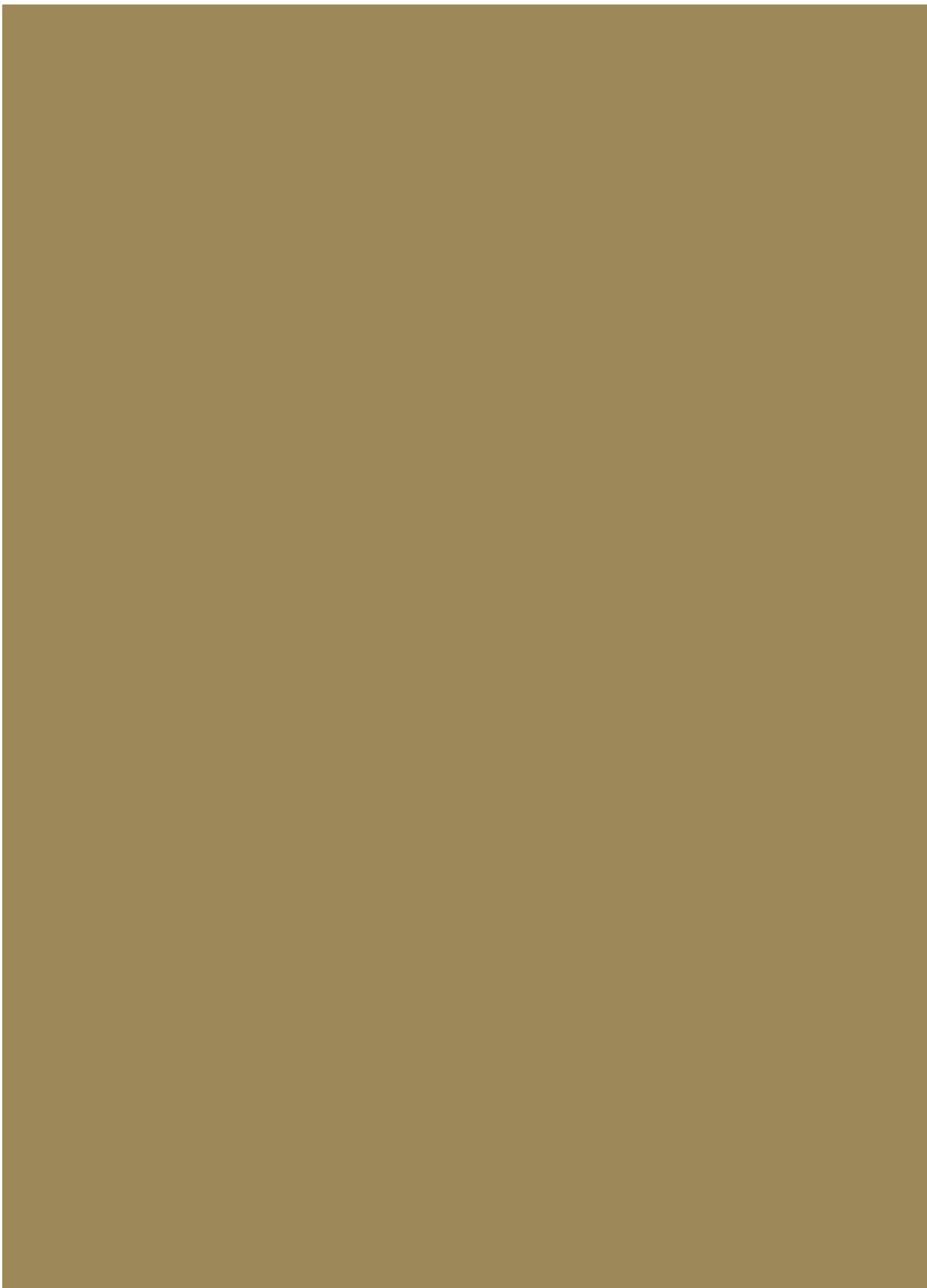


The logo for VGP, consisting of the letters 'VGP' in a bold, white, sans-serif font, centered between two horizontal white bars. The background of the entire page is a photograph of a large industrial building under construction at sunset, with a large semi-transparent green shape overlaid on the right side.

VGP

Annual report 2018





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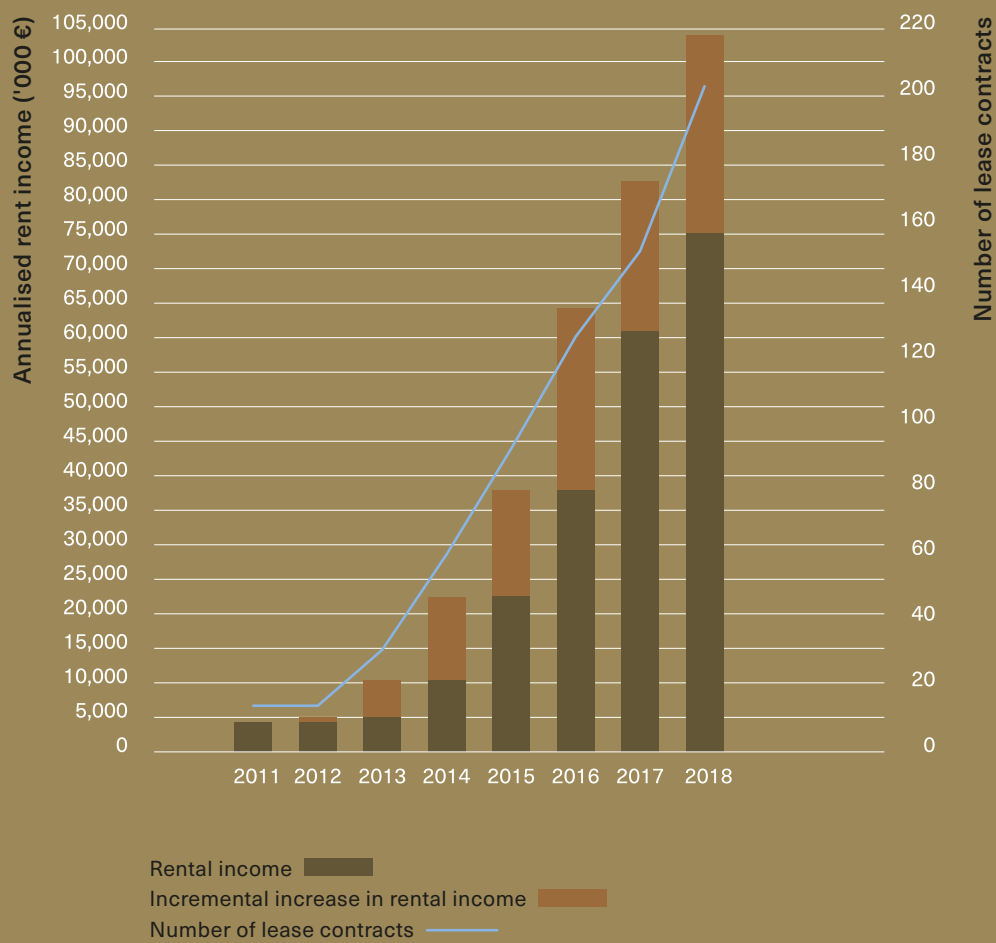
Key figures

in thousands of €

INVESTMENT PROPERTIES	2018	2017	2016	2015	2014
Own portfolio					
Total lettable area (m ²)	288,372	445,958	416,158	548,838	268,232
Occupancy rate (%)	99.2%	100.0%	97.0%	97.3%	94.0%
Fair value of property portfolio	576,143	627,737	550,262	677,084	416,089
VGP European Logistics portfolio (100%)				—	—
Total lettable area (m ²)	1,333,476	830,905	593,454	—	—
Occupancy rate (%)	99.4%	100.0%	100.0%	—	—
Fair value of property portfolio ¹	1,360,263	877,761	644,900	—	—
BALANCE SHEET	2018	2017	2016	2015	2014
Shareholders' equity	543,467	466,230	390,305	361,978	215,417
Gearing					
Net debt/shareholders' equity	0.77	0.94	0.87	0.71	0.72
Net debt/total assets	34.6%	42.3%	39.4%	35.7%	33.2%
INCOME STATEMENT – ANALYTICAL FORM	2018	2017	2016	2015	2014
Gross rental income	16,627	17,046	16,806	17,073	9,596
Property operating expenses	(1,123)	(1,941)	(2,000)	(1,097)	(1,615)
Net rental and related income	15,504	15,105	14,806	15,976	7,981
Property and facility management/ development income	9,965	8,057	3,825	2,547	3,407
Net valuation gains/(losses) on investment property	98,552	94,628	118,900	103,981	53,920
Administration expenses	(18,167)	(19,353)	(15,446)	(13,451)	(6,556)
Share in the results of joint venture and associates	45,220	29,229	7,897	191	14,473
Operating profit	151,074	127,666	129,982	109,244	73,225
Net financial result	(13,970)	(10,466)	(16,906)	(10,154)	(7,675)
Taxes	(15,998)	(21,205)	(21,790)	(12,529)	(16,191)
Profit for the year	121,106	95,995	91,286	86,561	49,359
RESULT PER SHARE	2018	2017	2016	2015	2014
Number of ordinary shares	18,583,050	18,583,050	18,583,050	18,583,050	18,583,050
Net result per share (in €) – Basic	6.52	5.17	4.91	4.66	2.66
Net result per share (in €) – Diluted	6.52	5.17	4.91	4.66	2.66

¹ Includes buildings under construction and development land which are/will be developed by VGP on behalf of VGP European Logistics joint venture.

COMMITTED ANNUALISED RENT INCOME AND NUMBER OF LEASE CONTRACTS
(Including joint venture at 100%)



Letter to



the share- holders



Letter to the shareholders

Dear fellow share— and bondholders of VGP

VGP's performance continues on a stronger foundation, a land bank which has been expanded substantially and a new matrix organisation in our group.

“Location, location, location” has been the title of our periodical company magazine for 12 years. This is increasingly proving as the axiom for the entire logistics sector, as e-commerce continues to reshape our consumption patterns and businesses such as Amazon and bespoke third-party logistics providers prioritize the delivery process within their business model.

We therefore believe that distribution centres close to large cities and transport hubs offering 24/7 operations will increasingly carry a premium.

Land shortages around the big European metropolitan regions for such facilities further widens the disconnect between supply and demand. In addition, as the increased automation of delivery and work in fulfilment centres continues to change the needs of our tenants, we closely work with them to seek adaptations according to their requirements within our standard building parameters.

Our first priority has therefore been to replenish and substantially grow our land bank in order to fulfil these needs. This is in alignment with our long-term strategy of continuing to expand our portfolio of high-quality assets, located close to the continent's busiest and most vibrant consumption centres.

During 2018 we grew the land bank to a total of 4.45 million square meters, adding some of the most attractive locations in the history of our company. This new land bank supports 1.98 million square meters of future lettable area and provides a solid foundation for our future growth.

As it is increasingly more time consuming to secure the necessary development permits, we have dedicated specialised teams within the group to continue to scout for and prepare selective expansions of our land bank in top locations around Europe, all with a long term view. This process is always subject to securing necessary permit that provides us with the legal certainty needed to use the land for its intended purpose.

As I already announced last year, we have strengthened our management team by implementing a new corporate matrix in our organisation with management tools inspired from the industries we work for. It provides us the necessary checks and balances to control our fast growing expansion, defines clear goals and responsibilities for our employees and helps us to detect possible problems at an early stage.

During the last year we have also intensively worked on our transformation into a truly pan-European platform. We are now active in twelve different countries following the addition of Italy, the Netherlands, Austria and Portugal to our action field. And we are proud to say that they are not just locations on a map. On the contrary, we are already or will be constructing new VGP parks in each of these countries over the next twelve months.

2018 was the sixth consecutive record year across many other measures for our company.

We now count over 200 client contracts, delivered 505,000 new sqm during the year and all of our buildings were fully let. As a result, we delivered record earnings per share.

We earned €121.1 million in net income, a 26% increase compared to 2017, and have ended the year with record signed committed leases of €104.1 million, despite this year's sale of the Mango Distribution Centre with €7.6 million of annualized rental income (we only sold it because we got an offer we could not refuse). These achievements reflect strong underlying fundamentals across our markets.

Therefore, the Board of Directors would like to propose to the Annual Shareholders' Meeting a dividend of € 2.20 per share, which amounts to an increase of nearly 16% compared to last year.



We will create a new foundation to underline our commitment to responsible entrepreneurship, not only in the communities in which we operate

This VGP Foundation will contribute to three aspects that are, in our view, closely related to what we do:

- as we are turning green fields into economic fields, we want to engage in projects encouraging nature conservation, such as creating permanent biotopes;
- as we have an impact on local communities, we want to support social projects focused on education and child care;
- and finally, as we feel truly European and believe in the dream of all people uniting in Europe – (its our anthem!), we want to focus on investments to conserve and protect Europe’s cultural heritage.

Our foundation will be set up and funded by VGP and its founders. Our vision is to make the foundation financially independent of the performance of VGP, and we will therefore gradually launch its activities.

A new board

In 2019, following twelve years of exemplary service, the mandate of our current independent board members will come to an end. I would hereby like to express my sincere gratitude to our current board members, Marek Šebesták, Alexander Saverys and Jos Thys for their helpful insights and ever-lasting enthusiasm.

At the upcoming Annual Shareholders Meeting, we would like to propose three new board members, Mrs. Katherina Reiche, Mrs. Vera Gäde-Butzlaff and Mrs. Ann Gaeremynck, for election. They have already accepted our offer to join the board and will be nominated officially at this occasion.

A word of gratitude towards my colleagues and their families

Our group has continued to grow, now counting over 180 employees, and we expect to continue to substantially expand the team during the course of 2019.

We have come a long way together and as I already wrote before, year after year we continue to create an ever more solid base on which to construct our future upon.

I would like to thank our whole team for their enthusiasm and energy, and thank their families for supporting them.

Finally, on behalf of VGP and its management, I want to express my deepest gratitude to all those who have worked with us, suppliers, financing partners and customers, for their trust and cooperation. One of our customer’s credo is: **“Work hard, have fun, make history”**. We apply that too.

Yours sincerely,
Jan Van Geet

Profile





ICI

ICI
VAP

ICI

VGP's Profile

VGP (www.vgpparks.eu) constructs and develops high-end logistic real estate and ancillary offices for its own account and for its VGP European Logistics joint venture, which are subsequently rented out to reputable clients on long term lease contracts.

VGP has an in-house team which manages all activities of the fully integrated business model: from identification and acquisition of land, to the conceptualisation and design of the project, the supervision of the construction works, contracts with potential tenants and the facility management of its own real estate portfolio.

VGP focuses on top locations which are located in the vicinity of highly concentrated living and/or production centres, with an optimal access to transport infrastructure.

VGP is quoted on Euronext Brussels and the Main Market of the Prague Stock Exchange.

VGP owns a property portfolio of € 576.1 million as at 31 December 2018 which represents a total lettable area of over 288,372 m² (13 buildings) (€ 193.7 million), 15 buildings under construction representing 284,510 m² of lettable area (€ 169.4 million) and remaining development land in the amount of € 213.0 million.

The VGP European Logistics joint venture owns a property portfolio of € 1,360.3 million as at 31 December 2018 which represents a total lettable area of over 1,333,476 m² (68 buildings)(€ 1,213.8 million), 4 buildings being developed by VGP representing 37,675 m² of lettable area (€ 141.6 million) and some residual development land in the amount of € 4.9 million.

As at 31 December 2018 VGP has a remaining development land bank in full ownership of 2,714,842 m². This land bank allows VGP to develop besides the current completed projects and projects under construction (572,882 m²) a further 1,235,000 m² of lettable area of which 433,000 m² in Germany, 210,000 m² in the Czech Republic, 202,000 m² in Spain, 152,000 m² in the Netherlands, 146,000 m² in Romania, 70,000 m² in Hungary and 22,000 m² in Italy. Besides this, VGP had another 1,582,492 m² of new plots of land under option, at year-end, allowing to develop approx. 686,000 m² of new projects. It is expected that these remaining land plots will be acquired, subject to permits, during the course of 2019.

VGP European Logistics has a remaining development land bank in full ownership of 149,219 m² as at 31 December 2018. This land bank allows the Joint Venture to develop besides the current completed projects and projects under construction (1,371,150 m²) a further 59,000 m² of lettable area.

VGP owns a property portfolio of

**€ 576.1
million**

VGP European Logistics joint venture
owns a property portfolio of

**€ 1,360.3
million**

VGP has a remaining development
land bank in full ownership of

2,714,842 m²



Strategy



Strategy

VGP is a pan-European pure-play logistics real-estate group, specialised in the acquisition, development, and management of logistic real estate, i.e. buildings suitable for logistical purposes and light industrial activities.

With the entering of the Netherlands, Italy and Austria in 2018, followed by Portugal at the beginning of 2019, VGP has transformed itself as a truly pan-European specialised developer, owner and manager of high-quality logistic and light industrial property.

The Group focuses on (i) strategically located plots of land suitable for development of logistic business parks of a certain size, so as to build up an extensive and well-diversified land bank and property portfolio on top locations; (ii) striving to optimise the operational performance of the portfolio and the activities of our tenants through dedicated teams which provide asset-, property and development services; and (iii) growing the 50:50 joint venture with Allianz Real Estate, the objective of which is to build a platform of new, grade A logistics and industrial properties with a key focus on expansion in its core German market and high growth CEE markets with the aim of delivering stable income-driven returns with potential for capital appreciation. The Joint Venture aims to increase its portfolio size to ca. € 1.7 billion, exclusively via the contribution to the Joint Venture of new logistics developments carried out by VGP.

At the beginning of 2019 VGP and Allianz Real Estate reached a joint commitment to expand their Joint Venture structure to include Spain, the Netherlands, Italy, Romania, Austria and Portugal. The discussions between VGP and Allianz Real Estate are expected to conclude and materialise during the first half of 2019.

All the aforementioned elements should allow the Group to provide attractive returns for our shareholders through progressive dividend and net asset value growth over time.

Development activities

Greenfield developments are the core activity of the VGP Group. Developments are undertaken primarily for the Group's own account and to a lesser extent for the Joint Venture.

The Group pursues a growth strategy in terms of development of a strategic land bank which is suitable for the development of turnkey and ready-to-be-let logistic projects. The plots are zoned for logistic activities. The management of VGP is convinced that the top location of the land and the high-quality standards of its real estate projects contribute to the long-term value of its portfolio.

The Group concentrates on the sector of logistic and light industrial accommodation projects situated across Continental Europe. The Group is active in 12 countries and

aims to expand into other European markets in the near future.

High quality projects are always developed on the basis of VGP building standards, with adaptations to meet specific requirements of future tenants but always ensuring multiple purpose use and easy future re-leasability.

In their initial phase of development, some projects are being developed at the Group's own risk (i.e., without being pre-let). The development pipeline which was transferred to the Joint Venture as part of the Seed portfolio in May 2016 or which has been transferred as part of any subsequent acquisition transaction between the Joint Venture and VGP is also being developed at VGP's own risk and subsequently acquired and paid for by the Joint Venture subject to pre-agreed completion and lease parameters.





The constructions, which respond to the latest modern quality standards, are leased under long term lease agreements to tenants which are active in the logistic sector, including storing but also assembling, reconditioning, final treatment of the goods before they go to the industrial clients or the retailers. The land positions are located in the vicinity of highly concentrated living and/or production centres, with an optimal access to transport infrastructure.

The Group relies on the in-house competences of its team to execute its fully integrated business model, consisting of the identification and acquisition of land and development of the infrastructure, the design of the buildings, the coordination of architectural and engineering aspects, the administration to obtain the necessary permits, the tendering and coordination of the construction works including site management, and upon completion the asset- and property management of the real estate portfolio.

The Group's team often negotiates and contracts building subcontractors and building material deliveries directly and monitors the follow up and coordination of the building activities itself.

Asset- and property management services

Property management services are exclusively provided to the Group's own portfolio and the Joint Venture whereby the respective VGP property management company is responsible for managing the proper and undisturbed operation of the buildings. In addition, the property manager will on behalf of the Group or Joint Venture identify, supervise and manage the relationship with third party suppliers.

As part of its offered services the VGP property management companies will also perform project management services. These services cover the performance of capital improvements and any other construction works as may be requested by the owner of the buildings. This scope covers the full range of project management services (supervision and coordination of the contractors for design, advising on obtaining permits, advising on the works and any tenders relating thereto).

As part of the property management services VGP will also provide leasing services. The commercial department is responsible for all aspects of the performance and enforcement of the leases and the lease agreements, also on behalf of the VGP European Logistics portfolio, as well as for day-to-day co-operation with the tenants.

The asset management services entails giving advice and recommendations to the joint venture companies on the joint venture's asset management and strategy, thereby optimising the value of the joint venture assets. Further advice and recommendations will be given by the asset manager in respect of appropriate tenant mix, execution of leasing strategy that aligns cash flows with portfolio needs and manage both capital and operating expenses.

Facility management services

Facility management services are carried out in the Czech Republic and Germany by specific dedicated teams which are focussed on managing the proper and undisturbed operation of the buildings and performing all actions such as maintenance services, waste management services, maintenance greenery etc that may be necessary in this respect.

In other countries where no local facility management team is in place, the Group uses third party facility management services companies to perform these activities.

Key principles of VGP's investment strategy

Location

Strategically located plots of land.



High standards

High quality standardised logistic real estate.

Scale

Focus on business parks with a view to realising economies of scale.



Model

In-house competences enabling a fully integrated business model.

Development & management

Primary focus on development activities and asset- and property management activities.

VGP in 2018







**Transformation
into a truly
pan-European
platform**

VGP in 2018

Significant geographical expansion

Entry of four new markets – Italy, Austria, Benelux and Portugal (early 2019).

Accelerated growth of the development activities

- 21 projects delivered with 505,000 m² of lettable area, representing € 26.6 million of annualised committed leases.
- Record signed and renewed rental income of € 38.7 million driven by 572,000 m² of new lease agreements signed.
- Occupancy of the standing portfolio of 99.2%.
- 19 buildings totalling 322,000 m² under construction at year-end.
- Total remaining owned and secured land bank of 4.45 million m².

Organisational alignment

New matrix organisation with group support functions successfully rolled-out.

During 2018 VGP managed to successfully transform itself into a truly Pan-European platform as the Group expanded into new key markets – Italy, Austria, Benelux and Portugal in early 2019. Significant effort was put in introducing a new matrix organisation to stay close to VGP's clients across Europe and to support VGP's further geographic expansion. The strong increase of the land bank in 2018 should provide a solid foundation for growth over the coming years.

VGP continued its strong growth in all the markets where the Group is active. Development and letting activities continue to perform at record levels.

A fourth closing was made with VGP European Logistics (the 50/50 joint venture with Allianz Real Estate) in which the Joint Venture acquired 6 new parks from VGP, comprising of 13 logistic buildings and another 5 newly completed logistic buildings which were developed in parks previously transferred to the Joint Venture. The 6 parks are in Germany (3) and in the Czech Republic (3). The additional 5 buildings which were acquired by the Joint Venture are in Germany (3 buildings), in the Czech Republic (1 building) and in Hungary (1 building).

During the year a new head office was opened in Antwerp, Belgium, which houses the commercial and project team for the Benelux. Additional new offices were established in Milan (Italy), Porto (Portugal) and Vienna (Austria). VGP is now active in 12 countries and has the team and land bank to provide a full range of different solutions and services to multinational and local tenants. Through the further geographical expansion of its footprint VGP established itself as a truly pan-European specialised developer, owner and manager of high-quality logistic and light industrial buildings.

The signed annualised committed leases represent € 104.1 million¹ at the end of December 2018 which represent a total of 1,982,000 m² of lettable area. Of this total space, 635,000 m² belong to the own portfolio (648,000 m² as at 31 December 2017) and 1,347,000 m² to the VGP European Logistics joint venture (1,009,000 m² at 31 December 2017).

During the year VGP delivered a total of 21 projects representing 505,000 m² of lettable area, with an additional 19 projects under construction representing 322,000 m² of future lettable area. A further 4 projects were already delivered during the first three months of 2019 totalling 62,000 m² of lettable area. On the back of the recorded strong demand for lettable space an additional 11 new projects, representing 214,000 m² of future lettable area, were started up after year-end. These projects represent a future annualised rent income of circa € 11.3 million.

¹ Including VGP European Logistics (joint venture with Allianz Real Estate). As at 31 December 2018 the annualised committed leases for VGP European Logistics stood at € 70.9 million (2017: € 52.5 million).

Business review

Commercial activities

The increase in demand of lettable area resulted in the signing of new lease contracts in excess of € 38.7 million (own and Joint Venture portfolio) of which € 32.6 million related to new or replacement leases and € 6.1 million were related to renewals of existing lease contracts. During the year lease contracts for a total amount of € 3.7 million were terminated¹.

The annualised committed leases (on an aggregate own and Joint Venture portfolio basis) therefore increased to € 104.1 million¹ as at the end of December 2018 (compared to € 75.2 million as at 31 December 2017 on a like for like basis.²)

The signed lease agreements as at 31 December 2018 represent a total of 1,982,072 m² of lettable area and correspond to 202 different tenants' lease or future lease agreements (on an aggregate own and Joint Venture portfolio basis).

The weighted average term of the annualised committed leases of the combined own and Joint Venture portfolio stood at 7.8 years at the year-end (9.7 years as at 31 December 2017) and the occupancy rate (own and Joint Venture portfolio) reached 99.3 % at year-end (compared to 100% at the end of 2017).

Own portfolio

During the year 2018 VGP signed new annualised committed leases in excess of € 25.3 million in total, of which € 24.6 million related to new or replacement leases and € 0.7 million to the renewal of existing leases. During the year lease contracts for a total amount of € 0.7 million¹ were terminated.

Germany was the main driver of the increases in annualised committed leases with more than € 12.7 million of new leases signed during the year. The other countries also performed very well with new leases being signed in the Czech Republic + € 2.6 million, Spain + € 2.6 million, Romania + € 1.4 million, Latvia + € 1.9 million, Hungary + € 1.4 million, Austria + € 1.1 million and finally the Netherlands + € 0.9 million. This brings the annualised committed leases to € 33.2 million as at 31 December 2018.

The signed lease agreements represent a total of 635,261 m² of lettable area and correspond to 70 different tenants' lease or future lease agreements.

The weighted average term of the annualised committed leases stood at 7.6 years at the year-end (7.0 years to first break).

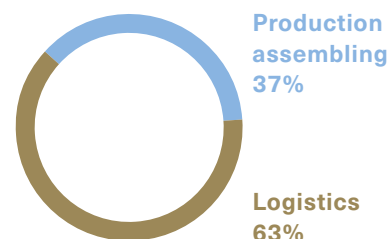
As at 31 December 2018 the investment property portfolio consists of 13 completed buildings representing 288,372 m² of lettable area with another 19 buildings under construction representing 322,185 m² of lettable area, of which 4 buildings (37,675 m²) are being developed for VGP European Logistics. During the year 21 buildings were completed totalling 505,539 m² of lettable area.

For its own account VGP delivered 8 buildings i.e. In the Czech Republic: 1 building of 35,836 m² in VGP Park Chomutov. In Germany: 1 building of 42,993 m² in VGP Park Göttingen, 2 buildings totalling 19,182 m² in VGP Park Wustermark and 1 building of 20,175 m² in VGP Park Dresden. In other countries: 1 building of 22,819 m² in VGP Park San Fernando de Henares (Spain), 1 building of 20,673 m² in VGP Park Timisoara (Romania) and finally 1 building of 35,557 m² in VGP Park Kekava (Latvia).

The occupancy rate of the own portfolio reached 99.4% at the end of 2018 (compared to 100% at the end of 2017).

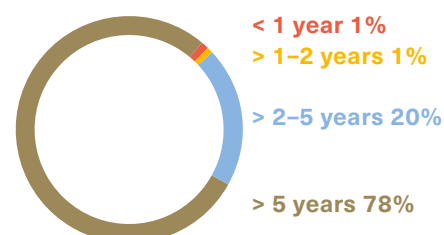
PORTFOLIO BREAKDOWN BY USE

31 December 2018 (in m²)



COMMITTED LEASE MATURITY

31 December 2018 (in m²)



¹ Excluding the Mango building located in Barcelona (Spain) sold during 2018, which represented € 7.6 million in annualised rent income.

