state that tenants are required, among other things, to install energy-efficient lighting.

Renovation of Toolenburg shopping centre in Hoofddorp

LED lighting

The lighting in the shopping arcade has been replaced with LED lighting. The extension of the shopping hall is also equipped with LED lighting. The lights on the exterior wall of the Albert Heijn & Dirk van den Broek have also been removed. In addition, LED lighting has been installed in the existing lighting panels of the entrances.

HR++ glass

HR++ glass has been used for all the extensions. The southeastern wall now includes a sun protection system in the glass.

Insulation

The insulation of sections of the building has been modified. Since the connections are to existing roofs, rock wool insulation has been used with an RC of 2.5 m^2 K/W.

Systems

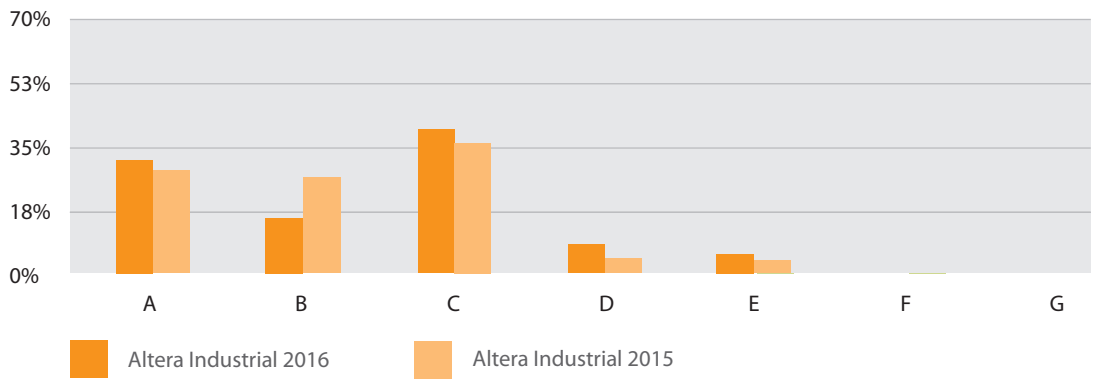
The sustainability of the systems has been improved. The boilers and air curtains used to heat the arcade have been replaced, including a new temperature control system.

Toolenburg shopping centre in Hoofddorp

» Industrial sector: results and goals

Shopping centres	2016	2015	2017-2019 target
Green energy labels A-C (%)	87% (index 1.09)	89% (index 1.14)	100%
LED lighting in production facility (in m² facility)	2,000 m²	-	70,000 m²
Solar panels (% production facility by surface)	6%	0%	20%
Energy savings (%)	3.3%	5.5%	5% per year
Average GPR Building score	6.7	6.7	7.0 (portfolio) / 7.5 (new construction)
GRESB benchmark	8th EU, Green Star	7th EU, Green Star	Maintain/improve position

Energy labels for shopping centres	2016	2015	2017-2019 target
Green energy labels A-C (%)	87% (index 1.09)	89% (index 1.14)	100%



2016: 87% green, 32% 'A' label

Examples

Solar panels in Business Court Amsterdam
In 2016 a total of 90 solar panels were installed on top of the roof of Business Court Amsterdam. The panels have a total installed capacity of 23 MWp, which is used to generate 19.5 MWh in electricity annually.

LED used to replace traditional lighting
In various complexes, the lighting on the outer walls has been replaced by LED lighting. In Son en Breugel, a hall with an area of 2,000 square metres is equipped with LED lighting.

» Corporate Governance

Altera evaluates against Code Monitoring Commission

Introduction

As an unlisted company, Altera Vastgoed is not subject to the Corporate Governance Code of the Monitoring Commission (Frijns, December 2008). Nevertheless, Altera Vastgoed evaluates itself against the code from a standpoint of transparency, to the extent that this is relevant to unlisted companies. The main components of the company's corporate governance policies are set out in the articles of association, which were most recently amended on 10 December 2015, and in the Company Profile.
The Company Profile also sets out the investment objective. The amendments primarily concern an increase in the number and variety of shareholders.

under supervision of AFM

Altera Vastgoed has been regulated by the Netherlands Authority for the Financial Markets (AFM) under the Alternative Investment Fund Managers Directive (AIFMD) ever since it obtained its permit on 12 May 2014.

no corporation tax

The company is a public limited liability company under Dutch law (naamloze vennootschap) with its registered office in Amstelveen, the Netherlands. Altera Vastgoed fulfils the requirements imposed by law (Section 28 of the Corporation Tax Act 1969) on fiscal investment institutions with obligation to distribute profits, and is therefore not liable to pay corporation tax.

Outlines of governance structure

The outlines of the company's governance structure are shown below.

	Initiative/nomination	Approval
Appointment and dismissal		
Management Board	Supervisory Board	GMS
Supervisory Board	Supervisory Board	GMS
Policy		
Medium-term (3 years) sectoral policy frameworks per sector	Management Board/Supervisory Board	GMS per sector
Investment plans within the scope of sectoral policy frameworks	Management Board	Supervisory Board
Business plan	Management Board	Supervisory Board
Company Profile (excluding appendices)	Management Board/Supervisory Board	GMS
Share transactions		
Entry of new shareholders within the scope of frameworks GMS	Management Board	Supervisory Board
Issue of shares within the scope of frameworks GMS	Management Board	Supervisory Board
Acquisition of own shares other than for free	Management Board/Supervisory Board	GMS
Portfolio transactions		
Investments/disinvestments between 10% and 20% of the net asset value of the relevant sector, or greater than €25 million	Management Board	Supervisory Board
Investments/disinvestments greater than 20% of the net asset value of the relevant sector	Management Board/Supervisory Board	GMS per sector
Other		
Amendments to articles of association	Management Board/Supervisory Board/GMS	GMS
Adoption and approval of financial statements	Supervisory Board (preliminary advice)	GMS
Adoption of budget (operating expenses and management costs)	Management Board	Supervisory Board

Decisions are generally adopted based on a majority of votes (i.e. more than 50%)

For sector-specific matters such as portfolio transactions and the establishment of medium-term sectoral policy frameworks, a voting right applies in proportion to the interest of a shareholder in the relevant sector. For other matters, a voting right applies in proportion to the interest of a shareholder in the company. In principle, a majority of over 50% is sufficient. For the decision to list the company on the stock exchange, a majority of 95% of the subscribed capital is required.

For a number of non-sector-specific and sector-specific motions (including approval of Company Profile, amendments to the articles of association, sector policy frameworks and investments equivalent to more than 20%), whereby at least 75% of the subscribed capital of the company or of the sectoral shares must be represented, the following rules apply to the decision-making process:
• majority of ≥ 75%: motion carried
• majority of > 50% and < 75%: motion also carried if no more than 2 shareholders vote against
• majority of ≤ 50%: motion not carried
For non-sector-specific motions, the control is determined at the level of the company; for sector-specific motions, at the level of the sector.

Conflicts of interest and Code of Conduct

no conflict of interest

Altera Vastgoed aims to avoid any form of conflict of interest. As such, the company does not provide asset management services to any third parties (i.e. non-shareholders) and does not maintain separate accounts. The prevention of conflicts of interest is achieved by not participating in or otherwise acquiring interests in parties with which Altera Vastgoed maintains a commercial relationship.

compliance with the code of conduct

Employees, Management Board members and Supervisory Board members are bound to observe the code of conduct. This code of conduct satisfies the requirements of the sector and is drawn up in accordance with the guidelines of the Netherlands Association of Institutional Investors in Property (IVBN).

Compliance with the Corporate Governance Code

There are three options in relation to the best practice provisions of the Monitoring Commission:
• Comply: the provision will be adhered to;
• Explain: the company has decided to apply its own interpretation;
• Not applicable (see below).

Provisions may be inapplicable for a variety of reasons, for example because Altera Vastgoed is unlisted, does not issue options, the Supervisory Board has not instituted any committees because it has only three members, or because no depositary receipts are issued for shares.

Altera complies with the best practices

If the table below does not provide any further explanation, Altera Vastgoed complies with all best practice provisions of the Netherlands Corporate Governance Code.

Best practice provision III.6.4 states that transactions with shareholders who hold at least 10% of the shares in the company will be listed, and that these have been agreed under the conditions that are customary in the sector. The shares were issue and purchased at the net asset value in accordance with the provisions of the Company Profile and the articles of association. This assures compliance with best practice provisions III.6.1 to III.6.4. There are no transactions to be reported involving conflicts of interest of the Management Board.

Provision	Brief description	Explanation
II.1.1	Management Board members are appointed for four years	Their employment contracts are valid for an indefinite period
II.2.8	Severance pay is awarded for a maximum of one year	For two of the three members of the Management Board, a restriction of up to one year applies

Regulation under AIFMD

Since obtaining its permit on 12 May 2014, Altera Vastgoed NV, as the manager of the sector portfolios, is regulated by the Netherlands Authority for the Financial Markets (AFM) as part of the Alternative Investment Fund Managers Directive (AIFMD). Key topics on which the regulations (and, by implication, the supervision) focus include:

- Risk management
- Liquidity management
- Conflict of interest
- Outsourcing
- Valuation
- Capital requirements
- Remuneration policy
- Transparency requirements

The business operations were modified in some areas, including the remuneration policy (elimination of the variable pay/performance-based pay) and the documentation in the accounts of additional specific AIFMD checks/controls. Members of the Management Board and the Supervisory Board must be assessed by the Dutch Central Bank.

Custodian

role custodian under AIFMD crucial

The custodian plays a crucial role in supervision under the AIFMD regulations. Altera Vastgoed has engaged Intertrust Depositary Services BV for this purpose.

The custodian's main duties include:

- Managing assets, which for property means that the custodian must verify his/her own ownership rights;
- checking cash flows;
- checking changes in the share capital (including valuation) and portfolio transactions (including policy tests).

The agreement signed with the custodian specifies the duties more closely, detailing the information to be provided by Altera Vastgoed and the corresponding deadlines.

Supervisory Board

supervision by Supervisory Board

In accordance with the law and the company's articles of association, the Supervisory Board is tasked with supervising the policy of the Management Board, as well as the day-to-day operations of the company and its business.

Supervisory Board supports and assists Management Board

In addition, it advises the Management Board. The Supervisory Board is also responsible for establishing the investment plans for each sector, along with the business plan. In fulfilling their duties, the Supervisory Board members are guided by the interests of the company and its business and all stakeholders.

The Supervisory Board will work as a team, within which each member can act independently, impartially and equivalently, enjoying the confidence of their fellow Supervisory Board members, as well as that of the directors and the shareholders.

compliance officer

In filling a vacancy, the Supervisory Board must ascertain – taking account of the provisions on that subject in the articles of association and the shareholders' agreement – that the required skills and knowledge are sufficiently represented within the Board. The Chairman of the Supervisory Board also serves as the company's Compliance Officer.

The Supervisory Board includes the following members:
• G.H. Hoefsloot (b. 1950), Chairman of the Supervisory Board
• H.C.A. de Vos tot Nederveen Cappel (b. 1943), Supervisory Board member
• J. van der Ende (b. 1959), Supervisory Board member

The CVs and rotation schedules of the members of the Supervisory Board are included in the Supervisory Board Report on page 13.

Management Board

Management Board Regulations

The Management Board is responsible for directing the company, under the supervision of the Supervisory Board. The Management Board's duties include developing, implementing and realising the strategy and the business and portfolio policies. The Management Board always acts within the parameters of the Company Profile, the sector policy frameworks and the articles of association. The duties and responsibilities of the Management Board are set out in a set of regulations specially designed for this purpose.

three-member Management Board

The Management Board includes the following members:
• J.E.W. van der Bijl, Managing Director (from 1 November 2016)
• R.J.M. Hogenboom, Managing Director (until 1 November 2016)
• C.J.M. van den Hoogen, Chief Financial Officer (CFO)
• E.G.M. Wessels, Director of Portfolio Management

Details on the balanced male-female ratio on the Management Board and Supervisory Board

The company must provide an explanation if less than 30% of the seats on the Management Board and Supervisory Board seats are held by women. Altera Vastgoed would comply with the requirements if both the Management Board and the Supervisory Board include at least one woman, which is not the case at present. In appointing and nominating members of the Management Board and Supervisory Board and preparing a profile, the new act states that this balanced male-female ratio must be complied with as much as possible. The company must explain in the annual report why the target male-female ratio of 30% has not been achieved and describe what measures the company is taking to ensure this is the case.

When nominating members for appointment to the Management Board or the Supervisory Board, it is assessed to what extent the candidates fulfil the profile requirements. One of the main criteria is experience in the industry. The balanced male-female ratio envisioned under the legislature has not been identified as a separate criterion by Altera Vastgoed. A balanced ratio in the future will benefit from the promotion of larger numbers of women within the sector. The male-female ratio will be specified during the recruitment process. The current male-female ratio at Altera Vastgoed is 70%-30% (2015: 75%-25%).

CVs of the Management Board

Mr J.E.W. van der Bijl (b. 1959)

Nationality:	Dutch
Joined:	1 November 2016
Appointed:	1 November 2016
Previous roles:	• Managing Director Investor Relations, Syntrus Achmea Real Estate & Finance (2013-2016) • Senior Head of Sales & Client Services North West Europe AXA Real Estate (2008-2013) • Investor Relations Director, Achmea Vastgoed (2002-2008) • Senior Manager Product Management, Achmea Pensioenen (2000-2002) • Pension Fund Manager, PVF Achmea (1998-2000) • Director of Shipping & Graphic Industry Secretariat (1996-1998) • Various positions at GAK/UWV (1978-1995)
Education:	Miscellaneous
Additional positions:	Chairman of INREV Due Diligence Committee

Mr C.J.M. van den Hoogen (b. 1963)

Nationality:	Dutch
Joined:	1 February 2001
Appointed:	4 July 2006
Previous positions:	• KPMG Accountants NV (1987-2001) - From 1995: Senior Manager, Real Estate Sector Group - From 1987: Control and Advisory Officer
Education:	Business Economics, VU University, Postdoctoral degree in Accountancy; Postdoctoral degree in Real Estate Studies

Mr E.G.M. Wessels (b. 1963)

Nationality:	Dutch
Joined:	1 February 2014
Appointed:	1 May 2014 (Resolution adopted by GMS 11 December 2013)
Previous positions:	• NSI (2009-2013) - Asset Management Director, Offices and Industrial (2013) - Director of Construction and Development (2009-2012) • Dura Vermeer Vastgoed (1998-2009) - Project Manager (1998-2003), Deputy Director (2004-2006) and Management Board member (2007-2009) • Business Manager, Van der Velde Bouw (1989-1995) and Vermeer Bouw (1995-1997)
Education:	Bachelor's degree in Architecture, Postdoctoral degree in Real Estate Studies

» Risk Management

low risk profile

Altera Vastgoed strives for a low risk profile. This is achieved, among other ways, by basing the selection of the property on explicit portfolio structures, by not applying leverage (or a maximum of 10% on a temporary basis) and by not bearing any project development risk.

risks assessed

An inventory is drawn up of relevant risks for business operations, which are divided into the categories strategic, operational, reporting and compliance. An estimate is made of the impact of each of the risks defined on the key business objectives and the probability that the risk will arise. This process was repeated in 2015.

policies for significant risks

Altera Vastgoed has identified policies for the significant business risks which are appropriate to the choice of a low risk profile. These policies determine, among other things, the degree to which these risks are accepted, and the ways in which they should be controlled.
Whether and to what extent Altera Vastgoed considers risks acceptable depends on a number of factors, including compensation relating to expected yields, external requirements and potential threats to continuity, as well as the costs associated with control. Where possible, a distinction is made between risks for business operations and portfolio risks.
The manner of controlling the risks is, depending on the type of risk, a combination of company-wide measures in the processes and internal control measures.

external assessment control measures

A set of control measures agreed with the shareholders is verified by the external auditor. The external auditor reports his findings in an ISAE 3000 report. A document containing the main points of the corporate governance framework has also been prepared for the shareholders.

continuous monitoring

The risk management provides for continuous monitoring of the way in which the control is set up and functions in practice, including the direction by the management. In this way the description of the processes and control measures is also kept up to date. This process is supported using specific software.
Risk is also controlled through process-specific measures, which are explained in more detail below.

Main risks for Altera Altera Vastgoed

Risk	Potential effect
Failure to achieve the investment objectives	Reduced funding from shareholders
Insufficient diversification per portfolio	Increased property-specific risk
Submission of relatively large numbers of redemption requests by shareholders	Slowdown in portfolio growth
Valuation risk	Incorrect net asset value and performance
Risk of fraud	Damage to reputation and loss of income
Loss of status as a fiscal investment institution	Levy of taxes on future profits

Altera Vastgoed has formulated a general framework for adequate risk management that limits the risks to a major extent.

general control framework reduces risks to a high extent

General control framework

- Organisation of sufficient extent with professionals
- 'Tone at the top', focused on the interests of the shareholders and on acting with integrity
- Separation of duties and two-signature system for contracts and payments
- Company Profile
- Establishment of risk management with interim testing of its operation
- Definition of strategy, operationalised in Investment Plans
- Decision-making processes based on written proposals and carried out in a multiform management team
- Accessibility of information across departments
- Transparency in reporting
- Supervision by Supervisory Board, AFM and custodian, and auditing by external auditor
- Only transactions with parties with a good reputation
- Customer due diligence
- Pre/during employment screening
- Code of Conduct (IVBN and Altera Vastgoed's internal code)

Strategic risks

Product risk

product characteristics in Company Profile

Product risk is defined as the risk that the product characteristics no longer meet the requirements of the shareholders, so that in the long term the funding could become insufficient.
The product characteristics are set out in the Company Profile. Amendments to these will be submitted to the shareholders for approval. In this way Altera Vastgoed ensures that the investment products (sectoral funds) are clearly described and the characteristics are approved by the shareholders.

Investment risk

principles in sector policy frameworks

Investment risk at the strategic level is defined as the risk that the investment objectives cannot be achieved in the long term as a result of strategic policy decisions.
Based on research, the investment plans describe how the investment objectives can be achieved. Within the sectoral policy frameworks, strategic principles are formulated and subsequently translated into target values for relevant aspects of policy (e.g. diversification based on the age of portfolio, locations) for the medium and long term on the basis of the vision defined for the sector concerned. This serves as a guideline for operating within the desired risk profile.

Operational risks

Investment risk

control through diversification and rejuvenation

Investment risk at the operational level is defined as the risk that the investment objectives cannot be achieved as a result of the operational implementation of strategic policy decisions. This could potentially affect the valuation of the current and prospective shareholders of Altera Vastgoed.
The investment plans per sector form the point of departure at the operational level. Altera Vastgoed controls the investment risk as follows:

- Optimisation of the portfolio through, among other things, diversification based on various relevant characteristics (rental maturity schedule, property size, etc.). Concentration risks are measured in a variety of ways, including through the use of the ENA (Equivalent Number of Assets) method, and are tracked over time;
- Rejuvenation of the portfolio in order to counteract economic and technical obsolescence;
- Improving the sustainability of the existing properties;
- Detailed evaluation of all properties based on financial and non-financial aspects through annual hold-sell analyses (including SWOT analyses);
- Assessing potential investment opportunities against strategic principles and financial acquisition criteria determined in a consistent manner;
- Control of the risk of not being fully invested by, on the one hand, adhering to the 10% limit for liquid assets and, on the other, through a roll-forward mechanism for acquisition (acquisitions running ahead of new entries and/or divestments).

no leverage

The interest risk for Altera Vastgoed is limited, because no leverage is pursued. The impact of interest rate changes in property valuations constitutes a market risk to which Altera Vastgoed consciously exposes itself. Altera Vastgoed does not make use of financial derivatives.

If acquisitions or entries with property would lead to the acquisition of companies, the potential additional risks and liabilities are limited by the inclusion of indemnifications in the purchase agreement and/or entry agreement. A separate due diligence process will also be carried out at that time. The Management Board presents the outcomes of this research to the Supervisory Board.

Risk of fraud

property sensitive to fraud

The risk of fraud is defined as the risk that Altera Vastgoed will suffer financial damage or damage to its reputation as a result of fraudulent conduct.
Property investments are capital-intensive, and individual properties are not listed on the market. Furthermore, there are few entry limits in the sector. There is therefore an additional risk of fraud through, for example, collusion by employees, suppliers and purchasers. Key control measures, in addition to the above-mentioned general framework, for the processes of acquisition, divestment and operation are described below.

acquisition process objectified by tight measures

Acquisition

- On the basis of policy, it is formulated which investments Altera Vastgoed desires and which ones it does not (the evaluation framework is determined and established in advance).
- Financial acquisition criteria in accordance with a fixed methodology.
- Internal valuation model anchored with fixed formulas, with principles that correspond to the acquisition criteria.
- Division of roles between a) deal sourcing/negotiation, b) testing market conformity of rents and returns, c) assessment of portfolio management regarding the desirability of the property and the cash flows fore cast, d) establishment in a contract, e) financial documentation, f) investment decision, g) actual costing.
- Professional organisation with expertise in property and the related market conformity and standards. Assessment of market conformity partly on the basis of the independent evaluation of the Research department.
- Phased decision-making process (initial registration, initial investment check, investment proposal).
- Recording of the entire transaction and the property details in an investment proposal that requires the approval of the management team (and if greater than 10% of the sector portfolio or greater than €25 million also the approval of the Supervisory Board; if greater than 20%, also the approval of the General Meeting of each sector).
- If an investment proposal diverges from the parameters, then the proposal is presented to the Supervisory Board.
- Newly built and existing properties are assessed against Schedules of Requirements.
- Contractual formalisation by the company lawyer.
- Transaction register compiled in line with requirements of Neprom and IVBN.
- Architectural delivery is assessed by external building consultants.
- External valuation of the acquired property in the quarter following the quarter in which the property is acquired.
- Annual costing in the first three years following completion.

managed through hold-sell analyses

Divestment

- Process of annual hold-sell analyses in which properties under consideration for divestment are indicated.
- If a reasonable number of bidders is expected, sale by tender is the appropriate way to find the 'more-than-willing buyer', and thus maximise the yield from the sale. If a limited number of bidders is expected, a private transaction may be the most appropriate way.
- The sale price is tested against the most recent external valuation.
- A divestment proposal is drawn up by the Portfolio Management department, including underlying calculations and consideration of why the property is no longer satisfactory. The sale strategy is also addressed in this proposal.
- Approval of the divestment proposal is in accordance with the investment proposal. In this phase the progress of the process is the same as that for acquisitions.

budgeting and actual costing

Operation

- Long-term estimates for maintenance with reference to technical baseline measurements.
- There is a detailed operational budget for each property.
- Expenditure is only permitted on the basis of approved budgets or agreed deviations, and with the use of a tendering process.
- Actual costing is performed for each property.
- Leases are recorded both within the company and by external property managers.
- External property managers are visited to test the operation of procedures and check underlying documentation.

minimum of three valuation companies by sector

Valuation risk

Valuation risk is the risk that the external appraisers issue an incorrect valuation of the properties. This can lead to an inaccurate representation of the net asset value and the performance. Sale decisions can then be based on an incorrect value.