² Excluding the € 7.6 million committed leases outstanding as at 31 December 2017 related to the Mango building, which was divested during Sep-18.



VGP European Logistics portfolio

During the year 2018 VGP negotiated for its Joint Venture new annualised committed leases in excess of € 13.4 million in total of which € 7.9 million related to new or replacement leases and € 5.4 million to the renewal of existing leases. During the year lease contracts for a total amount of € 3.1 million were terminated.

Germany was the main driver of the increases in annualised committed leases with more than € 5.3 million of new leases signed during the year. In the other countries, new leases were signed the Czech Republic + € 2.5 million and some smaller leases totalling € 0.1 million were signed in Hungary and Slovakia. This brings the annualised committed leases to € 70.9 million as at 31 December 2018.

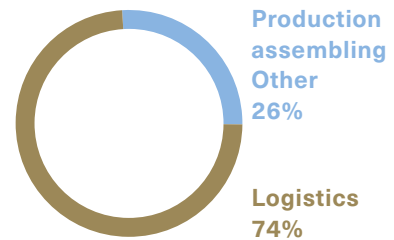
The signed lease agreements represent a total of 1,346,811 m² of lettable area and correspond to 132 different tenants' lease or future lease agreements. The weighted average term of the annualised committed leases stood at 7.8 years at the year-end (7.2 years to first break).

As at 31 December 2018 the investment property portfolio consists of 68 completed buildings representing 1,333,476 m² of lettable area with another 4 buildings being developed by VGP, on behalf of the Joint Venture, representing 37,675 m² of lettable area.

For the Joint Venture VGP completed 13 buildings i.e. in the Czech Republic: 2 buildings totalling 26,720 m² in VGP Park Hradek nad Nisou, 1 building of 11,140 m² in VGP Park Olomouc, 1 building of 11,698 m² in VGP Park Jenec, 2 buildings totalling 12,502 m² in VGP Park Usti nad Labem¹ and 1 building of 12,789 m² in VGP Park Czesky Ujezd¹; in Germany: 1 building of 13,136 m² in VGP Park Hamburg, 2 buildings totalling 35,471 m² in VGP Park Berlin, 1 building of 146,899 m² in VGP Park Frankenthal¹ and 2 buildings totalling 37,949 m² in VGP Park Wetzlar².

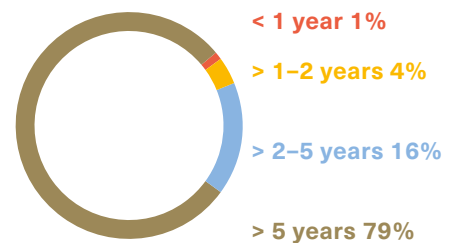
PORTFOLIO BREAKDOWN BY USE

31 December 2018 (in m²)



COMMITTED LEASE MATURITY

31 December 2018 (in m²)



¹ Initially developed by VGP for its own account and sold to VGP European Logistics joint venture as part of the 4th closing in April 2018.

² Of which one building (19,264 m²) was initially developed by VGP for its own account and sold to VGP European Logistics joint venture as part of the 4th closing in April 2018

Development activities

Own portfolio

The development activities have shown a consistent strong track record over the past years. Over the past 11 years VGP developed more than 2.8 million m² of lettable area.

At the end of December 2018 VGP has 19 buildings under construction. The new buildings under construction, which are already pre-let for 65%¹, represent € 16.4 million of annualised rental income when fully built and let.

For its own account VGP had 15 buildings under construction totalling 284,510 m² of lettable area representing €14.5 million of annualised leases. In Germany: 2 buildings in VGP Park Gottingen, 1 building in VGP Park Halle, 2 buildings in VGP Park Wustermark and 1 building in VGP Park Bischofshheim; in Spain: 3 buildings in VGP Park San Fernando de Henares and 1 building in VGP Park Lliçà d'Amunt; in Czech Republic: 1 building in VGP Park Chomutov and 1 building in VGP Park Olomouc; in Romania: 1 building in VGP Park Timisoara and 1 building in VGP Park Sibiu and finally in Latvia: 1 building in VGP Park Kekava.

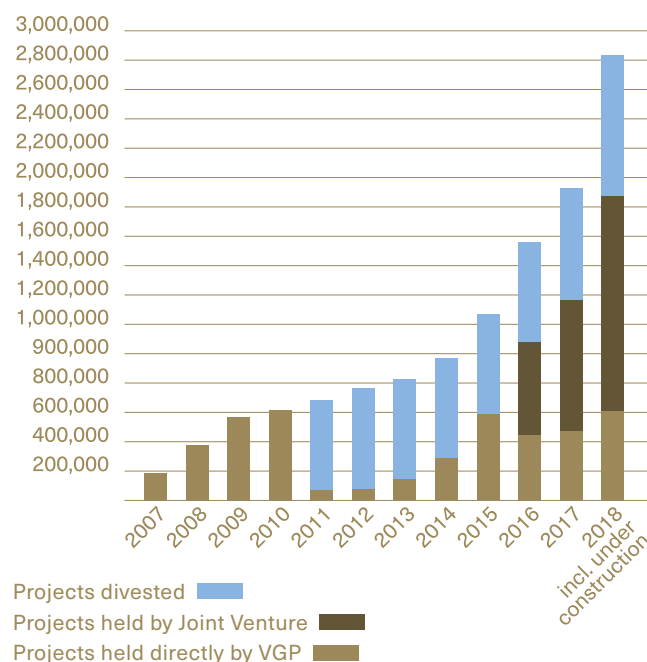
In 2018, VGP acquired 1,689,000 m² of new development land. Of these land plots, 444,000 m² (26%) are located in Germany, 333,000 m² (20%) in Romania, 267,000 m² (16%) in the Netherlands, 223,000 m² (13%) in Czech Republic, 189,000 m² (11%) in Spain, 146,000 m² (9%) in Hungary, with the remaining land plots located in Italy and Austria. These new land plots have a development potential of 780,000 m² of future lettable area.

Besides this VGP has another 1,600,000 m² of new land plots under option which are located in Germany, the Czech Republic, Slovakia, Romania, the Netherlands and Austria. The bulk of the land plots are expected to be purchased during 2019, subject to obtaining the necessary permits.

As a result, VGP has currently a remaining secured development land bank of 4,297,334 m² of which 63% or 2,714,842 m² is in full ownership. The secured land bank allows VGP to develop, in addition to, the current completed projects and projects under construction an additional 1,920,000 m² of lettable area of which 536,000 m² in Germany, 560,000 m² in the Czech Republic, 202,000 m² in Spain, 202,000 in the Netherlands, 194,000 in Romania, 88,000 in Slovakia, 71,000 in Hungary, 45,000 in Austria and 22,000 m² in Italy.

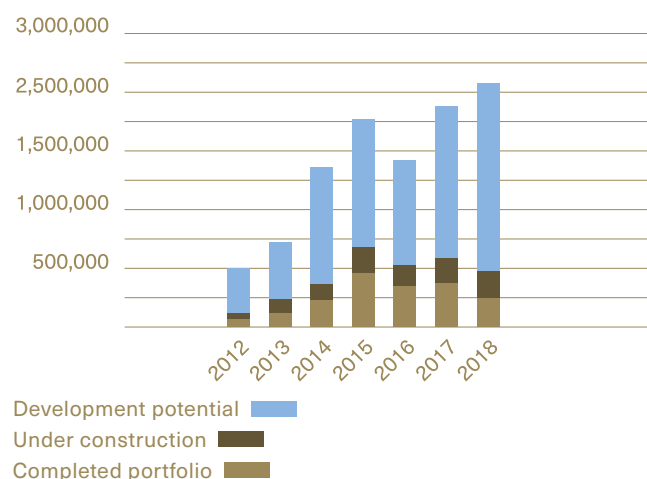
TOTAL SQUARE METERS DEVELOPED

31 December 2018 (in m²)



REMAINING DEVELOPMENT POTENTIAL

OWN SECURED PORTFOLIO (in m²)

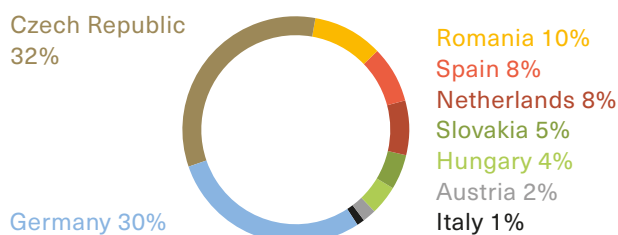


¹ Calculated based on the contracted rent and estimated market rent for the vacant space.

The development potential of the VGP own portfolio on the remaining secured land bank as at 31 December 2018 is as follows:

REMAINING DEVELOPMENT LAND

31 December 2018 (in m²)



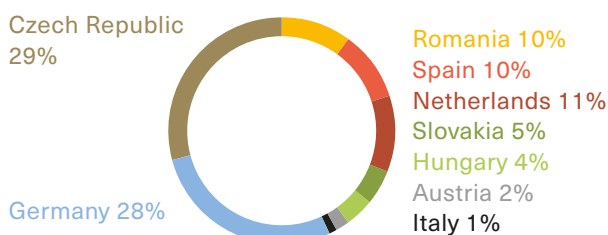
TOTAL COMPLETED & PIPELINE

31 December 2018 (in m²)



REMAINING DEVELOPMENT POTENTIAL

31 December 2018 (in m²)



Source: Company information.

Note: The above figures relate to the current secured land bank. The development potential has been calculated by reference to existing or similar developed logistic projects.

VGP European Logistics portfolio

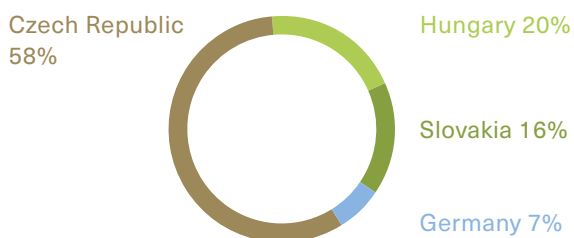
At the end of December 2018 VGP is constructing 4 new buildings on behalf of the Joint Venture, totalling 49,000 m² of lettable area. These buildings represent €1.9 million of annualised rental income when fully built and let.

The buildings under construction are located in the Czech Republic: 1 building in VGP Park Jenec, in Germany: 2 buildings in VGP Park Leipzig and finally in Slovakia: 1 building in VGP Park Malacky.

The Joint Venture has currently a remaining development land bank in full ownership of 149,219 m² on which circa 59,000 m² of new lettable area can be developed. The current development potential of the VGP European Logistics portfolio as at 31 December 2018 is as follows:

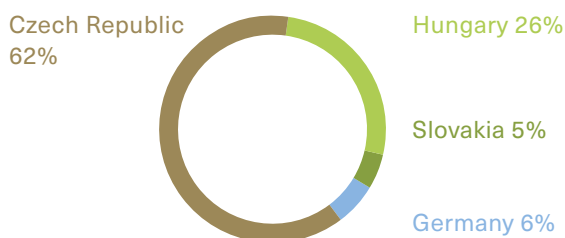
REMAINING DEVELOPMENT LAND

31 December 2018 (in m²)



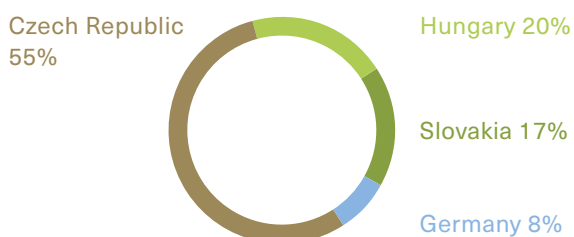
TOTAL COMPLETED & PIPELINE

31 December 2018 (in m²)



REMAINING DEVELOPMENT POTENTIAL

31 December 2018 (in m²)



Source: Company information.

Note: The above figures relate to the current secured land bank. The development potential has been calculated by reference to existing or similar developed logistic projects.



General market overview¹

CEE + Germany, Spain, Portugal, Netherlands and Italy –
Key market indicators

		WAREHOUSING			
		PRIME RENT	RENTAL CHANGE	PRIME YIELD	YIELD CHANGE
		<i>m² per annum</i>	<i>y-o-y (%)</i>	<i>(%)</i>	<i>y-o-y (bp)</i>
Prague	EUR	54	0	5.50	-25
Berlin	EUR	66	10	4.10	-40
Frankfurt	EUR	72	0	4.10	-40
Munich	EUR	85	5.2	4.10	-40
Budapest	EUR	57	18.8	7.25	-25
Milan	EUR	56	1.8	5.40	-10
Amsterdam	EUR	85	0	4.40	-50
Warsaw	EUR	43	0	6.50	0
Lisbon	EUR	42	0	6.25	-25
Bucharest	EUR	49	0	8.25	-25
Bratislava	EUR	54	7.1	6.85	-60
Barcelona	EUR	81	0	5.25	-60
Madrid	EUR	63	5	5.00	-50

Source: JLL Research, February 2019

CEE, GERMANY, SPAIN, PORTUGAL, THE NETHERLANDS AND ITALY INVESTMENT MARKET OVERVIEW

	2018 VOLUME (€ millions)	2017 VOLUME (€ millions)
Poland	7,200	5,030
Czech Republic	2,510	3,538
Romania	900	1,840
Slovakia	820	1,000
Hungary	1,800	525
Other CEE	N/A	1,045
Total CEE	13,230	12,980
Germany	55,000	53,500
Spain	10,400	11,230
Portugal	3,300	2,020
The Netherlands	14,100	18,400
Italy	8,700	10,260
Grand Total	104,730	108,390

Source: Jones Lang LaSalle

¹ Source: Jones Lang LaSalle

Real estate investment Market overview 2018

Western Europe

Investment in the German commercial real estate (offices, retail, logistics, hotels and alternatives/others) reached a volume of just over € 55 billion in 2018. Investment in the Spanish commercial real estate (offices, retail, logistics, hotels and alternatives/others) peaked in 2017 at € 11.5 billion. Total transaction volumes softened in 2018, down by 9.5% y-o-y. Investment in the Italian commercial real estate (offices, retail, logistics, hotels and alternatives/others) reached € 8.7 billion in 2018. Investment in Portuguese commercial real estate (offices, retail, logistics, hotels and alternatives/others) reached a volume of close to € 3.3 billion, marking the highest volume on record. Investment in the Netherlands commercial real estate (offices, retail, logistics, hotels and alternatives/others) peaked in 2017 at nearly € 18.4 billion and total investment volumes were down nearly 30% in 2018.

Focus on Germany

The upturn on the investment market continued throughout 2018 and has now entered its tenth year in 2019. In view of the market's buoyancy during the last three months of the year and the realisation of some large-volume transactions, it is fair to say that 2018 stood out as an exceptional investment year.

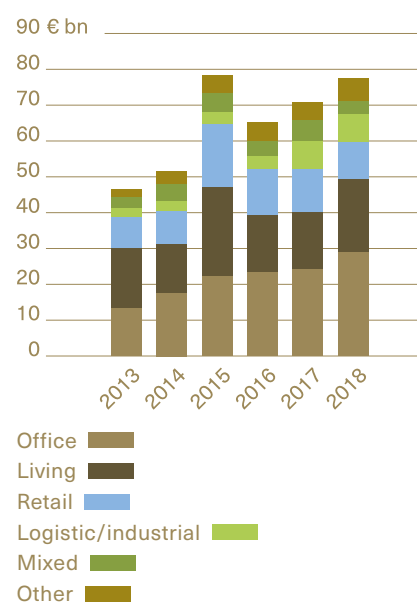
Apart from the mega-transactions, some other noteworthy activities also contributed towards this development. The transaction volume has been rising steadily since 2010, and 2018 proved to be another record year at least in the commercial real estate market. This market segment accounted for a transaction volume of €60.3 billion, which has tripled since 2010 and increased by 6% compared to 2017.

Where are we going in the current year? Despite current geopolitical uncertainties, demand for real estate will remain high in 2019. The trend towards a moderate decline in yields for top products in prime locations of asset classes with the highest transaction volumes continued during the fourth quarter. The average prime office yield for the seven strongholds stood at 3.11%, which was slightly down compared to the previous quarter and 16 basis points lower in a 12-month comparison. In 2019, we expect yields to settle at this level. However, the strongest momentum in terms of yield development is still evident in the logistics real estate segment. The thriving online retail sector and its positive future prospects attract foreign investors to this asset class. At the end of 2018, the prime yield stood at 4.1%, which is 60 basis points lower than at the end of 2017. However, we expect to see a further decline to well below 4.00% over the course of 2019.

In combination with rental growth, office properties again registered a double-digit increase in capital appreciation during 2018. Aggregated across the seven property strongholds, the capital value growth was 12%, which compares to an average growth rate of 15.5% for the previous three years. The rate of growth is expected to weaken to around 4% in 2019 owing to the more stable yields.

With regard to retail high street in city centres, the strong increase in value seen in past years is already over. Indeed, growth of only 3% was registered for 2018. For the most part, stagnating rents and effectively no appreciation in value are expected to be evident in 2019. Demand will focus more than ever on specialist store products with discounters or food retailers as anchor tenants. Since demand here will be significantly higher than the available supply, prime yields in this segment could still fall slightly in 2019 – they stood at 4.50% at the end of 2018. Shopping centres represent the first segment in which the prime yield has risen again for the first time since the end of 2010. At the end of 2018, the yield was 4.10%, which is 20 basis points above the lowest value of the last four quarters.

TRANSACTION VOLUME GERMANY
BY TYPE OF USE



Source: JLL EMEA, February 2019

Focus on Spain

The Spanish economy continues to perform above the Eurozone average and appears to have accelerated in the final quarter of 2018. Domestic demand remains the key driver of growth, but an improvement in the external sector is also seen to have taken place at the end of 2018. Oxford Economics forecasts GDP growth in 2018 to reach 2.5%, but it expects a marginally slower 2.3% in 2019.

Inflation fell to 1.7% in November, a result of the sharp plunge in oil prices. Despite a gradual rise in prices of basic goods, it is expected that lower energy costs will keep headline inflation weak in 2019, averaging 1.3% in 2019, according to Oxford Economics (after an estimated 1.3% in 2018). The Consumer Confidence Index (CCI) stood at 90.8 points in December, 0.5 points below the figure for the previous month. The CCI end 2018 in the second lowest point of the year and the lowest value registered in the last two years.

Investment in the Spanish commercial real estate (offices, retail, logistics, hotels and alternatives/others) peaked in 2017 at € 11.5 billion. Total transaction volumes softened in 2018, down by 9.5% y-o-y. This was driven by a significant over 50% drop in hotel investment whilst office, retail and industrial/logistics assets all saw further growth in 2018 y-o-y, albeit on a small scale.

Following five years of continued yield compression, over 2018 yields compressed another 25 bps in the office segment and 50 bps for logistics assets. Meanwhile, looking at retail assets, yield levels remained unchanged in the retail unit shop segment and made their first outward movement since 2009 in the shopping centre segment, up 25 bps compared to one year earlier.

Total industrial and logistics investment volumes reached € 1.7 billion in 2018. This marked another significant 48% year-on-year increase on the previous record achieved in 2017. Indeed, Spain was one of only four of the major European markets to record continued growth in investment volumes last year.

Total transaction volumes were driven by a number of portfolio deals, which accounted for one third of the total annual investment volume. The two largest both accounted for more than € 100 million each and both were purchased by globally sourced capital.

Prime logistics yields continued to compress over the course of the year. Yields compressed 60 bps to 5.25% in Barcelona, marking the strongest yield compression across all European logistics markets. They still compressed a strong 50 bps in Madrid compared to a year earlier, ending 2018 at 5.00%.

Focus on Netherlands

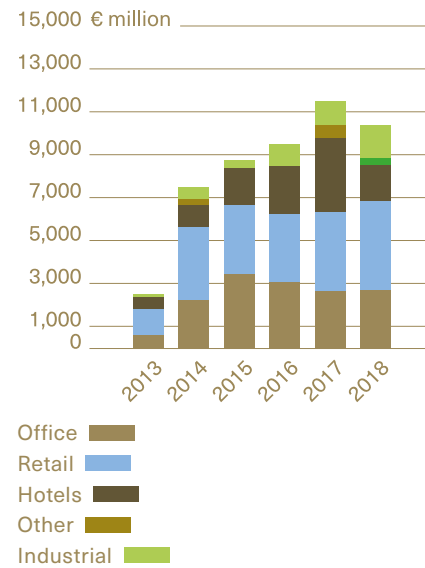
The Dutch economy continues to perform above the Eurozone average. According to Oxford Economics, annual GDP growth should come in at a strong 2.6% in 2018. Whilst Oxford Economics has raised its 2019 forecast, GDP growth this year is nevertheless expected to slow to around 1.8%.

Overall, however, the domestic pillars of expansion should remain broadly intact. Following a strong 2.5% rise in 2018, private consumption is expected to slow but should still record a robust 1.6% y-o-y growth this year. Wage growth should also remain strong, supporting further rises in purchasing power, albeit this will be slightly offset by a rise in VAT and energy taxes. Export growth should also recover from a difficult 2018, rising by around 3.5% in 2019.

Investment in the Netherlands commercial real estate (offices, retail, logistics, hotels and alternatives/others) peaked in 2017 at nearly € 18.4 billion and over 80% year-on-year increase driven by a significant hike in office and retail investment. Total investment volumes were down nearly 30% in 2018 as both the office and retail segments saw significantly lower volumes last year whilst hotel investments were also lower year-on-year. Industrial and logistics investment on the other hand continued to increase in 2018 year-on-year.

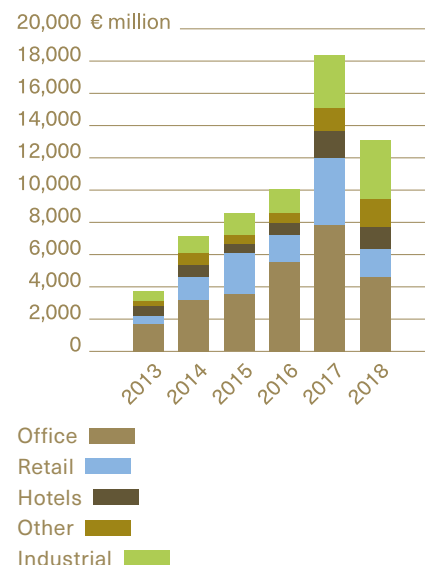
Prime yields in the Netherlands continued to compress across nearly all market segments in 2018 except for retail unit shops which remained unchanged. Prime logistics yields have compressed 40 bps in 2018 YoY and at 4.50% are now below prime shopping centre yields (4.75%) in the Netherlands, The Netherlands is the only major European market where we currently observe logistics yields below the level of any other real estate sector.

SPAIN: INVESTMENT VOLUMES ALL ASSET CLASSES



Source: JLL EMEA, February 2019

NETHERLANDS: INVESTMENT VOLUMES ALL ASSET CLASSES



Source: JLL EMEA, February 2019

Focus on Italy

Recent Oxford Economics data seems to confirm that Italy entered into a recession in the second half of 2018. A slightly better outcome during the first half of last year means that annual GDP growth in 2018 should be around 0.8%.

Investment in the Italian commercial real estate (offices, retail, logistics, hotels and alternatives/others) reached € 8.7 billion in 2018. This was down 18% on the record 2017 result and still 5% lower if compared to 2016. Slower investment activity in 2018 was largely due to a significant drop in the alternatives/other segment (-52% y-o-y) and investment in hotels declining 46% y-o-y. Meanwhile, investment in logistics assets was down by 24% whilst office investments were nearly unchanged y-o-y and retail investments were a marginal 2% up.

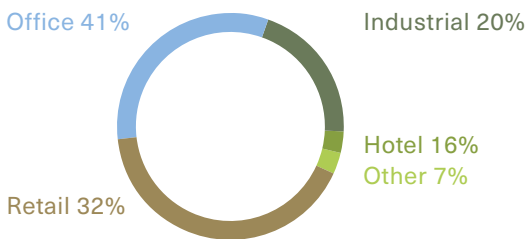
Prime yields in Italy had been on a general downward trend since 2013 across all real estate segments. They continued to compress in 2018 albeit the pace of compression slowed across the board; and shopping centre yields reversed, moving out 10 bps y-o-y to 5.00%. Logistics prime yields saw the strongest compression since 2009 across all segments, down 210 bps whilst at the end of 2018 still maintaining a significant gap of 210 bps to unit shops and 180 bps to office properties. Meanwhile, they remain a narrower 40 bps above shopping centres.

Central and Eastern Europe

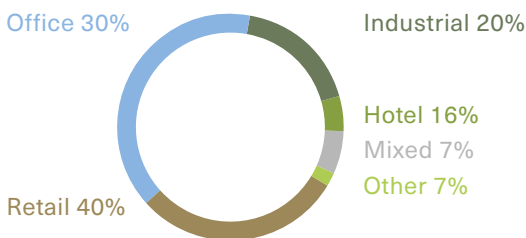
At ca. €13.23 billion, the year 2018 recorded an 11% increase over 2017 (€ 11.92 billion) in total and for the third year running set a new record transaction volume for the CEE region by over €1.3 billion. The full year breakdown saw Poland crush its previous record volume set in 2006 (€5.05 billion) and secured a massive regional share of 54%. This result was followed by the Czech Republic (19%), Hungary (14%), Romania (7%) and Slovakia (6%). The breakdown of volumes for 2018 is as follows:

For 2019, Jones Lang LaSalle expects continued, strong interest for product in the CEE markets although perhaps not to quite to levels seen in 2018. Jones Lang LaSalle current forecast for the full year suggests that CEE regional volumes will reach ca. €11.0 billion.

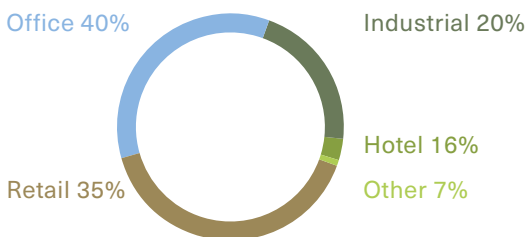
CEE SECTOR SPLIT 2016



CEE SECTOR SPLIT 2017

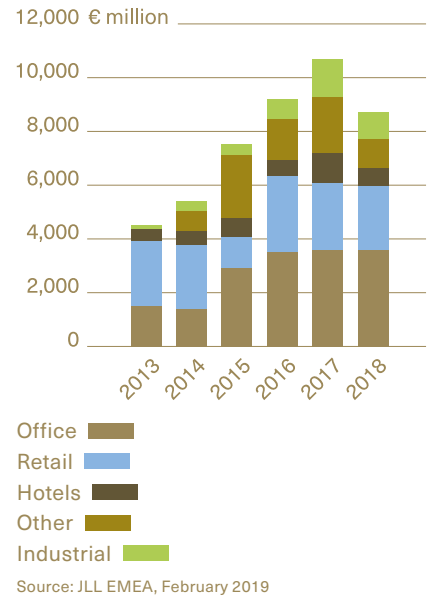


CEE SECTOR SPLIT 2018*

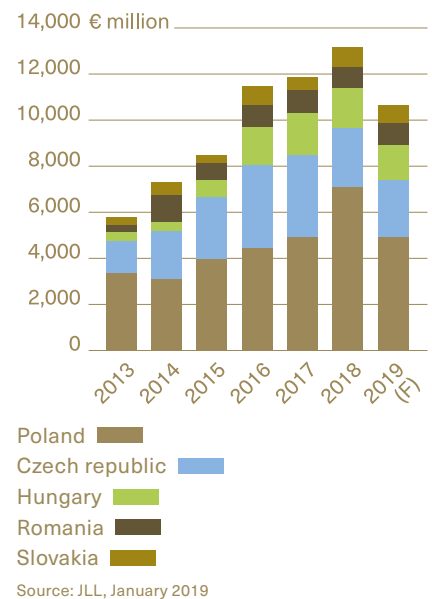


Source: JLL, February 2019; *Preliminary figures

ITALY: INVESTMENT VOLUMES ALL ASSET CLASSES



CEE INVESTMENT VOLUME BY COUNTRIES





Focus on the Czech Republic

The Czech Republic still reports strong macro-economic performance and continues to be considered as the most stable country with the lowest investment risk rating within the CEE region. Retail sales continue to grow with an increasing importance and share of e-commerce sales. Office, industrial as well as retail occupational markets have registered strong performance, leading to record low vacancies across the sectors, supporting the strong fundamentals of the real estate investment market.