Altera Vastgoed has divided the valuation of the properties in each sector portfolio over at least three external valuation agencies. The valuation agencies for the individual properties are changed every three

years. The details of properties and the tenancies supplied to the appraisers are comprehensively checked by Altera Vastgoed.
The valuation outcomes are analysed in detail for comparison between appraisers, comparison over a number of periods and internal valuations.

Continuity risk
Continuity risk is defined as the risk that Altera Vastgoed suffers financial damage as a result of discontinuity through employee exits, the loss of important suppliers and failure of computer systems.
The effects of employee exits remain limited through maximum mutual interchangeability of activities. This is based on a clear set of processes and systems, ensuring that employees can temporarily take over each other's work.

risk of discontinuity is reduced as much as possible

Altera Vastgoed collaborates with a number of external property managers in each sector, and in doing so limits dependency. In the field of IT, the risk of discontinuity is limited by extensive backup procedures of all data files and all configurations of networks and PCs.

Emergency risk
Emergency risk is defined as the risk that properties will be destroyed or persons will suffer injury by emergencies (such as fire) for which Altera Vastgoed is held liable and would suffer financial loss equivalent to the reconstruction value of the property plus consequential damage.
All properties are insured against fire and other risks on the basis of the reconstruction value. The reconstruction values follow from valuations in accordance with the standards stated in article 7: 960 of the Netherlands Civil Code, so that there is no risk of shortfall in coverage. For terrorism, the standard coverage as provided by the Netherlands Reinsurance Company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden - NHT) applies. The company has also taken out business liability insurance.

insured against reconstruction value

Fiscal risk
Altera Vastgoed complies with the requirements imposed by law (article 28 of the Corporation Tax Act 1969) on fiscal investment institutions with an obligation to distribute profits. This means that Altera Vastgoed complies with various quality requirements of shareholders, and with the obligation to distribute profits (the payment in full of the taxable results within eight months of the expiry of the financial year). In the situation that project development risk is run, according to the standards of the tax authority, in developments for the company's own portfolio, this must take place in a subsidiary company that is liable to pay corporation tax. Altera Vastgoed's policy is to transfer project development risk to specialised project developers. Altera Vastgoed continually monitors its compliance with the requirements imposed on fiscal investment institutions.

monitoring of compliance with requirements for tax investment institutions

Environmental risk
Property must fulfil stringent requirements of environmental legislation. For this reason, all properties are subjected to an environmental baseline measurement, and all necessary work is subsequently carried out. Properties to be acquired undergo an extensive due diligence procedure.

Reporting risks

Reporting risks are concerned with not reporting within the due dates, or the reporting of inaccurate information, as a result of which incorrect decisions could be taken by the company itself or by the shareholders. Altera Vastgoed has an extensive system of procedures and internal control measures in place to limit these risks. Altera Vastgoed periodically checks whether the reports meet the information needs of the shareholders. The properties are valued by an external appraiser every quarter.

reliable reports, partly based on external valuations by quarter

Compliance risks

The regulations concerning property are extensive and complex, and increase every year. Compliance is recognised as a specific risk area. Altera Vastgoed is familiar with the current regulations, and informs itself of new regulations. The AIFMD permit also results in regulations that must be complied with.

On the acquisition of property, account is taken of factors including the financial effects if properties do not yet comply with these regulations. For new regulations, the extent to which the existing portfolio complies with these is identified, and measures are taken where necessary.

pre-employment screening

Altera Vastgoed monitors integrity by actively and continually working on the integrity awareness of the employees in the organisation, the code of conduct, direct control and pre/during employment screening.

Sensitivity analysis (best practice provision II.1.6)

Best practice provision II.1.6 of the Corporate Governance Code stipulates that the Management Board must report on sensitivity to external conditions and variables. The effect of the transactions below on the annual result and equity is shown below, broken down by sector (with the effect compared to the equity for 2016 written in parentheses):

	Deviation	Residential	Retail	Industrial
Direct investment income				
- Gross rental income	10%	€4.0 mln (0.4%)	€5.2 mln (0.7%)	€1.2 mln (0.8%)
- Occupancy rate	10%	€4.3 mln (0.4%)	€5.6 mln (0.8%)	€1.3 mln (0.9%)
- Operating expenses	10%	€0.9 mln (0.1%)	€0.8 mln (0.1%)	€0.2 mln (0.1%)
Indirect investment income				
- Theoretical rent and market rent	1%	€8.0 mln (0.8%)	€7.3 mln (1.0%)	€1.3 mln (0.9%)
- Gross initial yield	0.1%pt	€14.7 mln (1.5%)	€10.1 mln (1.4%)	€1.4 mln (1.0%)

The effect of rent expiries, based on the portfolios at year-end 2016, is shown in the sector reports included elsewhere in the annual report, which contain the graphs for secured rent over the period 2017-2026.
The diversification of the gross initial yield across the various properties is shown in a graph in the sector reports, broken down by sector.

In-Control Statement

Altera Vastgoed has based the wording of the 'In-Control Statement' included below on the Netherlands Corporate Governance Code 2008.
With regard to the financial reporting risks, the Management Board certifies that the risk management and monitoring systems:

- provide a reasonable measure of certainty that the financial reports contain no material misstatement;

Altera is 'in control'

- have functioned adequately during the financial year.

The basis for this statement is the risk management organisation as described elsewhere in the Risk Management chapter, whose operation is tested in accordance with a fixed schedule.

Amstelveen, the Netherlands, 23 March 2017

Management Board

Residential sector

Costa Rica, Oostelijke Handelskade, Amsterdam

Strategy

Structural characteristics of the rental housing market

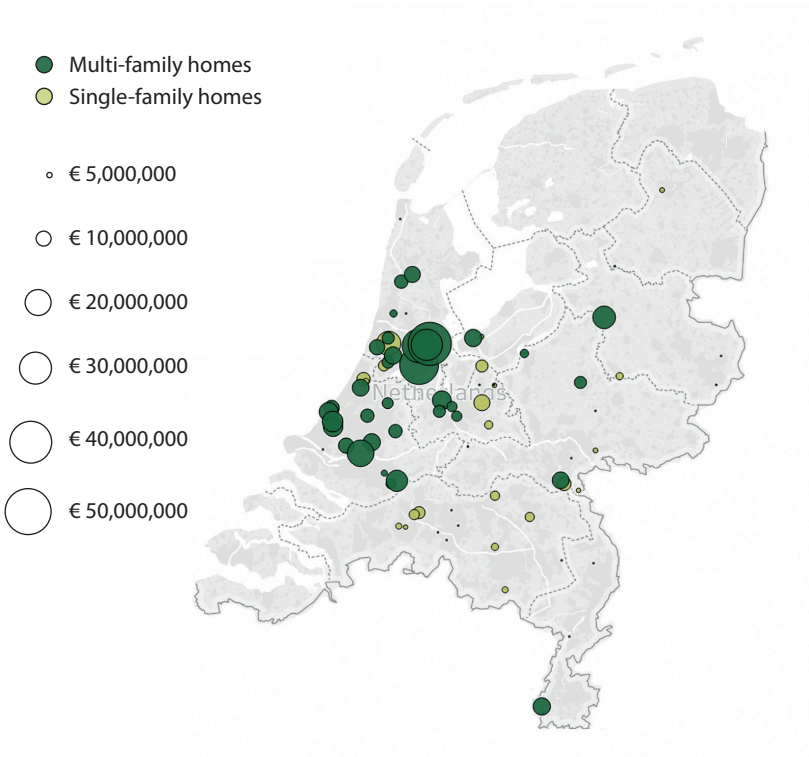
- Trends that provide the foundation for the residential sector include demographic trends, such as demographic ageing and the growth of households due to an increase in the number of small households.
- Regional differentiation of demographic trends creates regional differences in the quality of the residential market.
- The residential market is dominated by obsolete social housing, which does not meet future demand, and a large market of owner-occupied homes which is becoming increasingly inaccessible.
  The institutional deregulated rental market constitutes a very small portion of the residential market.

Vision and policy

- Estimated increase in the demand for rental homes, particularly multi-family homes, in the deregulated rental market.
- Alignment of the portfolio structure based on geographic and demographic trends.
- A differentiated demographic policy based on the demographic structure, with a corresponding housing environment and housing product.

Details

- Focus on apartments in areas where the population is expected to increase in the coming years: the Randstad metropolitan area and the adjacent areas.
- Strong focus on the deregulated price segment. Limited investment in the upper end of the market which is sensitive to economic trends (i.e. regionally differentiated limit).
- Single-family homes in residential areas in the Randstad metropolitan area and adjacent areas are compatible with the rest of the portfolio.
- Emphasis on product quality, with sustainability being an integral part.



Market trends

Higher rents for new rentals
Rents in the deregulated residential market increased significantly in 2016: by more than 3.5% (source: Pararius). The increase is driven mainly by rentals by private homeowners who mostly rent their units as furnished or decorated properties. Rent increases for new rentals at institutional investors remained limited to nearly 2.2%. However, this is significantly above the inflation level for the past several years, due to several factors, including a high demand in the residential market, particularly in the major cities.

Larger number of smaller homes rented
The new rentals show, for institutional investors with IVBN membership, that rents by square metre increased faster than the average monthly rental price (5.9% versus 2.2%). This indicates that a growing number of new rentals in the deregulated rental market are smaller homes, which generally come with a higher rent per square metre. This is in line with the increase in the number of households and the demand for housing in scarce locations in or around the city centres of large cities. However, the supply of rental homes in the deregulated market is not yet sufficient at present to meet demand.

Property values continue to rise substantially
The Dutch Association of Real Estate Brokers and Real Estate Experts (NVM) reports a price increase of 8.9% for 2016. Data supplied by Statistics Netherlands show a more moderate price increase, but, at 5%, nevertheless substantial. The regional differentiation is also visible in the owner-occupied market: a small price increase in regions such as the north of Overijssel province, North East Brabant and the north of North Holland province is offset by an increase of more than 15% in Amsterdam and the Zaanstreek area.

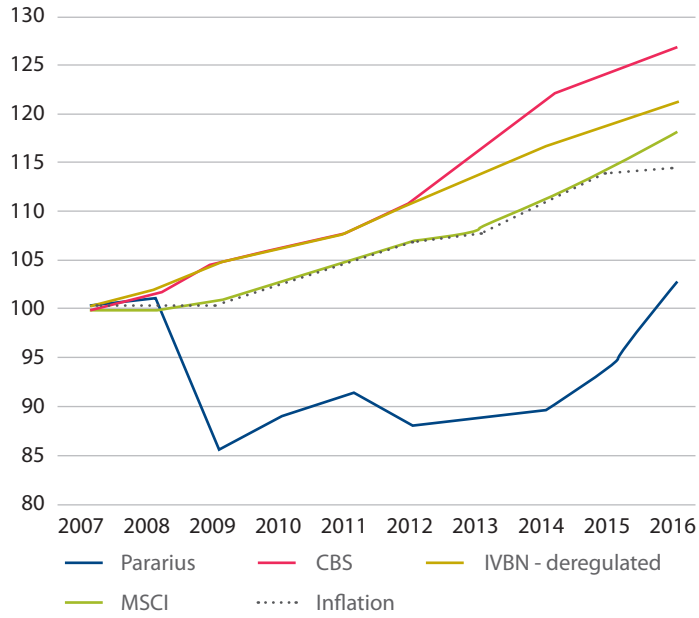
Demographic pressure
The population of the Netherlands will continue to increase over the next few decades, with an even sharper rise expected for the number of households. This applies to virtually the entire country, but will become manifest primarily in the major cities. Young people tend to increasingly remain in the city after graduation or when starting their first job, and even starting a family is no longer a reason to leave the crowded urban areas. This trend has caused significant growth of the Dutch cities (sources: PBL and Statistics Netherlands). At the same time, we are seeing an increase in demographic ageing. The demographic ageing trend is strongest in peripheral areas of the Netherlands. It is less persistent in the major cities, but here too we will see an increase in the senior citizen population.

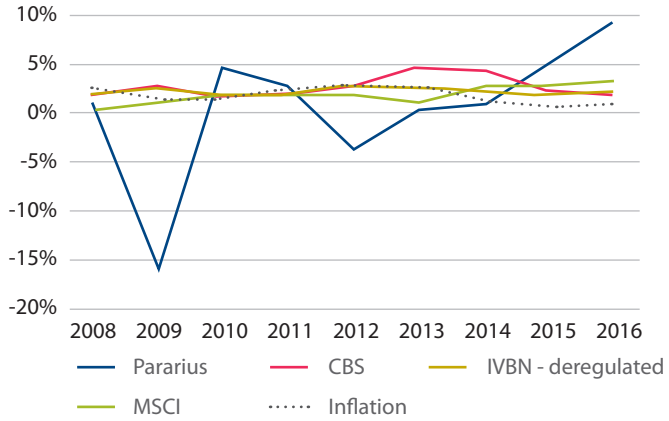
Major investment demand
Although residential investments were substantial in 2016 (€3.5 billion versus €2.9 billion in 2015), this does not accurately reflect actual investor demand for rental homes. The demand is significantly larger, but cannot be made manifest due to the lack of supply. This scarcity does, however, create a significant decrease in initial yields, particularly in major urban areas.

Outlook
Demographic pressure is creating a growing demand, while the supply in suitable locations remains limited for the time being. This keeps the potential for an increase in rents in check and results in rising property values. Whether this will result in a further decrease in initial yields depends on a variety of factors, including interest rate trends.

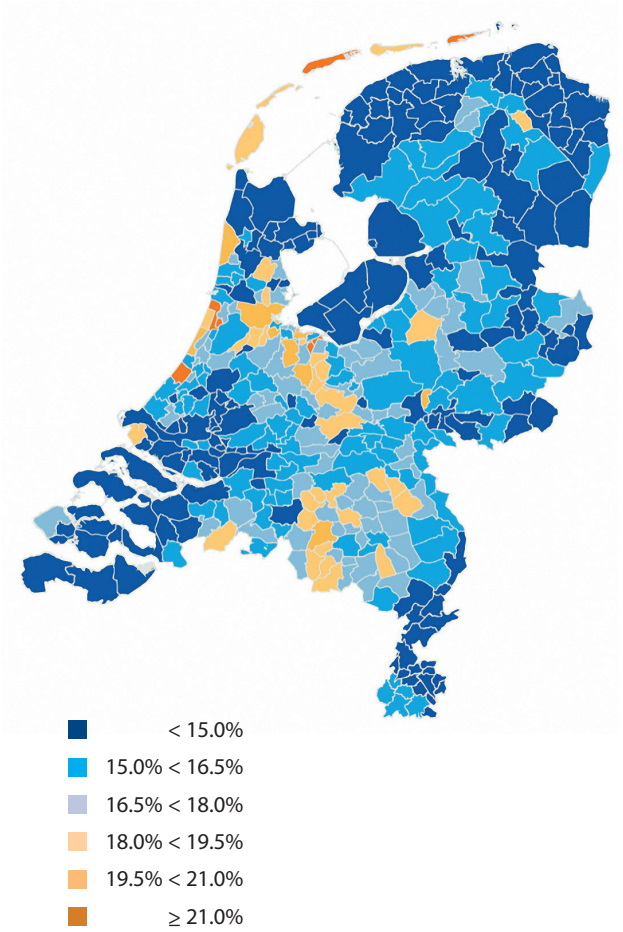
›› Residential market facts

Rents in the Netherlands (above: index 2007=100; below: annual % change) (sources: Pararius - supply rents, Statistics Netherlands - 1 July rent increase and inflation, MSCI - transaction monitor, IVBN deregulated sector - 1 July rent increase)





Affordability Index (in %) by Dutch municipality (source: WOX Monitor Calcasa)



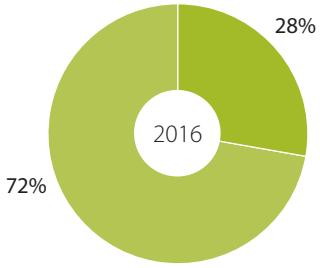
The Affordability Index shows the portion of the net household income spent on net housing costs

Portfolio

	Year-end 2016	Year-end 2015
Portfolio characteristics		
Portfolio in operation	€802 mln	€677 mln
Secured pipeline	€178 mln	€110 mln
Other investments	€2 mln	€2 mln
Average year of construction	2002	2001
Theoretical current rental level	€43.1 mln	€39.9 mln
Gross initial yield	5.4%	5.9%
Average monthly rental price	€903	€873
Number of properties	91	89
Number of residential units	3,849	3,676
Occupancy rate	98%	97%
Segmentation		
Multi-family homes		
Value of portfolio	€575 mln	€469 mln
Gross initial yield	5.2%	5.7%
Occupancy rate	98%	97%
Average year of construction	2007	2006
Single-family homes		
Value of portfolio	€227 mln	€208 mln
Gross initial yield	5.9%	6.2%
Occupancy rate	97%	97%
Average year of construction	1990	1989

» Portfolio structure

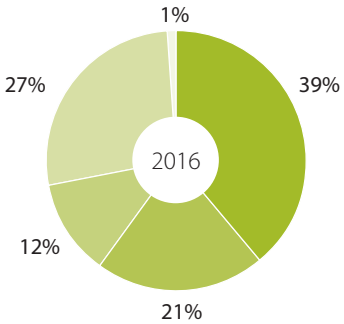
Property type



Multi-family homes are predominant

- Single-family homes
- Multi-family homes

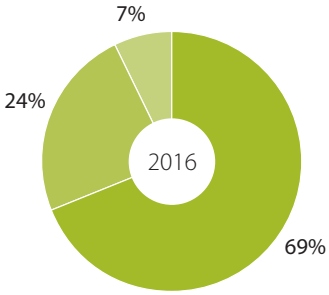
Year of construction



60% is from after 2000

- > 2010
- 2000 - 2009
- 1990 - 1999
- 1980 - 1989
- 1970 - 1979

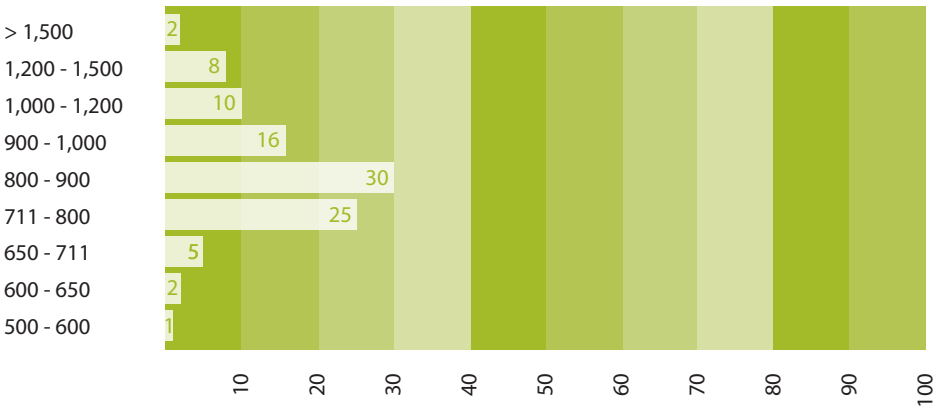
Geographical



Randstad metropolitan area and adjacent areas are predominant

- Randstad
- Adjacent areas
- Other

Rental price levels



92% of the residential units have a rental price above the deregulation limit of €711 per month (versus 88% in 2015)

Key Figures

	2016	2015	2014	2013	2012	3-years 2014-2016	5-years 2012-2016	10-years 2007-2016
Returns								
Income return	4.0%	4.3%	4.3%	4.4%	4.2%	4.2%	4.2%	4.0%
Capital growth	10.9%	7.7%	0.9%	-5.5%	-4.6%	6.4%	1.7%	0.0%
Total property return	15.3%	12.3%	5.3%	-1.3%	-0.6%	10.9%	6.0%	4.0%
Management costs	-0.4%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%
Impact of cash and leverage	-0.5%	-0.5%	-0.3%	0.1%	0.1%	-0.4%	-0.2%	-0.1%
Other differences	0.0%	0.0%	0.0%	0.0%	0.3%	0.0%	0.1%	0.1%
Fund return	14.4%	11.5%	4.7%	-1.5%	-0.5%	10.1%	5.5%	3.6%
Dividend return	2.6%	3.9%	3.8%	3.8%	3.7%	3.4%	3.5%	3.5%

	2016	2015	2014	2013	2012
Other					
Occupancy rate average	98%	97%	95%	94%	95%
Occupancy rate year-end	98%	97%	96%	94%	95%
Tenant movements	13%	14%	13%	11%	13%
Net/gross rental income	77%	74%	72%	77%	78%
Gross initial yield year-end	5.4%	5.9%	6.4%	6.4%	5.9%
Vacant value ratio	88%	84%	81%	80%	81%
Average number of outstanding shares (x mln)	649.2	566.4	547.2	516.9	434.6
Number of outstanding shares, year-end (x mln)	717.9	612.8	551.8	546.9	482.3
Total investment result per share (€ x 1)	0.172	0.128	0.051	-0.017	-0.008
Net asset value per share, year-end (€ x 1)	1.355	1.215	1.130	1.121	1.181

» Residential Sector Balance Sheet

(amounts x €1,000)

	Notes to the Financial Statements	31 Dec. 2016	31 Dec. 2015
Assets			
Investments			
Real estate	1	790,377	674,006
Payments pipeline	1	107,829	35,720
Subsidiary	2	2,949	2,656
Other investments	3	2,032	2,081
		903,187	714,463
Other fixed assets			
Other		261	126
Current assets			
Accounts receivable		392	391
Other receivables		6,309	5,389
Liquidities		71,702	30,152
		78,403	35,932
Total assets		981,851	750,521
Equity plus liabilities			
Equity			
Share capital	9	358,938	306,393
Paid-in surplus	10	465,544	381,128
Revaluation reserve	11	114,310	45,361
General reserve	12	34,224	11,385
		973,016	744,267
Current liabilities			
Creditors and other liabilities		8,835	6,254
Total equity plus liabilities		981,851	750,521

›› Residential Sector Profit and loss account

(amounts x €1,000)

	Notes to the Financial Statements	2016	2015
Theoretical gross rental income	17	41,426	37,366
Vacancy	17	-947	-1,162
Other	17	-96	-75
Revenues from service charges	18	1,416	1,258
Service charges	18	-1,478	-1,353
Operating expenses	19	-9,347	-9,130
Net rental income		30,974	26,904
Valuation results	20, 21	82,921	47,067
Result on disposals	22	449	238
		83,370	47,305
Result subsidiary		365	147
Management costs	23	-3,099	-2,288
Other income	24	793	359
Net operating result		112,403	72,427
Interest income and expenses		92	72
Net result		112,495	72,499
Direct investment income	25	28,218	24,947
Indirect investment income	26	84,277	47,552
Total investment income		112,495	72,499

›› Notes to 2016 results

Highlights 2016

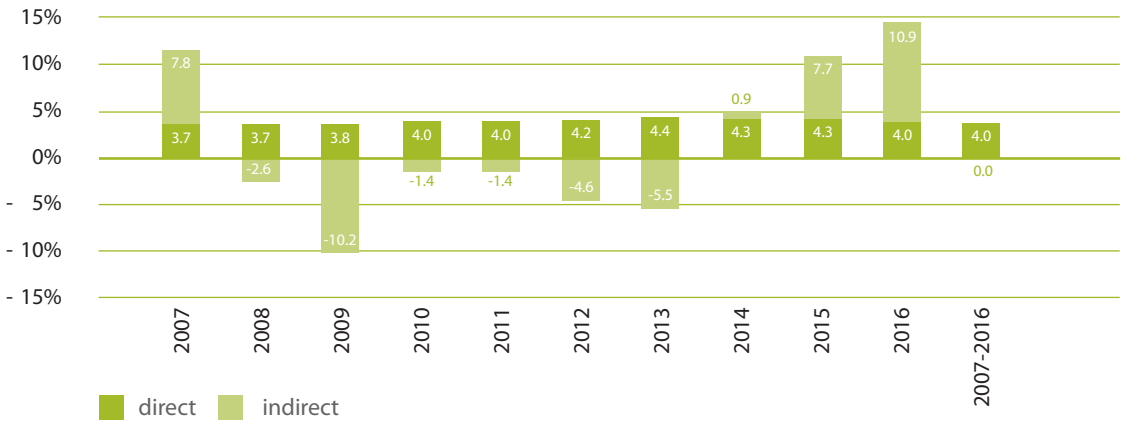
- Fund return increases to 14.4%
- Occupancy rate increases to 98%
- Gross-net process improves from 74% to 77%
- Secured pipeline of €178 million and unsecured pipeline of €83 million
- 218 residential units added to operational portfolio
- Total of €134 million worth of shares issued

Returns

sharp increase in fund return

With an increase of 10.9%, 2016 turned out to be an even stronger year than 2015 (7.7%). This upgrade can be accounted for (by 5.4 percentage points) from the increase in the vacant value, for 3.8 percentage points due to the sharper yield, and for 1.7 percentage point due to the upgrade of the pipeline. This caused the fund return to increase from 11.5% in 2015 to 14.4% in 2016.
The downward effect of the upgrades on income return was tempered by an increase in the occupancy rate to 4.0% (2015: 4.3%). The effect of the fund return of non-invested liquid assets was -0.5 percentage point.

10-year portfolio return



Stable average income return of 4.0%. Substantial downgrades in 2009 and 2012/2013, followed by high upgrades in 2015 and 2016. 0.0% revaluation over a 10-year period.

A high score for 'all investments' was attained in 2016 compared with the IPD benchmark.

Residential: all investments	Altera Vastgoed Direct	Altera Vastgoed Indirect	Altera Vastgoed Total	IPD NL Property Index Direct	IPD NL Property Index Indirect	IPD NL Property Index Total
2016	4.0%	10.9%	15.3%	4.2%	10.6%	15.3%
2015	4.3%	7.7%	12.3%	4.5%	6.3%	11.0%
2014	4.3%	0.9%	5.3%	4.5%	0.6%	5.1%
2013	4.4%	-5.5%	-1.3%	4.4%	-4.1%	0.2%
2012	4.2%	-4.6%	-0.6%	4.2%	-3.8%	0.2%
3-year	4.2%	6.4%	10.9%	4.4%	5.8%	10.4%
5-year	**4.2%**	**1.7%**	**6.0%**	**4.4%**	**1.8%**	**6.2%**
10-year	4.0%	0.0%	4.0%	4.1%	0.3%	4.4%

pipeline upgrade

For standing investments, total returns for 2016 are 1.2 percentage point lower due to the substantial upgrade of the pipeline portfolio. This upgrade more than offsets the loss of income return on the payments pipeline for these projects.

The dividend return is lower on a one-time basis because the dividend for the fourth quarter is no longer distributed in December but in January effective 2016.

Direct investment income

We closed the year 2016 with a total investment income of €112.5 million, an increase of €40.0 million from 2015. This increase can be attributed mainly to the indirect investment income, which increased by €36.7 million.

Below we compare the direct investment income for 2016 with the previous year.

Changes in direct investment income	in €x mln	Effect
Direct investment income 2015	24.9	
Completions and acquisitions in 2016 (The Hague, Blaricum, Amsterdam, Oegstgeest and Rotterdam)	+1.5	+5.8%
Completions in 2015 (Amsterdam (2), Gouda (2), Haarlem, Nijmegen)	+1.3	+5.3%
Higher occupancy rate	+0.3	+1.0%
Lower operating expenses	+0.3	+1.1%
Rental increase	+0.8	+3.1%
Higher management costs due to increase in portfolio size	-0.8	-3.2%
Other effects, on balance	-0.1	0.0%
Direct investment income 2016	28.2	+13.1%

The increase in direct investment income arises mainly from the deliveries and acquisitions completed in 2016 and the effect that properties completed in 2015 were in operation for the full year 2016. A limited number of sales were completed: two complexes located in Gulpen (more than half the units have been divided and sold off as individual units in recent years) and Bocholtz have been sold, while 12 houses have been off in single units.

occupancy rate increased to 98%

The scarcity at the middle end of the rental market continues to be substantial. Occupancy rates for Altera properties increased further (to 98%) in 2016. The rental of new complexes is proceeding well and in Amsterdam the number of new people signing up vastly exceeds the available supply. Tenant movements have fallen to 13%, bringing it back to the 2014 level. Of the total of 648 leases signed in 2016, a total of 144 were for the first rental of newly completed properties (in 2015, this was 675 and 162, respectively).

The gross-net process (i.e. net rental income divided by gross rental income) increased from 74% to 77% due to lower maintenance costs.

Indirect investment income

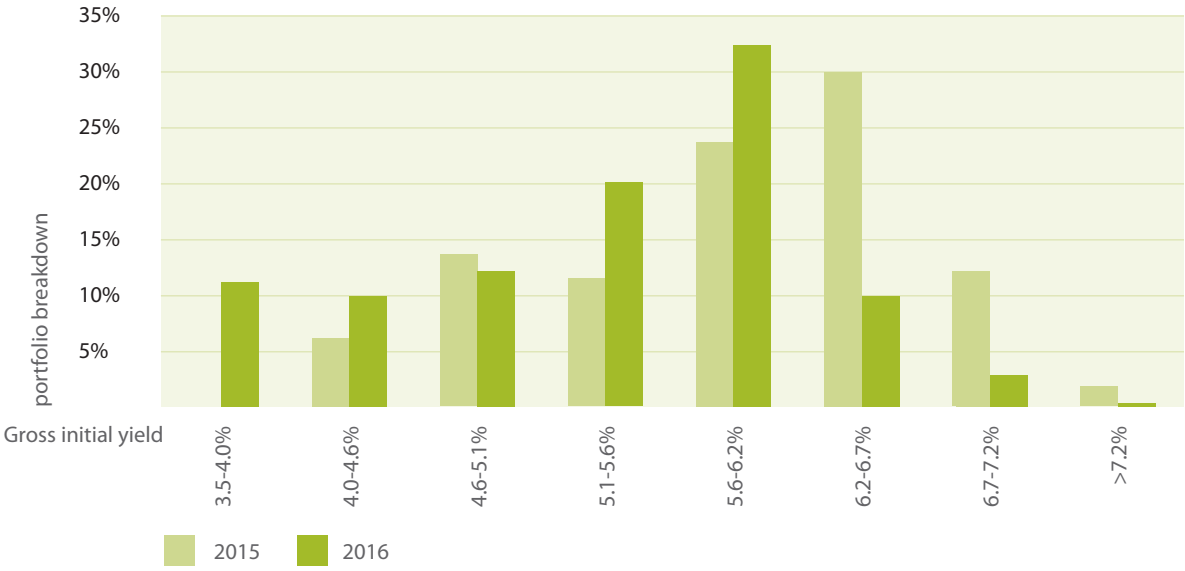
The portfolio value increased by 10.9% in 2016. The vacant property values increased by 5.4% (national figure supplied by Statistics Netherlands/Dutch Cadastre: +5.0%). The appraisal value divided by the vacant property value (vacant value ratio) was 88% at the end of 2016; in 2015, this was 84%. Gross initial yields (with costs payable by the buyer) further fell in 2016 on account of the significant demand: from 5.9% at year-end 2015 to 5.4% at year-end 2016. The higher vacant property value is also explained by the fact that recently completed properties have a higher vacant property value.

The table below shows the spread of the changes in value of the complexes which were in operation at the beginning and end of the year.

Changes in value standing investments	Change in value in % versus year-end 2015	Number of complexes	Change in value 2016 in €x mln	Change in value 2015 in €x mln
<-5%	-	-	-	-0.2
Between -5% and 0%	-2.9%	2	-0.1	-0.6
Between 0% and 5%	3.6%	24	4.8	4.0
Between 5% and 10%	7.5%	42	22.2	11.7
>10%	15.4%	18	35.4	26.4
Total	9.4%	86	62.3	41.3

Virtually all properties (84 of 86) were upgraded in 2016 (2015: 76 of 83). A total of 18 properties were upgraded by more than 10% in 2016, with a total effect of €35.4 million (2015: 22 properties with an effect of €26.4 million). The upgrade in 2016 of the standing investments was 10.6% for the apartment complexes and 6.1% for the single-family homes (2015: 7.5% and 7.0%, respectively). The apartment complexes therefore performed significantly better in 2016 than the single-family homes, partly as a result of a concentration of apartment complexes in the Randstad conurbation.
Altera Vastgoed changes external appraisers for individual properties every three years. Divided across four quarters, a total of 18 residential properties changed appraisers in 2016. Overall, the change was coupled with a 2.5% upgrade in the relevant quarter, which is in line with regular value increases (2015: 26 properties increased in value by 3.1%).

The spread of the valuation at year-end 2016 and the valuation at year-end 2015 to the gross initial yield is shown below.



The pipeline projects for which legal ownership has been obtained due to the delivery of the land are valued by an external appraiser effective year-end 2016; this was previously done internally. In 2016 the value of pipeline projects increased by €12.4 million (2015: €1.9 million).
The indirect investment income includes a gain of €0.6 million (2015: €0.2 million) for compensation of transfer tax of newly joined shareholders.

Trends in rents and operating expenses

rental increase above inflation

Effective 1 July 2016, Altera Vastgoed increased rents by 1.8% at an inflation rate for 2015 of 0.6%; in 2015, this was 1.6% at an inflation rate of 1.0%. On account of rental increases, rental changes and freezing from 1 January 2016 of the deregulation limit at €711, the number of regulated homes in the portfolio will further decrease. At year-end 2016, there were a total of 344 homes remaining, for which in accordance with the applicable rental legislation (2.5% above the inflation rate and an extra increase for incomes above €33,000) the rent may have been increased additionally. The regulated homes are subject to a rental charge of 0.491% of the property value (WOZ-waarde). Altera aims to reduce this charge by reducing the number of regulated homes by means of rental increases, changes and sales. A total of €275,000 was paid in landlord charges for 385 homes in 2016 (versus €373,000 for 539 homes in 2015).

Operating expenses (including service charges for vacant properties) fell by 2 percentage points in 2016 versus the theoretical rental income, as a result of lower maintenance expenses.

Operating expenses	2016	2015
Maintenance expenses	9%	10%
Fixed expenses	4%	4%
Management expenses	2%	2%
Other	8%	9%
Total	23%	25%

In 2016, the quality of a total of 107 homes constructed before 1999 was improved while rents were increased at the same time (2015: 139). In addition, a total of 39 homes were improved without rental increases (2015: 78).

The rental arrears of more than 90 days at year-end 2016 amounted to 0.5% of annual rent, below the level of year-end 2015 (0.7%).

Portfolio transactions

Three new completed complexes were added to the portfolio, along with an existing complex.
In Rotterdam, a total of 30 additional apartments were purchased from the property developer:

Complex	Number of homes	Start of operation	Annual rent (in €x mln)	Year of construction
The Hague, Dr. Lelykade	47	April	0.6	2016
Rotterdam, Mauritsweg	30	April	0.3	2013
Amsterdam, Oostelijke Handelskade	66	June	1.0	2016
Blaricum, Blaricummermeent	31	June	0.4	2016
Oegstgeest, Rozenlaan	44	November	0.6	2016
Total	218		2.9	

The newly completed properties were almost fully rented upon completion.

Two complexes were sold in Gulpen and Bocholtz in 2016 (total of 33 single-family homes). Furthermore, another 12 homes in seven complexes were sold off in single units.

259 residential properties added

Following transactions in the operational portfolio, the portfolio increased from 3,676 to 3,849 residential units.

A total of ten projects were added to the secured pipeline in 2016, consisting of 474 homes: 381 multi-family homes and 93 single-family homes.

Properties added to pipeline in 2016	Number of new units	Housing type	Annual rent (in € x mln)	Completion
Hoofddorp, Noorderkwartier	35	single-family	0.4	2017
Nijmegen, Hatert	26	multi-family	0.3	2017
Maarssen, Bisonspoor	60	multi-family	0.6	2017
Ridderkerk, Tourmalijn	66	multi-family	0.7	2018
Utrecht, Neerlandia	66	multi-family	0.6	2017
Amsterdam, Zeeburgereiland	84	multi-family	1.1	2019
Gouda, Koningshof	31	multi-family	0.3	2018
Hoevelaken, De Beeckhof	28	single-family	0.3	2017
Son en Breugel, Kanaaldijk Noord	48	multi-family	0.5	2018
Utrecht, Antoniuskwartier	30	single-family	0.4	2017
Total	474		5.2	

secured pipeline
€178.0 mln

Including the five projects (314 homes) added in previous years, investments of the secured pipeline total €178.0 million, of which €79.1 million has already been paid. In addition, there is an unsecured pipeline of €83 million, the completion of which had not yet been confirmed on the balance sheet date. Note that this includes two office complexes in Amstelveen and The Hague which were included in the office portfolio. The first-mentioned complex was demolished in early 2017, after which the construction of 103 apartments will commence. Exclusivity was obtained in several locations: this includes around 1,500 homes in all, with a related approximate investment of €400 million.
In mid-2017, the size of the portfolio (including advance payments) will be in excess of €1.0 billion, and it is expected to exceed €1.5 billion in the coming three years.

Other notes

entries
€134.5 mln

In 2016, the total number of shareholders in this sector increased from 24 to 29. In addition, three new shareholders signed the entry agreement, and they will enter as soon as the committed amounts are required to make the acquisitions. New investors contributed a total of €134.5 million (2015: €169.5 million new entries and €96.3 million exits).

Of the liquid assets in the amount of €71.7 million at year-end 2016 (of which a total of €46.7 million is generated by new entries at year-end), a total of €65.9 million is available for acquisitions.

Outlook for 2017

Average occupancy rate	98%
Gross-net process	77%
Income return	3.8%
Capital growth	5-6%
Fund return	8% to 9%

Altera assumes an average occupancy rate of 98% for 2017. There is a slowly declining trend for income return as a result of the upgrades in 2015 and 2016, and the effect of the pipeline portfolio which has not yet been brought into operation. The forecast for capital growth for 2017 is 5 to 6%, which means fund return can increase to 8 to 9%.

Residential portfolio year-end 2016

City	Address	Year of construction	Rentable units	Theoretical rental level in €x mln	Occupancy rate
Multi-family homes					
Aerdenhout	Boekenroodeweg	2012	24	0.5	100%
Alkmaar ***	Paternosterstraat	1985	72	0.6	100%
Almere	Kapitein de Langestraat	1995	87	0.8	100%
Alphen a/d Rijn	Sint Jorisstraat, Julianastraat	2005	40	0.5	95%
Amersfoort	Forel	2006	16	0.2	100%
Amstelveen	Nicolaas Tulplaan	2014	113	1.5	100%
Amsterdam	Blankenstraat	2011	68	1.2	100%
JAmsterdam	Jacob Burggraafstraat	2004	32	0.6	83%
Amsterdam ***	Oostelijke Handelskade (section 2)	2013	108	2.0	97%
Amsterdam ***	Oostelijke Handelskade (section 1)	2013	61	0.8	87%
Amsterdam ***	Oostelijke Handelskade (section 3)	2016	66	1.0	96%
Amsterdam */***	Tollensstraat, a.o.	2015	69	1.2	100%
Apeldoorn	Molenstraat	2005	44	0.5	96%
Baarn *	Stationsweg, a.o.	1985	23	0.3	100%
Culemborg	Voermansgilde	2004	15	0.1	100%
The Hague *	Kalhuisplaats	1985	63	0.6	97%
The Hague	Dr. Lelykade	2016	47	0.6	100%
The Hague	Loevesteinlaan	2009	72	0.8	97%
The Hague	Laan van Wateringse Veld	2009	67	0.8	100%
Dordrecht	Van Eesterenplein	1994	96	0.9	97%
Dordrecht	Overkamppark	2012	33	0.4	100%
Enschede	Esmarkelaan	2008	23	0.2	91%
Gouda	Plateelstraat	2015	40	0.4	100%
Gouda	Winterdijk	2012	36	0.4	99%
Haarlem	Disselkade	2015	25	0.4	100%
Harderwijk	Bachdreef	1994	41	0.4	100%
Harderwijk	Oldenallerhout	2005	26	0.3	88%
Heemskerk	Ganzenveer	2006	27	0.3	100%
Heerhugowaard	Jade	2005	56	0.7	100%
Hendrik Ido Ambacht *	Ring, Avelingen	1997	32	0.4	96%
Hoofddorp	Markenburg	1992	54	0.5	98%
Hoofddorp	Ter Veenlaan	2008	69	0.7	100%
Maarssen	Waterstede	2005	60	0.7	100%
Maastricht *	Remulanet	1996	59	0.7	95%
Meppel *	De Putstoel	1977	28	0.4	93%
Nijmegen	Irene Vorrinkstraat (De Jonker)	2011	53	0.7	93%
Nijmegen	Irene Vorrinkstraat (De Elshof)	2015	28	0.3	100%
Oegstgeest	Rozenlaan	2006	44	0.6	100%
Rotterdam	Hesseplaats	2011	58	0.7	98%
Rotterdam	Mauritsweg	2013	77	1.0	99%
Schiedam ***	Selma Lagerlofborg, a.o.	2004	24	0.2	96%
Schiedam ***	Olof Palmeborg, a.o.	2005	66	0.6	100%
Utrecht	Diamantweg	2012	28	0.4	96%
Utrecht	Huis te Zuylenlaan	2006	39	0.5	100%
Utrecht	Operettelaan	2008	22	0.2	100%
Utrecht	Burchtplein, Zuiderburcht	2011	38	0.5	89%
Wormerveer	Houtkade, Krommenieerweg	1997	36	0.3	100%
Zoetermeer **	Noordwaarts, a.o.	1989	48	0.4	100%
Zoetermeer	Haussmannruimte	2004	44	0.5	98%
Zwolle	Van der Capellenstraat, a.o.	1986/2009	104	0.9	99%
			2,501	**30.0**	**98%**

City	Address	Year of construction	Rentable units	Theoretical rental level in €x mln	Occupancy rate
Single-family homes					
Almere	Eeuwenweg	1997	35	0.4	97%
Amersfoort	Glorie van Hollandgaarde, a.o.	1995	29	0.3	100%
Assen	Papayapad, Perzikstraat	2005	33	0.3	100%
Bemmel	Gersthof	1987	21	0.2	100%
Best	Plataan, Salderes	1985	36	0.4	100%
Blaricum	Gooischedreef, a.o.	2016	31	0.4	100%
Breda	Kerkuil, Blauwvoet, Havik	1988	39	0.4	100%
Breda	Deinzestraat, Bornemstraat	1989	36	0.4	97%
Deurne	Veenmossingel, Wollegras	1985	32	0.3	90%
Deventer	Esdoornlaan, Espad	1986	40	0.4	100%
Doorn *	Simon Vestdijkhof, a.o.	1986	36	0.4	98%
Eerbeek	Odinkerf, Papiermakerserf, a.o.	1986	26	0.2	100%
Groesbeek	Mansberg	1986	38	0.3	100%
Haarlem	Chris Soumokilstraat, a.o.	1988	93	1.0	99%
Haarlem	Vrijheidsweg, Sutan Sjahrirstraat	1988	30	0.3	100%
Harderwijk	Bachdreef	1994	15	0.2	100%
Horst	Convent	1990	18	0.2	100%
Maasbracht	Boegstraat, Roefstraat	1989	18	0.2	94%
Maassluis	Stellingmolen, Walmolen, Bergmolen	1988	23	0.2	100%
Maastricht	Bolderikweerd, Lavendelweerd, a.o.	1989	17	0.2	82%
Malden	Dravik, De Bries, Zwenkgras	1985	55	0.5	98%
Nieuw-Vennep	Koperslager, Grutter, Tolgaarder, Baker	1987	46	0.4	100%
Oldenzaal	Zevenblad	1985	26	0.2	84%
Oosterhout	Admiraalsdam, Herendam, Drostendam	1988	51	0.5	86%
Oosterhout	Max Havelaardreef, a.o.	1996	38	0.4	95%
Rosmalen	Alverborch, Zalmborch, a.o.	1985	40	0.4	97%
Sassenheim	Evert van Dijkpad, Parmentierpad	1986	31	0.3	100%
Soesterberg	Gemini, Mercury	1986	60	0.6	100%
Tilburg	Abdij van Bernestraat, a.o.	1988	32	0.3	97%
Tilburg	Harmelenstraat, a.o.	1991	24	0.2	96%
Tilburg	Kerkdrielstraat	1990	24	0.2	96%
Uden	Abdijlaan, Klemvogel	1988	42	0.4	88%
Udenhout	Helmkruid, Anemoon	1986	22	0.2	86%
Udenhout	Anemoon, Kamille, Sint Janskruid	1988	14	0.1	93%
Valkenswaard	De Meule, De Maalsteen, De Meelkuip	1985	35	0.4	100%
Valkenswaard	De Meule	1987	14	0.1	93%
Voorhout	Kruidenschans, Lavendelweg, a.o.	1987	47	0.5	100%
Waalwijk	Rembrandtpark	1986	31	0.3	93%
Zevenaar	Monnetstraat, Spaakstraat	1985	40	0.4	100%
Zoetermeer	Stellendamstraat	2005	22	0.3	100%
1 property < €1 mln			8	0.1	100%
			1,348	**13.3**	**97%**
Total			**3,849**	**43.3**	**98%**
50% interest			-	-0.2	
Total			**3,849**	**43.1**	**98%**