On the basis of positive macro-economic results, the Czech Republic continues to be highly popular amongst both international and domestic capital, bringing investment volumes to ca. €1.41 billion in H2 2018, up by approximately 28% compared to H1 2018 (ca. €1.1 billion). Unlike most other CEE countries, Czech domestic investors dominated the market with a 50% share of volumes, followed by a 40% share of capital coming from Germany, mainly due to the acquisition of a CTP portfolio by Deka Immobilien.

The most significant office investment transactions in H2 2018 were Trimaran and Element in Prague 4, sold by Austrian developer S+B Gruppe to Allianz Real Estate, followed by Forum Karlin, sold by Czech billionaire – Zdeněk Bakala's company, BMM, to Amundi Czech Republic and Florenc Office Center in Prague 8 sold by IAD Investments to Korean investor, Shinhan Financial. The last transaction resulted in the compression of the prime office yield which as of Q4 2018 stands at the historically lowest level of 4.50%. The total office investment volume recorded for H2 2018 reached € 502 million, accounting for approximately 36% of the total investment volume in H2 2018.

The most significant retail transaction of H2 2018 was the acquisition of Forum Nova Karolina by Reico for €208 million, having bought the asset from Meyer Bergman & HOOPP. The remaining retail transactions were regional shopping centres, supermarkets and retail parks, typically acquired by Czech domestic investors.

With the largest transaction of the year being the acquisition of a CTP portfolio by Deka Immobilien worth € 458 million, the industrial and logistics sector volume totalled € 488 million in H2 2018. This sector usually suffers from a lack of available A-class product and the transaction activity is concentrated around big ticket portfolio deals as evidenced by H2 2018.

Investor activity and appetite for investment product continues to be strong, however, it is limited by a lack of supply of prime assets and high price expectations of sellers. This has resulted in lower 2018 investment volumes on the Czech real estate market by approximately 29% compared to 2017.

In H2 2018, we recorded further yield compression with our view on prime yields as follows: prime offices compressed by 35 bps to 4.50% on the basis of Florence Office Centre and on-going transactions, prime shopping centres remain at 4.85%. The industrial and logistics prime yield is down by 25 bps, now standing at 5.50%, evidenced by the acquisition of CTP parks by Deka. Prime retail parks are at 6.00% while prime high-street assets would trade at 3.50%.

Focus on Hungary

Although the first half of 2018 started weak, the second half of the year proved to be especially strong, reaching a level of ca. €1.3 billion, the highest H2 volume since 2007.

The strong volume was the result of four large transactions (the disposal of Mammut Shopping Centre, Corvin Offices, MOM Park Shopping Centre and MillPark office building), which generated nearly 60% of the total volume. As a result, the most active sectors were offices (45%) and retail (41%), followed by hotels (6%), industrial (4%) and assets for development purposes (4%).

The most significant office transaction was the disposal of Corvin Offices by Futureal. This sale is the largest office deal on record in Hungary. The 6 existing assets were purchased by OTP RE Fund. Furthermore, ERSTE RE Fund purchased Mill Park Offices (the latest development of Skanska) and Diófa RE Fund acquired Alkotás Point from Heitman.

The main retail transactions include the sale of Mammut Shopping Centre by LoneStar to NEPI Rockcastle and the disposal of MOM Park Shopping Centre by a JV of Morgan Stanley, WING and CC Real to OTP RE Fund. A landmark high street retail unit was also transacted at the end of the year.

In the logistics asset class, Prologis sold two of its logistics parks, located in Százhalombatta (39,000 m²) and Üllő (37,000 m²) to Mapletree as part of its global portfolio including assets in Poland, France, Hungary and the US.



As a result of the strong H2, the annual investment volume exceeded the 2017 level and reached more than €1.85 billion, marking the third consecutive year of stable and strong investor appetite and the highest annual transaction volume since 2007. Prime yields compressed in every asset class during the year and are now at 5.25% for high street, 5.75% for offices and shopping centres and 7.25% for industrial.

Looking ahead we expect investor appetite to remain strong in 2019 with liquidity in all asset classes and segments.

Focus on Romania

In 2018, the property investment volume for Romania is estimated at circa €900 million, a value slightly below the one registered in 2017 (€963 million). However, several transactions in different stages of negotiations were postponed and they are most likely to be concluded during the first half of 2019. The overall number of transactions decreased, although, the average deal size increased, standing at approximately €31 million.

Bucharest accounted for over 78% of the total investment volume, mainly due to two very large office transactions in the city which were closed in Q2 and Q3, respectively. Market volumes were dominated by office transactions (50%), while retail accounted for circa 35%.

The largest transaction registered in 2018 was the acquisition of the first two phases of The Bridge, a 58,000 m² office park in Centre-West sub-market of Bucharest by Romanian Group Dedeman. Another notable office transaction was the acquisition of the first two phases of Oregon Park, a 68,500 m² office park in the Floreasca Barbu Vacarescu sub-market in the north of Bucharest, by Lion's Head Investment.

The largest retail transaction of the year was the acquisition by Sonae Sierra of a 50% stake owned by Irish real estate developer Caelum Development in the Park Lake Shopping Centre, a dominant asset in the east of Bucharest. Other significant transactions were the acquisition of Militari Shopping Centre owned by Atrium European Real Estate by MAS Real Estate for €95 million and the acquisition of the Festival Shopping Centre project of Primavera Development in Sibiu by NEPI Rockcastle for €21 million.

In the industrial sector, the largest transactions in 2018 included the acquisitions of CTP Cluj for €22 million and the purchase of Dunca Timisoara for €21 million, both by the Belgian group WDP.

The macro-economic forecast for Romania continues to be positive, despite recent concerns. The country was one of the EU's top performers in the first 9 months of 2018 (with GDP growth estimated at 4.2%) and is expected to hold this position for 2019 as well. On the financing side, terms and conditions are getting closer to what can be expected in the core CEE markets. Consequently, sentiment is strong, and confidence is at one of the highest ever levels, with a total volume for 2019 estimated to surpass the €1 billion mark.

Retail, office and industrial yields have all compressed by 25 bps over the year with prime retail yields standing at 7.00%, prime office yields at 7.25% and prime industrial yields are at 8.25%.



German market¹

Leading logistics areas

Germany is the largest economy in Europe and the world's second largest exporter. It is also ranked number one globally in terms of its overall 'logistic performance' according to the World Bank's Logistics Performance Index (2018). With the eastwards expansion of the EU, Germany became even more centrally positioned within Europe and benefits from its geographical location as well as its excellent global connectivity.

Germany's logistics locations are highly fragmented. Traditionally, the principal markets are located around:

- Hamburg, largely driven by the port, Europe's second largest container seaport;
- Frankfurt-Rhein Main, driven by freight activities surrounding the airport as well as the large customer base in the metropolitan area;
- Ruhr area & Düsseldorf-Cologne corridor, which are still largely manufacturing based;
- Munich, focused on the high-tech sector;
- Berlin, the national capital.

There are also several smaller logistics locations which have emerged only over the last few years such as the Kassel/Bad Hersfeld area (the most centrally located area in Europe) and Leipzig/Halle (benefitting from airport development) - offering a higher availability of development sites in combination with lower land prices and lower rental values. Other smaller regional markets are the Rhein-Neckar area, Hanover/Brunswick, Stuttgart/Heilbronn, Osnabrück/Münster, Nuremberg, Erfurt, Bremen and Mönchengladbach.

Over the next few years, JadeWeserPort container port could also see an acceleration in local activity, provided the area can overcome limitations in transport infrastructure and initial occupier caution.

¹ Source: Jones Lang LaSalle

Take-up of logistics space

In 2018 the German warehousing market saw a new record take-up level at over 6.6 million m² including units of 5,000 m² and over. This is 9% above the previous record year (2016) and 13% up on a slightly lower 2017. It is also still 24% ahead on the five-year average. The share of total take-up attributable to lettings was 64% (+ 7% year-on-year). Take-up by owner occupiers increased by 18%.

Take-up in the Big 5 conurbations (Berlin, Düsseldorf, Frankfurt, Hamburg and Munich) was around 1.5 million m² in 2018, which is 4% ahead on the previous record in 2016 and 20% on the five-year average.

The highest take-up in 2018 amongst the Big 5 was recorded in the Frankfurt region at around 500,000 m². This was followed by the Hamburg region with 315,000 m². Both regions were at a similar level compared to the previous year. The strongest growth was seen in the Munich region (49%), followed by Berlin and Düsseldorf (13% respectively). Berlin was also home to the three largest deals within the Big 5 conurbations: Chef Culinar, DHL and sports retailer Decathlon each leased around 40,000 m² in project developments in Ludwigsfelde on the southern periphery of Berlin.

Take-up of around 5.1 million m² was recorded in areas outside the Big 5 conurbations (further referred to as regional take-up), exceeding the five million m² mark for the first time on record. This was 14% above the previous year's total and 26% on the five-year average.

Take-up attributable to lettings rose 9% year-on-year and take-up by owner-occupiers rose by 21%. Around 80% of all take-up was in new-build properties and project developments, and 95% of take-up was in the ≥50,000 m² size category. Three of the four largest deals of the year were registered in the first quarter: XXXLutz laid the foundation stone for its new e-commerce logistics centre at Erfurter Kreuz, where around 200,000 m² of logistics space will be completed by 2022. A large logistics centre with around 114,000 m² is under construction for Amazon in Oelde and over 100,000 m² is under construction for the logistics company Hammer in Inden close to Eschweiler. At the end of 2018, work commenced on the construction of an approx. 100,000 m² logistics centre for Amazon in Sülzetal, close to the city of Magdeburg.

The highest regional take-up was in the Ruhr region with around 574,000 m², followed in second and third place by the Leipzig/Halle region (around 300,000 m²) and the Rhein-Neckar region (275,000 m²) respectively. The take-up statistics outside the Big 5 conurbations were dominated by the distribution/logistics sector with 1.9 million m² (38%), followed by manufacturing companies with around 1.6 million m² (31%) and retail companies with around 1.3 million m² (of which approx. 615,000 m² were in the e-commerce sector).





Evolution of rental levels

The short-term supply of modern logistics space continued to decline in the Big 5 conurbations. Around 905,000 m² of logistics space was completed in 2018 but just 23% was still available at the time of completion. Around 580,000 m² is currently under construction in the Big 5, of which just under one third is still unlet. The majority of space currently under construction (46%) is located in the Frankfurt region.

Prime rents in Germany had been fairly resilient during the recession of 2009 and the following Eurozone financial crisis. That said, following some growth in 2011, further rental growth has remained patchy.

Within the Big 5 conurbations, rents in Düsseldorf and Frankfurt had remained unchanged since 2011. Elsewhere, prime rents in Berlin were up 6.4% in 2016 and increased a significant 10% in 2018. Hamburg recorded a 3.6% rental increase in 2018, the first after 2011. Germany's most expansive market, Munich, meanwhile had recorded various years of rental growth since 2011 and in 2018 rose another 5.2%.

Rental levels are forecast to continue to trend upwards across all Big 5 conurbations with estimated annual growth over the next four years strongest in Hamburg at 1.4%, followed by Frankfurt (1.3%), Munich (1.0%), Düsseldorf (0.9%) and Berlin (0.6%).

Immediate and future logistics offer

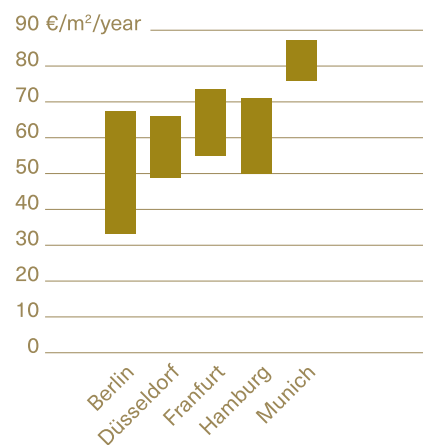
Estimations of logistics vacancy rates in Germany are historically low. Prolonged strong occupier demand over recent years pushed the estimated vacancy rate as low as around the 4% mark in 2016, and it has remained around this level since.

Continued low vacancy rates are clearly reflected in the high level of take-up taking being build-to-suit driven.

At the start of 2019, nearly 4 million m² of new space was under development across Germany of which less than 200,000 m² were speculative. As a result, vacancy levels in Germany are expected to remain at current low levels.

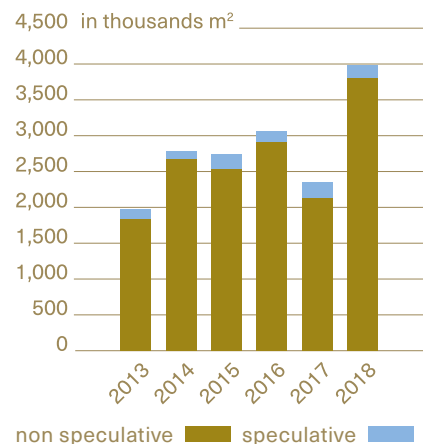
Considering expectations of continued robust take-up in combination with low vacancy Jones Lang LaSalle expects strong development activity. However, land availability for new warehouse developments both in brownfield and green field locations, continues to decline across Germany. Increasingly, this is encouraging project developers to build land banks at long-term strategic locations. However, many municipalities require the disclosure of end user details, including expected trade tax revenues and planned number of employees, even before the land is sold. The developer must typically guarantee the creation of at least 25 new jobs per hectare of land. Add to the increasing shortage of space and rising property and building costs, this poses greater challenges for the development of new logistics space.

PRIME RENTAL BANDS



Source: JLL EMEA, February 2019

NEW WAREHOUSING SPACE UNDER CONSTRUCTION



Source: JLL EMEA, February 2019

Spanish market¹

Leading logistics areas

The logistics markets in both Madrid and Barcelona are laid out in three concentric rings, each of which reflects a different type of activity or product managed by logistics platforms.

Operators are concentrated along the primary logistics routes. These include the A-2, A-3, A-4 and A-42 roads heading out of Madrid and the A-2 and AP-7 in Barcelona. These roads in both cities pass through all three rings. Operators are located along various stretches depending on the type of freight traffic and whether they are focused on local, regional or national/international transport.

Take-up of logistics space

Continued strong occupier activity in Spain in 2018 was driven by sound economic growth and more and more occupiers seeking to future-proof their supply chain operations by moving into appropriate logistics facilities. In total, 2.2 million m² of logistics space was taken-up in 2018. This was 25% higher than the previous year and the first time that the two million m² threshold has been exceeded.

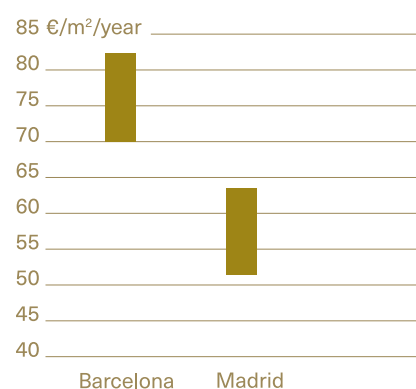
Madrid continued to lead market activity, accounting for over 40% of total take-up (more than 900,000 m²) in 2018. However, the strongest year-on-year growth was achieved in Barcelona where total take-up rose to over 650,000 m² in 2018, up 43% year-on-year, compared to only 15% growth in Madrid.

Unsurprisingly, 3PLs and logistics companies led total take-up last year, accounting for nearly 50% of total take-up. Retail companies followed at 18% of the total whilst manufacturing companies achieved a limited 9%; however, it was the latter marking the steepest year-on-year growth nearly doubling the amount of space take-up in 2018 compared to the previous year. Meanwhile, units taken up specifically for e-fulfilment (including all occupier segments) accounted for 8% of the total. Albeit total take-up of e-fulfilment space more than halved in 2018 compared to a strong 2017 when this segment accounted for 21% of total annual take-up, it was only marginally below the European average (10%), highlighting continued active demand for such space.

Evolution of rental levels

Prime logistics rents recorded a 5% increase in 2018 y-o-y in Madrid, following stable levels in 2017 and a 5.3% increase in 2016. Meanwhile rents have been unchanged in Barcelona since 2015 when they grew by 3.8% year-on-year. As a result, prime rents at the end of 2018 stood at € 81.00/m²/year in Barcelona and at € 63.00/m²/year in Madrid. Looking ahead, prime logistics rents are projected to show further growth in 2019, led by Madrid where rents in 2019 could potentially grow above 4% year-on-year whilst prime logistics rents in Barcelona are expected to grow by less than 1% this year.

PRIME RENTAL BANDS



Source: JLL EMEA, February 2019

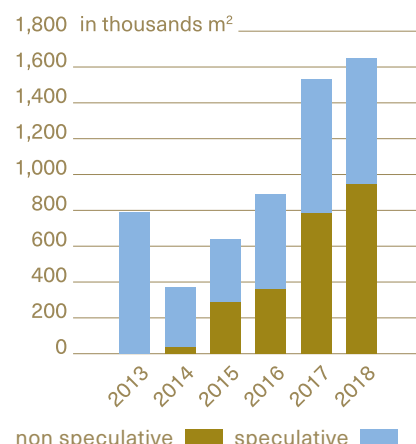
Immediate and future logistics offer

At the end of 2018, immediately available functional logistics space across Spain reached a historic low. The aggregate vacancy rate for Spain had dropped to 3.5%, down from nearly 14% in 2013. Vacant logistics space was lowest in Barcelona at the end of 2018, at 3.1% whilst reaching a still limited 3.8% in Madrid.

Looking at future supply, nearly 1.7 million m² of new logistics space was under construction at the start of 2019. What's more, nearly 60% of total space under construction was attributable to space being built speculatively. In fact, the Spanish market is currently recording the highest level of speculative development across all major European markets both in actual square meters and the share of speculative space developed compared to total space under construction nationally; albeit it is slightly down on the previous year.

Most speculative build units that came onto the market throughout 2018 were taken up quickly thanks to continued strong occupier demand. Whilst we expect occupier demand to remain on robust levels in 2019, driven by continued supply chain alignment to e-commerce, the general global economic slowdown and downside risks stemming from geopolitical uncertainty (in particular the risk of rising trade tariffs) plus strong speculative development activity might lead to an uptick in vacancy rates throughout 2019.

NEW WAREHOUSING SPACE UNDER CONSTRUCTION



Source: JLL EMEA, February 2019

The Netherlands¹

Leading logistics areas

The Netherlands logistics market is characterized by its two major global gateway sites: Rotterdam harbour is Europe's leading container port whilst Schiphol airport ranks as 3rd largest European cargo airport. As such the country is regarded as one of the major European freight forwarding markets.

The Dutch logistics market is divided into six different clusters, comprising the two major distribution hubs Amsterdam and Rotterdam as well as the four regional areas West-Noord Brabant, Mid-Noord Brabant, Southeast-Noord Brabant and North Limburg.

Take-up of logistics space

Total logistics take-up in the Netherlands in 2018 exceeded the 3 million m² threshold for the first time on record. It was up another 10% if compared to 2017 and nearly double its five-year average. Strong growth was driven by a combination of continued economic growth and structural change, in particular strongly rising e-commerce activity in the market.

Units taken specifically for e-commerce activity in 2018 continued to increase 17% y-o-y. That said, take-up growth last year was driven by manufacturing companies, up 300% y-o-y, albeit this marked a recovery on a slow 2017 and was still below activity levels seen in 2015 and 2016. Overall, take-up was led by 3PLs, accounting for 60% of the total in 2018 and up 44% y-o-y.

Occupier activity was highest in North-Limburg, driven by the larger Venlo area, accounting for nearly 20% of the 2018 total. The West-Noord Brabant area (12%) and the wider Rotterdam area (11%) followed as the second and third strongest logistics markets last year.

¹ Source: Jones Lang LaSalle



Evolution of rental levels

Prime logistics rents in the Netherlands are highest in Schiphol (Amsterdam) at € 85.00/m²/year where they have remained stable since 2013. Meanwhile, following a 4% y-o-y growth in 2017, prime rents increased another 3.8% y-o-y in 2018 in Rotterdam where they stood at € 67.50/m²/ year at the end of last year. Prime rents are still significantly lower across the southern Dutch submarkets. They stood at € 50.00/m²/year in the wider Venlo area (North-Limburg), the most dynamic regional Dutch market. With a significant 8.7% y-o-y increase in 2018, the wider Venlo market also saw the highest rental growth across the Netherlands last year.

Looking ahead, prime rents are expected to remain stable in 2019 in Amsterdam while growing at over 3.0% p.a. in 2020 to 2022. Meanwhile, rental growth in Rotterdam is expected to come in at over 2.0% p.a. in 2019 and should continue in this range during the following three years.

Immediate and future logistics offer

Over the past 10 years, vacancy of logistics space in the Netherlands remained relatively limited, peaking at nearly 8% in 2014. At the end of 2018, the overall Dutch vacancy rate stood at 4.1%, slightly up on a 3.7% rate recorded a year earlier. Nevertheless, immediately available logistics space related to total stock marks one of the lowest levels across the major European logistics markets.

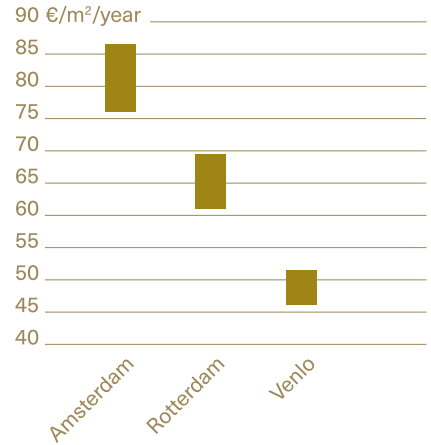
Vacancy rates at the end of 2018 were lowest in the Venlo/North-Limburg market at below 2%. It stood at a still moderate 3.3% in the wider Amsterdam market and at 5.5% in the wider Rotterdam market.

Looking at future supply, more than 1.9 million m² of new logistics space was under construction at the start of 2019, up 9% on the previous year. This was the third highest construction pipeline across Europe, only behind Germany and the UK. A total of 46% of this space (nearly 900,000 m²) were under construction speculatively, which was 70% higher if compared to speculative space under construction one year earlier. The Netherlands currently recorded the highest volume of speculative logistics space under construction after Spain.

Development activity is led by the wider Rotterdam market, where 65% of the total space under construction (260,000 m²) are speculative. The wider Amsterdam market follows in terms of total new space under construction and a 47% share of speculative units.

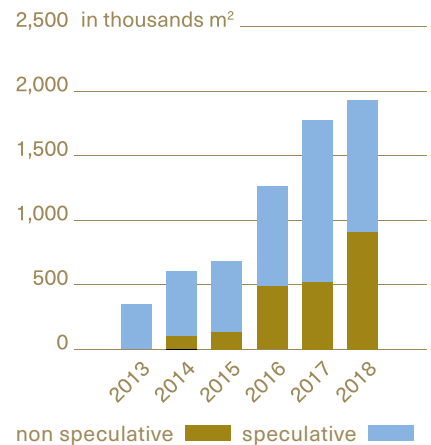
Most space speculatively under construction throughout 2018 had been taken up relatively quickly, as reflected in the low overall vacancy rate. Expectations of continued economic growth in 2019 and further supply chain alignment in the logistics real estate market should support further robust take-up levels in the Netherlands in 2019. However, a general global economic slowdown and downside risks stemming from geopolitical uncertainty and the risk of rising trade tariffs, could mean that strong speculative development activity might lead to an uptick in vacancy rates throughout 2019.

PRIME RENTAL BANDS



Source: JLL EMEA, February 2019

NEW WAREHOUSING SPACE UNDER CONSTRUCTION



Source: JLL EMEA, February 2019

Italian market¹

Leading logistics areas

The Italian logistics market historically remains a less open market if compared to other Western European countries as it is predominantly driven by domestic consumption and has limited links to external economies.

The Milan/Lombardy area, as Italy's economic and industrial powerhouse, is historically the most dynamic logistics market across Italy. Meanwhile, Rome accounting for a similar population size also accounts for a sizable logistics stock whilst the market remains significantly less dynamic and even more locally driven if compared to Milan. Among the smaller markets, Bologna is benefitting from its strategic location at the crossroads of northern and southern Italy whilst the Veneto market remains a relatively dynamically growing area as well.

Take-up of logistics space

The Italian warehousing market in 2018 reached nearly 1.5 million m² in 2018. Whilst this was 16% less than in the 2017 record year it was still the second strongest result on record. The Italian warehousing market is driven by significant supply chain alignment supporting further strong growth in online sales. As a result, take-up in smaller units located in closer proximity to the end customer to support final mile delivery has increased. In 2018, this segment accounted for nearly 80% of total take-up, up from around 70% in 2017. On the other hand, take-up in units of 10,000 m² and above weakened in 2018, leading to the overall slight decline in annual take-up.

Unsurprisingly, take-up was led by the wider Milan area, accounting for more than half of the 2018 total. Bologna followed at 10% whilst Rome and the Veneto area achieved 8% and 7% respectively. 3PLs remained the leading occupier group in 2018, accounting for over 40% of total take-up. Manufacturing companies followed at nearly one quarter of the total thanks to a strong 70% y-o-y growth of space taken-up by this group after several years of subdued occupational activity. Retail companies accounted of 13% of total take-up whilst space taken-up specifically for e-commerce reached 12%.

Evolution of rental levels

Prime rents in the wider Milan area started to recover from 2015 onwards, growing an average of 4.7% p.a. between 2015 and 2017. They continued to edge up in 2018 albeit at a more moderate 1.8% to € 56.00/m²/year. Prime rents in the wider Rome market started to recover in 2017, growing a solid 5.8% that year. This was followed by a slower 1.8% in 2018 with prime rents in Rome now standing at the same level than Milan at € 56.00/m²/year.

Meanwhile, rents also continued to rise in the smaller markets during 2018, growing a strong 5.9% y-o-y in Bologna to € 54.00/m²/year and 2.1% in the Veneto region to € 49.00/m²/year. Looking ahead, moderate rental growth should continue during 2019 - 2021 across the major markets albeit growth should remain below the 2% market in Milan and Rome.

Immediate and future logistics offer

Vacancy rates in the Italian warehousing market have been historically low. At the end of 2018, they stood at 3.6% for Italy as a whole, marginally down from 3.9% a year earlier. Meanwhile, looking at the most dynamic Italian warehousing market, Milan, vacancy rates have been almost static over the past five years, hovering at around 2%.

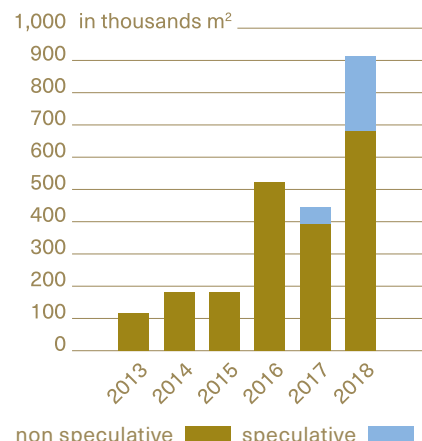
At the start of 2019, just over 900,000 m² of new logistics space was under construction across Italy, increasing more than two-fold if compared to one year earlier. Roughly one quarter of the space under construction was speculative. Considering that speculative constructions continues to be fairly moderate and occupier demand still driven by strong growth in online sales, vacancy in warehousing assets in Italy should remain fairly contained in 2019.