* Including some retail or office space ** 50% interest *** Leasehold (not perpetual), bought off for 50 years

Residential

Secured pipeline (€178 mln)

City	Location	Year of delivery	Rentable units	Phase	Theoretical rental income in €x mln
Amsterdam***	Bilderdijkkade, phase 2	2017	52	Constr.	0.7
Amstelveen	Groenelaan	2017	84	Constr.	1.0
Waalwijk	Vredesplein	2017	60	Constr.	0.6
Hoofddorp	Burg. van Stamplein	2017	63	Constr.	0.6
Hilversum	Riebeeckkwartier	2017	55	Constr.	0.6
Hoofddorp	Noorderkwartier	2017	35	Constr.	0.4
Nijmegen	Hatert	2017	26	Constr.	0.3
Maarssen	Bisonspoor	2017	60	Constr.	0.6
Utrecht	Neerlandia	2017	66	Constr.	0.6
Ridderkerk	Tourmalijn	2017	66	Constr.	0.7
Amsterdam***	Zeeburgereiland	2019	84	Plan	1.1
Gouda	Koningshof, phase 2	2018	21	Constr.	0.3
Hoevelaken	De Beeckhof	2017	28	Plan	0.3
Son en Breugel	Kanaaldijk	2018	48	Plan	0.5
Utrecht	Antoniuskwartier	2017	30	Plan	0.4
			788		**8.7**

*** Leasehold (not perpetual), bought off

Retail sector

Shopping centre on Marktplein, Wormerveer

» Strategy

Structural characteristics of the retail market

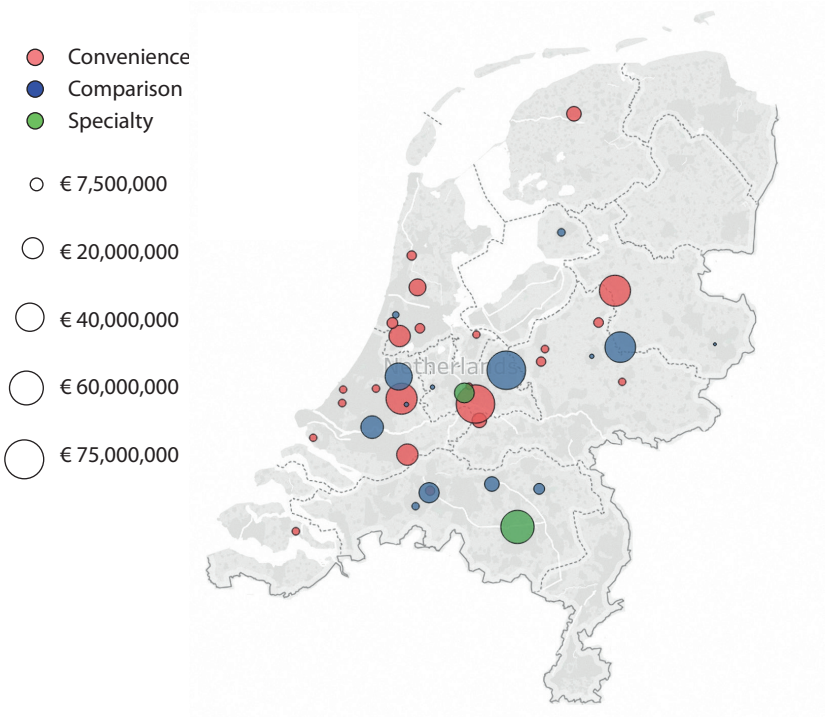
- Attractive investment product with a favourable risk-return ratio.
- Difference between concentrations of retail property aimed at the various types of consumer behaviour: comparison shopping for fashionable products, the specific purchase of specific products, or the easy purchase of more frequently bought products.
- Growing dynamic in the retail landscape, with well-established retailers leaving the scene and new concepts being created.
- Constantly changing consumer with increasingly specific retail preferences calls for constant adaptation of the retail location.

Vision and policy

- Coordination of the nature and size of the retail area based on the various types of shopping behaviour, demographic potential and retail structure.
- Growing share of convenience centres for consistently stable returns with high-quality experience centres and, to a limited extent, functionally targeted concentrations of shops.
- Intensive property management makes a distinction, aiming for optimum adaptation of the changing con sumer demand for retail space.

Details

- Geographic focus on retail areas with demographic potential.
- Strategic composition of the portfolio with a growing focus on convenience centres, in addition to competitive comparison centres and several targeted concentrations of shops.
- Constant optimisation of quality by measuring performance and translation into the correct alignment with the customer profile (by means of the optimum customer journey).



» Market trends

Consumer confidence reaches record high
The mood among consumers markedly improved in 2016, particularly in the last quarter of the year. In December 2016, consumer confidence even increased to a level that was significantly above the average for the past 20 years, as clearly reflected in the consumer purchases. Spending has increased in both the food sector and the non-food sector. Home furnishing shops and DIY stores, in particular, benefited from the stronger market as a result of the sharp growth in the housing market. Spending on high-quality goods, including clothing and household goods, also increased at the end of 2016. The food sector shows the most stable increase in revenue rather than the largest growth. Sales revenues of food retailers increased annually by around 2% since 2006.

Number of bankruptcies reaches new low
The increased expenditure resulted in a sharp fall in the number of bankruptcies in 2016 in the retail sector. The number of retailers that have filed for bankruptcy reached a record low and is currently below the pre-crisis level. Like consumers, businesses are generally positive in their outlook. The number of job openings increased as a result, where we are currently seeing a peak which is higher than the highest level attained in 2011.

Vacancy rates fall for second consecutive time
The improving market conditions within the retail sector are clearly visible in the retail locations. Vacancy rates have fallen for the second year in a row to more than 7% of the number of retail outlets. In addition, footfall has increased as well. New initiatives such as Black Friday (25 November), a US trend of large promotional discounts offered by retailers at the start of the holiday shopping season, have increased footfall at shopping centres. Rents have been fluctuating, which has demonstrated that physical changes in particular (e.g. renovation/remodelling and improvement of the indoor climate) can potentially result in an increase.

Retail market in transition
The positive fundaments above do not alter the fact that the retail market is currently in transition. While the share of online purchases remains limited, it is increasing steadily, creating new, hybrid retail concepts. The ageing population is also increasing, both in size and in terms of economic importance. Senior citizens continue to be active and remain in good health longer, making them an important demographic within total consumer spending. In addition to retail companies being compelled to upgrade their brick-and-mortar stores to keep up with these trends, retail locations also require adaptation to the changing consumer behaviour.

Increase in online spending
Consumer spending online continues to increase, while sales revenues in brick-and-mortar stores is stabilising. The share in online spending and the growth in online spending fluctuates strongly depending on the item. The share of online spending at fashion retailers accounted for nearly 18% in 2016, while in the food industry it has remained limited to less than 3%. Convenience shopping is less affected by the increase in online shopping. An additional factor is that it is not just online-only retailers that are generating these online sales, but also retailers who are able to intelligently combine offline and online sales.

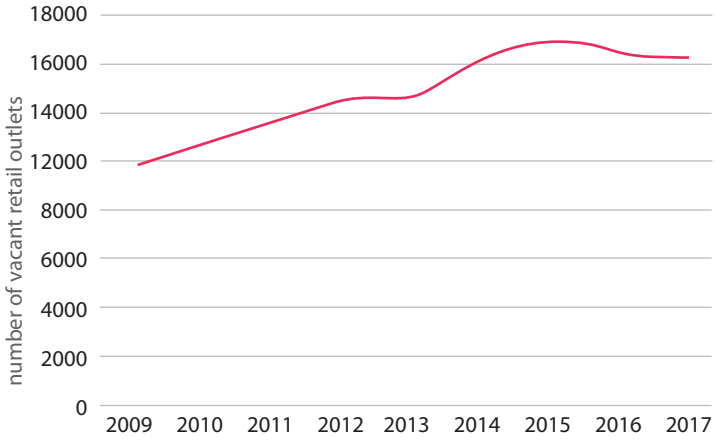
Growing importance of food
The fact that revenues from food sales have been steady for many years can be explained in part by consumers' growing preference fo- healthy, tasty, varied food products, and the fact that they are willing to spend money on these items. Various innovative food concepts have been launched in response to this trend, often with considerable success. Supermarkets and delis/gourmet stores are increasingly becoming like restaurants and other food service outlets, with many offering a variety of fresh products. This is why nearby supermarkets and gourmet stores are playing an increasing large role in doing day-to-day groceries.

Investment market
Interest in Dutch retail property was significantly higher in 2016 than in previous years, which has resulted in a substantially higher investments than the average for the past 10 years (+30%). At more than €2.1 billion, this volume was lower than in 2015 (€2.6 billion). However, investments were exceptionally high in 2015 on account of a single large transaction. The growing demand is creating scarcity and lower initial yields. Demand for retail investment products has increased, particularly in the Randstad metropolitan area, with foreign investors seeing opportunities in the Dutch retail property market.

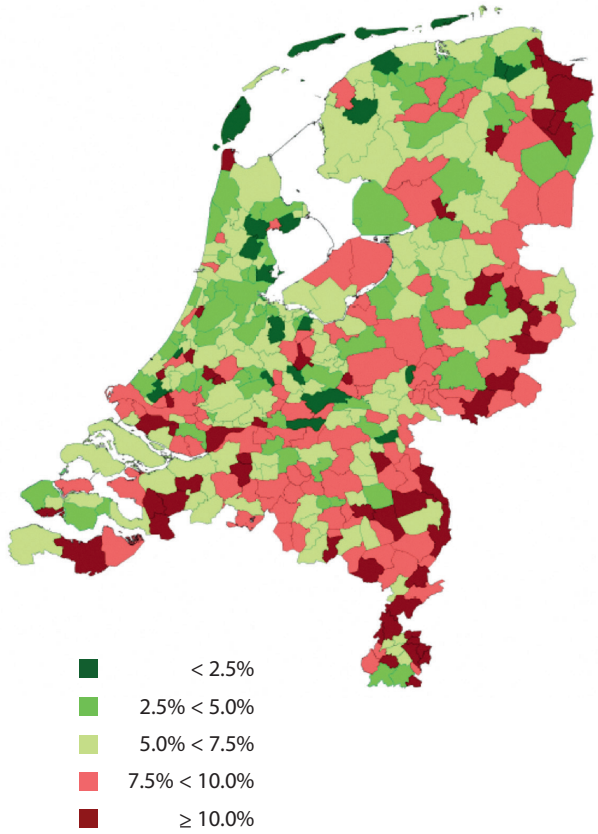
Outlook
The foundations for the Dutch retail market are positive and will continue to improve next year. This will end up boosting consumer spending in the retail sector. Vacancy rates are expected to fall further, while footfall will improve. With the retail property market appearing to be recovering, a wider group of investors will be willing to invest in the retail property sector again. Investments in Dutch retail property is therefore set to increase over the next several years. In addition, pricing levels and the initial yields of retail property are relatively favourable compared to other sectors.

›› Facts about the retail market

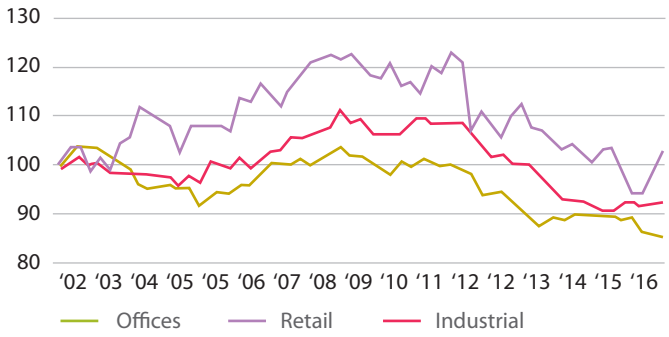
Vacancy rates (source: Locatus)



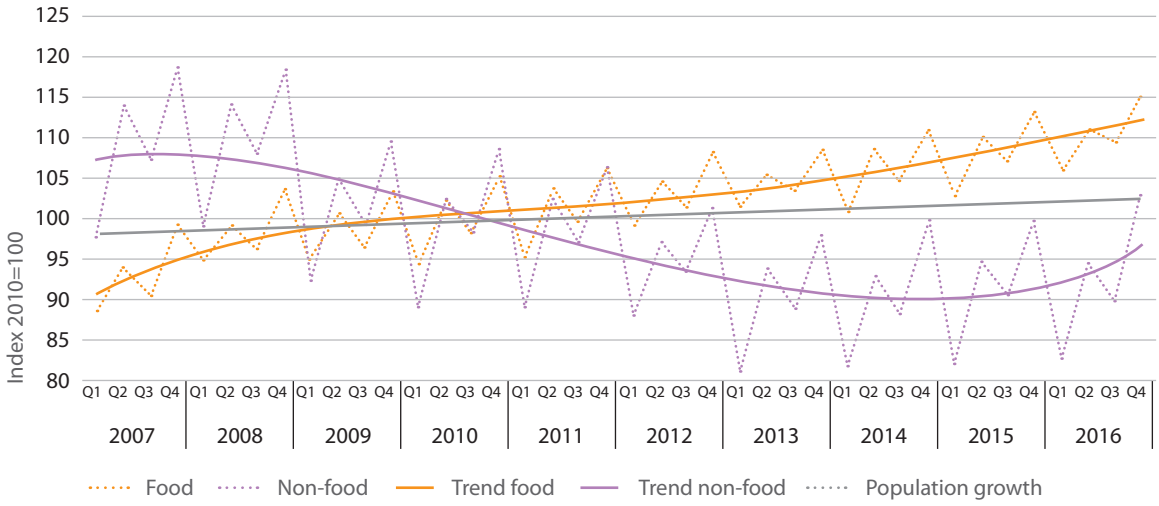
Vacancy in % by municipality, year-end 2016 (source: Locatus)



Rents (source: RPI Calcasa/Property NL)



Revenues by main industry (source: CBS)

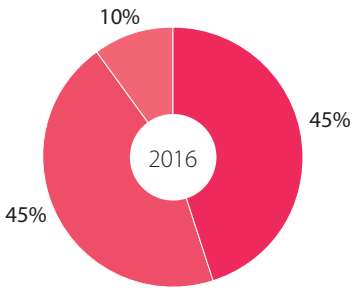


Portfolio

	Year-end 2016	Year-end 2015
Portfolio characteristics		
Portfolio in operation (including subsidiary)	€728 mln	€773 mln
Theoretical current rental level	€56.1 mln	€61.1 mln
Gross initial yield	7.7%	7.9%
Number of properties	50	83
Number of lease contracts	589	666
Rent passing compared to rent revision value	+5%	+5%
Weighted average lease term	4.4 years	4.5 years
Average rental level	€188 per m^2	€198 per m^2
Occupancy rate	93%	93%
Segmentation		
Convenience shopping (neighbourhood centres and supermarkets)		
Value of portfolio	€321 mln	€330 mln
Gross initial yield	7.7%	7.9%
Occupancy rate	95%	94%
Comparison shopping (inner city shopping centres and single shops)		
Value of the portfolio	€331 mln	€367 mln
Gross initial yield	7.6%	7.8%
Occupancy rate	89%	93%
Specialty shopping (home furnishing centres)		
Value of the portfolio	€76 mln	€76 mln
Gross initial yield	8.3%	8.4%
Occupancy rate	97%	90%

Portfolio structure

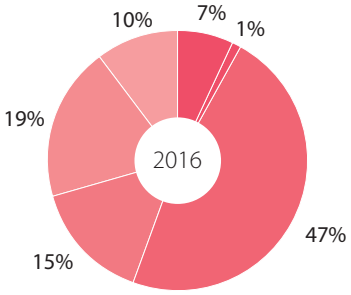
Property type



Spread in shopping characteristics

- Convenience shopping
- Comparison shopping
- Specialty shopping

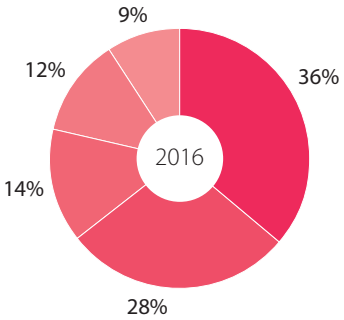
Location type



54% in main shopping areas and inner cities

- Inner cities
- Shopping streets
- Main shopping centres
- Town centres
- Neighbourhood centres
- Home furnishing centres

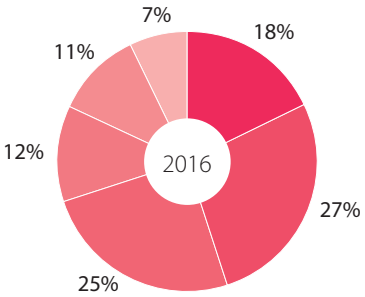
Size per property



Spread in big and small properties

- > €50 mln (4 prop.)
- €25 mln - €50 mln (5 prop.)
- €15 mln - €25 mln (5 prop.)
- €5 mln - €15 mln (9 prop.)
- < €5 mln (27 prop.)

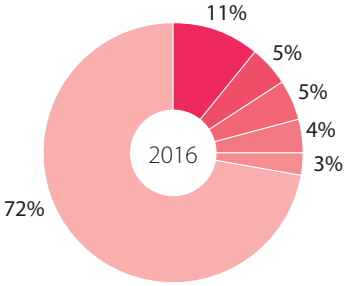
Branches tenants



- Other non-food
- Fashion
- Food
- Services and hotel/catering industry
- Home furnishing
- Non-retail (parking, residential)

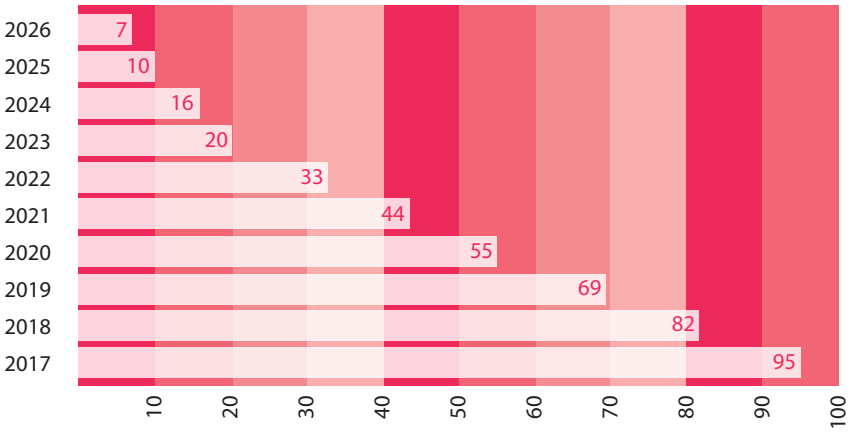
Spread in different branches of which 25% food

Top 5 tenants



- Ahold
- Jumbo
- Q-Park
- Blokker
- AS Watson
- Other

Remaining rental income



Up to and including 2019 at least 69% of the current rental income will continue; weighted average lease term is 4.4 years

Key Figures

	2016	2015	2014	2013	2012	3-years 2014-2016	5-years 2012-2016	10-years 2007-2016
Returns								
Income return	6.2%	6.4%	6.6%	6.5%	6.2%	6.4%	6.4%	6.2%
Capital growth	-2.6%	-2.8%	-3.9%	-4.1%	-2.9%	-3.1%	-3.3%	-1.5%
Total property return	3.4%	3.4%	2.5%	2.1%	3.1%	3.1%	2.9%	4.6%
Management costs	-0.4%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%
Impact of cash and leverage	0.0%	-0.1%	-0.1%	-0.1%	0.0%	0.0%	0.0%	-0.1%
Other differences	0.1%	0.2%	0.4%	-0.4%	0.0%	0.2%	0.0%	0.1%
Fund return	3.1%	3.2%	2.5%	1.3%	2.8%	2.9%	2.6%	4.4%
Dividend return	4.5%	6.1%	6.3%	6.0%	5.8%	5.6%	5.7%	5.9%

	2016	2015	2014	2013	2012
Other					
Occupancy rate average	92%	93%	95%	96%	98%
Occupancy rate year-end	93%	93%	94%	94%	97%
Net/gross rental income	84%	84%	87%	89%	89%
Gross initial yield year-end	7.7%	7.9%	7.9%	7.8%	7.0%
Average number of outstanding shares (x mln)	698.9	677.8	653.8	626.9	604.3
Number of outstanding shares, year-end (x mln)	680.0	704.6	668.8	644.8	619.5
Total investment result per share (€ x 1)	0.032	0.034	0.028	0.015	0.034
Net asset value per share, year-end (€ x 1)	1.060	1.075	1.106	1.148	1.204

» Retail Sector Balance Sheet

(amounts x €1,000)

	Notes to the Financial Statements	31 Dec. 2016	31 Dec. 2015
Assets			
Investments			
Real estate	1	688,672	732,105
Subsidiary	2	39,895	41,045
		728,567	773,150
Other fixed assets			
Other		243	150
Current assets			
Accounts receivable		1,356	1,194
Other receivables		4,323	1,270
Liquidities		14,750	19,911
		20,429	22,375
Total assets		749,239	795,675
Equity plus liabilities			
Equity			
Share capital	9	340,011	352,320
Paid-in surplus	10	416,397	430,377
Revaluation reserve	11	45,903	46,442
General reserve	12	-81,632	-71,798
		720,679	757,341
Provisions			
Other provisions	14	11,000	11,000
Current liabilities			
Internal loan from Residential sector		6,000	-
Shareholder loan	15	-	15,000
Creditors and other liabilities		11,560	12,334
		17,560	27,334
Total equity plus liabilities		749,239	795,675

›› Retail Sector Profit and loss account

(amounts x €1,000)

	Notes to the Financial Statements	2016	2015
Theoretical gross rental income	17	57,218	59,390
Vacancy	17	-4,608	-4,217
Other	17	-715	-898
Revenues from service charges	18	3,447	3,779
Service charges	18	-4,002	-4,140
Operating expenses	19	-7,461	-7,903
Net rental income		43,879	46,011
Valuation results	20, 21	-15,539	-19,342
Result on disposals	22	-3,060	-29
		-18,599	-19,371
Result subsidiary	2	200	-696
Management costs	23	-2,849	-2,656
Other income	24	-	720
Net operating result		22,631	24,008
Interest income and expenses		-116	-687
Net result		22,515	23,321
Direct investment income	25	42,690	44,792
Indirect investment income	26	-20,175	-21,471
Total investment income		22,515	23,321

›› Notes to 2016 results

Highlights 2016

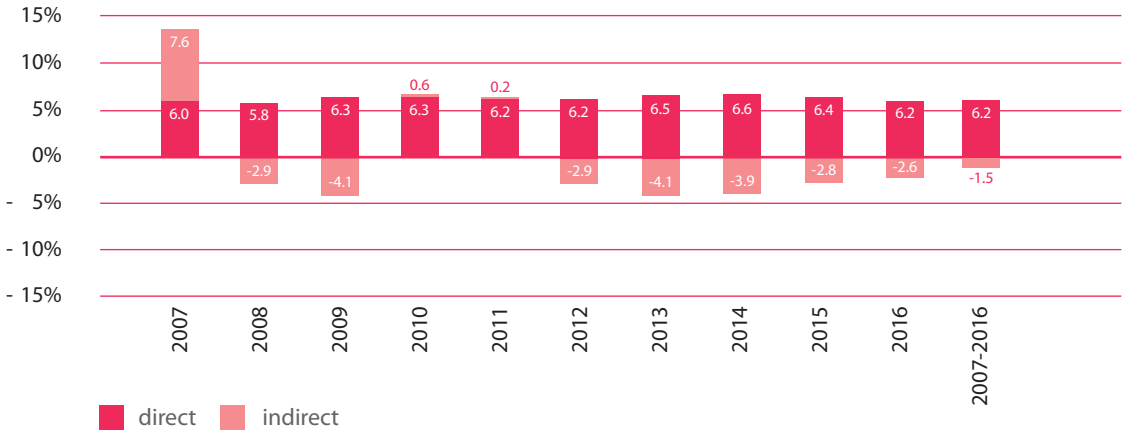
- Positive fund return of 3.1%
- Reversal to upward trend for occupancy rate
- A total of €8.4 million in annual rent was signed worth of leases, including €3.2 million for previously vacant properties
- Sub-portfolio of 30 single shops plus three other properties sold
- Upgrade of shopping centre in Hoofddorp successfully completed
- €52 million of new entries and €78 million in exits effected

Returns

positive fund return

Fund return for 2016 is in line with 2015, and, despite the challenging retail market, ended positively at 3.1% (2015: 3.2%). The 3.4% property return is equal to 2015, despite a slight decrease in income return due to the initial fall in occupancy rate. The capital growth of -2.6% is also in line with 2015.