PRIME RENTAL BANDS

MARKET	PRIME RENT
Milan	56/m ² /year
Rome	56/m ² /year
Bologna	54/m ² /year
Veneto region	49/m ² /year

Source: JLL EMEA, February 2019

NEW WAREHOUSING SPACE UNDER CONSTRUCTION



Source: JLL EMEA, February 2019

¹ Source: Jones Lang LaSalle

Report of the



Board of Directors





Corporate governance statement

In accordance with the original Belgian Code on Corporate Governance published in 2004, the Board of Directors has, on 17 January 2008, adopted the VGP Corporate Governance Charter.

Following the publication of the 2009 Belgian Code on Corporate Governance, the Board of Directors has, on 20 April 2010, adopted the 2009 Code as the reference code for VGP and revised the VGP Corporate Governance Charter.

On 7 October 2017 the Board of Directors has further revised the VGP Corporate Governance Charter and included a.o. an anti-bribery section into the VGP Corporate Governance Charter. VGP complies in principle with the Belgian Corporate Governance Code and explains in the VGP Corporate Governance Charter and in this Corporate Governance Statement why it departs from some of its provisions.

The Belgian Corporate Governance Code is available at:
www.corporategovernancecommittee.be

The VGP Corporate Governance Charter is available at:
www.vgpparks.eu

Board of Directors

The Board of Directors consists of five members, who are appointed by the General Meeting of Shareholders. The Chairman and the Chief Executive Officer are never the same individual. The Chief Executive Officer is the only Board member with an executive function. All other members are non-executive Directors.

Three of the Directors are independent: Mr Marek Šebesták (first appointed in 2007), Mr Alexander Saverys (first appointed in 2007) and Rijo Advies BVBA represented by Jos Thys (first appointed in 2007).

The biographies for each of the current directors (see Board of Directors and Management), indicate the breadth of their business, financial and international experience. This gives the directors the range of skills, knowledge and experience essential to govern VGP.

For a detailed description of the operation and responsibilities of the Board of Directors we refer to the VGP Corporate Governance Charter, which is published on the company's website.

The Board of Directors have not and do not intend to appoint a company secretary. By doing so the company deviates from the recommendation 2.9 of the Corporate Governance Code. The small size of the company and its Board of Directors make such appointment not necessary.

The Board of Directors held 6 board meetings in 2018 of which 1 was held by conference call. The most important points on the agenda were:

- approval of the 2017 annual accounts and 2018 semi-annual accounts;
- approval of budgets;
- review and discussion of the fourth closing with VGP European Logistics ;
- review and discussion of the property portfolio (i.e. investments, tenant issues etc.);
- review, discussion and approval of the investments and expansion of the land bank and expansion into the Austrian, Benelux, Italian and Portuguese markets;
- review and approval of new financing arrangements to support the growth of the Group i.e. approval of the issuance of a new bond.

NAME	YEAR APPOINTED	NEXT DUE FOR RE-ELECTION	MEETINGS ATTENDED
Executive director and Chief Executive Officer			
Jan Van Geet s.r.o. represented by Jan Van Geet	2017	2021	6
Non-executive director			
VM Invest NV, represented by Bart Van Malderen	2017	2021	5
Independent, non-executive directors			
Marek Šebesták	2015	2019	6
Alexander Saverys	2015	2019	5
Rijo Advies BVBA represented by Jos Thys	2015	2019	6

Immediately after the Ordinary General Meeting of Shareholders of 10 May 2019 the mandates of the three independent directors will expire. The mandates of the current independent directors will not be renewed as all three independent directors will no longer, in accordance with article 526ter of the Companies Code, qualify as independent directors.

A proposal to appoint three new independent directors i.e. Mrs Ann Gaeremynck, Mrs Katherina Reiche and Mrs Vera Gäde-Butzlaff, will be submitted to the Annual General Meeting of Shareholders of 10 May 2019 for approval.

Subject to the approval by the Annual General Meeting of Shareholders, the composition of the Board of Directors will meet the gender diversity requirement laid down in article 526 quater §2 of the Companies Code.

Committees of the Board of Directors

The Board of Directors has also established two advisory committees: and Audit Committee and a Remuneration Committee.

Audit Committee

The Audit Committee is composed of three members whom are all non-executive Directors. Two members, Mr Jos Thys and Mr Marek Šebesták, are independent. The members of the committee possess sound knowledge of financial management.

For a detailed description of the operation and responsibilities of the Audit Committee we refer to the VGP Corporate Governance Charter, which is published on the company's website.

The Audit Committee meets at least twice a year. By doing so the company deviates from the recommendation in the provisions 5.2/28 of the Corporate Governance Code that requires the Audit Committee to convene at least four times a year. The deviation is justified considering the smaller size of the company.

The Audit Committee meets at least twice a year with the statutory auditor to consult with them about matters falling under the power of the Audit Committee and about any matters arising from the audit. The CEO and CFO also attend the meetings of the Audit Committee. Given the size of the Group no internal audit function has currently been created.

NAME	YEAR APPOINTED	EXECUTIVE OR NON-EXECUTIVE	INDEPENDENT	NEXT DUE FOR RE-ELECTION	MEETINGS ATTENDED
Jos Thys (Chairman)	2015	Non-executive	Independent	2019	2
Bart Van Malderen	2017	Non-executive	—	2021	1
Marek Šebesták	2015	Non-executive	Independent	2019	2

The Audit Committee met twice in 2018. The Chairman of the Audit Committee reported the outcome of each meeting to the Board of Directors. The most important points on the agenda were:

- discussion on the 2017 annual accounts and 2018 semi-annual accounts and business updates;
- analysis of the recommendations made by the statutory auditor;
- financing structure of the Group;
- the debt and liquidity situation;
- discussion, review and approval of proposed scope and fees for audit and non-audit work carried out by Deloitte.

Remuneration Committee

The Remuneration Committee is composed of three members whom are all non-executive Directors. Two members, Mr Jos Thys and Mr Alexander Saverys, are independent. The committee's competence in the field of remuneration policy is demonstrated by the relevant experience of its members.

For a detailed description of the operation and responsibilities of the Remuneration Committee we refer to the VGP Corporate Governance Charter, which is published on the company's website.

The Remuneration Committee meets at least two times per year, as well as whenever the committee needs to address imminent topics within the scope of its responsibilities. The CEO and CFO participate in the meetings when the remuneration plan proposed by the CEO for members of the management team is discussed, but not when their own remunerations are being decided.

In fulfilling its responsibilities, the Remuneration Committee has access to all resources that it deems appropriate, including external advice or benchmarking as appropriate.

NAME	YEAR APPOINTED	EXECUTIVE OR NON-EXECUTIVE	INDEPENDENT	NEXT DUE FOR RE-ELECTION	MEETINGS ATTENDED
Bart Van Malderen (Chairman)	2017	Non-executive	—	2021	1
Alexander Saverys	2015	Non-executive	Independent	2019	2
Jos Thys	2015	Non-executive	Independent	2019	2



The Remuneration Committee met two times in 2018.

The most important points on the agenda were:

- discussion on remuneration policy;
- allocation of variable remuneration;
- implementation of a new long term incentive plan.

Nomination Committee

The company has not set up a Nomination Committee. By doing so the company deviates from the recommendation in the provisions 5.3 of the Corporate Governance Code. The deviation is justified considering the smaller size of the company.

Management Committee

Since no Management Committee in the meaning of article 524bis et seq of the Belgian Companies Code has been established, the company has not included specific terms of reference of the executive management. The tasks, responsibilities and powers of the CEO and the executive management are set out in the terms of reference of the Board of Directors. By doing so, the company as a smaller listed company deviates from the recommendation in provision 6.1 of the Corporate Governance Code.

Evaluation of the Board of Directors and its committees

In accordance with the VGP Corporate Governance Charter, the Board of Directors shall, every three years, conduct an evaluation of its size, composition and performance, and the size, composition and performance of its Committees, as well as the interaction with the Executive Management. Reference is made to the Terms of Reference of the Board of Directors – in Annex 1 of the VGP Corporate Governance Charter - for a description of the main characteristics of the methodology used for this evaluation.

The Board of Directors and its Committees carried out a self-assessment in February 2018 with satisfactory result.

Remuneration report

Remuneration policy for non-executive Directors

The independent and non-executive Directors receive an annual fixed remuneration of € 10,000 (the chairman receives a fixed annual remuneration of € 20,000). The Directors also receive an attendance fee of € 1,000 for each meeting of the Board of Directors (the chairman receives an attendance fee of € 2,000) and € 500 for each meeting of the Audit Committee or the Remuneration Committee they attend. For further details of the remuneration policy of the Directors we refer to Annex 2 point 6.1 of the VGP Corporate Governance Charter.

Non-executive Directors do not receive any remuneration linked to performance or results. Given the growth of the Group and additional remuneration might be proposed for approval by the Annual General Meeting of Shareholders from time to time.

The Annual General Meeting of Shareholders of 11 May 2018 approved an additional remuneration of € 33,000 for each independent director. The remuneration of the members of the Board of Directors is reflected in the table below:

for the year 2018

NAME <i>amounts in €</i>	FIXED REMUNERATION	VARIABLE BOARD ATTENDANCE	VARIABLE COMMITTEE ATTENDANCE	TOTAL
Chairman				
Marek Šebesták	20,000	45,000	1,000	66,000
Directors				
Alexander Saverys	10,000	38,000	1,000	49,000
Rijo Advies BVBA represented by Jos Thys	10,000	39,000	2,000	51,000
VM Invest NV, represented by Bart Van Malderen	10,000	5,000	1,000	16,000
Jan Van Geet s.r.o., represented by Jan Van Geet	10,000	6,000	-	16,000
Total	60,000	133,000	5,000	198,000

Remuneration policy for Executive Management

For the Executive Management the remuneration is determined by the Remuneration Committee in line with the rules described in the company's charter Annex 2 point 6.2 of the VGP Corporate Governance Charter.

The Executive Management consists of Jan Van Geet s.r.o. represented by Jan Van Geet (Chief Executive Officer), Jan Prochazka (Chief Operating Officer), Dirk Stoop BVBA represented by Dirk Stoop (Chief Financial Officer), Tomas Van Geet s.r.o. represented by Tomas Van Geet (Chief Commercial Officer), Jan Papoušek s.r.o. represented by Jan Papoušek (Chief Operating Officer – Outside CZ), Matthias Sander s.r.o. represented by Matthias Sander (Chief Investment Officer) and MB Vlutters BVBA represented by Martijn Vlutters (Vice President – Business Development & Investor Relations).

VGP strives overall for a position above the market median on the total reward position with a substantial variable part based on company, team and individual performance.

Given the small organisation of the Group the VGP remuneration including the variable remuneration is set based on the performance criteria defined by the Remuneration Committee on an annual basis and paid out in cash. These criteria relate amongst others to the occupancy rate of the income generating assets, the gearing level of the Group, the profit contribution of the development activities and the maximisation of shareholder value.

The Remuneration Committee will from time to time approve an overall variable remuneration envelope based on the company's performance and delegates the effective allocation of this variable remuneration to the CEO. The allocation by the CEO to executive and senior management will occur based on individual performance taking the overall performance criteria as set by the Remuneration Committee into consideration.

The remuneration policy is reviewed on an annual basis to accommodate potential developments in (labour) market characteristics, company strategy, company and individual performance as well as other relevant factors influencing the performance and motivation of the management team. Currently VGP expects to continue the current practice for the next two financial years.

Remuneration package 2018 of the CEO

- fixed remuneration of € 300,000 and a total directorship remuneration of € 16,000
- short term variable remuneration: € 0
- contribution of retirement benefits: € 0
- other components of the remuneration: € 36,380 (includes company car and related expenses)

Total remuneration 2018 for the executive management

The amount of the remuneration and other benefits granted directly or indirectly to the executive management members other than the Chief Executive Officer, by the Company or its subsidiaries, in respect of 2018 is set forth below on a global basis.

- fixed remuneration of € 779,811
- short term variable remuneration: € 700,000
- contribution of retirement benefits of € 57,533
- other components of the remuneration: € 84,315 (company car and related expenses)

Long-term incentive plan for VGP team

The Board of Directors, based on the recommendation of the remuneration committee has agreed to set up a new long-term incentive plan in 2018. The new plan will allocate profit sharing units ("Units"), to the respective VGP team members (including the executive management team). One Unit represents the equivalent of one VGP NV share on a net asset value basis. After an initial lock-up period of 5 year each participant will be able to return the Units against the payment of the proportional net asset value growth of such Units. At any single point in time, the number of Units outstanding (i.e. awarded and not yet vested) cannot exceed 5% of the total equivalent shares of the Company. For the financial year 2018 there were no Units allocated to the VGP team and the plan will therefore only become really effective as from 2019 onwards.

VGP Misv incentive plan

The Group has an incentive structure in place for selected members of the Group's management which was set up after the initial public offering of December 2007 and whereby the existing reference shareholders have transferred a number of VGP shares representing 5 percent of the aggregate number of shares in VGP NV into VGP MISV, a limited partnership controlled by Mr Bart Van Malderen as managing partner ("beherend vennoot"/"associé commandité"). This structure does not have any dilutive effect on any existing or new shareholders. shares. During the second half of 2018 and following the expiration of a 5 year lock-up period certain members of the VGP team sold their respective VGP MISV shares to VGP NV. VGP NV acquired 330,830 VGP Misv shares for an aggregate amount of € 8.6 million. Following the acquisition of these shares, VGP NV currently holds 78.83% in VGP Misv Comm. VA as at the end of December 2018. Based on known variables as at the reporting date the remaining 21.17% would entail a cash out of circa € 6.6 million as at the reporting date. It is foreseen that this plan will gradually phase out over the next 3 years. For 2018 no post-employment benefits nor share based payment benefits were granted.

The members of the executive team are appointed for an undetermined period and the notification period, in case of termination of their employment contract is 12 months. This rule applies to all members of the executive management. Furthermore, there are no claw back provisions for variable remuneration.





Policies of conduct

Transparency of transactions involving shares of VGP

In line with the Royal Decree of 5 March 2006, members of the Board of Directors and the executive management must notify the FSMA (Financial Services and Markets Authority) of any transactions involving shares of VGP within 5 business days after the transaction. These transactions are made public on the web site of the FSMA (<http://www.fsma.be>).

Reference is also made to Annex 4 of the VGP Corporate Governance Charter on <http://www.vgpparks.eu/investors/corporate-governance/>.

The insider transactions which occurred during 2018 can be summarised as follows:

- (i) through a number of separate transactions Mrs Griet Van Malderen bought 103,949 VGP NV shares during the first half of 2018 of which the acquisition of 78,949 VGP NV shares were already disclosed in the 2017 Annual Report.

Conflict of interest

In accordance with Article 523 of the Companies Code, a member of the Board of Directors should give the other members prior notice of any agenda items in respect of which he has a direct or indirect conflict of interest of a financial nature with the Company.

One conflict of interests arose during 2018 in respect of the waiver by Little Rock SA of its 5% variable fee of the consolidated gross profit for the financial years 2018 and 2019. We refer to the 2017 Annual Report – page 48 and the board of director's report attached to the 31 December 2017 statutory accounts for further information.

Risk management and internal controls

VGP operates a risk management and control function in accordance with the Companies Law Code and the Belgian Corporate Governance Code 2009.

VGP is exposed to a wide variety of risks within the context of its business operations that can result in the objectives being affected or not achieved. Controlling those risks is a core task of the Board of Directors, the Executive Management and all other employees with managerial responsibilities.

The risk management and control systems have been set up to reach the following goals:

- achievement of objectives related to effectiveness and efficiency of operations;
- reliability of financial reporting, and;
- compliance with applicable laws and regulations.

The principles of the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") reference framework has served as a basis in the set-up of VGP's risk management and control system.

CONTROL ENVIRONMENT

VGP strives for an overall compliance and a risk-awareness attitude by defining clear roles and responsibilities in all relevant domains. This way, the company fosters an environment in which its business objectives and strategies are pursued in a controlled manner. This environment is created through the implementation of different policies and procedures, such as:

- Code of ethics and conduct;
- Decision and signatory authority limits;
- Quality management and financial reporting system

Given the size of the company and required flexibility these policies and procedures are not always formally documented. The Executive Management ensures that all VGP team members are fully aware of the policies and procedures and ensures that all VGP team members have sufficient understanding or are adequately informed in order to develop sufficient risk management and control at all levels and in all areas of the Group.

RISK MANAGEMENT SYSTEM

Risk management and process and methodology

All employees are accountable for the timely identification and qualitative assessment of the risks (and significant changes to them) within their area of responsibility.

Within the different key, management, assurance, and supporting processes, the risks associated with the business are identified, analysed, pre-evaluated and challenged by internal and occasionally by external assessments.

In addition to these integrated risk reviews, periodic assessments are performed to check whether proper risk review and control measures are in place and to discover unidentified or unreported risks. These processes are driven by the CEO, COO and CFO which monitor and analyse on an ongoing basis the various levels of risk and develop any action plan as appropriate. In addition, control activities are embedded in all key processes and systems in order to assure proper achievement of the company objectives.

Any identified risks, which could have a material impact on the financial or operational performance of the Group are reported to the Board of Directors for further discussion and assessment and to allow the Board to decide whether such risks are acceptable from a level of risk exposure.

Most important risk factors

VGP has identified and analysed all its key corporate risks as disclosed in the 'Risk Factors' section in this annual report. These corporate risks are communicated throughout VGP's organisation.

Statutory auditor

DELOITTE Bedrijfsrevisoren BV o.v.v.e. CVBA having its offices at Gateway Building, Luchthaven Brussel Nationaal 1 J, 1930 Zaventem, Belgium represented by Mr. Rik Neckebroeck has been appointed as Statutory Auditor.

The Statutory Auditor's term of office expires immediately after the annual shareholders' meeting to be held in 2020 and at which the decision will be taken to approve the annual accounts closed on 31 December 2019.

In compliance with the rules governing the rotation of the representative of the statutory auditor (Deloitte Bedrijfsrevisoren CVBA) which require that such representative is replaced every 6 years, Mr Rik Neckebroeck will be replaced by Mrs Kathleen De Brabander as representative of Deloitte Bedrijfsrevisoren CVBA for the remaining duration of the audit mandate (1 financial year) as from the closing of the annual shareholders' meeting of 10 May 2019.



Risk factors

The following risk factors that could influence the Group's activities, its financial status, its results and further development, have been identified by the Group.

The Group takes and will continue to take the necessary measures to manage those risks as effectively as possible. The Group is amongst others exposed to:

Risks related to the Group's industry, properties and operations

The Group's business, operations and financial conditions are significantly affected by the Joint Venture

The Joint Venture has an exclusive right of first refusal (in accordance with the conditions as set forth in the JVA) in relation to acquiring the Czech, German, Hungarian and Slovak income generating assets of the Group. The Joint Venture does not have any contractual or legal obligation to acquire the income generating assets proposed by VGP. There is therefore a risk that the Joint Venture would discontinue acquiring the completed assets from the Group. In such an event, VGP is entitled under the terms of the JVA to dispose of such income-generating assets itself. Any delay in the disposal of such income-generating assets could have a material adverse effect on the short-term cash position of VGP which may in turn have a negative impact on the Group's business, financial condition and results of operations.

The properties that have on the date of this annual report already been sold to the Joint Venture generated a significant contribution to the income and result of the Group. Prior to their sale, and their deconsolidation has resulted and will further result in a decrease of the reported gross rental income of the Group. The portfolio sold to the Joint Venture in the fourth JV Closing at the end of April 2018 represented a gross rental income for the Group of € 3.2 million for the period 1 January 2018 to 30 April 2018. As at 31 December 2018 the committed annualize rent attributed to the Joint Venture amounts to € 70.9 million (compared to € 52.5 million as at 31 December 2017).

If Jan Van Geet, as CEO of the Group, would no longer devote sufficient time to the development of the portfolio of the Joint Venture, Allianz can, upon notice thereof, stop the acquisition process of the proposed income-generating assets, until Jan Van Geet has been replaced to the satisfaction of Allianz. Such temporary standstill of Allianz's investment obligation might negatively impact the short-term cash position of the Group. Prospective investors should furthermore note that the Joint Venture Agreement between VGP and Allianz may be subject to amendment or may be terminated in accordance with the provisions thereof. Any such amendment or termination may have a material adverse impact on VGP's financial position and income.

The Group acts as development manager vis-à-vis the Joint Venture and in such capacity, the Group is responsible for ensuring that any development is being made within the initially agreed construction price/budget. In case the actual construction cost would be higher than the initial construction budget, any top-up payment to which VGP

would be entitled under the terms of its agreements with the Joint Venture and Allianz will be adversely affected. In case the actual construction costs would be higher than the market value of the completed building, then such difference would need to be fully borne by the Group (provided this was due to the Group), which could have a material adverse effect on the Group's business, financial condition and results of operations.

Any failure by the Company to provide funds to the Joint Venture that were committed under the terms of the Joint Venture Agreement towards Allianz (i.e. for financing of the relevant top-up payment (if any), the repayment of construction and development loans to the Group upon the acquisition by the Joint Venture of completed assets, capital expenditures in relation to repairs and maintenance of such assets and the purchase price for any future completed assets which the Joint Venture would acquire or any other financing required by Allianz or VGP under the terms of the JVA (such as replacement of bank debt) and acknowledged by an appointed third-party financial expert), entitles Allianz to either exclusively subscribe to three times the number of shares that represents the amount of the funds not provided by the Company or alternatively to provide itself funding to the Joint Venture on preferential interest terms and repayment conditions. For instance: if there are five hundred (500) issued shares, and if the default amount (the amount which would have otherwise been financed by VGP for example) is equal to 2% of the fair market value of the Joint Venture, Allianz shall be entitled to subscribe for and acquire, following payment therefore in cash, thirty (three times ten) newly issued shares of the Joint Venture, which is equal to three times 2% of the outstanding shares of the Joint Venture on a pre-dilution basis. This might impact the Company's ability to retain joint control over the Joint Venture and its ability to generate sufficient dividend income out of the Joint Venture and in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

In the event that Allianz would be subject to an obligation to consolidate the Joint Venture (for instance after a change in accounting rules or other regulations) within its companies' group, the Joint Venture Agreement provides that Allianz has the right to replace the existing debt financing in the Joint Venture by equity, which might result in a dilution of the Company if the Company is unable to fund its commensurate part of the equity. This might impact the Company's ability to retain joint control over the Joint Venture and its ability to generate sufficient dividend income out of the Joint Venture and in turn could have a material adverse effect on the Group's business, financial condition and results of operations. However, as the debt position of the Joint Venture would be replaced by equity financing by Allianz on a 1:1 basis, in such case, the Net Asset Value of the Company's stake in the Joint venture would not be affected.

The Group is required to comply with the provisions of several management agreements pursuant to which it is acting as exclusive asset manager, property manager and development manager of the Joint Venture and of the Joint Venture's subsidiaries. Should a member of the Group materially breach its obligations under a management agreement which is not remedied within a certain period in time following a notification thereof, or should the Company breach its exclusivity obligations under the Joint Venture Agreement in relation to the offering of income-generating assets, then Allianz is entitled to terminate all the management agreements with immediate effect, to terminate the Joint Venture Agreement and/or to exercise a call option on all the shares the Company holds in the Joint Venture against payment of a purchase price of 90% of the fair market value of these shares, which entails a discount of 10% of the fair market value of these shares. The occurrence of any of the aforementioned events might materially impact VGP's ability to generate sufficient dividend income out of the Joint Venture and/or to retain joint control over the Joint Venture and in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

If at any time during the term of the Joint Venture Agreement, the participation that Jan Van Geet, directly or indirectly, holds in the Company falls below 25% of the total outstanding Shares (other than due to the dilution of his participation as a result of capital increases or similar transactions at the level of the Company in which he would not participate), then Allianz is entitled to terminate all the management agreements with immediate effect and to

terminate the Joint Venture Agreement. The occurrence of such aforementioned event might materially impact VGP's ability to generate sufficient dividend income out of the Joint Venture and/or to retain joint control over the Joint Venture and in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group has recognized that it has a de facto constructive obligation towards the Joint Venture (of up to its proportional share) as it will always seek to ensure that the Joint Venture and its subsidiaries will be in a position to fulfill their respective obligations, since the proper functioning is material for the Group in realizing its expected capital gains. There is however no contractual obligation to provide capital contributions or funds to financially support the Joint Venture, other than what is set out in the JVA, i.e. the Group's funding obligations under the JVA towards the Joint Venture as mentioned in this section "*Risk Factors – The Group's business, operations and financial conditions are significantly affected by the Joint Venture – Risks related to the Group's industry, properties and operations*". This entails that ultimately any payment due by the Joint Venture to the Group will either be borne by the Joint Venture's shareholders, i.e. VGP and Allianz, pro rata their shareholding, or in the event that VGP does not comply with its aforementioned funding obligations under the JVA, will lead to VGP being diluted by Allianz in accordance with the provisions of the JVA or alternatively Allianz providing funding to the Joint Venture on preferential interest terms and repayment conditions.



The inability of the Joint Venture to generate sufficient income may adversely affect the Group's financial position

The Joint Venture is exposed to many of the risks to which the Group is exposed, including amongst others the risks for the Group as described in the following sections: (i) *"The Group may depend on its ability to execute new lease agreements and successfully dispose of its real estate assets"*, (ii) *"Risks related to the nature of the Group's business: acquiring, developing, owning, managing a logistic real estate portfolio"*, (iii) *"Real estate valuations are based on methods and other considerations that may not accurately reflect the value of the real estate at which the property could be sold"*, (iv) *"Risks related to the Group's development activities"*, (v) *"Increased maintenance, refurbishment and property management service costs may adversely affect the Group's results"*, (vi) *"The Group's insurance cover may be insufficient"*, and (vii) *"Increased competition for acquiring new land plots may adversely affect the Group's financial results"*, all as in this section *"Risk Factors"*.

Any or all such risks could have a material adverse effect on the Joint Venture's business, financial condition and results of operations, which might materially impact VGP's ability to generate sufficient dividend income out of the Joint Venture and in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

The inability of VGP to recover the aggregate amount under the loans granted to the Joint Venture and the Joint Venture's subsidiaries may adversely affect the Group's financial position

The Group has granted significant loans to the Joint Venture and to the Joint Venture's subsidiaries. These comprise development and construction loans granted directly to the project companies of the Joint Venture as well as other shareholder loans granted to the Joint Venture in a total amount of € 143.3 million as at 31 December 2018 (of which € 101.9 million constituted construction and development loans) and € 149.9 million as at 31 December 2017 (of which € 137.2 million constituted construction and development loans). The purpose of the Joint Venture is only to invest in income generating assets and both Joint Venture's partners have agreed that as a result, any development undertaken within the Joint Venture will be in first instance pre-financed by VGP. The repayment of these construction and development loans will be principally driven by the subsequent refinancing of the Joint Venture's assets upon their completion. Should the proceeds of such refinancing be significantly lower than the development costs, VGP may be unable to recover the total amount of these construction and development loans granted to the Joint Venture, as the Joint Venture would not be able to draw the entire amount of such construction and development loans under its existing credit facilities and whereby consequently such shortfall would have to be funded by additional shareholder loans granted to the Joint Venture by VGP and Allianz pro rata their shareholding, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's development projects require large initial investments while they will start generating income only after a period in time

The Group may divest real estate in its portfolio, i.e. the income-generating assets, as a result of which its rental income would decrease. As at 31 December 2018, the Group's total gross rental income of € 16.6 million included the gross rental income of the portfolio sold to the Joint

Venture in the fourth closing of at the end of April 2018 for an aggregate amount of € 3.2 million and € 5.6 million gross rent related to the Mango building which was sold in September 2018. The proceeds of such divestments may be used for a new development cycle, i.e. to fund the acquisition and development of new plots of land. During the first phase of the development of a new project, however, no income will be generated by the new development until such project is completed and delivered to a tenant or sold to either the Joint Venture or any other party, notwithstanding the fact that during such phase significant investments by the Group are made in relation to the development of such project. Any delay in the development of such projects or the lease or sale of developed income-generating assets could have an adverse effect on the Group's business, financial condition and results of operations.

The Group depends on its ability to execute new lease agreements and successfully dispose of its real estate assets

The Group's revenues are determined by the ability to sign new lease contracts and by the disposal of real estate assets, in particular to the Joint Venture. The Group's short term cash flow may be affected if it is unable to continue successfully signing new lease contracts and successfully dispose of real estate assets, which could have an adverse effect on the Group's business, financial condition and results of operations.

In the medium term the Group's results and cash flows may fluctuate significantly depending on the projects/parks which can be put up for sale and sold in a given year. The inability to generate sufficient cash in the medium term may affect the debt repayment capacity of the Group, which could have an adverse effect on the Group's business, financial condition and results of operations.



Risks related to the nature of the Group's business: acquiring, developing, owning, managing a logistic real estate portfolio

The Group's assets (including the assets developed for the intended disposal to the Joint Venture) are currently geographically concentrated in Germany, Spain, the Netherlands, Austria, Italy, the Czech Republic, Latvia, Slovakia, Hungary and Romania.

Since the Group's business involves the acquisition, development and operation of real estate, it is subject to real estate operating risks, of which some are outside the Group's control, including risks relating to:

- (i) changes in the general economic conditions, or the local property markets;
- (ii) local conditions, such as an oversupply of logistic property or a reduction in demand for such property;
- (iii) the Group's ability to provide adequate maintenance of the buildings;
- (iv) impact of environmental protection, planning and health and safety laws;
- (v) changes in tax, real estate and planning laws and regulations;
- (vi) the Group's ability to achieve optimal rental growth and control operating costs;
- (vii) the Group's ability to obtain project financing on economically viable terms;
- (viii) the Group's ability to timely obtain all necessary permits and consents;
- (ix) inherent risks in respect of ownership title in certain jurisdictions;
- (x) currency exchange rate fluctuations;
- (xi) construction delays and construction budget overruns;
- (xii) contamination of sites and soil pollution;
- (xiii) opposition from civic or environmental groups;
- (xiv) defects in or damages to buildings under construction or income-generating assets;
- (xv) tenant claims;
- (xvi) natural disasters or catastrophic property damage (e.g. caused by fire);
- (xvii) potential compulsory purchase or expropriation of one or more property by government agencies; and
- (xviii) potential terrorist attacks.

The occurrence of any of these events in any of the geographic markets where the Group is active could result in a material adverse effect on the Group's future business, financial condition, operating results, reputation and cash flows.

Real estate valuations are based on methods and other considerations that may not accurately reflect the value of the real estate at which the property could be sold

The valuation of a property depends largely on national and regional economic conditions. The value of the Group's portfolio may be affected by a downturn of the property market or a change in the economic condition of the countries where the Group is present. Also, the level of the interest rates is an important parameter for the valuation of real estate. A change in one of the assumptions used or factors considered in making a property's valuation could considerably decrease the value of the property, which could have an adverse effect on the Group's business, financial condition and results of operations.

Valuation gains and losses (which are not realized) are recognized in the Company's income statement. Consequently, a downturn of the property market or a negative change in one of the assumptions used or factors considered in making a property's valuation (such as interest

rates, local economic situation, market sentiment, market yield expectations, inflation) could decrease the value of the property and may have an adverse effect on the operating results of the Group. These factors are not under the Group's control. Furthermore, the Group may not be able to offset valuation losses through expected future rental income or development activity gains, which may adversely affect the operating results.

The Group's real estate portfolio is concentrated on logistic property. Due to this concentration, an economic downturn in this sector could have a material adverse effect on the Group's business, financial condition, operating results and cash flows.

The Group is exposed to credit risks on rental payments from its tenants and failure by its tenants to pay rent when due could adversely affect the Group's business, financial condition and results of operations

The logistic property lease market also depends largely on the economic conditions and parameters relating specifically to the property such as location and the condition of the property. In addition, the legal context or regulatory changes may impose amongst others constraints on the Indexation of lease income.

The value of a rental property depends largely on the remaining term of the related rental agreements as well as the creditworthiness of the tenants. The Group concludes contracts with reputable companies that have a solid financial reputation in order to assure itself of a recurrent rental income. Contracts are secured by standby letters of credit, cash deposits and/or parent guarantees covering in general a six-month lease period. If a significant number of customers, or one or more of its largest customers, were unable to meet their lease obligations, this could materially adversely affect the Group's business, financial condition, operating results and cash flows.

Risks related to the Group's development activities

The Group's strategy focuses on development and a proactive approach in respect of potential disposal of the Group's income generating assets once such assets have reached a mature stage.

Development of the Group's logistic property involves risks in addition to those involved in owning and operating the Group's existing logistic property, particularly with respect to developing logistic property in new markets. During the initial phases of development projects, the Group normally carries the costs of the project and begins to receive revenues only at a later point in time. Development projects sometimes face cost overruns and delays in completion, many of which are caused by factors that are not directly within the control of the developer. Unfamiliarity with local regulations, delays in obtaining construction permits or contract and labour disputes with construction contractors or subcontractors and unforeseen site conditions may require additional work and construction delays. Failure of the Group to perform as expected or the cost of unforeseen significant capital improvements could decrease the Group's cash flows. The Group could also underestimate the cost of improvements needed to market the property effectively to potential tenants. Any of these events could result in a material adverse effect on the Group's future business, financial condition, operating results and cash flows.

When considering property development investments, the Group makes certain estimates as to the economic, market and other conditions, including estimates relating to the value or potential value of a property and the potential return

on investment. These estimates may prove to be incorrect, rendering the Group's strategy inappropriate with consequent negative effects on the Group's business, results of operations, financial conditions and prospects.

Risks associated with the disposal of projects

Upon completion of real estate projects, VGP has usually a considerable amount of own funds invested in the project. The Group therefore adopts a pro-active strategy towards disposal of the assets, in particular within the Joint Venture, in order to partially recycle the invested funds and free up these funds to re-invest in the development pipeline.

The Group's revenues will as a result be partly determined by disposals of real estate projects, in particular to the Joint Venture. This means that the Group's results and cash flow can fluctuate considerably from year to year depending on the number of projects that can be put up for sale and can be sold, in particular to the Joint Venture, in a given year. The Group's inability to conclude sales can give rise to significant fluctuations of the cash flows of the Company, which could have an adverse effect on the Group's business, financial condition and results of operations.

Increased maintenance, refurbishment and property management service costs may adversely affect the Group's results

The desirability of rental property depends not only on its location but also on its condition. To remain attractive and to generate a revenue stream over the longer term, a property's condition must be maintained or, in some cases, improved to meet the changing needs of the market. Most of the Group's properties are new and are expected to require only standard maintenance in the near term. As these properties age, or as market requirements change, maintaining or upgrading these properties in accordance with market standards may entail significant costs, which are typically borne primarily by the property owner, not the tenants. If the actual costs of maintaining or upgrading a property exceed the Group's estimates, or if hidden defects are discovered during maintenance or upgrading that are not covered by insurance or contractual warranties, or if the Group is not permitted to raise its rents, the Group will have to bear the additional costs. Furthermore, any failure by the Group to undertake relevant repair work in response to the factors described above could adversely affect the income earned from affected properties.

Property management services are mainly provided internally and to a lesser extent externally whereby the respective Group property management company is responsible for the proper and undisturbed operation of the buildings. As part of its offered services the Group's property management companies will also perform project management services. These services cover the performance of capital improvements and any other construction works as may be requested by the owner of the buildings. This scope covers the full range of project management services (supervision and coordination of the contractors for design, advising on obtaining permits, advising on the works and any tenders relating thereto).

The Group has regrouped the facility management services in the Czech Republic in SUTA s.r.o. ("SUTA") and in Germany in FM Log.In.GmbH ("FM Log"). facility management services are mainly provided internally whereby SUTA and FM Log provide facility management services and, depending on the particular location, various activities, such as maintenance services, defect reporting, waste management services, maintenance of greenery etc. that may be necessary in this respect. In other countries where no specific facility management team is in place, the Group

uses third party facility management services companies to perform these activities.

The property management and facility management companies of the Group will therefore be potentially liable for the quality and or non-performance of their services, which could have an adverse effect on the Group's business, financial condition and results of operations. In order to minimise this risk a professional indemnity insurance cover has been taken out.

The Group's insurance cover may be insufficient

The Group's real estate can be damaged or destroyed by acts of violence, natural disasters, civil unrest or terrorist attacks or accidents, including accidents linked to the goods stored. Certain types of losses, however, may be either uninsurable or not economically insurable in some countries, such as losses due to floods, riots, acts of war or terrorism. In such circumstances, the Group would remain liable for any debt or other financial obligation related to that property. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make insurance proceeds insufficient to cover the cost of restoring or replacing a property after it has been damaged or destroyed. The Group's business, financial condition, operating results and cash flows may be adversely affected in such circumstances.

If after damage or destruction, the property cannot be rebuilt or achieve former occupancy and profitability levels within the period of coverage, this could result in a material adverse effect on the Group's future business, financial condition, operating results and cash flows. While all of the Group's buildings are insured against such risks as the Group considers customary in the same geographic area by companies engaged in the same or similar business, there can be no assurances that its insurance coverage will be sufficient or effective under all circumstances and against all liabilities to which it may be subject. Liabilities that are not covered by insurance or the Group's inability to maintain its current insurance coverage could have a material adverse effect on its business, results of operations, financial condition and prospects.

Risks related to legal and regulatory matters

As the Group is active and intends to further develop business in the mid-European countries (whereby the Group's current focus is on Latvia, the Czech Republic, Slovakia, Hungary and Romania), Germany and Spain, the Group is subject to a wide range of EU, national and local laws and regulations. These include requirements in terms of building and occupancy permits (which must be obtained in order for projects to be developed and let), as well as zoning, health and safety, environmental, monument protection, tax, planning, foreign ownership limitations and other laws and regulations. Because of the complexities involved in procuring and maintaining numerous licenses and permits, there can be no assurance that the Group will at all times be in compliance with all of the requirements imposed on properties and the Group's business.

The Group applies for the permits necessary to construct and exploit its real estate. Because of bureaucracy, environmental and heritage protection laws, and time constraints with the administrative authorities in the relevant jurisdictions, the Group may encounter difficulties in timely obtaining the relevant permits, if at all. The lead time to obtain necessary permits varies across the Central and Eastern Europe ("CEE"), South East Europe ("SEE") and Baltic regions, ranging from a few months to up to 18 months. Delay and/or changes in the construction process and plans might occur as a result of external factors, e.g. the discovery



of archaeological sites. Any failure to, or delay in, complying with applicable laws and regulations or failure to obtain and maintain the requisite approvals and permits could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Furthermore, changes in laws and governmental regulations, or their interpretation by agencies or the courts, could occur. Such regulatory changes and other economic and political factors, including civil unrest, governmental changes and restrictions on the ability to transfer capital in the foreign countries in which the Group has invested, could have a materially adverse effect on the Group's business, financial condition, operating results and cash flows.

Increased competition for acquiring new land plots may adversely affect the Group's financial results

The markets in which the Group operates are exposed to local and international competition. Competition among property developers and operators may result in, among other things, increased costs for the acquisitions of land for development, increased costs for raw material, shortages of skilled contractors, oversupply of properties and/or saturation of certain market segments, reduced rental rates, decrease in property prices and a slowdown in the rate at which new property developments are approved, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and results of operations.

The Group's competitors and potential competitors may have significantly greater financial, technical, marketing, service or resources than the Group and have a longer operating history in certain countries or regions or greater name recognition. The Group's smaller size may therefore be considered negatively by prospective customers. In addition, the Group's competitors may be able to respond more quickly than the Group can to changes in customer requirements and devote greater resources to the enhancement, promotion and rental of its logistic real estate. If

competition intensifies and the Group's occupancy rates or rental revenues decline, this could have a material adverse effect on the Group's business, financial condition, operating results and cash flows.

Furthermore, the Group's growth and profitability to date have been attributable, in part, to its ability to locate and acquire land in attractive locations, at attractive prices and on favourable terms and conditions, and the Group's strategy and future profitability depends in part on its continued ability to do so. There can be no assurance that in the future the Group will be able to acquire land in sizes and locations suitable for development, at attractive prices or on favourable terms and conditions in the event of increased competition. Any inability to identify and acquire sufficient sites for the Group's land bank at commercially acceptable prices, terms and conditions could have a material adverse effect on the Group's business, results of operations, financial condition and results of operations.

The Group may not be able to manage growth and to continue adequate and efficient monitoring of the portfolio

The Group's success depends in part on its ability to manage future expansion and to identify attractive investment opportunities. Such expansion is expected to place significant demands on management, support functions, accounting and financial control, sales and marketing and other resources and would involve a number of risks, including: the difficulty of assimilating operations and personnel in the Group's operations, the potential disruption of ongoing business and distraction of management; expenses related to such integration and in the case of acquisitions in certain mid-European countries (whereby the Group's current focus is on Latvia, the Czech Republic, Slovakia, Hungary and Romania), uncertainty regarding foreign laws and regulations, which could have an adverse effect on the Group's business, financial condition and results of operations. As at 31 December 2018, the Group had over 180 employees.



The Group's aim is to have a sufficiently large team to support the current growth rate of the Group.

The Group may be liable for environmental remediation or may be exposed to environmental claims

Although the Group has so far realised most of its projects on greenfields where the presence of environmental pollutants is unlikely, when acquiring new plots of land, the Group runs the risk of acquiring land which contains environmental pollutants (e.g. waste, oil or toxic chemicals) which are harmful to the environment or to the health of workmen on the sites. The removal and disposal of such hazardous substances, along with the associated maintenance and repair work, could entail significant costs and it may be impossible for the Group to obtain recourse against the party responsible for the pollution or against prior owners.

These environmental risks are particularly acute with respect to plots of land located in countries where reliable documentation for past contamination does not exist or where the laws governing environmental matters are in development or unclear, as is more often the case in the mid-European countries (the Group's current focus in central Europe is on Latvia, the Czech Republic, Slovakia, Hungary and Romania). These risks associated with environmental claims are not always predictable or under the Group's control. The incurrence of environmental claims or unforeseen costs to remove or dispose of these substances or to repair resultant damage caused by them could adversely affect the Group's business, financial condition, results of operations and prospects.

The Group may be liable for environmental illegal and other goods storage by its tenants

Generally, the Group does not have full control over its leased-out properties and cannot prevent its tenants from storing hazardous materials, stolen goods, counterfeit

goods, drugs or other illegal substances. Although the terms of the standard lease contracts for customers require tenants to use the premises only for authorized activities and for purposes agreed in the respective lease agreement, the Group cannot exclude the possibility that the Group may be held ultimately liable with respect to the goods stored by its customers. In addition, unfavourable publicity as a result of illegal contents stored at one of the Group's property could have a material adverse effect on the Group's business, financial condition, operating results and cash flows.

Dependency on key personnel

The Group depends to a large degree on the expertise and commercial qualities of its management, commercial and technical team and in particular on its Chief Executive Officer, Jan Van Geet. Experienced technical, marketing and support personnel in the real estate development industry are in high demand and competition for their talent is intense. The loss of services of any members of the management or failure to attract and retain sufficiently qualified personnel may have a material adverse effect on the Group's business, financial condition, operating results and cash flows.

In order to retain personnel, a long-term incentive plan is in place through a separate vehicle, VGP Misv. Comm. VA. This plan is being phased out over the next three years and is being replaced by a new long-term incentive scheme which will take effect as from 2019 (see "Remuneration report").

In the Joint Venture Agreement, the Group and Allianz have agreed that if Jan Van Geet, as CEO of the Group, would no longer devote sufficient time to the development of the portfolio of the Joint Venture, Allianz can, upon notice thereof, stop the acquisition process of the proposed income-generating assets, until Jan Van Geet has been replaced to the satisfaction of Allianz. Such temporary standstill of Allianz's investment obligation could negatively impact the cash position of the Group, which could have a material adverse effect on the Group's business, financial condition, operating results and cash flows.

The Group may be subject to litigation and other disputes

The Group may become subject to disputes with tenants, commercial parties with whom the Group maintains relationships or other commercial parties in the rental or related businesses. Any such dispute could result in litigation between the Group and such commercial parties, which could have an adverse effect on the Group's business, financial condition and results of operations. Whether or not any dispute actually proceeds to litigation, the Group may be required to devote significant management time and attention to its successful resolution (through litigation, settlement or otherwise), which would detract from the Group management's ability to focus on its business. Any such resolution could involve the payment of damages or expenses by the Group, which may be significant. In addition, any such resolution could involve the Group agreeing to terms that restrict the operation of the Group's business.

The occurrence of any of these events in any of the geographic markets where the Group is active could result in a material adverse effect on the Group's future business, financial condition, operating results and cash flows.

As at the date of this annual report, VGP is not aware of any governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) which could have a material adverse effect on the Group's future business, financial condition and/or operating results.

VGP is exposed to counterparty risk

VGP has contractual relationships with multiple parties, such as partners, investors, tenants, contractors, architects, financial institutions, as well as the Joint Venture. The inability of such counterparties to live up to their contractual (financial or otherwise) obligations could have a significant impact on VGP's financial and operational position.

Furthermore, the completion of the Group's developments could be delayed if the Group is unable to appoint suitable contractors, or if one or more of the appointed contractors is unable to meet the development timetable or otherwise defaults on their construction obligations, including as a result of: (i) labour shortages or disputes; (ii) the failure of any sub-contractors to provide the standard of construction expected or required; (iii) delays arising due to the complexity or technical demands of certain developments; (iv) bankruptcy; or (v) insolvency. Any such delay or default by a contractor or sub-contractor could result in damage to the Group's relationships with its customers and could cause disruptions to the Group's business, any of which could have a material adverse effect on the Group's business, financial condition, operating results and cash flows.

Risks related to tax aspects

New tax legislation as well as changing interpretation of tax regulations in the different countries in which the Company is operating could have an impact on the tax position of the Group.

Each of the Group's properties is subject to real estate and property taxes. These taxes may increase in the future as tax rates change and as the Group's property values are assessed or reassessed by tax authorities. Depending on local market conditions, the Group may not be able to offset the tax increases through increases in rent or other income, which may adversely affect the yields on the Group's

investments and business, financial condition, operating results and cash flows. These risks are monitored on an ongoing basis and where necessary, the Group will use external advisers to advise on tax matters.

The Group is exposed to liability claims

The nature of the Group's business exposes it to potential liability claims by third parties. The Group may face contractual disputes which may or may not lead to legal proceedings as the result of a wide range of events, including, among other things: (i) actual or alleged deficiencies in its execution of construction projects (including relating to the design, installation or repair of works); (ii) defects in the building materials the Group uses; or (iii) deficiencies in the goods and services provided by suppliers, contractors, and sub-contractors used by the Group. As a result, events, accidents, injuries or damage at or relating to one of the Group's ongoing or completed projects resulting from the Group's actual or alleged deficient actions could result in significant liability, warranty or other civil and criminal claims, as well as reputational harm, especially if public safety is impacted. These liabilities may not be insurable or could exceed the Group's insurance limits and therefore could have a material adverse effect on the Group's business, financial condition, operating results and cash flows.



Financial risks to which the Group is exposed

Evolution of the debt ratio of the Group

The Group has incurred significant borrowings in order to finance its growth via its currently outstanding bonds and/or via bank credit facilities. See chart detailing the repayment schedule for the financial debt.

Under the terms of the bonds and bank credit facilities, the Group needs to ensure that it all times complies with the gearing ratio(s) set forth therein, failing which the Group will be in default under several (if not all) of the outstanding bonds and/or bank credit facilities. This may lead to an obligation of the Group to repay in full all outstanding financial indebtedness thereunder, which might have a material adverse effect on the Group's business, financial condition, operating results and cash flows. Please see also "The Group's borrowings are subject to certain restrictive covenants" in this section "Risk Factors" for more details on the gearing ratios to which the Group needs to adhere to under the provisions of the bonds.

Among other things, the Group's indebtedness (and position of its gearing ratio) could potentially:

- (i) limit its ability to fund its strategic capital expenditure program;
- (ii) limit its ability to obtain additional financing;
- (iii) limit its flexibility in planning for, or reacting to, changes in the markets in which it competes;
- (iv) place it at a competitive disadvantage relative to its competitors with less indebtedness;
- (v) render it more vulnerable to general adverse economic and industry conditions; and
- (vi) require it to dedicate all or a substantial part of its cash flow to service its debt.

The Group's ability to make payments on its indebtedness depends upon its ability to maintain its operating performance at a certain level, which is subject to general economic and market conditions and to financial, business and other factors, many of which the Group cannot control. If the Group's cash flow generated from operating activities becomes insufficient, the Group may be required to take certain actions, including delaying or reducing capital or other expenditure in an attempt to restructure or refinance its indebtedness, selling its investment properties or other assets or seeking additional equity capital. The Group may be unable to take any of these actions on favourable terms or in a timely manner.

Furthermore, such actions may not be sufficient to allow the Group to service its debt obligations in full and, in any event, may have a material adverse effect on its business, financial condition, results of operations and prospects. The Group's inability to service its debt through internally generated cash flow or such other sources of liquidity may put it in default of its obligations to its creditors.

Furthermore, any refinancing of the Group's indebtedness could be at higher interest rates and may require the Group to comply with more onerous covenants, which could further restrict its business and could have a material adverse effect on its financial condition and results of operations.

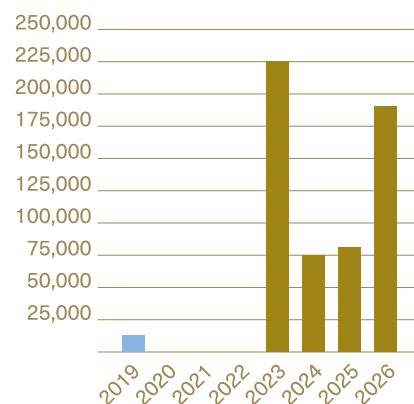
In addition, certain of the Group's material loan agreements currently include certain financial covenants. Please see "The Group's borrowings are subject to certain restrictive covenants" in this section "Risk Factors – Financial risks to which the Group is exposed".

The Group's borrowings are subject to certain restrictive covenants

The loan agreements of the Group and of the Joint Venture, as well as the the 2023 Bond, the 2024 Bond, the 2025 Bond and the 2026 Bond, include financial covenants, which could limit the Group and/or the Joint Venture's ability to finance their respective future operations and capital needs and their ability to pursue business opportunities and activities that may be in their interest. In addition, any breach of covenants could have an adverse effect on the financial position of the Group. While the Group monitors its covenants on-going basis in order to ensure compliance and to anticipatively identify any potential problems of non-compliance for action, there can be no assurances that the Group will at all times be able to comply with these covenants. During 2018, the Group remained well within its covenants.

REPAYMENT SCHEDULE FINANCIAL DEBT

in '000 €



maturity bonds ■
maturity bank debt ■

Source: Company information

The terms and conditions of the 2023 Bond, the 2024 Bond, 2025 Bond and the 2026 Bond include following financial covenants, evaluated at the level of the Company:

- Consolidated Gearing to equal or to be below 65%;
- Interest Cover Ratio to equal or to be above 1.2;
- Debt Service Cover Ratio (or DSCR) to be equal or to be above 1.2.

The above-mentioned ratios are tested semi-annually based on a 12 - month period and are calculated as follows:

- Consolidated Gearing means consolidated Total Net Debt divided by the sum of the equity and total liabilities;
- Interest Cover Ratio means the aggregate net rental income (increased with the available cash and cash equivalents) divided by the net Finance Charges;
- Debt Service Cover Ratio means Cash Available for Debt Service divided by Net Debt Service.

As at 31 December 2018 the Consolidated Gearing stood at 34.6% compared to 42.34% as at 31 December 2017. The Interest Cover Ratio was 13.11 as at 31 December 2018 compared to 7.02 as at 31 December 2017 and finally the Debt Service Cover Ratio was 20.41 as at 31 December 2018 compared to 4.69 as at 31 December 2017.

The credit agreement entered into with Raiffeisen (Romania) bank includes following financial covenants:

- Loan to Value: lower than or equal to 67.02%; and
- Debt Service Cover Ratio: higher than or equal to 1.25.

As at 31 December 2018, the Loan to Value stood at 38.9% and the Debt Service Cover Ratio stood at 2.3.

As at 31 December 2017 VGP was also in compliance with all of its bank covenants.

Availability of adequate credit facilities

Apart from the funds generated by the bonds, the Group has from time to time been financed by shareholder loans and bank credit facilities. Currently, there are no shareholder loans outstanding against the Company, nor is it anticipated that such shareholder loans will be made available in the foreseeable future.

The non-availability of adequate credit facilities could have an adverse effect on the growth of the Group as well as on its financial condition in case bank credit facilities cannot be extended at their maturity date or replaced by other bank credit facilities. Furthermore, any refinancing of the Group's indebtedness could be at higher interest rates and may require the Group to comply with more onerous covenants, which could further restrict its business and could have a material adverse effect on its financial condition and results of operations.

Evolution of interest rates

Changes in interest rates could have an adverse effect on the Group's ability to obtain or service debt and other financing on favourable terms. While the Group has historically and may in the future enter into certain hedging arrangements with respect to its interest obligations, hedging itself carries certain risks, including that the Group may need to pay a significant amount (including costs) to terminate any hedging arrangements. As at 31 December 2018, all financial debt was at a fixed interest rate (same as in 2017).



The Group is exposed to currency risks related to fluctuation in currency exchange rates

The Group publishes its financial statements in Euro. The Group's revenues and the majority of its expense are denominated in Euro. However, certain expenses, assets and liabilities are recorded in a number of different currencies other than the Euro, in particular the Czech crown. Assets and liabilities denominated in local currencies are translated into Euro in connection with the preparation of the Group's consolidated financial statements. Consequently, variations in the exchange rate of the Euro versus these other currencies will affect the amount of these items in the Group's consolidated financial statements, even if their value remains unchanged in their original currency.

Under the Group's foreign exchange policy, foreign exchange hedging is mainly confined to hedging transaction exposures exceeding certain thresholds and/or if required under the existing loan agreements. The Group reviews these risks on a regular basis and uses financial instruments to hedge these exposures as appropriate.

These translations have in the past resulted and could in the future have an adverse impact on the Group's results of operations, balance sheet and cash flows from period to period.

Risks relating to the countries in which the Group operates

Defects in the ownership title

Local laws set specific statutory requirements for the acquisition of property (such as approvals of transfers by corporate bodies, obtaining zoning permits for land division, complying with statutory or contractual pre-emption rights, consent of the spouses or municipalities, fulfilment of various contractual conditions). Due to the inconsistency in the interpretation and application of law by the competent authorities, and potential lack of compliance with all legal requirements during the acquisition process, some members of the Group may not have title to some of the plots of land despite being registered as the owners of such plots of land in the relevant real estate registry. The real estate registries in these countries (the Group's current focus in central Europe is on Latvia, the Czech Republic, Slovakia, Hungary and Romania) may not provide conclusive evidence of ownership title to property, and thus there can be no assurance provided that the person registered in the real estate registry is, in fact, the actual owner of such real estate property.

While none of the members of the Group has to date experienced the situation where title to plots of land has been subject to any legal proceedings leading to the loss of the title, and despite the thorough due diligence that is generally carried out by the Group ahead of any acquisition, there can be no assurances that members of the Group may not acquire or have not acquired titles to some of the plots of land, and/or that the relevant member of the Group could be held to be in violation of applicable law. Any such outcome could have a material adverse effect on the Group's business, financial condition or results of operations.

Land subject to future purchase agreements

A significant number of plots of land intended for development of projects of the relevant member of the Group are subject to agreements on future purchase agreements. The total remaining secured development land bank as at 31 December 2018 owned by the Group amounted to 4,297,334 m² of which 2,714,842 m² (63%) was in full ownership and 1,582,492 m² (37%) was subject to future purchase agreement and hence would be acquired and paid for upon the receipt of the necessary permits. These future purchase agreements are binding contracts for VGP and the respective sellers whereby the effective purchase is always triggered once the necessary permits have been obtained.

A potential breach of the future seller's obligations to sell the plots of land to the relevant member of the Group may lead to a delay in the time schedule for the realisation of the relevant project or jeopardise the acquisition of such plots of land by the relevant member of the Group, which could have a material adverse effect on the Group's business, financial condition or results of operations.