10-year portfolio return



Stable average income return of 6.2%. Substantial upgrades in 2007; downgrades in 2008/09 and 2012/16.

Over a 10-year average: -1.5% revaluation.

The figures versus the IPD benchmark are as follows:

Retail: all investments	Altera Vastgoed			IPD NL Property Index		
	Direct	Indirect	Total	Direct	Indirect	Total
2016	6.2%	-2.6%	3.4%	5.3%	-1.5%	3.8%
2015	6.4%	-2.8%	3.4%	5.8%	-1.9%	3.8%
2014	6.6%	-3.9%	2.5%	6.0%	-4.0%	1.8%
2013	6.5%	-4.1%	2.1%	6.0%	-4.2%	1.6%
2012	6.2%	-2.9%	3.1%	6.0%	-1.7%	4.2%
3-year	6.4%	-3.1%	3.1%	5.7%	-2.5%	3.1%
5-year	**6.4%**	**-3.3%**	**2.9%**	**5.8%**	**-2.7%**	**3.0%**
10-year	6.2%	-1.5%	4.6%	5.9%	-0.8%	5.1%

The parking garages are delivered by Altera to the IPD in the 'Other' segment, but are still included in the statement above. The parking garages had a positive effect on the portfolio returns for 2016 of 0.1 percentage point; on a 5-year basis, this effect was 0.3 percentage point. Returns on all investments were 0.5%

lower in 2016 than for standing investments due to the effect of the sale of the sub-portfolio single shops. Dividend return was lower on a one-time basis because effective 2016, the dividend for the fourth quarter is paid in January instead of December.

Direct investment income

We closed the year 2016 with a total investment income of €22.5 million (2015: €23.3 million). Direct investment income fell by €2.1 million (-4.7%).

Changes in direct investment income	in €x mln	Effect
Direct investment income 2015	44.8	
Acquisition in 2016 (Deventer)	+0.4	+0.9%
Sales (30 single shops and properties in Vriezenveen, Vaals and Heerlen)	-1.4	-3.1%
Decline in contract rent	-1.1	-2.5%
Lower interest expenses	+0.6	+1.3%
Other effects, on balance	-0.6	-1.3%
Direct investment income 2016	42.7	-4.7%

contract rent gradually increases to market-rent level

The decrease is related mainly to sales and a decrease in the contract rent. The contract rent remains above the market rent in several locations (5% on average), but this difference is gradually petering out due to renewals and movements. Note that contracts are regularly signed which are above the appraiser's market rent.

Several retail chains filed for bankruptcy in 2016, often followed by a re-launch with the more profitable stores. While Altera is inevitably affected by this trend, the retail market is clearly improving as a result of higher consumer spending and increased consumer confidence.

The gross-net process (net rental income/gross rental income) has remained unchanged at 84%.

Indirect investment income

The portfolio value fell by 2.6% in 2016 due to a decrease in rental value; this was also the case in 2015. The gross initial yield (theoretical rent divided by the appraisal value) was slightly lower at year-end 2016 at 7.7% (year-end 2015: 7.9%) due to the changed composition of the portfolio.

The spread of the changes in value among the objects which were in operation throughout the year is detailed in the table below. A total of 24 of the 50 properties declined in value. For a total of six properties (the combined lower value of which amounts to €8.3 million), the decline in value was higher than 10%.

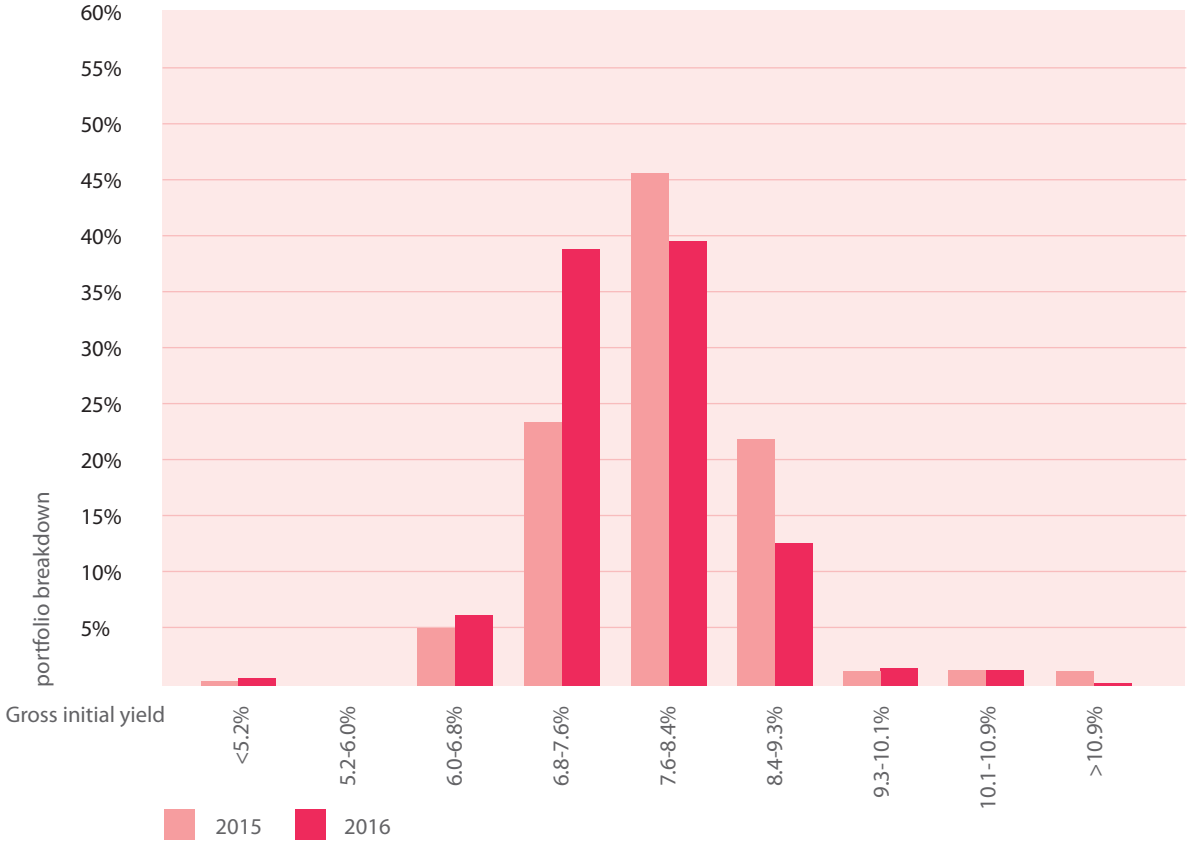
Changes in value standing portfolio	Change in value in % versus year-end 2015	Number of properties	Change in value 2016 in €x mln	Change in value 2015 in €x mln
<-10%	-22.1%	6	-8.3	-13.0
Between -10% and -5%	-6.1%	4	-5.8	-5.9
Between -5% and -0%	-1.8%	14	-6.4	-12.5
Between 0% and 5%	1.3%	24	3.0	2.3
>5%	5.3%	2	1.1	7.0
Total	-2.2%	50	-16.4	-22.1

For the full year 2016, a total of 16 properties with a value of €213 million changed appraisers, with a decline in value of 4.0%. In 2015 the total was 30 properties with a decline in value of 5.0%. The changes in appraiser therefore had a negative effect on returns in 2016 and 2015.

more favourable revaluation convenience stores

For properties in the convenience shopping segment, the revaluation in 2016 was -1.7%; for the comparison shopping segment, this was -3.2%, and for the home furnishing shopping centres it was +0.1% (2015: -0.9%, -5.5% and +2.6%, respectively).

The spread of the valuation at year-end 2016 and the valuation at year-end 2015 to the gross initial yield is shown below.



Trends in rents and operating expenses

Movements in theoretical rental income in 2016 are described below:

Theoretical current rental level developments	2016	2015
Indexation	0.3%	0.5%
Rent adjustment (excluding indexation)	-3.1%	-3.1%
Portfolio transactions	-5.3%	-0.1%
Transactions throughout the year	-8.1%	-2.7%

Several retail chains filed for bankruptcy in 2016, often followed by a re-launch with the more profitable stores. Such a re-launch proved to be impossible for bankrupt department store chain V&D in a single Altera location: the 50% interest in Zoetermeer town centre. A temporary replacement has been found: Hemarkt, in anticipation of a different type of retail mix. The number of bankruptcies has since begun to fall. Rental volumes are increasing as a result of improved consumer spending.

Rental transactions (excluding temporary contracts) are summarised as follows:

Rental transactions	2016	2015
Number of leases and renewals signed	93	96
Number of square metres	44,990 m²	34,817 m²
New annual rent	€8.4 mln	€6.1 mln
From previously vacant properties	€3.2 mln	€2.9 mln
Future cash flow of leases signed	€51.2 mln	€38.0 mln
New rent versus market rent according to external appraiser	0.0%	-1.2%

Rental volume increased by 38.3% in 2016. The rental volume for 2016 amounted to €8.4 million (2015: €6.1 million), including €3.2 million from previously vacant properties (2015: €2.9 million). Total cancelled leases amounted to €1.3 million at year-end 2016 (year-end 2015: €1.8 million). This was partly due to tactical reasons, since tenants want to see lower rents.
The weighted average lease term versus the contract term at year-end was 4.4 years (year-end 2015: 4.5 years).
The rental arrears of more than 90 days amounted at year-end 2016 amounted to 1.8% of annual rent, versus 1.7% at year-end 2015.

Operating expenses (including service charges for vacant properties) remained stable versus the theoretical rental income (14%) in 2016.

Operating expenses	2016	2015
Maintenance expenses	3%	3%
Fixed expenses	4%	3%
Management expenses	2%	2%
Other	5%	6%
Total	14%	14%

Portfolio transactions and upgrades

30 single shops sold

In mid-2016, 30 single shops were sold for €25.6 million after deduction of expenses; in April, a supermarket in Vriezenveen was sold for €4.3 million. In July, one single shop was sold in Heerlen, plus a shopping centre in Vaals for a total of €6.4 million. A section of the De Boreel shopping centre in Deventer was acquired for a total of €4.5 million from the Altera office portfolio in early 2016, thereby giving the Retail sector full ownership.
The local Toolenburg shopping centre in Hoofddorp was upgraded in 2016, including the extension of two supermarkets. The occupancy rate in this shopping centre improved from 85% at year-end 2015 to 95% at year-end 2016, after which the remaining retail space was also let. The upgrade of the Het Rond shopping centre in Houten is currently in progress. Opportunities are currently also being explored for the construction of a residential tower in a less prominent section of this retail location. In Oosterhout investments were made in the shopping centre, but this has not yet resulted in an improvement of the occupancy rate. At the same time, options are being investigated to convert a section of the property into a residential location.

research into residential opportunities in retail locations

Other notes

The €15.0 million loan provided by a shareholder was redeemed on 31 March 2016. At year-end 2016, a total of €6.0 million was borrowed from the Residential sector.

The proceeds from sales (€36.7 million) were used to facilitate exits; in addition, a total of €51.5 million in new funds was raised from shareholders. This amount was used to purchase €77.7 million in shares. The number of shareholders fell by two, standing at 26 at year-end 2016.
Two new shareholders joined, while four shareholders exited.

Outlook for 2017

Average occupancy rate	94%
Gross-net process	84%
Income return	6.0-6.5%
Capital growth	0.0-1.0%
Fund return	6-7%

Income return is expected to reach roughly the 2016 level in 2017. For 2017, we assume capital growth of between 0 and 1.0%. In this case, fund return may reach 6 to 7%.

Retail portfolio year-end 2016

City	Address	Year of construction	Category
Convenience shopping			
Neighbourhood centres			
Culemborg	Koopmansgildeplein 1-16	2004	Neighbourhood centre
Dordrecht	Van Eesterenplein 12-133	1994	Neighbourhood centre
Hoofddorp	Markenburg 1-147A	1992	Neighbourhood centre
Houten	Het Rond	1998/2008	Main shopping centre
Leeuwarden	Lieuwenburg	1986	Neighbourhood centre
Waddinxveen	Gouweplein	2014	Town centre
Wormerveer	Marktplein, Krommenieerweg	1997	Neighbourhood centre
Zwolle	Van der Capellenstraat, a.o.	1986/2009	Neighbourhood centre
Supermarkets			
Alkmaar	Paardenmarkt 2	1985	Inner city
Badhoevedorp	Zeemanlaan 2-2a	1972	Town centre
Brummen	Ambachtstraat 32-38	1995	Town centre
The Hague	Weimarstraat 118	< 1970	Shopping street
Epe	Markt 15	1995	Main shopping centre
Heemstede	Blekersvaartweg 57	1995	Main shopping centre
Kapelle	Biezelingsestraat 1	1999	Town centre
Naarden	Evert de Bruijnstraat 78-82	1996	Neighbourhood centre
Oosterhout	Arkendonk 53-55	1979	Neighbourhood centre
Putten	Postweg 4-6	1995	Main shopping centre
Rockanje	Dorpsplein 14, 18, 20, 25	1998	Town centre
Utrecht	Burg. Reigerstraat 55-57	< 1970	Shopping street
Voorthuizen	Hoofdstraat 155	1994	Town centre
Wateringen	Struyck van Bergenstraat 2	1992	Town centre
Zoetermeer **	Broekwegzijde 148-150	1980	Neighbourhood centre
Total convenience shopping			
Comparison shopping			
Shopping centres			
Alphen a/d Rijn	Rijnplein	2005	Main shopping centre
Amersfoort	St Jorisplein	2000	Main shopping centre
Deventer	Boreel	2007	Main shopping centre
Oosterhout	Arendshof	1998	Main shopping centre
Rotterdam	Korte Lijnbaan / Lijnbaan	< 1970	Inner city
Uden	Brabantplein	1998	Main shopping centre
Zoetermeer *	Stadshart Passage	1989	Main shopping centre
Minus: 50% interest Zoetermeer			

Tenants or formulas	Number of tenants	Net lettable space in m²	Theoretical rental level in €x mln	Occupancy rate
Lidl, Plus, Kruidvat, a.o.	7	4,200	0.8	100%
Plus, Albert Heijn, Blokker, Hema, a.o.	30	9,046	1.9	94%
Blokker, Albert Heijn, Dirk, a.o.	29	7,559	1.7	95%
Hema, Albert Heijn, Jumbo, Lidl, a.o.	94	28,062	6.3	89%
Albert Heijn, Jumbo, a.o.	17	5,651	0.9	94%
Albert Heijn, Jumbo, Lidl, Hema, a.o.	58	18,521	4.0	99%
Albert Heijn, Supercoop, Blokker, a.o.	15	5,701	1.1	89%
Albert Heijn, Lidl, Action, Hema, a.o.	58	17,438	3.9	95%
	308	**96,685**	**20.7**	**94%**
Jumbo	1	2,027	0.3	100%
Albert Heijn, Gall & Gall	2	2,151	0.4	100%
Jumbo, a.o.	3	1,681	0.2	100%
Albert Heijn	1	1,228	0.2	100%
Albert Heijn, Gall & Gall	2	2,079	0.3	100%
Albert Heijn	1	1,913	0.4	100%
Albert Heijn, a.o.	2	1,594	0.2	100%
Plus	1	1,369	0.2	100%
Albert Heijn	1	1,860	0.4	100%
Em-Te	1	1,707	0.2	100%
Plus, a.o.	4	1,601	0.2	100%
Albert Heijn, a.o.	2	999	0.1	100%
Jumbo, Kruidvat, Bart Smit	3	1,928	0.3	100%
Albert Heijn	1	1,530	0.3	100%
Albert Heijn	1	1,486	0.3	100%
	26	**25,153**	**4.1**	**100%**
	334	**121,838**	**24.8**	**95%**
H&M, Media Markt, Intersport, a.o.	25	15,292	2.8	96%
The Sting, H&M, Bershka, C&A, a.o.	30	16,651	5.3	94%
Media Markt, Intersport, Jumbo, Bever, a.o.	31	33,701	5.1	88%
H&M, Van Haren, La Place, a.o.	23	8,875	1.9	66%
Claudia Sträter, Mango, a.o.	12	5,250	1.6	87%
Van Haren, Jola, a.o.	16	3,430	0.6	87%
Hemarkt, Douglas, Action, a.o.	65	24,192	5.8	82%
	202	**107,391**	**23.2**	**87%**
			-2.9	
			20.3	**88%**

City	Address	Year of construction	Category
Parking garages			
Amersfoort	St Jorisplein	2000	Main shopping centre
Deventer	Boreel	2007	Main shopping centre
Oosterhout	Arendshof	1998	Main shopping centre
Zoetermeer *	Stadshart Passage	1989	Main shopping centre
Minus: 50% interest Zoetermeer			
Single shops			
Apeldoorn	Hoofdstraat 98	< 1970	Main shopping centre
Breda	Ginnekenstraat 117	< 1970	Inner city
Breda	Karrestraat 2-2a	< 1970	Inner city
Den Bosch	Marktstraat 6 and 8, Burg. Loeffplein 1c	< 1970	Inner city
Den Bosch	Markt 105	< 1970	Inner city
Emmeloord	Beursstraat 1	2009	Main shopping centre
Haarlem	Grote Houtstraat 88	< 1970	Inner city
7 properties < €1 mln			
Total comparison shopping			
Specialty shopping			
Home furnishing centres			
Son en Breugel	Ekkersrijt 4101-4155	1988	PDV/GDV
Utrecht	Kaap de Goede Hooplaan 20-100	1988	PDV/GDV
Total			

* 50% interest
** Leasehold (not perpetual)

Net lettable space = number of m² lettable space according to NEN 2580 (excluding residential units)

Tenants or formulas	Number of tenants	Net lettable space in m²	Theoretical rental level in €x mln	Occupancy rate
Q-Park	1	N/A	1.0	100%
Q-Park	1	N/A	1.0	100%
Q-Park	1	N/A	0.4	100%
N/A	N/A	N/A	0.2	100%
	3	**N/A**	**2.6**	**100%**
			- 0.1	
			2.5	**100%**
Pandora	1	228	0.1	100%
Bestseller	1	562	0.2	100%
Ziengs Schoenen	1	392	0.2	100%
Esprit, Men at Work, Bever	3	2,666	0.8	100%
Paprika, a.o.	2	415	0.1	100%
Movieskoop, a.o.	3	1,710	0.4	100%
Paprika	1	279	0.1	100%
	6	2,010	0.4	63%
	18	**8,272**	**2.2**	**93%**
	223	**115,663**	**25.0**	**89%**
Sijben, Trendhopper, Montel, a.o.	24	43,191	4.7	96%
Goossens, Baby-Dump, Hartog Wonen, a.o.	8	15,899	1.6	100%
	32	**59,090**	**6.3**	**97%**
	589	**296,591**	**56.1**	**93%**

Supermarket: if > 75% of the total rent proceeds are generated by the supermarket
Number of lease contracts: excluding homes on top of stores, antennae and in-store payment terminals

Offices sector

›› Sale of office portfolio

The office portfolio did not evolve in recent years on account of the limited interest among Dutch pension funds in investment in offices. As a result, the scale required for the desirable portfolio strategy was not available. After Altera Vastgoed addressed these problems with the shareholders, the Extraordinary General Meeting of Shareholders of 10 September 2015 decided to sell the full office portfolio. The sale process had already been initiated for a portion of the portfolio, with the other properties subsequently being added. The bids were received at the end of 2015, and the properties were delivered on 19 February 2016, including seven properties in the Industrial sector.

Two office properties in Amstelveen and The Hague were transferred to the Residential portfolio, for the value of the external valuations, at the same time as the delivery of the other office properties. These offices will be converted into apartment complexes. The office section of De Boreel in Deventer has been added to the Retail portfolio, as part of the Altera retail project.

At the end of 2015, the value of the portfolio was substantially upgraded by external appraisers. However, this value never fully materialised as a result of the outcome of the buyer's technical due diligence. In addition, the sales expenses still had to be processed in 2016. After the €7.9 million upgrade in 2015, the indirect investment result in 2016 was €-4.1 million, including €2.0 million in selling costs.

On the purchase of the shares, a total of 1% of the sales proceeds of the offices was withheld on distribution to the shareholders. This was necessary in order to offset any future expenses in the subsequent two years and for a guarantee to the buyer until 20 December 2016 (which was not claimed). In addition, reservations have been recognised at the expense of the direct investment income.
It currently appears as though the full amount of the 1% withdrawal to the former shareholders will be distributed in early 2018, plus an amount for several windfalls in the operation. A total amount of €3.0 million will become available to the former shareholders.