The Group may be subject to restitution claims for assets located in the Czech Republic, Slovakia, Latvia, Romania and Hungary

Under Czech, Slovak, Latvian, Romanian and Hungarian law it was possible to file restitution claims to claim back ownership of previously nationalised property (including real estate) until the end of 2005 and, in the Czech Republic churches were allowed to file restitution claims until 2012. Not all such restitution claims have been fully settled to date, and no assurance can be given that such restitution claim would not be or has not been brought against the plots of land owned (or planned to be acquired) by the VGP Group in the Czech Republic, Slovakia, Latvia, Romania and Hungary.

As a result of such restitution claim, the ownership title to the plots of land of the VGP Group in these countries could be adversely affected or additional costs (remediation or compliance) could be incurred. Any such outcome could have a material adverse effect on the Company's business, financial condition or results of operations.

The Group is not aware of any outstanding challenges of ownership title to the plots of land owned (or planned to be acquired) by members of the Group or by the Joint Venture in any of the abovementioned countries through a restitution claim. It should be noted that for the Czech, Slovak and Hungarian assets in the Joint Venture's portfolio, a title insurance has been obtained by the respective subsidiaries of the Joint Venture which covers this title risk.

Legal systems are not yet fully developed

The legal systems and procedural safeguards in the mid-European countries are not yet fully developed.

The legal systems of the mid-European countries have undergone dramatic changes in recent years. In many cases, the interpretation and procedural safeguards of the new legal and regulatory systems are still being developed, which may result in an inconsistent application of existing laws and regulations and uncertainty as to the application and effect of new laws and regulations.

Additionally, in some circumstances, it may not be possible to obtain the legal remedies provided for under relevant laws and regulations in a reasonably timely manner or at all. Although institutions and legal and regulatory systems characteristic for parliamentary democracies have been developed in the mid-European countries, they lack an institutional history. As a result, shifts in government policies and regulations tend to be more frequent and less predictable than in the countries of Western Europe, and at the same time the enforceability of law is lower. Moreover, a lack of legal certainty or the inability to obtain effective legal remedies in a reasonably timely manner may have a material adverse effect on the Group's business, financial condition, results of operations or prospects. For instance, under Slovakian law (and until recently also under Czech law) it is possible that the person registered in real estate register as the owner of the land is not the actual owner, given that the mere reliance on the registration is not sufficient to protect the purchaser (as it is, e.g., in Germany). Similar uncertainties exist under Romanian and Hungarian law. Also, a significant uncertainty exists as to the procedural regime of obtaining zoning and building permits. Therefore, even where such permits are issued, there is a risk of these being withdrawn or cancelled by the authorities.

Summary of the accounts and comments

Income statement

INCOME STATEMENT <i>(in thousands of €)</i>	2018	2017
Revenue ¹	30,336	28,224
Gross rental income	16,627	17,046
Property operating expenses	(1,123)	(1,941)
Net rental income	15,504	15,105
Joint venture management fee income	9,965	8,057
Net valuation gains/(losses) on investment properties	98,552	94,628
Administration expenses	(18,167)	(19,353)
Share in result of Joint Venture	45,220	29,229
Operating profit/(loss)	151,074	127,666
Financial income	6,101	9,730
Financial expenses	(20,071)	(20,196)
Net financial result	(13,970)	(10,466)
Profit before taxes	137,104	117,200
Taxes	(15,998)	(21,205)
Profit for the period	121,106	95,995
Attributable to:		
Shareholders of VGP NV	121,106	95,995
Non-controlling interests	—	—
RESULT PER SHARE <i>(in €)</i>	2018	2017
Basic earnings per share	6.52	5.17
Diluted earnings per share	6.52	5.17

¹ Revenue is composed of gross rental income, service charge income, property and facility management income and property development income.

Balance sheet

ASSETS <i>(in thousands of €)</i>	2018	2017
Intangible assets	41	36
Investment properties	468,513	392,291
Property, plant and equipment	742	507
Non-current financial assets	—	322
Investments in joint venture and associates	241,427	143,312
Other non-current receivables	41,461	12,757
Deferred tax assets	785	32
Total non-current assets	752,969	549,257
Trade and other receivables	23,064	11,074
Cash and cash equivalents	161,446	30,269
Disposal group held for sale	274,939	441,953
Total current assets	459,449	483,296
Total assets	1,212,418	1,032,553
SHAREHOLDERS' EQUITY AND LIABILITIES <i>(in thousands of €)</i>	2018	2017
Share capital	62,251	62,251
Retained earnings	481,147	403,910
Other reserves	69	69
Shareholders' equity	543,467	466,230
Non-current financial debt	564,375	390,067
Other non-current financial liabilities	60	1,966
Other non-current liabilities	1,215	1,680
Deferred tax liabilities	16,692	11,750
Total non-current liabilities	582,342	405,463
Current financial debt	22,479	81,358
Trade debts and other current liabilities	38,769	38,379
Liabilities related to disposal group held for sale	25,361	41,123
Total current liabilities	86,609	160,860
Total liabilities	668,951	566,323
Total shareholders' equity and liabilities	1,212,418	1,032,553

Comments on the accounts

Income statement

Net rental income

The net rental income increased with € 0.4 million to € 15.5 million after taking into effect the impact of the income generating assets delivered during 2018 offset by the fourth closing with the Joint Venture in April 2018 and the sale of the Mango building in September 2018.

Including VGP's share of the Joint Venture and looking at net rental income on a "look-through" basis net rental in total increased by € 10.8 million, or 33% compared to 2017 (from € 32.6 million for the period ending 31 December 2017 to € 43.4 million for the period ending 31 December 2018)¹.

Net valuation gain on investment properties

For 2018 the net valuation gains on the property portfolio reached € 98.6 million compared to a net valuation gain of € 94.6 million for the period ended 31 December 2017. The low yields in real estate valuations continued to persist during the year. The own property portfolio, excluding development land but including the buildings being constructed on behalf of the Joint Venture, is valued by the valuation expert at 31 December 2018 based on a weighted average yield of 6.29% (compared to 6.00% as at 31 December 2017) applied to the contractual rents increased by the estimated rental value on unlet space.

The (re)valuation of the own portfolio was based on the appraisal report of the property expert Jones Lang LaSalle.

Income from Joint Venture

The Joint Venture management fee income increased by € 2.0 million to € 10.0 million. The increase was mainly due to the growth of the Joint Venture portfolio and the development activities undertaken on behalf of the Joint Venture.

Property and facility management fee income increased from € 4.4 million for the period ending 31 December 2017 to € 6.7 million for the period ending 31 December 2018. The development management fee income generated during the period was € 3.3 million compared to € 3.7 million for the period ending 31 December 2017.

Share in result of Joint Venture

VGP's share of the Joint Venture's profit for the period increased by € 16.0 million from € 29.2 million for the period ending 31 December 2017 to € 45.2 million for the period ending 31 December 2018, reflecting the increased income generating contribution of the Joint Venture portfolio and the contraction of the yields on the investment properties.

Net rental income at share increased to € 27.9 million for the period ending 31 December 2018 compared to € 17.5 million for the period ended 31 December 2017. The increase reflects the underlying growth of the Joint Venture Portfolio resulting from the different closings made between the Joint Venture and VGP since May 2016.

At the end of December 2018, the Joint Venture (100% share) had € 70.9 million of annualised committed leases representing 1,347,000 m² of lettable area compared to € 52.5 million of annualised committed leases representing 1,010,000 m² at the end of December 2017.

The net valuation gains on investment properties at share increased to € 39.9 million for the period ending 31 December 2018 (compared to € 24.4 million for the period ending 31 December 2017). The VGP European Logistics portfolio, excluding development and the buildings being constructed by VGP on behalf of the Joint Venture, was valued at a weighted average yield of 5.31% as at 31 December 2018 (compared to 5.68% as at 31 December 2017) reflecting the further contraction of the yields during 2018. The (re)valuation of the Joint Venture portfolio was based on the appraisal report of the property expert Jones Lang LaSalle.

The net financial expenses of the Joint Venture at share for the period ending 31 December 2018 increased to € 12.4 million from € 5.5 million for the period ending 31 December 2017. For the period ending 31 December 2018, the financial income at share was € 0.3 million (€ 0.8 million for the period ending 31 December 2017). The 2017 financial income included a € 0.7 million unrealised gain on interest rate derivatives (€ 2.7 million unrealised loss for 2018). The financial expenses at share increased from € 6.3 million for the period ending 31 December 2017 to € 12.7 million for the period ending 31 December 2018 and included € 3.4 million interest on shareholder debt (€ 1.4 million for 2017), € 5.8 million interest on financial debt (€ 5.1 million for 2017), € 2.7 million unrealised losses on interest rate derivatives (€ 0.1 million for 2017), € 1.6 million other financial expenses (€ 1.0 million for 2017) mainly relating to the amortisation of capitalised finance costs on bank borrowings and a positive impact of € 0.8 million (€ 1.3 million for 2017) related to capitalised interests.

Administrative costs

The administrative costs for the period were € 18.2 million compared to € 19.4 million for the period ended 31 December 2017, reflecting the discontinuance as from 1 January 2018 of the mid-term variable remuneration agreement of Little Rock SA² partially offset by the continued growth of the VGP team in order to support the growth of the development activities of the Group and its geographic expansion. As at 31 December 2018 the VGP team comprised more than 180 people active in 12 different countries.

¹ See attached section 'Supplementary notes not part of the condensed financial information' for further details

² For further details please refer to the Remuneration Report on page 47 of the 2017 Annual Report.



Net financial costs

For the period ending 31 December 2018, the financial income was € 6.1 million (€ 9.7 million for the period ending 31 December 2017) and included € 5.7 million interest income on loans granted to VGP European Logistics (€ 5.3 million for 2017), € 39k unrealised gain on interest rate derivatives (€ 3.5 million for 2017) and € 0.3 million of net foreign exchange gains (compared to € 0.6 million gain for 2017).

The reported financial expenses for 2018 of € 20.1 million (€ 20.2 million for 2017) are mainly made up of € 20.1 million expenses related to financial debt (€ 19.3 million for 2017), € 1.5 million unrealised loss on interest rate derivatives (compared to a € 2.2 million loss for 2017), € 1.6 million other financial expenses (€ 1.6 million for 2017) and a positive impact of € 3.2 million (€ 3.0 million for the period ending 31 December 2017) related to capitalised interests.

As a result, the net financial costs reached € 14.0 million for the period ending 31 December 2018 compared to € 10.5 million for 2017.

Shareholder loans to VGP European Logistics amounted to € 143.3 million as at 31 December 2018 (compared to € 149.9 million as at 31 December 2017) of which € 101.9 million (€ 137.1 million as at 31 December 2017) was related to financing of the buildings under construction and development land held by the VGP European Logistics joint venture.

Taxes

The Group is subject to tax at the applicable tax rates of the respective countries in which it operates. Additionally, a deferred tax charge is provided for on the fair value adjustment of the property portfolio.

The change in the tax line is mainly due to the variance of the fair value adjustments of the property portfolio and has therefore only residual cash effect.

For the period ending 31 December 2018, the taxes were € 16.0 million (2017: € 21.2 million) and included € 15.0 million deferred taxes (2017: € 20.4 million).

Profit for the year

Profit for the year increased from € 96.0 million (€ 5.17 per share) for 2017 to € 121.1 million (€ 6.52 per share) for the financial year ended 31 December 2018.

Balance sheet

Investment properties

Investment properties relate to completed properties, projects under construction as well as land held for development. The fluctuations from one year to the other reflect the timing of the completion and delivery as well as the divestments or acquisitions of such assets.

As at 31 December 2018 the investment property portfolio consists of 13 completed buildings representing 288,372 m² of lettable area with another 19 buildings under construction representing 322,185 m² of lettable area, of which 4 buildings (37,675 m²) are being developed for VGP European Logistics.

During the year 21 buildings were completed totalling 505,539 m² of lettable area. For its own account VGP delivered 8 buildings representing 197,236 m² of lettable area and 13 buildings (308,304 m²)¹ were delivered on behalf of the Joint Venture.

Investment in Joint Venture

At the end of December 2018, the investments in the Joint Venture increased to € 241.4 million from € 143.3 million as at 31 December 2017.

The investments in joint venture and associates as at the end of 2018 reflect the Group's Joint Venture with Allianz Real Estate (VGP European Logistics) and the associates, all of which are accounted for using the equity method. VGP European Logistics is incorporated in Luxembourg and owns logistics property assets in Germany, the Czech Republic, Slovakia and Hungary. The associates relate to the 5.1% held directly by VGP NV in the subsidiaries of the Joint Venture holding assets in Germany.

Disposal group held for sale

The balance of the Disposal group held for sale decreased from € 442.0 million as at 31 December 2017 to € 275.0 million as at 31 December 2018. The net decrease is mainly driven by the fourth closing with VGP European Logistics joint venture at the end of April 2018.

The balance as at 31 December 2018 relates to the assets under construction and development land (at fair value) which are being/will be developed by VGP on behalf of VGP European Logistics, and also includes reclassified assets of VGP's investment properties, in the amount of € 120.4 million, which have been earmarked for the fifth closing with VGP European Logistic joint venture which occurred on 1 April 2019.

Under the joint venture agreement VGP European Logistics has an exclusive right of first refusal in relation to acquiring the income generating assets developed by VGP that are in Germany, the Czech Republic, Slovakia and Hungary. The development pipeline which is transferred to the Joint Venture as part of the different closings between Joint Venture and VGP is being developed at VGP's own risk and subsequently acquired and paid for by the Joint Venture subject to pre-agreed completion and lease parameters. The fair value of the asset under construction which are being developed by VGP on behalf of VGP European Logistics amounted to € 154.5 million as at 31 December 2018 (compared to € 194.9 million as at 31 December 2017).

¹ Of which 5 buildings (191,453 m²) were initially developed by VGP for its own account and sold to VGP European Logistics joint venture as part of the 4th closing in April 2018



Total non-current and current financial debt

During 2018 VGP successfully expanded and extended its bond financing profile following the completion of a € 190 million bond in September 2018. The bond has a fixed rate coupon of 3.5% per annum and matures on 19 March 2026. The proceeds were partly used to refinance the maturing € 75 million Dec-18 Bond (carrying a coupon of 5.1%), with the remaining balance used for the acquisition of development land in the existing and new markets i.e. the Netherlands, Italy and Austria and to finance the development of new projects on the Group's development land.

The financial debt increased from € 471 million as at 31 December 2017 to € 587 million as at 31 December 2018 of which € 15 million of outstanding bank debt. The gearing ratio² of the Group decreased from 42.3% at 31 December 2017 to 34.6% as at 31 December 2018. The gearing remains well within the Company's target maximum consolidated gearing of 65%.

Cash flow statement

SUMMARY (in thousands of €)	2018	2017
Cash flow from operating activities	(51,035)	(6,786)
Cash flow from investing activities	104,724	(90,274)
Cash flow from financing activities	77,299	57,625
Net increase/(decrease) in cash and cash equivalents	130,988	(39,434)

The cash from operating activities decreased by € 44.2 million, mainly due to the increase (€ 21.9 million) in VAT receivables reflecting the underlying increased development activities.

The changes in the cash flow from investing activities was mainly due to: (i) € 263.4 million (2017: €168.4 million) of expenditure incurred for the development activities and land acquisition; (ii) € 438.4 million cash in from the April 2018 closing with VGP European Logistics (2018: € 289.7 million compared to € 122.1 million closing in 2017) and the divestment of the Mango building (€148.7 million).

The changes in the cash flow from financing activities were driven by: (i) € 35.3 million dividend paid out in May 2018 (2017: € 20.1 million capital repayment); (ii) € 188.4 million net proceeds from the Mar-26 Bond, the repayment of the maturing Dec-18 Bond (€75 million) and € 0.8 million repayment of bank debt compared with the 2017 net proceeds of the issued Jul-24 Bond and Mar-25 Bonds totalling € 153.9 million, the repayment of the maturing € 75 million in July 2017 and € 1.2 million net repayment of bank debt.

Events after the balance sheet date

On 1 April 2019, a fifth closing with VGP European Logistics took place with a transaction value of > €190 million.

² Calculated as Net debt/Total equity and liabilities

Information about the share

Listing of shares

Euronext Brussels
Main Market of Prague

VGP share VGP ISIN BE0003878957

Market capitalisation 31 Dec-18	€ 1,103,833,170
Highest capitalisation	€ 1,308,246,720
Lowest capitalisation	€ 1,085,250,120
Share price 31 Dec-17	€ 62.05
Share price 31 Dec-18	€ 59.40

Shareholder structure

As at 31 December 2018 the share capital of VGP was represented by 18,583,050 shares.

Ownership of the Company's shares is as follows:

SHAREHOLDER	NUMBER OF SHARES	% OF SHARES ISSUED
Little Rock SA	3,872,103	20.84%
Alsgard SA	2,409,914	12.97%
Sub-total Jan Van Geet Group	6,282,017	33.81%
VM Invest NV	3,746,008	20.16%
Comm. VA VGP MISV	929,153	5.00%
Sub-total Bart Van Malderen Group	4,675,161	25.16%
Vadebo France NV	655,738	3.53%
Griet Van Malderen	103,949	0.56%
Sub-total Griet Van Malderen Group	759,687	4.09%
Public	6,866,185	36.95%
Total	18,583,050	100.00%

Little Rock SA and Alsgard SA are companies controlled by Mr. Jan Van Geet.
VM Invest NV and Comm VA VGP MISV are companies controlled by Mr. Bart Van Malderen.
Vadebo France NV is a company controlled by Mrs. Griet Van Malderen

There are no specific categories of shares. Each share gives the right to one vote.

In accordance with Articles 480 to 482 of the Company Code, the company can create shares without voting rights, subject to the fulfilling requirements related to the change of the articles of association.

All shares are freely transferable.



Authorised capital

The Board of Directors has been authorized by the Extraordinary Shareholders' Meeting held on 8 December 2016 to increase the Company's registered capital in one or more times by an aggregate maximum amount of € 100 000 000 (before any issue premium). The authority is valid for five years from 27 December 2016 and can be renewed in accordance with the applicable statutory provisions. Pursuant to this authorization, the Board of Directors may, among others, effect a capital increase under the authorized capital by means of issuing ordinary shares, subscription rights or convertible bonds and may limit or disapply the preferential subscription right of the Company's shareholders.

Furthermore, the Board of Directors has been authorized, for a period of three years from 27 December 2016, to make use of the authorized capital upon receipt by the Company of a notice from the FSMA of a public takeover bid for the Company's securities.

Liquidity of the shares

To improve the liquidity of its shares VGP NV concluded a liquidity agreement with KBC Bank. This agreement ensures that there is increased liquidity of the shares which should be to the benefit of the Group in the future as more liquidity allows new shares to be more easily issued in case of capital increases.

Financial calendar

2019 first quarter trading update	10 May 2019
General meeting of shareholders	10 May 2019
Ex-date dividend 2018	20 May 2019
Record date dividend 2018	21 May 2019
Payment date dividend 2018	22 May 2019
2019 half year results	23 August 2019
2019 third quarter trading update	22 November 2019

Outlook 2019

Based on the positive trend in demands for lettable area recorded by VGP during 2018, VGP expects to be able to continue expanding its rental income and property portfolio through the completion and start-up of additional new buildings in 2019. Development activities should continue to expand during 2019 supported by solid demand from potential tenants, e-commerce and as we leverage on the geographic expansion of VGP's footprint allowing VGP to provide pan-European as well as local solutions to a wide scale of potential multinational as well as local customers. These development activities should be underpinned by the current owned as well as committed land bank on top locations across Europe which should provide a solid base to support and fuel the development activities for the next years.

On 1 April 2019, a fifth closing with VGP European Logistics took place with a transaction value of > € 190 million. Finally, we have a joint commitment with Allianz Real Estate to expand our JV structure beyond existing countries¹. These advanced discussions in respect of the set-up of a new joint venture are expected to be concluded during the first half of 2019, providing additional financial means to support the development activities of VGP.

¹ Of the twelve countries in which the group is active, the JV currently covers Germany, Slovakia, Czech Republic and Hungary



Corporate social



respon- sibility



Introduction

As an owner of 51 logistics parks across Europe, VGP recognises the importance of environmental targets and decarbonisation goals in reducing its direct carbon footprint. As a developer, asset owner and manager, VGP recognises the positive role it can play in enabling the transition to a low-carbon economy, as well as the risks involved in that transition and in climate change in general. In addition, VGP focusses on direct business operational impact in occupying its own offices.

VGP is in the process of refreshing its enterprise-wide assessment of climate-related initiatives and risks, while also establishing the internal capabilities needed to make enhanced climate-related disclosures in future reporting periods.

With the introduction of this new section in the annual report VGP gives a first indication of its plans and provides further information on VGP's role as an asset manager and owner. How VGP manages its indirect environmental impacts will be made available in the near future.

Business model

VGP's business model is built on three core drivers:

- 1) **Value creating development:** While some clients are looking for special features including integral robotics or heavy floor loading capacity others require simple storage space, VGP always aims to take the most sustainable approach to the development, whatever the initial occupancy.
- 2) **Highly selective strategic acquisitions:** Whilst property portfolio is nearly entirely developed by VGP itself, very occasionally acquisitions are used as a tool to enhance VGP's portfolio, particularly in locations where VGP is new in the market. When acquiring buildings VGP applies a framework to test the quality of the building in order to assess if the building matches its standards and therefore could fit into VGP's portfolio.
- 3) **Active sustainable management:** VGP's client proposition is to provide attractive and functional premises in the right location at the right price and remain close to VGP's tenants once these tenants occupy the buildings. VGP's relationship with its tenants is guided by the following principles:
 - VGP stays local and close to its tenants. VGP has 13 local offices spread across the twelve European countries in which the group is active.
 - VGP's premises should always create an inviting first impression and current and prospective tenants should feel they are respected in every contact with VGP.
 - VGP should contribute to the tenant's business through responsiveness, property expertise supported by sector knowledge and an openness to employing new approaches.

Awareness

Sustainability topics have been made part of the agenda of the management team and each member will be involved in the company's sustainability actions to ensure that sustainability becomes a stronger part of VGP's DNA.

Building tomorrow today

Building Tomorrow Today
has since long been VGP's motto
as VGP believes tomorrow can be better than today.
VGP wants to build and secure a beautiful future
for next generations.

VGP is building to create value.
Not only for its clients, partners and shareholders
but also for the communities in which it operates.

VGP wants to build tomorrow by doing the right thing today.
By doing business in a responsible manner.
By finding a balance between results, tradition,
innovation and sustainability.

**VGP does this by challenging itself and
by adapting to changing needs every day.**

Environment

VGP's ambition is to progressively reduce the energy consumption and emissions of its operations. VGP's long-term goal is to create value by reducing the environment impact of its buildings, VGP does this by implementing energy-saving measures as well as enabling the production of energy sources.

Sustainable building standards

Energy-efficient design and construction of a building is vital to reducing energy demands within the building. As an end investor, a high quality building standard is embedded in our firmwide building protocol and also as such included in the agreement with our joint venture partner Allianz. This high quality building standard is applied in order to create sustainable value for shareholders, tenants and other stakeholders.

Some examples of efficient measures which are utilized include LED lighting roll-out for new-build warehouses, depending on use and location an assessment of adequate insulation in the walls of our buildings to prevent temperature loss and the benefits of the use of a heat-pump can be analysed.

The more systems are used in a building, the more the energy manager is dependent on technical aids. In the best case, all building and plant engineering functions can be monitored and operated via a central system. For this purpose, all sensors, drives and operating elements as well as user and technical systems (e.g. heating, ventilation, air conditioning, cooling) are integrated.

All these monitoring, control, regulation and optimisation devices are managed with specialized software, the building control technology ("Gebäudeleittechnik" or "GLT"). GLT is the central tool of the building's energy manager as it collects all data from the sensors and controllers of a building. It logs and analyses the data statistically and displays it graphically. This way the energy manager has an overview of all technical processes within a building and can more easily identify potential savings.

Renewable energy

The large roofs of VGP's logistics warehouses are very well suited for the installation of solar panels without imposing aesthetic damage to local communities. This allows the park and the immediate surrounding communities to have access to locally produced green energy. Thanks to their scale, solar panels are perfectly in line with decentralised energy production. This decentralised approach ensures more continuity and availability of energy at a specific industrial logistics park and its community without burdening the network. Moreover, clients can consume locally produced green energy.

VGP have so far developed 165,000 m² of roofs with solar panels enabling the generation of 12,500 kWp. VGP has contracted a solar roof for its new development in The Netherlands which will add a further 60,000 m² and various other developments for solar panel roofs are in advanced discussions.



PARK	BUILDING	POWER GENERATION
VGP Park Leipzig	A1	574 kWp
VGP Park Leipzig	A2	745 kWp
VGP Park Leipzig	B1	1,490 kWp
VGP Park Bischofsheim	A1	382 kWp
VGP Park Gottingen	A1	750 kWp
VGP Park Frankenthal	A	4,011 kWp
VGP Park Berlin	D	2,055 kWp
VGP Park Bobenheim-Roxheim	A	1,809 kWp
VGP Park Hamburg	A4	745 kWp
		12,561 kWp

Social responsibility

VGP takes responsibility for its surroundings and people by working actively on the management of its properties and collaborating with tenants, municipalities and other local stakeholders. VGP's objective is to make an active contribution to a safer and more inclusive society.

As we want to ensure VGP remains a responsible and caring member of society we are currently exploring various alternative ways in which we could do something back to the communities including helping to improve the local environment, heritage, education, research and the local social fabric of the communities in which we operate. Further information on such initiatives will be made available in the coming period.



People

The family ownership of the business also transpires into a collegial team spirit across the company. Integrity means honesty and sincerity in what VGP does and adhering to open communication. Good news is allowed to spread slowly but issues are openly discussed and addressed as soon as possible. Mutual trust, respect for everyone and opportunity to grow are important for our employees to feel rewarded and enjoy their work. This is critical in order to be able to execute on the ambitious goals VGP has set for the years ahead.

As of year-end the group had 180 employees. VGP believes in equal opportunities for all employees. VGP does not make any distinction on the grounds of gender, religion, ethnic background or sexual orientation in its HR, recruitment and promotion policies or remuneration systems.

Health and safety

VGP takes a proactive approach to safety in and around its properties in order for VGP to provide secure and healthy working environments for tenants, staff as well as contractors on building sites. Building sites are high-risk working environments. This is why VGP has a sharp focus on occupational health & safety issues, to minimise incidents and accidents. VGP will comply with applicable legislation and safety procedures at all building sites. VGP conducts inspections and assessments of potential areas of improvement during workplace visits.

Board of directors and management







Board of directors

COMPOSITION ON 31 DECEMBER 2018

	NAME	YEAR APPOINTED	EXECUTIVE OR NON-EXECUTIVE	INDEPENDENT	NEXT DUE FOR RE-ELECTION
Chairman	Marek Šebesták	2015	Non-executive	Independent	2019
CEO	Jan Van Geet s.r.o. represented by Jan van Geet	2017	Executive and reference shareholder	—	2021
Directors	VM Invest NV represented by Bart Van Malderen	2017	Non-executive and reference shareholder	—	2021
	Alexander Saverys	2015	Non-executive	Independent	2019
	Rijo Advies BVBA represented by Jos Thys	2015	Non-executive	Independent	2019



Marek Šebesták

*1954

Mr Šebesták is founder and former Chairman of BBDO-Czech Republic, one of the leading international advertising and communication agencies.

Jan Van Geet

*1971

Jan Van Geet is the founder and CEO of VGP. He has overall daily as well as strategic management responsibilities of the Group. He started in the Czech Republic in 1993 and was manager of Ontex in Turnov, a producer of hygienic disposables. Until 2005, he was also managing director of WDP Czech Republic. WDP is a Belgian real estate investment trust.

Bart Van Malderen

*1966

Mr Bart Van Malderen founded Drylock Technologies in 2012. Drylock Technologies is anhygienic disposable products manufacturer which introduced the revolutionary flufless diaper in 2013. Prior to this, Bart Van Malderen held different management positions at Ontex, a leading European manufacturer of hygienic disposable products where he became CEO in 1996 and Chairman of the Board in 2003, a mandate which he occupied until mid-July 2007.

Alexander Saverys

*1978

Mr Alexander Saverys holds a master of laws (University of Leuven and Madrid) and holds an MBA of the Fachhochschule für Wirtschaft Berlin. In 2004 he founded Delphis NV a company offering multimodal transport solutions throughout Europe. He became a director of CMB (Compagnie Maritime Belge SA) in 2006 and was appointed CEO in September 2014.

Jos Thys

*1962

Mr Jos Thys holds a Master's Degree in Economics from the University of Antwerp (UFSIA). He is counsel to family owned businesses where he advises on strategic and structuring issues. He also acts as a counsel for the implementation of Corporate Governance at corporate and non-profit organisations. Jos previously had a long career in corporate and investing banking with Paribas, Artesia and Dexia.



Executive management team

COMPOSITION ON 31 DECEMBER 2018

Jan Van Geet s.r.o. represented by Jan Van Geet	Chief Executive Officer
Jan Procházka	Chief Operating Officer
Dirk Stoop BVBA represented by Dirk Stoop	Chief Financial Officer
Tomas Van Geet s.r.o. represented by Tomas Van Geet	Chief Commercial Officer
Jan Papoušek s.r.o. represented by Jan Papoušek	Chief Operating Officer – Outside CZ
Matthias Sander s.r.o. represented by Matthias Sander	Chief Investment Officer
MB Vlutters BVBA represented by Martijn Vlutters	Vice President – Business Development & Investor Relations

Mr. Jan Van Geet

*1971

Jan Van Geet is the founder and CEO of VGP. He has overall daily as well as strategic management responsibilities of the Group. He started in the Czech Republic in 1993 and was manager of Ontex in Turnov, a producer of hygienic disposables. Until 2005, he was also managing director of WDP Czech Republic. WDP is a Belgian real estate investment trust.

Mr. Jan Procházka

*1964

He is civil engineer and architect and joined VGP in 2002. He takes responsibility for technical concepts and contract execution. Prior to this position, Jan was the managing director of Dvořák, a civil contracting company, at his time one of the major players in the Czech market. Well known projects under his management are the airport terminal Sever 1 in Prague, the cargo terminal, as well as the headquarters of Česká Spořitelna.

Mr. Dirk Stoop

*1961

Joined VGP in 2007. He is responsible for all finance matters i.e. financial planning, control, forecasting, treasury, tax and insurance for all the countries where VGP is/ will be active, as well as investor relations. Dirk worked at Ontex for 5 years as Group Treasurer where he was also responsible for tax and insurance matters. Prior to this he worked at CHEP Europe based in London as Treasurer Europe, South America & Asia. Dirk holds a Master's Degree in Financial and Commercial Sciences from VLEKHO (HUB) in Belgium.

Mr. Tomas Van Geet

*1976

Joined VGP in 2005. He takes responsibility for all commercial strategic matters and commercial co-ordination of VGP's key accounts. Prior to joining VGP, Tomas held several positions in the planning and logistics departments of Domo in Germany, Spain, Czech Republic and South Africa, Associated Weavers and Ontex.

Mr. Jan Papoušek

*1974

He is civil engineer and joined VGP in 2007. He takes responsibility for technical concepts and contract execution for all projects outside the Czech Republic. Jan formerly worked for Gardiner and Teobald, a UK based well known cost controlling company with international activities, where he occupied the function of cost and project manager.

Mr. Matthias Sander

*1970

He is a mechanical and economic bachelor and joined VGP in 2018. He takes responsibility for the expansion into new countries, sourcing land plots across Europe and coordinating of the development pipeline. Matthias spent the last 11 years in several leading roles with Knorr Bremse (a leading German industrial Group) and was its Managing Director in the Czech Republic.

Mr. Martijn Vlutters

*1979

Joined VGP in 2018. He takes responsibility for business development and investor relations. Prior to joining VGP, Martijn worked 13 years at J.P. Morgan based in London and New York in various roles in Capital Markets and Corporate Finance. Within this period he spent 2 years in New York as Investor Relations for J.P. Morgan Chase. Martijn holds a Master degree in Civil Engineering from Delft University and in Business Administration from Erasmus/ Rotterdam School of Management.

Portfolio



The Netherlands

47 VGP Park Nijmegen

Germany

- 01 VGP Park Hamburg
- 02 VGP Park Soltau
- 03 VGP Park Leipzig
- 04 VGP Park Berlin
- 05 VGP Park Ginsheim
- 06 VGP Park Schwalbach
- 07 VGP Park München
- 08 VGP Park Bingen
- 09 VGP Park Rodgau
- 10 VGP Park Höchststadt
- 11 VGP Park Borna
- 12 VGP Park Bobenheim-Roxheim
- 13 VGP Park Frankenthal
- 14 VGP Park Berlin-Wustermark
- 15 VGP Park Göttingen
- 16 VGP Park Wetzlar
- 17 VGP Park Halle
- 18 VGP Park Dresden
- 19 VGP Park Bischofsheim
- 20 VGP Park Giessen-Buseck
- 21 VGP Park Giessen-Lutzelinden

Austria

46 VGP Park Graz

Spain

- 33 VGP Park San Fernando de Henares
- 34 VGP Park Lliçà d'Amunt
- 35 VGP Park Fuenlabrada
- 36 VGP Park Valencia Cheste
- 37 VGP Park Zaragoza

Czech Republic

- 22 VGP Park Tuchoměřice
- 23 VGP Park Ústí nad Labem
- 24 VGP Park Český Újezd
- 25 VGP Park Liberec
- 26 VGP Park Olomouc
- 27 VGP Park Jeneč
- 28 VGP Park Chomutov
- 29 VGP Park Brno
- 30 VGP Park Hrádek nad Nisou
- 31 VGP Park Plzeň

Latvia

- 32 VGP Park Kekava

Slovakia

- 45 VGP Park Malacky

Hungary

- 41 VGP Park Győr
- 42 VGP Park Alsónémedi
- 43 VGP Park Hatvan
- 44 VGP Park Kecskemét

Italy

- 48 VGP Park Calcio

Romania

- 38 VGP Park Timișoara
- 39 VGP Park Sibiu
- 40 VGP Park Brașov



Germany

- 01 VGP Park Hamburg
- 02 VGP Park Soltau
- 03 VGP Park Leipzig
- 04 VGP Park Berlin
- 05 VGP Park Ginsheim
- 06 VGP Park Schwalbach
- 07 VGP Park München
- 08 VGP Park Bingen
- 09 VGP Park Rodgau
- 10 VGP Park Höchststadt
- 11 VGP Park Borna
- 12 VGP Park Bobenheim-Roxheim
- 13 VGP Park Frankenthal
- 14 VGP Park Berlin-Wustermark
- 15 VGP Park Göttingen
- 16 VGP Park Wetzlar
- 17 VGP Park Halle
- 18 VGP Park Dresden
- 19 VGP Park Bischofsheim
- 20 VGP Park Giessen-Buseck
- 21 VGP Park Giessen-Lutzelinden



Hamburg

Berlin

Bonn

Leipzig

Frankfurt am Main

Karlsruhe

Nürnberg

Stuttgart

Zurich

München



GERMANY
VGP Park Berlin
 BUILDING A

tenant	Emons Logistik GmbH; Logit Services GmbH; Isringhausen GmbH & Co. KG
lettable area	23,848 m ²
built	2015



GERMANY
VGP Park Berlin
 BUILDING B

tenant	Lillydoo Services GmbH
lettable area	9,642 m ²
built	2018



GERMANY
VGP Park Berlin
 BUILDING C

tenant	SSW Stolze Stahl Waren GmbH; DefShop GmbH
lettable area	25,829 m ²
built	2018



GERMANY
VGP Park Berlin
 BUILDING D

tenant	Lidl Digital FC GmbH & Co. KG
lettable area	53,776 m ²
built	2017



GERMANY
VGP Park Bingen
 BUILDING A

tenant	Custom Chrome Europe GmbH
lettable area	6,400 m ²
built	2014

GERMANY

VGP Park Bobenheim-Roxheim

BUILDING A

tenant	Lekkerland Deutschland GmbH & Co.KG
lettable area	23,270 m ²
built	2016



GERMANY

VGP Park Borna

BUILDING A

tenant	Lekkerland Deutschland GmbH & Co.KG
lettable area	13,617 m ²
built	2016



GERMANY

VGP Park Frankenthal

BUILDING A

tenant	Amazon Logistik Frankenthal GmbH
lettable area	146,899 m ²
built	2018



GERMANY

VGP Park Ginsheim

BUILDING A

tenant	INDAT Robotics GmbH; Greenyard Fresh Germany GmbH; 4PX Express GmbH; Vicampo.de GmbH
lettable area	35,635 m ²
built	2017



GERMANY

VGP Park Hamburg

BUILDING A0

tenant	GEODIS Logistics Deutschland GmbH; Nippon Express (Deutschland) GmbH; Weider & Nesse GmbH; EGC Energie- und Gebäudetechnik; Deutsche Post Immobilien GmbH
lettable area	34,888 m ²
built	2013





GERMANY
VGP Park Hamburg
 BUILDING A1

tenant	Volkswagen AG; Drive Medical GmbH & Co. KG; CHEP Deutschland GmbH
lettable area	24,633 m ²
built	2014–2016



GERMANY
VGP Park Hamburg
 BUILDING A2

tenant	Syncreon Deutschland GmbH
lettable area	18,743 m ²
built	2015



GERMANY
VGP Park Hamburg
 BUILDING A3

tenant	Zebco Europe GmbH; Hausmann Logistik GmbH
lettable area	9,471 m ²
built	2015



GERMANY
VGP Park Hamburg
 BUILDING A4

tenant	LZ Logistik GmbH
lettable area	14,471 m ²
built	2016



GERMANY
VGP Park Hamburg
 BUILDING A5

tenant	Landgard eG
lettable area	13,136 m ²
built	2018

GERMANY

VGP Park Hamburg

BUILDING B1

tenant	Rhenus SE & Co. KG
lettable area	57,471 m ²
built	2015–2017



GERMANY

VGP Park Hamburg

BUILDING B2

tenant	Geis Industrie-Service GmbH; Karl Heinz Dietrich GmbH & Co KG; Lagerei und Spedition Dirk Vollmer GmbH
lettable area	40,586 m ²
built	2017



GERMANY

VGP Park Hamburg

BUILDING B3

tenant	CARGO-PARTNER GmbH; Lagerei und Spedition Dirk Vollmer GmbH
lettable area	9,455 m ²
built	2017



GERMANY

VGP Park Hamburg

BUILDING C

tenant	Rieck Projekt Kontakt Logistik Hamburg GmbH & Co. KG
lettable area	23,679 m ²
built	2017



GERMANY

VGP Park Hamburg

BUILDING D1

tenant	AO Deutschland Ltd.
lettable area	2,502 m ²
built	2015





GERMANY
VGP Park Höchstadt
 BUILDING A

tenant	C&A Mode GmbH & Co. KG
lettable area	15,001 m ²
built	2015



GERMANY
VGP Park Leipzig
 BUILDING A1

tenant	Deine Tür GmbH; fms field marketing + sales services GmbH
lettable area	6,915 m ²
built	under construction



GERMANY
VGP Park Leipzig
 BUILDING A2

tenant	on-going negotiations
lettable area	8,873 m ²
built	under construction



GERMANY
VGP Park Leipzig
 BUILDING B1

tenant	USM operations GmbH
lettable area	24,630 m ²
built	2017



GERMANY
VGP Park Rodgau
 BUILDING A

tenant	A & O GmbH, Geis Ersatzteil-Service GmbH; PTG Lohnabfüllung GmbH; toom Baumarkt GmbH
lettable area	24,878 m ²
built	2016

GERMANY

VGP Park Rodgau

BUILDING B

tenant	Rhenus SE & Co. KG
lettable area	43,375 m ²
built	2016



GERMANY

VGP Park Rodgau

BUILDING C

tenant	toom Baumarkt GmbH
lettable area	19,782 m ²
built	2015



GERMANY

VGP Park Rodgau

BUILDING D

tenant	EBARA Pumps Europe S.p.A.; ASENDIA Operations GmbH & Co KG
lettable area	7,062 m ²
built	2016



GERMANY

VGP Park Rodgau

BUILDING E

tenant	PTG Lohnabfüllung GmbH
lettable area	8,763 m ²
built	2015



GERMANY

VGP Park Schwalbach

BUILDING A

tenant	Optimas OE Solutions GmbH
lettable area	8,386 m ²
built	2017





GERMANY
VGP Park Soltau
 BUILDING A

tenant	AUDI AG
lettable area	55,811 m ²
built	2016



GERMANY
VGP Park Wetzlar
 BUILDING A

tenant	Ancla Logistik GmbH
lettable area	18,685 m ²
built	2018 – partly under construction



GERMANY
VGP Park Wetzlar
 BUILDING B

tenant	POCO Einrichtungsmärkte GmbH; Global Cargo Service GmbH; Strieder Transport Logistik GmbH; Trans-Pak AG
lettable area	19,264 m ²
built	under construction



GERMANY
VGP Park Göttingen
 BUILDING B

tenant	Amazon EU S.a.r.l.
lettable area	38,506 m ²
built	under construction



GERMANY
VGP Park Göttingen
 BUILDING A

tenant	Friedrich ZUFALL GmbH & Co. KG; Amazon EU S.a.r.l.
lettable area	42,643 m ²
built	2018

GERMANY

VGP Park Göttingen

BUILDING E

tenant	Van Waveren Saaten GmbH
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lettable area	6,026 m ²
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built	under construction
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GERMANY

VGP Park Wustermark

BUILDING A2

tenant	Wardow GmbH
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lettable area	12,220 m ²
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built	under construction
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GERMANY

VGP Park Wustermark

BUILDING B1

tenant	Wardow GmbH
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lettable area	28,810 m ²
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built	under construction
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GERMANY

VGP Park Wustermark

BUILDING C1

tenant	Wepoba Wellpappenfabrik GmbH
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lettable area	12,800 m ²
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built	2018
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GERMANY

VGP Park Wustermark

BUILDING C2

tenant	TA Technix GmbH
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lettable area	6,382 m ²
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built	2018
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GERMANY
VGP Park Dresden
 BUILDING A

tenant	Schenker Deutschland AG
lettable area	20,175 m ²
built	2018



GERMANY
VGP Park Bischofsheim
 BUILDING A

tenant	Bettmer GmbH; Avantag Energy Betriebsgesellschaft 1 GmbH
lettable area	6,654 m ²
built	under construction



GERMANY
VGP Park Halle
 BUILDING A

tenant	L'ISOLANTE K-FLEX GmbH; TTM GmbH International Spedition
lettable area	18,941 m ²
built	partly delivered

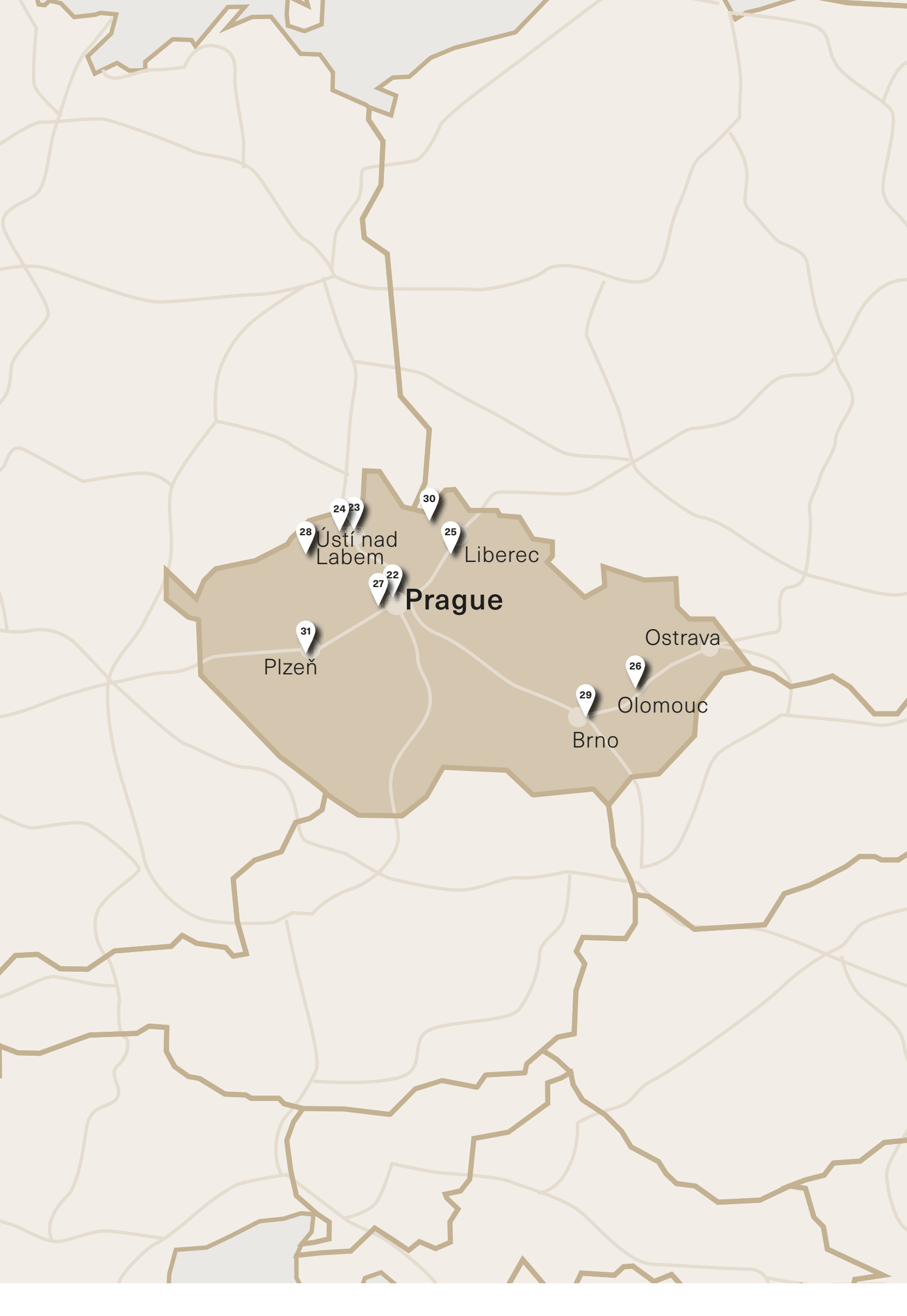
Overview of portfolio in Germany

VGP PARK	OWNER	LAND AREA (m ²)	LETTABLE AREA (m ²)				
			COMPLETED	UNDER CONSTRUCTION	POTENTIAL	TOTAL	CONTRACTED ANNUAL RENT (€)
VGP Park Hamburg	VGP	87,952	—	—	30,148	30,148	—
VGP Park Gottingen	VGP	237,618	42,993	44,532	—	87,525	3.4
VGP Park Halle	VGP	165,888	—	18,941	59,041	77,982	0.7
VGP Park Wustermark	VGP	132,999	19,182	41,030	12,855	73,067	1.3
VGP Park Dresden-Radeburg	VGP	32,383	20,175	—	—	20,175	0.9
VGP Park Berlin	VGP	225,034	—	—	82,112	82,112	3.4
VGP Park München	VGP	533,036	—	—	—	220,021	3.2
VGP Park Bischofsheim	VGP	11,763	—	6,654	—	6,654	0.4
VGP Park Giessen-Buseck	VGP	36,549	—	—	18,128	18,128	—
VGP Park Giessen-Lutzelinden	VGP	23,379	—	—	10,400	10,400	—
Total		1,486,601	82,350	111,156	432,705	626,211	13.3
VGP Park Bingen	Joint Venture	15,000	6,400	—	—	6,400	0.4
VGP Park Hamburg	Joint Venture	537,112	249,033	—	—	249,033	13.0
VGP Park Soltau	Joint Venture	119,868	55,811	—	—	55,811	1.9
VGP Park Rodgau	Joint Venture	212,740	103,860	—	—	103,860	6.0
VGP Park Höchststadt	Joint Venture	45,680	15,001	—	—	15,001	0.9
VGP Park Berlin	Joint Venture	234,995	113,095	—	—	113,095	4.8
VGP Park Frankenthal	Joint Venture	174,832	146,899	—	—	146,899	9.0
VGP Park Bobenheim-Roxheim	Joint Venture	56,655	23,270	—	—	23,270	1.7
VGP Park Borna	Joint Venture	42,533	13,617	—	—	13,617	0.8
VGP Park Leipzig	Joint Venture	105,885	24,630	15,788	4,750	45,168	1.6
VGP Park Schwalbach	Joint Venture	19,587	8,386	—	—	8,386	0.5
VGP Park Wetzlar	Joint Venture	67,336	37,949	—	—	37,949	1.9
VGP Park Ginsheim	Joint Venture	59,845	35,635	—	—	35,635	2.3
Total		1,692,068	833,585	15,788	4,750	854,123	44.8
Total Germany		3,178,669	915,935	126,944	437,455	1,480,335	58.1



Czech Republic

- 22 VGP Park Tuchoměřice
- 23 VGP Park Ústí nad Labem
- 24 VGP Park Český Újezd
- 25 VGP Park Liberec
- 26 VGP Park Olomouc
- 27 VGP Park Jeneč
- 28 VGP Park Chomutov
- 29 VGP Park Brno
- 30 VGP Park Hrádek nad Nisou
- 31 VGP Park Plzeň



Ústí nad Labem

Liberec

Prague

Plzeň

Ostrava

Olomouc

Brno

28

24

23

30

25

27

22

31

26

29

29



CZECH REPUBLIC
VGP Park Brno
 BUILDING I.

tenant	KARTON P+P, spol. s r.o.; NOTINO, s.r.o.; ZINK Trading s.r.o.
lettable area	12,226 m ²
built	2017



CZECH REPUBLIC
VGP Park Brno
 BUILDING II.

tenant	NOTINO, s.r.o.; SUTA s.r.o.; SECUPACK s.r.o.
lettable area	14,242 m ²
built	2013–2016



CZECH REPUBLIC
VGP Park Brno
 BUILDING III.

tenant	HARTMANN – RICO a.s.
lettable area	8,621 m ²
built	2013



CZECH REPUBLIC
VGP Park Český Újezd
 BUILDING I.

tenant	Yusen Logistics (Czech) s.r.o.; Spedice Kudrová s.r.o.
lettable area	12,789 m ²
built	2018



CZECH REPUBLIC
VGP Park Český Újezd
 BUILDING II.

tenant	FIA ProTeam s.r.o.
lettable area	2,753 m ²
built	2016

CZECH REPUBLIC

VGP Park Hrádek nad Nisou

BUILDING H1

tenant	Drylock Technologies s.r.o.
lettable area	40,361 m ²
built	2012–2014



CZECH REPUBLIC

VGP Park Hrádek nad Nisou

BUILDING H5

tenant	Drylock Technologies s.r.o.
lettable area	26,721 m ²
built	2018



CZECH REPUBLIC

VGP Park Liberec

BUILDING L1

tenant	KNORR-BREMSE Systémy pro užitková vozidla ČR, s.r.o.
lettable area	11,436 m ²
built	2016



CZECH REPUBLIC

VGP Park Olomouc

BUILDING A

tenant	Nagel Česko s.r.o.
lettable area	7,808 m ²
built	2017



CZECH REPUBLIC

VGP Park Olomouc

BUILDING B

tenant	John Crane a.s.
lettable area	9,010 m ²
built	2017





CZECH REPUBLIC
VGP Park Olomouc
 BUILDING C

tenant	SGB Czech Trafo s.r.o.; Edwards, s.r.o.
lettable area	11,140 m ²
built	2018



CZECH REPUBLIC
VGP Park Olomouc
 BUILDING G1

tenant	Benteler Automotive Rumburk s.r.o.; Gerfl or CZ s.r.o.; RTR-TRANSPORT A LOGISTIKA s.r.o.; SUTA s.r.o.
lettable area	12,124 m ²
built	2017



CZECH REPUBLIC
VGP Park Olomouc
 BUILDING G2

tenant	Euro Pool System CZ s.r.o.; FENIX solutions s.r.o.
lettable area	19,859 m ²
built	2015



CZECH REPUBLIC
VGP Park Olomouc
 BUILDING H

tenant	Mürdter Dvořák, lisovna, spol. s r.o.
lettable area	14,272 m ²
built	2018/partly under construction



CZECH REPUBLIC
VGP Park Pilsen
 BUILDING A

tenant	ASSA ABLOY ES Production s.r.o.
lettable area	8,711 m ²
built	2014

CZECH REPUBLIC
VGP Park Jeneč
BUILDING AB

tenant	4PX Express CZ s.r.o.
lettable area	52,582 m ²
built	2017



CZECH REPUBLIC
VGP Park Jeneč
BUILDING C

tenant	4PX Express CZ s.r.o.
lettable area	11,698 m ²
built	2018



CZECH REPUBLIC
VGP Park Jeneč
BUILDING D1

tenant	4PX Express CZ s.r.o.
lettable area	1,885 m ²
built	2017



CZECH REPUBLIC
VGP Park Jeneč
BUILDING D2

tenant	4PX Express CZ s.r.o.
lettable area	3,725 m ²
built	under construction



CZECH REPUBLIC
VGP Park Chomutov
BUILDING A

tenant	Tenant Beinbauer Automotive CZ s.r.o.
lettable area	17,146 m ²
built	2018





CZECH REPUBLIC
VGP Park Ústí nad Labem
 BUILDING P1

tenant	JOTUN CZECH a.s.; Minda KTSN Plastic Solutions s.r.o.
lettable area	5,351 m ²
built	2014



CZECH REPUBLIC
VGP Park Ústí nad Labem
 BUILDING P2

tenant	Ligman Europe s.r.o.
lettable area	6,368 m ²
built	2018



CZECH REPUBLIC
VGP Park Ústí nad Labem
 BUILDING P3

tenant	Treves CZ s.r.o.
lettable area	8,725 m ²
built	2017



CZECH REPUBLIC
VGP Park Ústí nad Labem
 BUILDING P4

tenant	Treves CZ s.r.o.
lettable area	6,134 m ²
built	Treves CZ s.r.o.