Offices Sector Balance Sheet

(amounts x €1,000)

	Notes to the Financial Statements	31 Dec. 2016	31 Dec. 2015
Assets			
Investments			
Real estate	1	-	191,051
Other fixed assets			
Lease incentives		-	3,709
Other		-	36
		-	3,745
Current assets			
Accounts receivable		-	113
Other receivables		3	126
Liquidities		3,046	520
		3,049	759
Total assets		3,049	195,555
Equity plus liabilities			
Equity			
Share capital	9	-	131,943
Paid-in surplus	10	-	124,750
Revaluation reserve	11	-	-
General reserve	12	-	-71,303
		-	185,390
Current liabilities			
Creditors and other liabilities		3,049	10,165
Total equity plus liabilities		3,049	195,555

›› Offices Sector Profit and loss account

(amounts x €1,000)

	Notes to the Financial Statements	1 Jan-31 March 2016	2015
Theoretical gross rental income	17	2,991	23,389
Vacancy	17	-595	-5,680
Other	17	-570	-1,455
Revenues from service charges	17	904	3,616
Service charges	18	-1,007	-4,827
Operating expenses	19	-663	-2,530
Net rental income		1,060	12,513
Valuation results	20, 21	204	7,953
Result on disposals	22	-4,121	-
		-3,917	0
Management costs	23	-152	-672
Net operating result		-3,009	19,794
Interest income and expenses		-9	-50
Net result		-3,018	19,744
Direct investment income	25	899	11,792
Indirect investment income	26	-3,917	7,953
Total investment income		-3,018	19,744

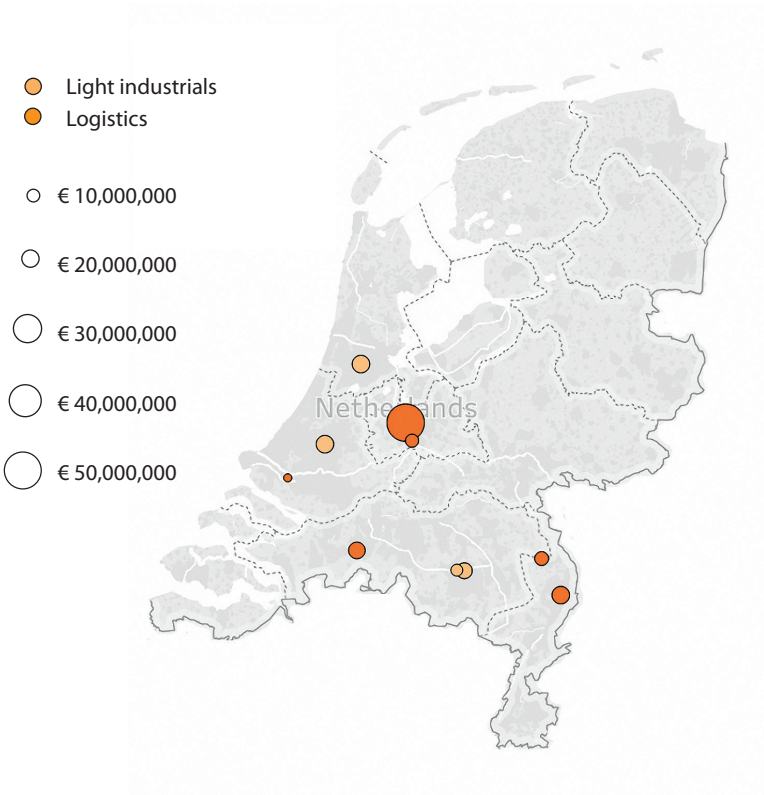
Industrial sector

Strategy

Structural characteristics of the Industrial property market
- Gradual shift from owner-user market to flexible rental market.
- There is a remaining stock of obsolete industrial premises that do not meet the current market standards, partly due to rapid changes in user requirements.
- There are two distinct investment markets: logistics and light industrials.

Vision and policy
- Ongoing process of rejuvenation and expansion of the portfolio in order to keep meeting the changing user requirements, as a result of changing processes in the relevant growing industries.
- Balanced combination of investments in logistics complexes (mostly single-tenant) and light industrials complexes (multi-tenant).
- Achieving risk diversification through a differentiated tenant structure in terms of size and industries of the tenants, and the varying terms of the leases.

Details
- Increase of the share light industrials to approx. 50% and decrease of the share (medium-sized) logistics to approx. 50%.
- High product quality and location quality differentiated for logistics and light industrials.
- Flexibility in leases, thereby accommodating tenant needs.



›› Market trends

strong economy

Continued economic recovery
The Dutch Central Bank has stated that the Dutch economy has now overcome the double-dip recession. Owing to the continued growth recovery, gross domestic product (GDP) is expected to exceed the pre-crisis level by more than 7% in 2018. This impression is reflected in the labour market (i.e. lower unemployment), in growing private consumption, and in increasing import and export of goods and services.

high take-up

Increase in demand
Demand for industrial property in the Netherlands is increasing due to increased economic activity. For the second consecutive year, the take-up of industrial property exceeded 4 million square metres (in areas larger than 750 square metres; Property NL). The bulk of the demand was concentrated in the large-scale logistics market, but the demand for smaller-scale spaces has also increased at the same time. The logistics industry traditionally created the largest demand in North Brabant province, followed by Gelderland province.

Specific requirements
The rapid developments in specific industries has created a growing demand for specific types of industrial space, for example in the form of specialised business parks. Specific types of high-quality industrial processes also call for specially adapted high-quality business premises with specific characteristics. In the future, there will be investment opportunities for these specific products.

flexible lease term

Cautious growth in rents
Since the supply is shrinking at a slow pace, increases in rents remained limited in 2016 (+0.3%). However, after several years of declining rents, this did buck the trend. An increasingly clear trend is that of shorter and more flexible lease terms. Users are attempting to align their industrial premises with the work streams they have secured by means of contracts.

Investment record
With a total of more than €1.6 billion invested in Dutch industrial premises, 2016 was a record year, even though the industrial property market, as an investment market, remains smaller than the other three markets. In this segment too, the logistics market dominates with a share of roughly 60%.

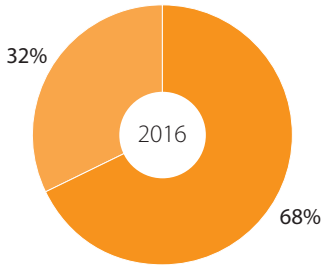
Outlook
Due to the economic upturn, investments in industrial properties look positive in the immediate future. The marketability of industrial properties which comply with all modern requirements is increasing, which will result in strong direct investment return for these properties.

Portfolio

	Year-end 2016	Year-end 2015
Portfolio characteristics		
Portfolio in operation	€133 mln	€163 mln
Theoretical current rental level	€12.5 mln	€17.2 mln
Gross initial yield	9.4%	10.5%
Number of properties	11	18
Number of lease contracts	40	75
Rent passing compared to market rent	+6%	+8%
Weighted average lease term	3.2 years	3.3 years
Average rental level industrial space	€52 per m²	€55 per m²
Average rental level office space	€94 per m²	€92 per m²
Occupancy rate	90%	87%
Segmentation		
Logistics		
Value of portfolio	€92 mln	€106 mln
Gross initial yield	8.6%	9.6%
Occupancy rate	98%	91%
Light industrials		
Value of portfolio	€41 mln	€57 mln
Gross initial yield	11.2%	12.3%
Occupancy rate	77%	81%

Portfolio structure

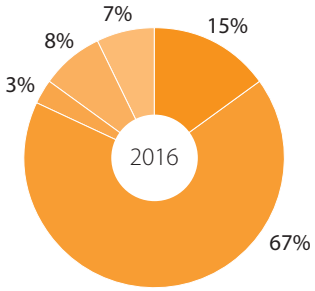
Geographical



Provinces in the Randstad are predominant

- Mid (NH-ZH-Ut-Ge)
- South (NB-Limb)

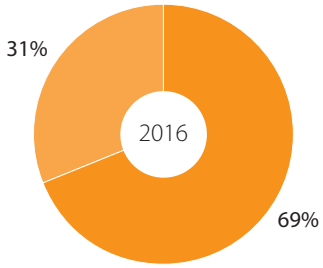
Year of construction



Over 80% of portfolio > 2000 (excl. Hema)

- > 2010
- 2000-2009
- 1990-1999
- 1980-1989
- < 1980

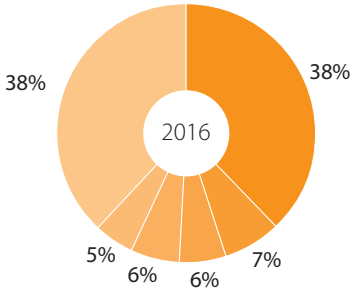
Function



Logistics 69%

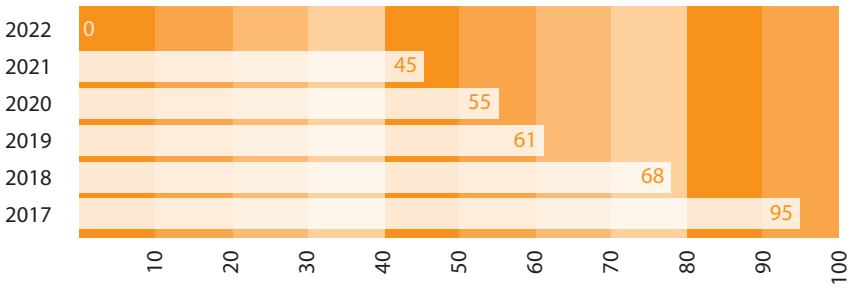
- Logistics
- Light industrials

Top 5 tenants



- Hema
- Tommy Hilfiger
- Pantos Logistics
- Handelsveem
- Haba Trading
- Other

Remaining rental income



Up to and including 2019 at least 61% of the current rental income will continue; weighted average lease term is 3.2 years

Key Figures

	2016	2015	2014	2013	2012	3-years 2014-2016	5-years 2012-2016	10-years 2007-2016
Returns								
Income return	7.2%	6.7%	9.0%	9.1%	6.8%	7.6%	7.7%	7.5%
Capital growth	3.5%	0.2%	-8.2%	-2.6%	-4.6%	-1.6%	-2.4%	-3.0%
Total property return	10.9%	6.9%	0.1%	6.2%	2.0%	5.9%	5.2%	4.3%
Management costs	-0.4%	-0.4%	-0.3%	-0.3%	-0.3%	-0.4%	-0.3%	-0.3%
Impact of cash and leverage	-0.6%	-0.2%	0.0%	-0.4%	0.0%	-0.3%	-0.2%	-0.1%
Other differences	-0.1%	0.0%	3.9%	-1.7%	-1.5%	1.2%	0.1%	0.0%
Fund return	9.8%	6.3%	3.7%	3.8%	0.2%	6.6%	4.7%	3.9%
Dividend return	5.0%	6.3%	8.0%	8.0%	6.2%	6.4%	6.7%	6.8%

	2016	2015	2014	2013	2012
Other					
Occupancy rate average	89%	85%	91%	90%	87%
Occupancy rate year-end	90%	87%	88%	92%	84%
Net/gross rental income	82%	76%	84%	81%	80%
Gross initial yield year-end	9.4%	10.5%	10.9%	10.3%	10.1%
Average number of outstanding shares (x mln)	173.6	206.4	220.2	214.8	207.8
Number of outstanding shares, year-end (x mln)	164.3	201.8	220.3	220.4	207.8
Total investment result per share (€ x 1)	0.080	0.051	0.032	0.033	0.002
Net asset value per share, year-end (€ x 1)	0.860	0.822	0.823	0.857	0.892

Industrial Sector Balance Sheet

(amounts x €1,000)

	Notes to the Financial Statements	31 Dec. 2016	31 Dec. 2015
Assets			
Investments			
Real estate	1	132,749	163,247
Other fixed assets			
Lease incentives		176	398
Other		45	32
		221	430
Current assets			
Accounts receivable		144	263
Other receivables		707	452
Liquidities		10,204	5,886
		11,055	6,601
Total assets		144,025	170,278
Equity plus liabilities			
Equity			
Share capital	9	82,139	100,881
Paid-in surplus	10	100,023	112,581
Revaluation reserve	11	18,076	18,176
General reserve	12	-59,018	-65,740
		141,220	165,898
Current liabilities			
Creditors and other liabilities		2,805	4,380
Total equity plus liabilities		144,025	170,278

›› Industrial Sector Profit and loss account

(amounts x €1,000)

	Notes to the Financial Statements	2016	2015
Theoretical gross rental income	17	13,251	17,400
Vacancy	17	-1,373	-2,683
Other	17	-277	-268
Revenues from service charges	18	272	772
Service charges	18	-596	-1,043
Operating expenses	19	-1,832	-3,154
Net rental income		9,445	11,024
Valuation results	20, 21	4,076	-760
Result on disposals	22	577	793
		4,653	33
Management costs	23	-535	-600
Other income	24	-	75
Net operating result		13,563	10,532
Interest income and expenses		-	-
Net result		13,563	10,532
Direct investment income	25	8,910	10,424
Indirect investment income	26	4,653	108
Total investment income		13,563	10,532

Notes to 2016 results

Highlights 2016

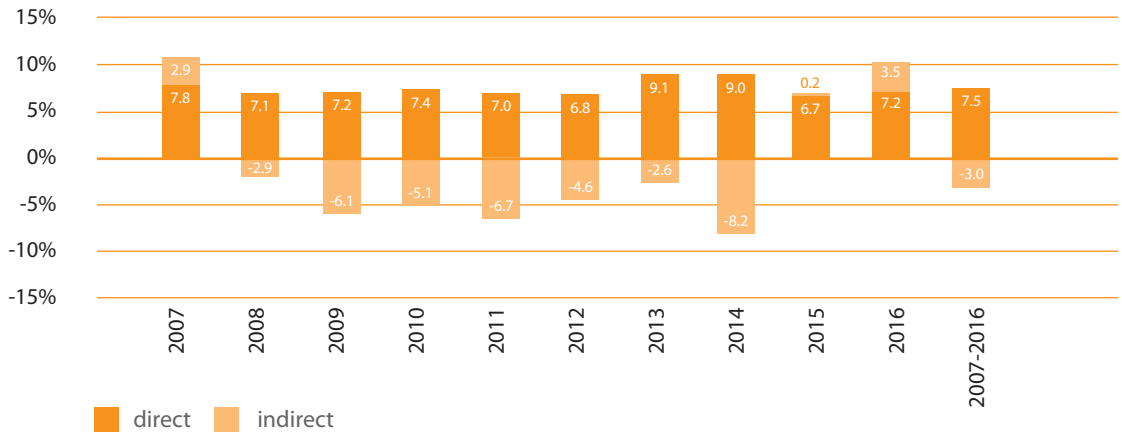
- Positive fund return of 9.8%
- Higher average occupancy rate of 89%
- A total of €3.0 million in annual rent was signed worth of leases
- Seven properties sold in February 2016
- €3 million of new entries and €34 million in exits

more favourable fund return due to value increases/upgrades

Returns

Fund return of 9.8% for 2016 is 3.5 percentage points above the 2015 level of 6.3% due to both a higher income return (+0.5 percentage point) and capital growth (+3.3 percentage points). Capital growth was boosted by lease renewals and new leases, while income return benefited from an average occupancy rate which was 3 percentage points higher than in 2015, and from relatively low operating expenses.
The effect on fund return of non-invested cash and cash equivalents was -0.6 percentage point.

10-year portfolio return



Stable average income return of 7.5%. Greater volatility in capital growth, with a value increase in 2016.
Over a 10-year average: -3.0% revaluation.

We believe the benchmark for industrial premises is of limited significance due to the limited size of this index and due to the impact of two new dominant participants with large deviating portfolios. For this reason, we ended our participation in this index at the end of 2015. Since we were subject to a notice period of one year, we supplied the data for 2016 to IPD.
The dividend return is lower on a one-time basis because the dividend for the fourth quarter is no longer distributed in December but in January effective 2016.

Direct investment income

We closed the year 2016 with a total investment income of €13.6 million, an increase of €3.1 million, due to more favourable indirect investment income (+ €4.5 million). The direct investment income also increased, but fell by €1.5 million due to the sale of seven properties in early 2016.

Changes in direct investment income	in €x mln	Effect
Direct investment income 2015	10.4	
Sale of seven properties in 2016	-2.1	-20.6%
Lower rental losses	+1.0	+9.5%
Lower operating expenses	+0.3	+2.7%
Lease incentives in 2015	-0.4	-4.2%
Other effects, on balance	-0.3	-1.9%
Direct investment income 2016	8.9	-14.5%

The average occupancy rate increased from 85% to 89%. The gross-net process increased from 76% to 82% due to lower operating expenses.

Indirect investment income

Indirect investment income increased sharply in 2016, to €4.6 million. The renewal of a lease in Venlo resulted in 2016 to an increase in value of €2.5 million, while new leases in Venray and Amsterdam and a renewal in Breda also contributed to the result.

The sale of seven properties in February 2016 resulted in a profit on disposals of €0.6 million (in 2016, six properties with a profit of €0.8 million). The table below shows the spread of the value changes for the properties which were in operation year-round.

Changes in value standing portfolio	Change in value in % versus year-end 2015	Number of properties	Change in value 2016 in €x mln	Change in value 2015 in €x mln
<-10%	-	-	-	-1.6
Between -10% and -5%	-7.1%	3	-1.3	-0.7
Between -5% and 0%	-0.2%	1	-0.1	-1.2
Between 0% and 5%	2.5%	3	0.6	0.0
>5%	14.2%	4	4.8	3.1
Total	3.1%	11	4.0	-0.4

The properties which changed appraisers showed an increase in value of 4.6% in 2016 (2015: 0.6%).

Trends in rents and operating expenses

Movements in theoretical rental income from the balance at the start and the end of the year is shown below.

Theoretical current rental level developments	2016	2015
Indexation	0.2%	0.4%
Rent adjustment (excluding indexation)	-2.0%	-2.3%
Portfolio transactions	-25.7%	-8.0%
Transactions throughout the year	-27.5%	9.9%

Due to the changed composition of the portfolio for industrial properties, average contract rent fell in 2016 from €55 to €52 per square metre, and for office space this increased from €92 to €94 per square metre.

A total of €3.0 million in annual rent was signed worth of leases in 2016, including €1.0 million for previously vacant properties (including a new tenant in Venray for an amount of €0.6 million).

Rental transactions	2016	2015
Number of leases and renewals signed	15	22
Number of m^2	68,821 m^2	37,297 m^2
New annual rent	€3.0 mln	€2.3 mln
From previously vacant properties	€1.0 mln	€0.9 mln
Future cash flow of leases signed	€7.9 mln	€6.0 mln
New rent versus market rent according to external appraiser	-2.2%	+1.7%

The occupancy rate at year-end 2016 was 90% (2015: 87%).

The rental arrears of more than 90 days fell from 1.0% at year-end 2015 to 0.5% at year-end 2016.

Operating expenses (including service charges for vacant properties) fell by 3 percentage points in 2016 versus the theoretical rental income as a result of lower maintenance expenses.

Operating expenses	2016	2015
Maintenance expenses	7%	10%
Fixed expenses	4%	4%
Management expenses	1%	1%
Other	4%	2%
Total	16%	19%

Portfolio transactions and other notes

In February 2016, seven properties were sold to a single party for a total of €34.9 million, after deduction of expenses. These properties were located in Amersfoort, Breda, Delfgauw, Dordrecht, Duiven, Hoofddorp and Schiedam. Liquid assets were used for the acquisition of shares in the total amount of €33.8 million. In addition, an office in Nieuwegein, located adjacent to the logistics space rented by Sligro, was demolished and subsequently sold in conjunction with the buyer.

The number of shareholders at year-end 2016 had remained unchanged at eleven.

Outlook for 2017

Average occupancy rate	90%
Gross-net process	77%
Income return	6.5-7.0%
Capital growth	0.0-1.0%
Fund return	6-7%

The estimated occupancy rate for 2017 is 90%. The income return for 2017 is estimated at 6.5-7.0%. Capital growth of 0.0-1.0% is expected for 2017. Fund return for 2017 may then reach 6-7%.

›› Industrial portfolio year-end 2016

City	Address	Year of construction /renovation	Tenants
Light industrials			
Amsterdam	Maroastraat	2012	Blue Water, OWA, Curvature, a.o.
Best	Hallenweg 1-16	1976	VDL (until 31 Dec.), Nestinox, a.o.
Bleiswijk	Spectrumlaan 35-51/Kwartsweg 34-50	2009	Didden's, Tider Import, Cublend, a.o.
Lijnden	Milaanstraat 10-24	2008	Jansen Huybregts, Eco Services, a.o.
Son en Breugel	Ekkersrijt 4104-4138	2000	Mainteq, Nefab, Prodrive
Logistics			
Breda	Distripark IABC 5253-5256	2004	Pantos, Ikea
Nieuwegein	Celsiusbaan 1	1988	Sligro
Rotterdam *	Nieuwesluisweg 192	1999	Handelsveem
Utrecht	Atoomweg 60	Various	Hema
Venlo	Columbusweg 14	2008	Tommy Hilfiger
Venray	Spurkterweg 81	2004	Haba Trading
Total			

*** Leasehold (not perpetual)
Net lettable space = number of m² lettable space according to NEN 2580

Number of tenants	Net lettable space in m²	Occupancy rate level in €x mln	Theoretical rental	Parking spaces
8	16,462	68%	1.1	260
5	14,494	100%	0.6	15
10	18,832	73%	1.2	104
7	4,388	89%	0.4	76
3	21,356	73%	1.2	200
33	**75,532**	**77%**	**4.6**	**655**
2	20,120	93%	1.1	63
1	9,964	100%	0.5	142
1	10,300	100%	0.6	50
1	68,109	100%	4.2	256
1	18,202	100%	0.8	66
1	19,438	89%	0.7	120
7	**146,133**	**98%**	**7.9**	**697**
40	**221,665**	**90%**	**12.5**	**1,352**

›› Financial Statements 2016

Balance Sheet

(amounts x €1,000)

	Notes	31 Dec. 2016	31 Dec. 2015
Assets			
Investments			
Real estate	1	1,719,627	1,796,129
Subsidiary	2	42,844	43,701
Other investments	3	2,032	2,081
		1,764,503	1,841,911
Other fixed assets			
Tangible fixed assets	4	549	343
Lease incentives	5	176	4,108
		725	4,451
Total fixed assets		1,765,228	1,846,362
Current assets			
Accounts receivable	6	1,892	1,961
Other receivables	7	5,342	3,127
Liquidities	8	99,702	56,468
Total current assets		106,936	61,556
Total assets		1,872,164	1,907,918
Equity plus liabilities			
Equity			
Share capital	9	781,088	891,538
Paid-in surplus	10	981,964	1,048,836
Revaluation reserve	11	178,289	109,979
General reserve	12	-106,426	-197,457
	13	1,834,915	1,852,896
Provisions			
Other provisions	14	11,000	11,000
		11,000	11,000
Current liabilities			
Shareholder loan	15	-	15,000
Creditors and other liabilities	16	26,249	29,022
		26,249	44,022
Total equity plus liabilities		1,872,164	1,907,918

Profit and loss account

(amounts x €1,000)

	Notes	2016	2015
Gross rental income	17	105,705	121,108
Revenues from service charges	18	6,040	9,425
Operating expenses	19	-19,303	-22,717
Service charges	18	-7,084	-11,363
Net rental income		85,358	96,453
Positive valuation results	20	95,436	74,517
Negative valuation results	21	-23,774	-39,599
Result on disposals	22	-6,155	1,002
		65,507	35,920
Result subsidiary	2	565	-549
Management costs	23	-6,635	-6,215
Other income	24	793	1,154
Net operating result		145,588	126,763
Interest income and expenses		-33	-667
Net result		145,555	126,096
Direct investment income	25	80,717	91,954
Indirect investment income	26	64,838	34,142
Total investment income		145,555	126,096

Statement of Comprehensive Income

(amounts x €1,000)

	2016	2015
Realised result	145,555	126,096
Other comprehensive income	-	-
	145,555	126,096

Consolidated Statement of Changes in Equity

(amounts x €1,000)	Issued share capital	Paid-in surplus	Revaluation reserve	General reserve	Total
Balance as at 1 January 2016	891,538	1,048,836	109,979	-197,457	1,852,896
Direct investment income	-	-	-	80,717	80,717
Indirect investment income	-	-	64,212	626	64,838
Total comprehensive income	-	-	64,212	81,343	145,555
Issued shares	78,265	112,695	-	-	190,960
Own shares purchased	-188,715	-104,031	-	-	-292,746
Shares withdrawn	-	-75,536	-	75,536	-
Dividend distributed	-	-	-	-61,749	-61,749
Total capital transactions with shareholders	-110,450	-66,872	-	13,787	-163,535
Negative revaluations from general reserve	-	-	-121,812	121,812	-
Realised revaluations to general reserve	-	-	125,910	-125,910	-
Total other changes in equity	-	-	4,098	-4,098	-
Balance as at 31 December 2016	781,088	981,964	178,289	-106,426	1,834,915

Consolidated Statement of Changes in Equity

(amounts x €1,000)	Issued share capital	Paid-in surplus	Revaluation reserve	General reserve	Total
Balance as at 1 January 2015	852,364	991,244	70,795	-192,824	1,721,579
Direct investment income	-	-	-	91,954	91,954
Indirect investment income	-	-	33,156	986	34,142
Total	-	-	33,156	92,940	126,096
Issued shares	88,415	120,085	-	-	208,500
Own shares purchased	-49,242	-62,493	-	-	-111,735
Dividend distributed	-	-	-	-91,545	-91,545
Total capital transactions with shareholders	39,173	57,592	-	-91,545	5,220
Negative revaluations from general reserve	-	-	783	-783	-
Realised revaluations to general reserve	-	-	5,245	-5,245	-
Total other changes in equity	-	-	6,028	-6,028	-
Balance as at 31 December 2015	891,538	1,048,836	109,979	-197,457	1,852,896

Cash Flow Statement

(amounts x €1,000)	2016	2015
Cash Flow from Operating Activities		
Net result	145,555	126,096
Less: indirect investment income	64,838	34,142
Direct investment income	80,717	91,954
Less: interest expenses	57	667
	80,774	92,621
Change in retained earnings subsidiary	112	-60
Capitalisation and amortisation of lease incentives	329	-245
Depreciation of tangible fixed assets	125	62
Increase and decrease in accounts receivable	-2,145	5,805
Decrease in creditors and other liabilities and provisions	-2,773	-3,128
	76,422	95,055
Cash Flow from Investment Activities		
Investments in investment vehicles (incl. subsidiary)	-124,592	-85,809
Divestment of investments (incl. subsidiary)	269,701	15,455
Investments in tangible fixed assets	-331	-94
	144,778	-70,448
Cash Flow from Financing Activities		
Redemption of shareholder loan	-15,000	-30,000
Interest expenses	-57	-667
Dividend	-61,749	-91,545
Share issues	190,960	208,500
Own shares purchased	-292,746	-111,735
Compensation received from new shareholders entered	626	986
	-177,966	-24,461
Net cash flow	43,234	146
Balance of liquidities as at 1 January	56,468	56,322
Balance of liquidities as at 31 December	99,702	56,468
Increase in liquidities	43,234	146

Notes to the Financial Statements

General information

Altera Vastgoed N.V. was established on 31 December 1999. The company's articles of association were most recently amended on 10 December 2015. It has its registered office in Amstelveen, the Netherlands.

Altera Vastgoed is a sectoral property investment fund that enables shareholders to purchase a stake in the sectors and industries of their choice by purchasing letter shares.
For this reason, the balance sheet and profit and loss account break down into the four sectors identified:
Residential, Retail, Offices and Industrial. The shares in the Offices sector were purchased by the company effective 31 March 2016, followed by withdrawal on 15 November 2016.

IRFS

Altera Vastgoed applies the International Financial Reporting Standards as adopted by the European Union as accounting principles. The breakdown of the balance sheet and profit and loss account complies with recommendations made by industry associations as much as possible.

A number of new standards, amendments to standards and interpretations had not yet come into effect in 2016 and is therefore not yet applied by the company.

IFRS standard	Outline	Date of implementation by Altera Vastgoed
IRFS 15: Revenue recognition	Further regulations regarding separate accountability for the services identified (and contract elements) to buyers	Financial Statements 2017
IRFS 16: Leases	All rental obligations must be included in the balance sheet; for the Altera Vastgoed financial statements, this is relevant to the liability for company cars and the office	Financial Statements 2019

Accounting policies for the valuation of assets and liabilities

General
Assets and liabilities are stated at face value, unless otherwise stated in the Notes.

Property
Investments in property are stated at fair value, i.e. the market value less purchasing expenses. The purchasing expenses capitalised on purchase are deducted from the indirect investment income during the quarter in which they were first valued. Property is not depreciated. Every quarter all properties are valued by external appraisers. The market value is hereby defined as the value on an arm's-length transaction in a rented state; for residential properties this concerns the sale of a complex to a third party, if this value is higher than the value in the event of continued operation. Valuations are performed in accordance with the applicable appraisal standards of the International Valuation Standards Council (IVS) and the Regulations for Business Property (plus Addendum for Corporate Property) of the Netherlands Register of Real Estate Valuers (Nederlands Register Vastgoed Taxateurs - NRVT). The appraisers employ the discounted cash flow (DCF) methods, and the gross or net initial yield. Projects in the pipeline (including redevelopments) are also included at their actual value. Pipeline projects for which the legal ownership is obtained on account of the delivery of the land (or economic ownership on issue of the ground lease) are valued by an external appraiser. Other pipeline projects and projects for which a turnkey agreement has been signed are valued within the company. Lease incentives are deducted from the market value and presented as a separate item.

In determining the fair value of the investments, the company uses property market observables as much as possible. IFRS 13 recognises three levels for the application of fair value:
• Level 1: valuation based on market prices listed in active markets
• Level 2: valuation based on (external) observable information
• Level 3: valuation fully or partly based on non (external) observable information
The valuation of direct property generally does not qualify for the first two levels, on account of restrictions in the homogeneity of the properties in conjunction with a limited number of investment transactions. The company has qualified the valuation of property investments as level 3.

Subsidiary
The investment holding in B.V. Beleggingsmaatschappij Stadscentrum Zoetermeer is recognised in accordance with the equity method. This investment holding consists mainly of property valued at market value.

Other investments
The other investments concern loans provided and hedged by property. If these loans are held until maturity, they are valued at amortised cost. If the loans are not held until maturity, they are valued at market value, calculated based on the discounted cash flow method.

Tangible fixed assets
Tangible fixed assets are valued at cost, less depreciation based on useful life. Costs of furnishings and fittings are depreciated over a 7-year period; hardware is depreciated over a 3-year period and software over a 3-year or 5-year period.

Loans
Loans are held until maturity and are therefore valued at amortised cost.

Lease incentives
Incentives provided to tenants are capitalised during the period when the tenant receives the incentive. Next, the lease incentive is amortised for the period of the relevant lease and deducted from the fair value determined by the external appraisers.

Accounts receivable and other receivables
These assets are valued at amortised cost, less a bad-debt provision.

Revaluation reserve
If the market value of a property is higher than the historical cost, including investments, a revaluation reserve is accounted for.

Other provisions
If the contractually agreed purchase price of turnkey pipeline projects is higher than the fair value at the balance sheet date, a provision is included to cover this difference. If this purchase price is lower than the fair value, the difference is accounted for in the 'Investments' item.

Accounting policies for determining the result

General
Income is accounted for after the service has been provided; expenditure is allocated to the year to which it relates.

Gross rental income
Gross rental income concerns the rents charged to the tenants during the year under review, excluding value-added tax and service charges.

Service charges
Service charges are divided into the service charges imposed on tenants and costs charged to the service cost accounts in relation to these tenants. The balance concerns the service charges for vacant properties charged to the owner.

Operating expenses
Operating expenses are expenses which can be allocated directly to the properties. These expenses are subdivided into maintenance, fixed expenses (including property tax, other charges, leasehold and insurance), management expenses and other expenses (including rental charges, additions and withdrawals to the bad-debt provision).

Valuation results
The valuation results concern unrealised value changes in real estate and other investments. These valuation results arise from the external appraisals (see the accounting policy for property) and are broken down into positive and negative revaluations. Valuation results are recognised in the profit and loss account.

Result on disposals
The result on disposals concerns the realised changes in value, i.e. the difference between the sales proceeds less selling expenses and the most recent carrying amount (book value; the most recent market value determined by an external appraiser).

Management costs
Management costs cannot, by their nature, be allocated directly to the portfolio. In the profit and loss account, these costs are allocated to the sectors based on the average value of the sector portfolios (including funds to be reinvested). This includes personnel expenses, consultancy fees, supervisory, monitoring and valuation costs, along with office expenses (including depreciation on tangible fixed assets).

Other income
'Other income' concerns income which is not included in any other category. This includes, among other things, a fee of 1.5% to be taken to the result (for Residential, this is 0.5%) which shareholders who contribute cash (liquidities) on entry are required to pay as compensation for transfer tax, which is payable on the purchase of existing properties.

Tax on profit
Altera Vastgoed complies with the requirements imposed by article 28 of the Corporation Tax Act 1969 on fiscal investment institutions with an obligation to distribute profits. For this reason, no current or future corporation tax is payable.

Accounting policies for the cash flow statement

The indirect method is used for the purpose of the cash flow statement. For this purpose, the direct investment income is chosen for the cash flow from operational activities, which is subsequently adjusted for costs which do not qualify as expenditure and revenues that do not qualify as income, along with changes in current assets and liabilities.

Other notes

Accounting estimates and opinions

Investments are valued by external appraisers; see the accounting policies for property. The value of the investments totalled €1.8 billion at year-end 2016. It is inherent to the valuation process that the values determined in this way may vary from the value to be realised in transactions with willing buyers; this applies in particular to periods characterised by limited liquidity in the market. Note that positive and negative deviations can balance each other out at the portfolio level.
Valuation is particularly sensitive to changes in the returns and market rent used.
In the valuation of other balance sheet items, the relative importance of estimates is limited. The bad-debt provision for accounts receivable is determined on an item-for-item basis in accordance with the static method.

Financial instruments

The size of financial instruments in the financial statements is limited and comprises only non-derivative financial assets (i.e. other investments, accounts receivable, other receivables and liquidities) and non-derivative financial liabilities (debts to shareholders and creditors and other liabilities). With the exception of the other investments, all financial instruments are valued at amortised cost. The other investments are valued from the start at fair value through the profit and loss account.

Financial instruments are summarised by category in the table below, with the book values (carrying amounts) assessed against the fair value of the instrument.

	Notes	Fair value level	Carrying amount year-end 2016	Fair value year-end 2016	Carrying amount year-end 2015	Fair value year-end 2015
Financial assets stated at fair value through the profit and loss account						
Subsidiaries	2	3	42,844	42,844	43,701	43,701
Other investments	3	3	2,032	2,032	2,081	2,081
Accounts receivable and other receivables						
Accounts receivable	6	2	1,892	1,892	1,961	1,961
Other receivables	7	2	5,342	5,342	3,127	3,127
Liquidities	8	1	99,702	99,702	56,468	56,468
Financial liabilities valued at amortised cost						
Shareholder loan	15	2	-	-	15,000	15,000
Creditors and other liabilities	16	2	26,249	26,249	29,022	29,022

The fair value level, as stated for the other investments, is detailed under the accounting policies for the property investments.

Financial risks

Since Altera Vastgoed is funded with loan capital only to a limited extent and only temporarily (if at all), it is not exposed to interest rate risk or refinancing risk. Liquidity risk as a result of bad debt is managed by applying strict rules for debtor monitoring and the assessment of creditworthiness (i.e. credit checks) on the signing of leases and the acquisition of properties. The risk of investor exits is limited to 20% per year per sector portfolio. The pipeline, along with the portfolio in operation, is subject to market risk.
External conditions, including market trends and changes in rent, affect the company's results.
The effect of the transactions below on the annual result and equity is shown below (with the effect compared to the equity at year-end 2016 written in parentheses):

	Deviation	Residential	Retail	Industrial
Direct investment income				
- Gross rental income	10%	€4.0 mln (0.4%)	€5.2 mln (0.7%)	€1.2 mln (0.8%)
- Occupancy rate	10%	€4.3 mln (0.4%)	€5.6 mln (0.8%)	€1.3 mln (0.9%)
- Operating expenses	10%	€0.9 mln (0.1%)	€0.8 mln (0.1%)	€0.2 mln (0.1%)
Indirect investment income				
- Theoretical rent and market rent	1%	€8.0 mln (0.8%)	€7.3 mln (1.0%)	€1.3 mln (0.9%)
- Gross initial yield	0.1%pt	€14.7 mln (1.5%)	€10.1 mln (1.4%)	€1.4 mln (1.0%)

The effect of rent expiries in Retail and Industrial, based on the sector portfolios and tenant bases at year-end 2016, notwithstanding the risk of bankruptcy, is shown below.

Movements in rental expirations	**< 1 year 2017**	**2-5 years 2018-2021**	**> 5 years ≥ 2022**
Retail in €x mln	2.8	26.4	22.8
Same in % of contract rent at year-end 2016	5%	51%	44%
Industrial in €x mln	1.0	5.2	5.1
Same in % of contract rent at year-end 2016	9%	46%	45%

Based on available references and other sources, the external appraisers use object-specific assumptions for key value-determining factors such as the reletting time, market rent, and yields. These assumptions have been assessed by the company for consistency and reasonableness.

The main determining factor for the appraisal value is the yield applied. In determining the yield, the external appraiser uses investment references as a basis. The substantiation of the valuations depends on the availability and quality of these references. Due to the limited number of investment transactions, the number of references is accordingly lower than during periods characterised by a large number of transactions. In this case, it also becomes more difficult to compare the property to be valued with these references when it comes to the quality of the location, the property, and the rental situation.
This affects the reliability of the appraisal values. Deviations of the appraisal value versus the price at which a transaction might be conducted are 5% maximum in a relatively liquid market.
Below is a representation of the distribution of the gross initial yield (theoretical rental income divided by the appraisal value plus costs) by sector for Altera Vastgoed.

	Residential		**Retail**		**Industrial**	
Distribution of gross initial yield by portfolio value	Highest	Lowest	Highest	Lowest	Highest	Lowest
Gross initial yield for 10% portfolio value with highest gross initial yield	14.9%	6.4%	3.3%	8.5%	25.1%	12.7%
Same for next 15% portfolio value	6.4%	6.0%	8.4%	8.2%	12.1%	10.5%
Same for next 25%	6.0%	5.5%	8.2%	7.7%	10.2%	8.2%
Same for next 25%	5.5%	4.8%	7.7%	7.3%	7.8%	7.8%
Same for next 15%	4.7%	4.2%	7.3%	7.2%	7.8%	7.8%
Same for last 10%	3.9%	3.5%	7.2%	5.0%	6.9%	6.9%
Average gross initial yield		5.4%		7.7%		9.4%

›› Notes to the Balance Sheet

(amounts x €1,000, unless stated otherwise)

1. Real estate

Changes	Residential		Payments pipeline Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Balance as at 1 Jan.	674,006	562,442	35,720	24,795	732,105	745,360	191,051	181,142	163,247	176,065	1,796,129	1,689,804
Acquisitions	18,366	23,355	89,072	51,744	4,460	-	-	-	-	-	111,898	75,099
Additional investments	4,949	1,454	-	-	6,989	7,027	126	1,956	80	273	12,144	10,710
Reclassification	37,677	42,719	-37,677	-42,719	-	-	-	-	-	-	-	-
Sales	-7,327	-1,420	-	-	-36,282	-911	-190,765	-	-35,327	-13,124	-269,701	-15,455
Revaluations	70,982	45,456	12,438	1,900	-18,600	-19,371	-4,121	7,889	4,527	341	65,226	36,215
Lease incentives	-	-	-	-	-	-	3,709	64	222	-308	3,931	-244
Balance as at 31 Dec.	798,653	674,006	99,553	35,720	688,672	732,105	-	191,051	132,749	163,247	1,719,627	1,796,129

The properties have been valued by Colliers, DTZ Zadelhoff, Jones Lang LaSalle, CBRE, MVGM and Cushman & Wakefield.

	Residential		Retail		Offices		Industrial	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Appraisal value (excl. pipeline)	798,653	674,006	688,672	732,105	-	194,760	132,925	163,645
Less: lease incentives	-	-	-	-	-	-3,709	-176	-398
	798,653	674,006	688,672	732,105	-	191,051	132,749	163,247

Under IFRS 13, the company classifies the valuations of the property investments as level 3: valuation fully or partly based on non (external) observable information.
In addition to input of a factual nature (contract rent, remaining rental period, square footage), external appraisers use estimates which they base on references in the property market. The main market variables, differentiated by rental market and investment market, include:
• Rental market: market rent, estimated vacancy period, and, specific to residential properties, tenant movements
• Investment market: initial yields for gross initial yield/net initial yield valuations and discount rate and exit yield for DCF valuations

The average gross initial yield (i.e. theoretical rent as a percentage of the appraisal value, plus costs) by sector is shown below.

Gross initial yield	31 Dec. 2016	31 Dec. 2015
Residential	5.4%	5.9%
Retail	7.7%	7.9%
Offices	-	11.7%
Industrial	9.4%	10.5%

The spread of gross initial yields at year-end is detailed on page 110 of the Financial Statements.

The contract rent versus the market rent by sector is shown below.

Contract rent versus market rent	31 Dec. 2016	31 Dec. 2015
Retail	+5%	+5%
Offices	-	+8%
Industrial	+6%	+8%

The rental and property details of a factual nature are detailed in the sector reports contained elsewhere in the annual report.

2. Subsidiary

Changes	2016	2015
Balance as at 1 January	43,701	46,405
Investment	550	-
Result subsidiaries	565	-549
Dividend distributed	-1,972	-2,155
Balance as at 31 December	42,844	43,701

Altera Vastgoed N.V. has a 50% interest in B.V. Beleggingsmaatschappij Stadscentrum Zoetermeer. The figures for this joint venture on a 100% basis are shown below (in € x mln).

Joint venture (100%)	2016	2015
Investments	85.1	87.4
Other assets	1.6	1.2
	86.7	88.6
Current liabilities	1.0	1.2
Net rental income	3.7	4.4
Indirect investment income	-2.6	-5.5
Total income	1.1	-1.1

3. Other investments

The other investments concern a loan provided and hedged by property with a term that expires no later than 2018/2019, unless the debtors redeem the loan at an earlier date. On redemption of the loan in 2018/2019, the principal is €1.9 million. The interest rate is 5.0%.

Changes	2016	2015
Balance as at 1 January	2,081	2,130
Revaluation	-49	-49
Balance as at 31 December	2,032	2,081

4. Tangible fixed assets

Changes	2016	2015
Balance as at 1 January	343	311
Investments	331	94
Depreciation	-125	-62
Balance as at 31 December	549	343

Breakdown at year-end	2016	2015
Cumulative investments	1,949	1,618
Cumulative depreciation	-1,400	-1,275
Total	549	343

Depreciation of furnishing and fitting costs occurs over a 7-year period. Hardware is depreciated over a 3-year period; software is depreciated over a 3-year or 5-year period.

5. Lease incentives

The average remaining term of the lease incentives is 3.5 years (year-end 2015: 4.7 years). Of these incentives, €0.1 million has a term of more than one year (year-end 2015: €3.8 million).

6. Accounts receivable

A provision of €1.1 million (2015: €1.1 million) has been deducted from the rents receivable at year-end 2016.
The accounts receivable (after deduction of the provision for impairment losses) are specified as follows:

	31 Dec. 2016	31 Dec. 2015
Outstanding less than 90 days	1,567	1,231
Outstanding more than 90 days	325	730
Total	1,892	1,961

7. Other receivables

The other receivables have a term of less than one year.

8. Liquidities

Liquid assets are freely available to the company, with the exception of an amount of €820,000, which is designated as capital requirement pursuant to the AIFMD regulations, bank balances of service charge accounts (year-end 2016: €1.0 million; year-end 2015: €2.1 million) and funds held in client accounts at notarial firms (year-end 2016: €19.6 million; year-end 2015: nil).

9. Authorised and issued share capital

The authorised share capital consists of 4.0 billion shares with a nominal value of €0.50 each. The distribution of the authorised capital among the letter shares (sectors) since the amendment of the articles of association on 10 December 2015 is shown below.

Authorised capital	Residential	Retail	Offices	Industrial	Total
Balance as at 1 January 2015	550,000	550,000	700,000	200,000	2,000,000
Changes 2015	500,000	-	-500,000	-	-
Balance as at 31 December 2015	1,050,000	550,000	200,000	200,000	2,000,000
Changes 2016	-	-	-	-	-
Balance as at 31 December 2016	1,050,000	550,000	200,000	200,000	2,000,000

Issued capital	Residential 2016	Residential 2015	Retail 2016	Retail 2015	Offices 2016	Offices 2015	Industrial 2016	Industrial 2015	Total 2016	Total 2015
Balance as at 1 Jan.	306,393	275,883	352,320	334,397	131,943	131,943	100,881	110,141	891,538	852,364
New entries	52,545	70,492	24,224	17,923	-	-	1,497	-	78,266	88,415
Purchased	-	-39,982	-36,533	-	-131,943	--	-20,239	-9,260	-188,715	-49,242
Balance as at 31 Dec.	358,938	306,393	340,011	352,320	-	131,943	82,139	100,881	781,088	891,538

New entries, letter changes, and exits occur at net asset value (NAV). On the issue of new shares in the various sectors, shareholders are liable to pay a fee of 1.5% to the company to cover transfer tax when entering with cash (liquidities), 3% when entering with property, and 0% when entering with property in situations where no transfer tax is payable; for the Residential sector, this is 0.5%, 1% and 0%, respectively.

Share issues	Residential 2016	Residential 2015	Retail 2016	Retail 2015	Industrial 2016	Industrial 2015
Nominal share capital	52,545	70,492	24,224	17,923	1,497	-
Lowest price (in € x 1)	1.248	1.153	1.060	1.088	0.835	-
Highest price (in € x 1)	1.355	1.215	1.083	1.088	0.835	-
Average price (in € x 1)	1.303	1.202	1.063	1.088	0.835	-

Transactions in own shares - nominal value

	Residential 2016	Residential 2015	Retail 2016	Retail 2015	Offices 2016	Offices 2015	Industrial 2016	Industrial 2015	Total 2016	Total 2015
Balance as at 1 Jan.	-	-	-	-	23,986	23,986	9,387	127	33,373	24,113
Purchased by company	-	39,982	13,463	-	131,943	-	18,743	9,260	164,149	49,242
Withdrawal of shares	-	-	-	-	-155,929	-	-	-	-155,929	-
Reissued	-	-39,982	-	-	-	-	-	-	-	-39,982
Balance as at 31 Dec.	-	-	13,463	-	-	23,986	28,130	9,387	41,593	33,373

10. Paid-in surplus

Changes	Residential 2016	Residential 2015	Retail 2016	Retail 2015	Offices 2016	Offices 2015	Industrial 2016	Industrial 2015	Total 2016	Total 2015
Balance as at 1 Jan.	381,128	338,409	430,377	409,300	124,750	124,750	112,581	118,785	1,048,836	991,244
New entries	84,416	99,008	27,276	21,077	-	-	1,003	-	112,695	120,085
Purchased	-	-56,289	-41,256	-	-49,214	-	-13,561	-6,204	-104,031	-62,493
Withdrawal of shares	-	-	-	-	-75,536	-	-	-	-75,536	-
Balance as at 31 Dec.	465,544	381,128	416,397	430,377	-	124,750	100,023	112,581	981,964	1,048,836

11. Revaluation reserve

Changes	Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Balance as at 1 January	45,361	15,595	46,442	36,626	-	-	18,176	18,574	109,979	70,795
Negative revaluation from general reserve	-38,849	-56,492	-81,682	-50,261	-75,492	-83,445	-64,348	-69,390	-260,371	-259,588
Balance as at 1 Jan. incl. neg. revaluations	6,512	-40,897	-35,240	-13,635	-75,492	-83,445	-46,172	-50,816	-150,392	-188,793
Revaluations financial year	83,650	47,361	-20,176	-22,191	-3,916	7,953	4,653	33	64,211	33,156
Result on disposals versus acquisition price	-162	48	18,945	586	79,408	-	27,720	4,610	125,911	5,244
Balance as at 31 Dec., incl. neg. revaluations	90,000	6,512	-36,471	-35,240	-	-75,492	-13,799	-46,172	39,730	-150,392
Negative revaluation from general reserve	24,310	38,849	82,374	81,682	-	75,492	31,875	64,348	138,559	260,371
Balance as at 31 Dec.	114,310	45,361	45,903	46,442	-	-	18,076	18,176	178,289	109,979

12. General reserve

Changes	Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Balance as at 1 Jan.	11,385	-6,514	-71,798	-40,685	-71,303	-79,337	-65,740	-66,288	-197,457	-192,824
Direct investment income	28,218	24,947	42,690	44,792	899	11,792	8,910	10,424	80,717	91,955
Transfer from revaluation reserve	14,539	17,644	-693	-31,421	-	7,953	32,472	5,041	46,318	-783
Proceeds from sales	162	-49	-18,944	-586	-3,917	-	-27,720	-4,610	-50,419	-5,245
Withdrawal of shares	-	-	-	-	75,536	-	-	-	75,536	-
Release of compensation transfer tax	626	191	-	720	-	-	-	75	626	986
Interim dividend distributed	-20,020	-24,261	-31,644	-43,549	-899	-11,475	-6,711	-10,195	-59,274	-89,480
Final dividend distributed	-686	-573	-1,243	-1,069	-316	-236	-229	-187	-2,474	-2,065
Balance as at 31 Dec.	34,224	11,385	-81,632	-71,798	-	71,303	-59,018	-65,740	-106,426	-197,457

Pursuant to Part 9, Book 2 of the Netherlands Civil Code, the company is required to create a revaluation reserve for value increases for the separate assets where the balancing of increases and decreases in value is not permitted. Downgrades (i.e. decreases in value) as a result of a lower market value compared with historical cost must be charged against the general reserve. It is partly for this reason that the general reserve for all sectors is negative. For the distribution of dividend, however, only the sum total of the general reserve and the paid-in surplus for the sectors combined is relevant.

Dividend per share (in € x 1)	Residential		Retail		Offices		Industrial	
	2016	2015	2016	2015	2016	2015	2016	2015
Interim dividend distributed	0.030	0.042	0.045	0.063	0.003	0.043	0.041	0.051
Final dividend	0.001	0.001	0.002	0.002	0.001	0.001	0.001	0.001
Total dividend distributed during financial year	0.031	0.043	0.047	0.065	0.004	0.044	0.042	0.052
Still to be distributed after year-end	0.011	0.001	0.016	0.002	-	0.001	0.013	0.001

Breakdown year-end	Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revaluation realised	65,739	65,577	-21,603	-2,659	-	2,491	-32,109	-4,389	12,027	61,020
Distributed from revaluation realised	-20,000	-20,000	-	-	-	-	-	-	-20,000	-20,000
Negative revaluation	-24,310	-38,849	-82,374	-81,682	-	-75,491	-31,876	-64,348	-138,560	-260,370
Release of compensation transfer tax	4,629	4,003	10,944	10,944	-	1,003	2,844	2,844	18,417	18,794
Dividend to be distributed	8,198	686	11,046	1,243	-	316	2,199	229	21,443	2,474
Other	-32	-32	355	355	-	378	-76	-76	247	625
Total	34,224	11,385	-81,632	-71,798	-	-71,303	-59,018	-65,740	-106,426	-197,457

13. Equity

Composition year-end	Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Share capital	358,938	306,393	340,011	352,320	-	131,943	82,139	100,881	781,088	891,538
Paid-in surplus	465,544	381,128	416,397	430,377	-	124,750	100,023	112,581	981,964	1,048,836
Revaluation reserve	114,310	45,361	45,903	46,442	-	-	18,076	18,176	178,289	109,979
General reserve	34,224	11,385	-81,632	-71,798	-	-71,303	-59,018	-65,740	-106,426	-197,457
Total	973,016	744,267	720,679	757,340	-	185,390	141,220	165,898	1,834,915	1,852,896

14. Other provisions

In 2014, a provision was included for the estimate of the capital commitments payable in connection with a shopping centre completed in 2014. There were no changes in 2015 and 2016. The other party has since filed a lawsuit.

15. Shareholder loan

	31 Dec. 2016	31 Dec. 2015
Loan	-	15,000
	-	15,000

On 1 October 2013, the company entered into a loan with one of the shareholders for the Retail sector in the amount of €45.0 million, of which €30.0 million was repaid on 30 September 2015. The remaining amount of €15.0 million was redeemed on 31 March 2016. With the exception of a pari passu clause, a debt ceiling of 10% at the sector level and the provision that the properties should not be encumbered with a mortgage, no securities are provided. The fair value of this loan is the same as the carrying amount (book value). The interest rate for 2016 was 1.53%.

16. Creditors and other liabilities

	31 Dec. 2016	31 Dec. 2015
Rent received in advance	8,348	12,937
Dividend tax	-	3,498
Payable to former shareholders in Offices sector	3,049	-
Service charge accounts	1,017	2,072
Maintenance expenses	177	604
Property tax and other charges payable	140	254
Managers' current accounts	187	878
Creditors	7,295	3,037
Security deposits	3,305	3,002
Other liabilities and accruals and deferred income	2,731	2,740
Total	26,249	29,022

›› Notes to the profit and loss account

(amounts x €1,000, unless stated otherwise)

17. Gross rental income

	Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Theoretical rent	41,426	37,366	57,218	59,390	2,991	23,389	13,251	17,400	114,886	137,545
Vacancy	-947	-1,162	-4,608	-4,217	-595	-5,680	-1,373	-2,683	-7,523	-13,742
Lease incentive	-106	-151	-944	-1,099	-422	-2,006	-262	-800	-1,734	-4,056
Capitalised lease incentive	-	-	-	-	-	1,218	-	437	-	1,655
Amortised lease incentive	-	-	-	-	-204	-1,282	-125	-129	-329	-1,410
Other	10	76	229	201	56	615	110	223	405	1,115
Total	40,383	36,129	51,895	54,275	1,826	16,254	11,601	14,449	105,705	121,108

The future rent for the Retail and Industrial sectors based on the leases at year-end 2016 is as follows (in € x million):

	Retail	Industrial
2017	49.1	10.3
2018-2021	129.7	25.7
>2022	48.3	0.1
	227.1	36.1

For residential properties, tenants commit for a period of one year and subsequently the lease can be cancelled by the tenant every month.

18. Service charges

	Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Service charges	1,478	1,353	4,002	4,140	1,007	4,827	596	1,043	7,083	11,363
Charged to tenants	-1,416	-1,258	-3,447	-3,779	-904	-3,615	-272	-772	-6,039	-9,425
Net service charges	62	95	555	361	103	1,212	324	271	1,044	1,938

19. Operating expenses

	Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Maintenance expenses	3,599	3,750	1,663	1,495	79	1,479	877	1,761	6,218	8,485
Fixed expenses	1,762	1,433	2,045	1,968	58	517	536	775	4,401	4,693
Maintenance expenses	896	815	1,172	1,238	72	326	140	225	2,280	2,604
Other	3,090	3,132	2,581	3,202	454	208	279	393	6,404	6,935
Total	9,347	9,130	7,461	7,903	663	2,530	1,832	3,154	19,303	22,717

20. Positive valuation results

	Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Changes in value due to appraisals	70,820	47,037	4,842	8,828	-	13,679	5,336	3,073	80,998	72,617
Changes in value due to revaluation pipeline	14,438	1,900	-	-	-	-	-	-	14,438	1,900
Total	85,258	48,937	4,842	8,828	-	13,679	5,336	3,073	95,436	74,517

21. Negative valuation results

	Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Changes in value due to appraisals	-325	-1,870	-20,381	-28,170	-	-5,790	-1,385	-3,525	-22,091	-39,355
Changes in value due to revaluation pipeline	-2,012	-	-	-	-	-	-	-	-2,012	-
Revaluation due to lease incentives	-	-	-	-	204	64	125	-308	329	-244
Total	-2,337	-1,870	-20,381	-28,170	204	-5,726	-1,260	-3,833	-23,774	-39,599

22. Result on disposals

	Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net sales proceeds	7,327	1,420	36,282	911	190,765	-	35,327	13,124	269,701	15,455
Most recent appraisal value	6,878	1,182	39,342	940	194,886	-	34,750	12,331	275,856	14,453
Total	449	238	-3,060	-29	-4,121	-	577	793	-6,155	1,002

23. Management costs

	2016	2015
Personnel expenses	4,549	4,118
Office expenses including accommodation	696	720
Valuation costs	535	639
Supervisory expenses	268	263
Consultancy fees	129	71
Research, contributions and promotion	269	252
Other expenses	189	152
Total	6,635	6,215

The management costs amount to 0.375% (2015: 0.345%) of the average assets under management. The total amount in salaries amounted to €3,157 thousand (2015: €2,926 thousand), in social security charges including health insurance premiums €292 thousand (2015: €268 thousand) and in pension charges €615 thousand (2015: €550 thousand).

In 2016, Altera Vastgoed employed an average of 29 people (full-time equivalents) versus 27 in 2015; at year-end 2016, the company had a total of 31 employees.The auditing fee for the audit 2016 including the audit opinions for each sector and ISAE 3000 reports totalled €60,000 (2015: €60,000). A consultancy company affiliated with the external auditing firm supported the company in 2016 in the strategy formulation for a total fee of €67,000. No fee was paid in 2016 for other activities performed by the external auditor. Under the AIFMD guideline 2011/61/EU (article 22, paragraph 2e and 2f), the annual report must contain a summary showing the total amount of the remuneration, broken down into fixed and performance-based remuneration paid during the year under review, as well as a breakdown into management, employees whose actions have a significant impact on the risk profile, and other members of staff.

	Fixed salary		Fixed compensation		Total		Number of FTEs	
	2016	2015	2016	2015	2016	2015	2016	2015
Management Board	601	560	196	205	797	765	3.0	3.0
Employees with impact on risk profile	1,113	1,014	111	97	1,224	1,111	10.6	11.0
Other	913	802	63	60	976	862	15.5	13.3
Total	2,627	2,376	370	362	2,997	2,738	29.1	27.3

The Management Board consisted of three members in 2015 and 2016. The Management Board received the following remuneration:

	2016	2015
Salary	601	560
Fixed remuneration	212	205
Pension including additional contribution (after deduction of own contribution)	151	139
Social security charges and other	33	37
Total	997	941

The remuneration paid to the Supervisory Board totalled €61,000 (2015: €61,000).

24. Other income

	Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Compensation of transfer tax	626	191	-	720	-	-	-	75	626	986
Other investments	167	168	-	-	-	-	-	-	167	168
Total	793	359	-	720	-	-	-	75	793	1,154

25. Direct investment income

	Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net rental income	30,974	26,903	43,879	46,012	1,060	12,514	9,445	11,024	85,358	96,452
Result subsidiaries	84	92	1,776	2,124	-	-	-	-	1,860	2,216
Other investments	167	168	-	-	-	-	-	-	167	168
Management costs	-3,099	-2,288	-2,849	-2,656	-152	-672	-535	-600	-6,635	-6,215
Interest income/expenses	92	72	-116	-688	-9	-50	-	-	-33	-666
Total	28,218	24,947	42,690	44,792	899	11,792	8,910	10,424	80,717	91,954

26. Indirect investment income

	Residential		Retail		Offices		Industrial		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Positive valuation results	85,258	48,937	4,842	8,828	-	13,679	5,336	3,073	95,436	74,517
Negative valuation results	-2,337	-1,870	-20,381	-28,170	204	-5,726	-1,260	-3,833	-23,774	-39,599
Result on disposals	449	239	-3,060	-29	-4,121	-	577	793	-6,155	1,002
Result subsidiaries	281	55	-1,576	-2,820	-	-	-	-	-1,295	-2,765
Compensation for transfer tax	626	191	-	720	-	-	-	75	626	986
Total	84,277	47,552	-20,175	-21,471	-3,917	7,953	4,653	108	64,838	34,142

Related parties

The company's pension scheme is administered by one of the company's shareholders. This pension scheme was established based on market-level terms and conditions.

On 1 October 2013, the company entered into a €45 million loan with one of the company's shareholders. A total of €30 million of this loan was redeemed in 2015, followed by the remaining €15 million on 31 March 2016.

Off-balance sheet liabilities and assets

The company entered into commitments for residential properties yet to be completed. The specification by sector is shown below (in €x mln):

Liabilities	Residential
Completion in 2017	124
Same for 2018	32
Same for 2019	22
Total	178
Less: previously financed	-79
Total off-balance sheet items	99

In addition to the secured pipeline, there are five other pipeline projects in the Residential sector with a total size of €83 million the completion of which is uncertain at this stage. Furthermore, a contingent liability applies for a shopping centre completed in 2014. Depending on the leases to be signed, this amounts to a maximum of approximately €6 million, on top of the amount already provided.

The lease for the building in Amstelveen is for €232,000 a year and expires on 12 June 2020.

The liability for the total remaining term is €799,000. The liability for lease vehicles for the contracts as at 31 December 2016 was €497,000 for the total term; the liability for 2017 is €214,000.

Altera Vastgoed's shares in homeowners' associations in the Residential sector totalled €1.5 million at year-end 2016 (year-end 2015: €1.4 million).

Amstelveen, the Netherlands, 23 March 2017

Supervisory Board

Mr G.H. Hoefsloot, Chairman of the Supervisory Board
Mr H.C.A. de Vos tot Nederveen Cappel, Supervisory Board member
Mr J. van der Ende, Supervisory Board member

Management Board

Mr J.E.W. van der Bijl, Managing Director
Mr C.J.M. van den Hoogen, Chief Financial Officer
Mr E.G.M. Wessels, Director of Portfolio Management

Other information

Profit appropriation

Profit appropriation is provided for in article 32 of the articles of association. Paragraph 1 provides that the profit is at the disposal of the General Meeting of Shareholders.

The Supervisory Board endorses the proposal of the Management Board to distribute the following final dividend, in addition to the interim dividend paid on 16 January 2017 for the fourth quarter 2016:

Dividend (amounts in €)	Q4 16 January 2017	Final 12 April 2017
Residential	7,492,112	705,444
Retail	9,978,878	1,067,259
Industrial	1,975,919	222,747
Total	19,446,909	1,995,450

Independent auditor's report

To the shareholders and the supervisory board of Altera Vastgoed N.V.

Report on the audit of the financial statements 2016 included in the annual accounts

Our opinion
We have audited the accompanying financial statements 2016 of Altera Vastgoed N.V., based in Amstelveen.
In our opinion the accompanying financial statements give a true and fair view of the financial position of Altera Vastgoed N.V. as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:
- The statement of financial position as at 31 December 2016.
- The following statements for 2016: the income statement, the statements of comprehensive income, changes in equity and cash flows.
- The notes comprising a summary of the significant 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 Altera Vastgoed N.V. in accordance with 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 € 18.3 million. The materiality is based on 1% of Equity. 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 € 915,000, 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	Planned response
Valuation Investment Property As at 31 December 2016, 92% of the balance sheet consist of Investment Property. The property has been accounted at fair value in accordance with IAS 40/ IFRS 13. In determining the fair value the Management Board and the external appraisers use parameters, assumptions and estimates. As the fair value is highly depended on these estimates and variables we qualify property valuation as a significant risk in our audit. For further details, please refer to Note 1 to the financial statements.	The Management Board engaged the services of external appraisers in determining the fair value of the Investment Property. In our audit we determined the effectiveness of internal control measures relating to the valuation of property, including the internal assessment of external valuation reports. We have used the services of our valuation experts in assessing and testing the external valuation reports and parameters of the valuation. Additionally, we have assessed the competencies and independence of the external appraisers. Furthermore we have determined the integrity of the source data used in the calculation of the valuation.

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 contains other information that consists of:
• Management Board's Report
• Segment reports
• Other information

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 Management Board's 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.

Description of responsibilities regarding the financial statements

Responsibilities of management and the supervisory board for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and 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 frameworks 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.
The supervisory board is responsible for overseeing the company's financial reporting process.

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.
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, May 23, 2017

Deloitte Accountants B.V.
J. Holland

Financial Agenda 2017

Reports	
Annual report 2016	April 2017
Q1 Report for shareholders	21 April 2017
Q2 Report for shareholders	21 July 2017
Semi-annual report	early September 2017
Q3 Report for shareholders	20 October 2017
Investment plans per sector	November 2017
Net asset value	4 working days following the end of the month
Meetings	
General Meeting of Shareholders	12 April 2017 6 December 2017
Participants' Council	15 June 2017 2 November 2017
Dividend payments	
Final dividend	12 April 2017
Q1	12 April 2017
Q2	14 July 2017
Q3	16 October 2017
Q4	15 January 2018

›› Glossary

Results

Direct investment income:
Gross rental income less operating expenses plus revenues from other investments less management costs plus/less interest income/expenses

Indirect investment income:
Comprehensive changes in value in the portfolio, plus release of compensation regulation for transfer tax

Total investment income:
Direct investment income plus indirect investment income

Gross-net process:
Net rental income divided by gross rental income

Theoretical gross rent:
Contract rent plus vacancy at market rent level (annual basis)

Gross rental income:
Theoretical gross rental income less vacancy less lease incentives (adjusted for effects of straightlining) plus any other income

Net rental income:
Gross rental income less operating expenses

Operating expenses:
Expenses directly attributably to the properties, including maintenance, fixed expenses, and property management expenses (day-to-day management)

Management costs:
Costs which, by their nature, cannot be allocated directly to the portfolio, plus valuation costs. This includes personnel expenses, consultancy fees and audit fees, and office expenses.
Altera relates these expenses in number of basis points (bp) in relation to the assets under management

Returns

Income return:
Net rental income over a specific period assessed against the average invested capital of the underlying property holdings during the measuring period; the calculation is based on the time-weighted method used by IPD

Capital growth:
Value changes over a specific period of the underlying properly holdings assessed against the average invested capital of the underlying property holdings during the measuring period; the calculation is based on the time-weighted method used by IPD

Total property return:
Sum of net rental income and value changes over a specific period assessed against the average invested capital of the underlying property holdings during the measuring period; the calculation is based on the time-weighted method used by IPD

Fund return:
The fund return is calculated in accordance with the 'modified Dietz' method, as used by INREV

Miscellaneous

Assets under management:
Value of the property portfolio plus the funds available for investment

Net asset value:
Value of assets less debt (= equity)

Fee to cover compensation for transfer tax:
Shareholders who contribute cash (liquidities) on entry are required to pay a surcharge of 1.5% on top of the net asset value for compensation of transfer tax (for Residential, this is 0.5%).

This surcharge serves to partially reimburse the existing shareholders for the transfer tax which was already charged to the existing portfolio (and, as such, incorporated into the net asset value)

Standing portfolio:
The properties in operation during the review period of the IPD Nederlandse Vastgoedindex/Dutch Property Index and in which no investments were made exceeding 10% of the property value

All investments (all properties):
The standing portfolio plus the properties acquired and sold during a specific period and properties in which investments were made exceeding 10% of the property value

Occupancy rate:
Invoiced contract term (including rental guarantees) divided by the theoretical gross rent; note that this financial occupancy rate may vary from the actual, physical occupancy rate

IPD Dutch Property Index:
The IPD Dutch Property Index is provided by IPD, a subsidiary of MSCI

Altera Vastgoed N.V.
Handelsweg 59 F
Postbus 9220
1180 ME Amstelveen
Tel. 020 545 20 50
Fax 020 545 20 60
www.alteravastgoed.nl
KvK 27184452

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VASTGOED NV