CZECH REPUBLIC
VGP Park Ústí nad Labem
 BUILDING P6.1

tenant	SSI Technologies s.r.o.
lettable area	6,080 m ²
built	2015

CZECH REPUBLIC
VGP Park Jeneč
BUILDING AB

tenant	4PX Express CZ s.r.o.
lettable area	52,582 m ²
built	2017



CZECH REPUBLIC
VGP Park Jeneč
BUILDING C

tenant	4PX Express CZ s.r.o.
lettable area	11,698 m ²
built	2018



CZECH REPUBLIC
VGP Park Jeneč
BUILDING D1

tenant	4PX Express CZ s.r.o.
lettable area	1,885 m ²
built	2017



CZECH REPUBLIC
VGP Park Jeneč
BUILDING D2

tenant	4PX Express CZ s.r.o.
lettable area	3,725 m ²
built	under construction



CZECH REPUBLIC
VGP Park Chomutov
BUILDING A

tenant	Tenant Beinbauer Automotive CZ s.r.o.
lettable area	17,146 m ²
built	2018





CZECH REPUBLIC
VGP Park Chomutov
BUILDING BC

tenant	Magna Automotive (CZ) s.r.o.
lettable area	35,836 m ²
built	2018

Overview of portfolio in the Czech Republic

VGP PARK	OWNER	LAND AREA (m ²)	LETTABLE AREA (m ²)				
			COMPLETED	UNDER CONSTRUCTION	POTENTIAL	TOTAL	CONTRACTED ANNUAL RENT (€)
VGP Park Olomouc	VGP	307,881	—	14,272	121,592	135,864	0.9
VGP Park Hrádek nad Nisou 2	VGP	78,240	—	—	30,932	30,932	—
VGP Park Chomutov	VGP	100,367	35,836	17,146	5,310	58,292	2.3
VGP Park Prostějov	VGP	139,661	—	—	51,701	51,701	—
Total		626,149	35,836	31,418	209,535	276,789	3.2
VGP Park Tuchoměřice	Joint Venture	58,701	25,004	—	—	25,004	1.1
VGP Park Český Újezd	Joint Venture	45,383	15,542	—	—	15,542	0.7
VGP Park Liberec	Joint Venture	36,062	11,436	—	2,304	13,740	0.6
VGP Park Brno	Joint Venture	63,974	35,088	—	—	35,088	1.9
VGP Park Hrádek nad Nisou	Joint Venture	180,638	67,081	—	13,138	80,219	3.6
VGP Park Plzeň	Joint Venture	92,354	44,011	—	—	44,011	2.3
VGP Park Ústí nad Labem	Joint Venture	141,968	32,658	—	8,726	41,384	2.0
VGP Park Olomouc	Joint Venture	171,872	59,942	—	7,868	67,810	3.2
VGP Park Jeneč	Joint Venture	173,859	66,164	3,725	—	69,889	2.7
Total		964,811	356,927	3,725	32,036	392,687	18.0
Total Czech Republic		1,590,960	392,762	35,143	241,572	669,477	21.2

Other countries in Europe

Latvia

32 VGP Park Kekava

Spain

33 VGP Park San Fernando de Henares

34 VGP Park Lliçà d'Amunt

35 VGP Park Fuenlabrada

36 VGP Park Valencia Cheste

37 VGP Park Zaragoza

Romania

38 VGP Park Timișoara

39 VGP Park Sibiu

40 VGP Park Brașov

Hungary

41 VGP Park Győr

42 VGP Park Alsónémedi

43 VGP Park Hatvan

44 VGP Park Kecskemét

Slovakia

45 VGP Park Malacky

Austria

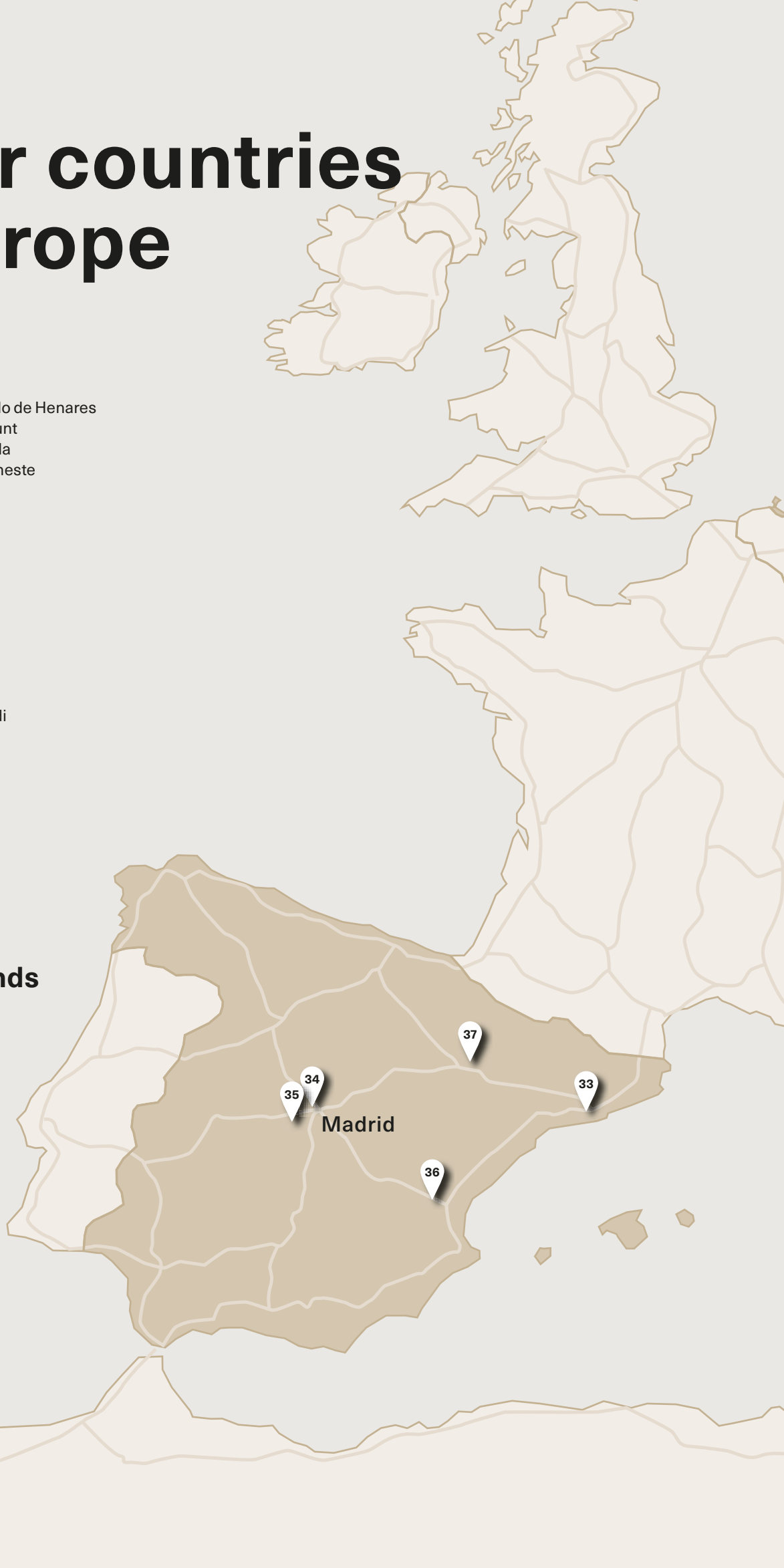
46 VGP Park Graz

The Netherlands

47 VGP Park Nijmegen

Italy

48 VGP Park Calcio





32

Riga

47

Amsterdam

45

Bratislava

43

Vienna

41

42

46

Budapest

44

48

39

40

38

Bucharest

Rome



HUNGARY
VGP Park Alsónémedi
 BUILDING A1.1

tenant	Nagel Hungária Logisztikai Korlátolt Felelősségű Társaság
lettable area	22,905 m ²
built	2016



HUNGARY
VGP Park Győr
 BUILDING A

tenant	SKINY Gyártó Korlátolt Felelősségű Társaság; Waberer's-Szemerey Kft.; Gebrüder Weiss Szállítványozási Kft.
lettable area	20,290 m ²
built	2009



HUNGARY
VGP Park Győr
 BUILDING B

tenant	Lear Corporation Hungary Kft.; TI Automotive (Hungary) Kft.
lettable area	24,739 m ²
built	2012, 2017



HUNGARY
VGP Park Győr
 BUILDING C

tenant	Dana Hungary Kft.
lettable area	6,463 m ²
built	2011



SLOVAKIA
VGP Park Malacky
 BUILDING A

tenant	Benteler Automotive SK s.r.o.; SPP – distribuce, a.s.
lettable area	14,863 m ²
built	2009

SLOVAKIA

VGP Park Malacky

BUILDING B

tenant	Benteler Automotive SK s.r.o.; Ciper Europe s.r.o.; PLP Facility, a.s.
lettable area	18,162 m ²
built	2016 – partly under construction



SLOVAKIA

VGP Park Malacky

BUILDING C

tenant	FROMM SLOVAKIA, a.s.; Tajco Slovakia s. r. o.
lettable area	15,255 m ²
built	2015



SLOVAKIA

VGP Park Malacky

BUILDING D

tenant	Volkswagen Konzernlogistik GmbH & Co. OHG
lettable area	25,692 m ²
built	2015



SLOVAKIA

VGP Park Malacky

BUILDING E1

tenant	IDEAL Automotive Slovakia, s.r.o.
lettable area	12,756 m ²
built	2016



LATVIA

VGP Park Kekava

BUILDING A

tenant	SIA "Degalava Real Estate"; MMD Serviss SIA m ²
lettable area	35,557 m ²
built	2018





LATVIA
VGP Park Kekava
 BUILDING B

tenant	MMD Serviss SIA
lettable area	26,988 m ²
built	under construction



ROMANIA
VGP Park Timișoara
 BUILDING A1

tenant	QUEHENBERGER LOGISTICS ROU SRL; S.C. Profi Rom Food SRL; ITC LOGISTIC ROMANIA SRL
lettable area	17,564 m ²
built	2016



ROMANIA
VGP Park Timișoara
 BUILDING A2

tenant	SC EKOL INTERNATIONAL LOGISTICS SRL; SC FAN COURIER EXPRESS SRL; VAN MOER GROUP SRL; KLG Europe Logistics SRL
lettable area	18,077 m ²
built	2016



ROMANIA
VGP Park Timișoara
 BUILDING B1

tenant	QUEHENBERGER LOGISTICS ROU SRL; WHITELAND LOGISTICS SRL; CARGO-PARTNER EXPEDITII SRL; UPS Romania SRL; World Media Trans SRL; S.C. PROFI ROM FOOD SRL; CSC ETICHETE SRL
lettable area	17,858 m ²
built	2014



ROMANIA
VGP Park Timișoara
 BUILDING B2

tenant	DHL International Romania SRL; QUEHENBERGER LOGISTICS ROU SRL; RESET EMS srl; SC SIDE TRADING SRL; S.C. DSV SOLUTIONS SRL.; NEFAB PACKAGING ROMANIA SRL.; HELBAKO ELECTRONICA SRL; OVT LOGISTICZENTRUM SRL
lettable area	19,900 m ²
built	2015/under construction

ROMANIA

VGP Park Timișoara

BUILDING C1

tenant	cargo-partner Expeditii s.r.l.; JUST LOGISTICS SRL; EUROCCOPER SRL
lettable area	20,673 m ²
built	2018



ROMANIA

VGP Park Timișoara

BUILDING C2

tenant	Hafele Romania SRL; OVT LOGISTICZENTRUM SRL; RF PLAST GmbH
lettable area	20,330 m ²
built	under construction



ROMANIA

VGP Park Sibiu

BUILDING B

tenant	Englmayer Romania SRL
lettable area	16,527 m ²
built	under construction



SPAIN

VGP Park Lliçà d'Amunt

BUILDING C

tenant	Noatum logistics Spain, S.A.U.; DistriCenter, S.A.U.
lettable area	33,444 m ²
built	under construction



SPAIN

VGP Park San Fernando de Henares

BUILDING A

tenant	ThyssenKrupp Elevadores, S.L.U.; Rhenus Logistics S.A.U.
lettable area	22,819 m ²
built	2018





SPAIN
VGP Park San Fernando de Henares
 BUILDING B1

tenant	Rhenus Logistics, S.A.U.; Noatum Logistics Spain, S.A.U.
lettable area	20,225 m ²
built	under construction



SPAIN
VGP Park San Fernando de Henares
 BUILDING B2

tenant	Rhenus Logistics, S.A.U.
lettable area	12,225 m ²
built	under construction



SPAIN
VGP Park San Fernando de Henares
 BUILDING E

tenant	DSV Road Spain, S.A.U.
lettable area	12,197 m ²
built	under construction



AUSTRIA
VGP Park Graz
 BUILDING A

tenant	MAGNA Steyr Fahrzeugtechnik AG & Co KG
lettable area	17,737 m ²
built	2018

Overview portfolio in other countries in Europe

VGP PARK	OWNER	LAND AREA (m ²)	LETTABLE AREA (m ²)				
			COMPLETED	UNDER CONSTRUCTION	POTENTIAL	TOTAL	CONTRACTED ANNUAL RENT (€)
VGP Park Timișoara (Romania)	VGP	279,291	94,072	20,330	10,500	124,902	4.6
VGP Park Sibiu (Romania)	VGP	97,036	—	16,527	27,785	44,312	0.1
VGP Park Brașov (Romania)	VGP	237,538	—	—	107,712	107,712	—
VGP Park Kecskemét Kft (Hungary)	VGP	86,267	—	—	44,636	44,636	0.5
VGP Park Hatvan (Hungary)	VGP	57,584	—	—	25,914	25,914	1.0
VGP Park Kekava (Latvia)	VGP	148,442	35,557	26,988	—	62,545	3.4
VGP Park San Fernando (Spain)	VGP	222,666	22,819	44,647	54,944	122,410	4.0
VGP Park Lliçà d'Amunt (Spain)	VGP	149,597	—	33,444	44,784	78,228	1.1
VGP Park Fuenlabrada (Spain)	VGP	80,223	—	—	41,735	41,735	—
VGP Park Valencia Cheste (Spain)	VGP	28,889	—	—	14,722	14,722	—
VGP Park Zaragoza (Spain)	VGP	80,000	—	—	45,386	45,386	—
VGP Park Nijmegen (Netherlands)	VGP	267,013	—	—	152,041	152,041	0.9
VGP Park Graz (Austria)	VGP	38,239	17,737	—	—	17,737	1.1
VGP Park Calcio (Italy)	VGP	48,593	—	—	22,695	22,695	—
Total		1,821,378	170,186	141,936	592,854	904,976	16.7
VGP Park Malacky (Slovakia)	Joint Venture	220,492	68,566	18,162	9,880	96,608	3.9
VGP Park Győr (Hungary)	Joint Venture	121,798	51,491	—	—	51,491	2.8
VGP Park Alsónémedi (Hungary)	Joint Venture	85,349	22,905	—	12,000	34,905	1.4
Total		427,639	142,962	18,162	21,880	183,004	8.0
Total Other Countries		2,249,017	313,148	160,098	614,734	1,087,980	24.7

Financial review

For the year ended 31 December 2018

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audited financial statements

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Consolidated income statement

For the year ended 31 December 2018

INCOME STATEMENT <i>(in thousands of €)</i>	NOTE	2018	2017
Revenue ¹	5	30,336	28,224
Gross rental income	5	16,627	17,046
Property operating expenses	6	(1,123)	(1,941)
Net rental income		15,504	15,105
Joint venture management fee income	5	9,965	8,057
Net valuation gains/(losses) on investment properties	7	98,552	94,628
Administration expenses	8	(18,167)	(19,353)
Share in result of joint venture and associates	9	45,220	29,229
Operating profit/(loss)		151,074	127,666
Financial income	10	6,101	9,730
Financial expenses	10	(20,071)	(20,196)
Net financial result		(13,970)	(10,466)
Profit before taxes		137,104	117,200
Taxes	11	(15,998)	(21,205)
Profit for the period		121,106	95,995
Attributable to:			
Shareholders of VGP NV	12	121,106	95,995
Non-controlling interests		—	—
RESULT PER SHARE	NOTE	2018	2017
Basic earnings per share <i>(in €)</i>	12	6.52	5.17
Diluted earnings per share <i>(in €)</i>	12	6.52	5.17

The consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the year ended 31 December 2018

STATEMENT OF COMPREHENSIVE INCOME <i>(in thousands of €)</i>	2018	2017
Profit for the year	121,106	95,995
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	—	—
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>	—	—
Other comprehensive income for the period	—	—
Total comprehensive income/(loss) of the period	121,106	95,995
Attributable to:		
Shareholders of VGP NV	121,106	95,995
Non-controlling interest	—	—

Consolidated balance sheet

For the year ended 31 December 2018

ASSETS (in thousands of €)	NOTE	2018	2017
Intangible assets		41	36
Investment properties	13	468,513	392,291
Property, plant and equipment		742	507
Non-current financial assets		—	322
Investments in joint venture and associates	9	241,427	143,312
Other non-current receivables	9	41,461	12,757
Deferred tax assets	11	785	32
Total non-current assets		752,969	549,257
Trade and other receivables	14	23,064	11,074
Cash and cash equivalents	15	161,446	30,269
Disposal group held for sale	20	274,939	441,953
Total current assets		459,449	483,296
TOTAL ASSETS		1,212,418	1,032,553

SHAREHOLDERS' EQUITY AND LIABILITIES (in thousands of €)	NOTE	2018	2017
Share capital	16	62,251	62,251
Retained earnings		481,147	403,910
Other reserves		69	69
Shareholders' equity		543,467	466,230
Non-current financial debt	17	564,375	390,067
Other non-current financial liabilities		60	1,966
Other non-current liabilities	18	1,215	1,680
Deferred tax liabilities	11	16,692	11,750
Total non-current liabilities		582,342	405,463
Current financial debt	17	22,479	81,358
Trade debts and other current liabilities	19	38,769	38,379
Liabilities related to disposal group held for sale	20	25,361	41,123
Total current liabilities		86,609	160,860
Total liabilities		668,951	566,323
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,212,418	1,032,553

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 31 December 2018

STATEMENT OF CHANGES IN EQUITY <i>(in thousands of €)</i>	STATUTORY SHARE CAPITAL	CAPITAL RESERVE <i>(see note 16)</i>	IFRS SHARE CAPITAL	RETAINED EARNINGS	SHARE PREMIUM	OTHER EQUITY	TOTAL EQUITY
Balance as at 1 January 2017	112,737	(50,486)	62,251	327,985	69	—	390,305
Other comprehensive income/(loss)	—	—	—	—	—	—	—
Result of the period	—	—	—	95,995	—	—	95,995
Effect of disposals	—	—	—	—	—	—	—
Total comprehensive income/(loss)	—	—	—	95,995	—	—	95,995
Dividends to shareholders	—	—	—	—	—	—	—
Share capital distribution to shareholders	(20,070)	20,070	—	(20,070)	—	—	(20,070)
Balance as at 31 December 2017	92,667	(30,416)	62,251	403,910	69	—	466,230
Balance as at 1 January 2018	92,667	(30,416)	62,251	403,910	69	—	466,230
Other comprehensive income/(loss)	—	—	—	—	—	—	—
Result of the period	—	—	—	121,106	—	—	121,106
Effect of disposals	—	—	—	—	—	—	—
Total comprehensive income/(loss)	—	—	—	121,106	—	—	121,106
Dividends to shareholders	—	—	—	(35,308)	—	—	(35,308)
Share capital distribution to shareholders	—	—	—	—	—	—	—
Correction for reciprocal interest through associates <i>(see note 12.1)</i>	—	—	—	(8,561)	—	—	(8,561)
Balance as at 31 December 2018	92,667	(30,416)	62,251	481,147	69	—	543,467

Consolidated cash flow statement

For the year ended 31 December 2018

CASH FLOW STATEMENT <i>(in thousands of €)</i>	NOTE	2018	2017
<i>Cash flows from operating activities</i>	21		
Profit before taxes		137,104	117,200
<i>Adjustments for:</i>			
Depreciation		180	216
Unrealised (gains) /losses on investment properties	7	(64,156)	(90,272)
Realised (gains)/losses on disposal of subsidiaries and investment properties	7	(34,396)	(4,356)
Unrealised (gains)/losses on financial instruments and foreign exchange		1,161	(4,011)
Interest (income)		(5,738)	(5,619)
Interest expense		18,546	20,096
Share in (profit)/loss of joint venture and associates	9	(45,220)	(29,229)
Operating profit before changes in working capital and provisions		7,481	4,025
Decrease/(Increase) in trade and other receivables		(24,556)	(7,308)
(Decrease)/Increase in trade and other payables		(10,939)	17,113
Cash generated from the operations		(28,013)	13,830
Interest income		35	393
Interest (expense)		(22,011)	(20,247)
Income taxes paid		(1,046)	(762)
Net cash from operating activities		(51,035)	(6,786)
<i>Cash flows from investing activities</i>	21		
Proceeds from disposal of tangible assets and other		41	8
Proceeds from disposal of subsidiaries and investment properties	22	438,364	155,715
Investment property and investment property under construction		(263,339)	(168,379)
Distribution by/(investment in) joint venture and associates		—	1,000
Loans provided to joint venture and associates		(78,094)	(89,819)
Loans repaid by joint venture and associates		7,752	11,200
Net cash used in investing activities		104,724	(90,274)
<i>Cash flows from financing activities</i>	21		
Dividends paid		(35,308)	—
Net Proceeds/(cash out) from the issue/(repayment) of share capital		—	(20,070)
Proceeds from loans	17	188,357	157,444
Loan repayments	17	(75,750)	(79,749)
Net cash used in financing activities		77,299	57,625
Net increase/(decrease) in cash and cash equivalents		130,988	(39,434)
Cash and cash equivalents at the beginning of the period		30,269	71,595
Effect of exchange rate fluctuations		(251)	426
Reclassification to (-)/from held for sale		440	(2,318)
Cash and cash equivalents at the end of the period		161,446	30,269

The consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to and forming part of the financial statements

For the year ended 31 December 2018

1. General information

VGP NV (the “Company”) is a limited liability company and was incorporated under Belgian law on 6 February 2007 for an indefinite period of time with its registered office located at Uitbreidingstraat 72 box 7, 2600 Antwerp (Berchem), Belgium and the Company is registered under enterprise number 0887.216.042 (Register of Legal Entities of Antwerp – Division Antwerp).

The Group is a pure-play real estate group specialised in the acquisition, development, and management of logistic real estate, i.e. buildings suitable for logistical purposes and light industrial activities. The Group focuses on strategically located plots of land suitable for development of logistic business parks of a certain size, so as to build up an extensive and well-diversified land bank on top locations, i.e. locations in the vicinity of highly concentrated living and/or production centres, with an optimal access to transport infrastructure.

The aim of the Group is to become a leading pan-European specialised developer and owner of high-quality logistic and light industrial property logistic property. The Group is currently active in Germany, Austria, the Netherlands, Belgium, Spain, Portugal, Italy, the Czech Republic, Slovakia, Hungary, Romania and Latvia.

The Company's consolidated financial statements include those of the Company and its subsidiaries (together referred to as “Group”). The consolidated financial statements were approved for issue by the board of directors on 5 April 2019.

2. Summary of principal accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) which have been adopted by the European Union.

These standards comprise all new and revised standards and interpretations published by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Interpretations Committee of the IASB, as far as applicable to the activities of the Group and effective as from 1 January 2018.

New standards and interpretations applicable during 2018

A number of new standards, amendments to standards and interpretations became effective during the financial year:

- IFRS 9 *Financial Instruments and subsequent amendments*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 1 and IAS 28
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- Amendments to IAS 40 *Transfers of Investment Property*

The above new standards, amendments to standards and interpretations did not give rise to any material changes in the presentation and preparation of the consolidated financial statements of the year. Reference is made to note 23.7 where an overview is presented of the changes in classification of financial instruments from IFRS 9 compared to IAS 39.

New standards and interpretations not yet effective during 2018

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2018, and have not been applied when preparing financial statements:

- Annual improvements to IFRS Standards 2015–2017 Cycle (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 17 *Insurance Contracts* (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)
- Amendments to references to the Conceptual Framework in IFRS standards (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Amendments to IFRS 3 *Business Combinations* (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (applicable for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (the effective date has been deferred indefinitely, and therefore the endorsement in the EU has been postponed)
- Amendments to IAS 1 and IAS 8 *Definition of Material* (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 28 *Long term interests in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- IFRIC 23 *Uncertainty over Income Tax Treatments* (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 16 *Leases* (applicable for annual periods beginning on or after 1 January 2019). IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede IAS 17 – Leases and related interpretations upon its effective date.

Significant changes to lessee accounting are introduced by IFRS 16, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As VGP is almost exclusively acting as lessor, IFRS 16 is not expected to have a material impact on its consolidated financial statements. In the limited cases where VGP is the lessee in contracts classified as operating leases under IAS 17 and not subject to the IFRS 16 exemptions such as leasing of cars and lease paid for own offices, a right-of-use asset and related liability will be recognised on the consolidated balance sheet.

The group has reviewed all of its leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. At the reporting date, the group has non-cancellable operating lease commitments of € 2.2 million. The group expects that net profit after tax will not decrease materially for 2019 (currently expected to be around € 0.1 million), as a result of adopting the new rules.

The initial application of the other above standards, amendments to standards and interpretation is estimated not to give rise to any material changes in the presentation and preparation of the consolidated financial statements.

2.2 Basis of preparation

The consolidated financial statements are prepared on a historic cost basis, with the exception of investment properties and financial derivatives which are stated at fair value. All figures are in thousands of Euros (in thousands of €), unless stated otherwise. Minor rounding differences might occur.

2.3 Principles of consolidation

Subsidiaries

Subsidiaries are entities over which VGP NV exercises control, which is the case when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Joint venture and associates

A joint venture exists when VGP NV has contractually agreed to share control with one or more other parties, which is the case only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associates are companies in which VGP NV, directly or indirectly, has a significant influence and which are neither subsidiaries nor joint ventures. This is presumed if the Group holds at least 20% of the voting rights attaching to the shares. The financial information included for these

companies is prepared using the accounting policies of the Group. When the Group has acquired joint control in a joint venture or significant influence in an associate, the share in the acquired assets, liabilities and contingent liabilities is initially re-measured to fair value at the acquisition date and accounted for using the equity method. Any excess of the purchase price over the fair value of the share in the assets, liabilities and contingent liabilities acquired is recognized as goodwill. When the goodwill is negative, it is immediately recognized in profit or loss. Subsequently, the consolidated financial statements include the Group's share of the results of joint ventures and associates accounted for using the equity method until the date when joint control or significant influence ceases. If the Group's share of the losses of a joint venture or associate exceeds the carrying amount of the investment, the investment is carried at nil value and recognition of additional losses is limited except to the extent that VGP has incurred constructive or contractual obligations in respect of the associate.

Unrealized gains arising from transactions with joint ventures and associates are set against the investment in the joint venture or associate concerned to the extent of the Group's interest. The carrying amounts of investments in joint ventures and associates are reassessed if there are indications that the asset has been impaired or that impairment losses recognized in prior years have ceased to apply. The investments in joint ventures and associates in the balance sheet include the carrying amount of any related goodwill.

IAS 28.28 only permits recognition of the gain or loss from downstream transactions "to the extent of unrelated investors' interests in the associate or joint venture". However, the standard does not specifically address the treatment of revenue derived from transactions with equity-method investees (e.g. revenue from the sale of goods, or interest revenue) and whether that revenue should be eliminated from the consolidated financial statements. In contrast, according to IFRS 10.25 upon loss of control of a subsidiary, a parent derecognises the assets and liabilities of the subsidiary (including non-controlling interests) in full and measures any investment retained in the former subsidiary at its fair value. In the absence of any other relevant guidance, entities have, in effect, an accounting policy choice of applying either the approach in IFRS 10 or the approach in IAS 28.

VGP has made the accounting policy choice to recognize the gain or loss on the disposal of a subsidiary to a joint venture or associate in full in profit or loss. In respect of the treatment of revenues derived from transactions with joint ventures and associates (e.g. sales services, interest revenue, ...), the Group has opted not to eliminate its interest in these transactions. As a matter of example, VGP receives € 100 interest income on a loan provided to a 50/50 joint venture. Under the accounting policy adopted by VGP this interest income would be accounted for as € 100 interest income of the Group. The cost incurred by the joint venture would be accounted for on a proportional (50%) basis through "results in joint ventures and associates" without making any adjustment for the proportional interest held by VGP. By doing so the Group will only recognise its proportional profit or loss in its consolidated figures and ensure that it does not recognise a higher profit or loss than its share in the "results in joint ventures and associates".

2.4 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in euros (€), which is the

Company's functional currency and the Group's presentation currency.

Transactions in foreign currencies are translated to Euro at the foreign exchange rate ruling at the date of the transaction. Consequently, non-monetary assets and liabilities are presented at Euro using the historic foreign exchange rate. Monetary assets and liabilities denominated in a currency other than Euro at the balance sheet date are translated to Euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement.

2.5 Goodwill

When VGP acquires the control over an integrated set of activities and assets, as defined in IFRS 3 Business Combinations, the identifiable assets, obligations and conditional obligations of the acquired company will be booked to their fair value on the purchase date. The goodwill represents the positive difference between the acquisition cost and the part of the group in the fair value of the acquired net assets. If this difference is negative (negative goodwill) it is immediately booked in the result after a re-evaluation of the values.

After the initial take-up the goodwill is not written down, but subject to an impairment test, which is carried out each year on the cash flow generating units to which the goodwill is allocated. If the book value of a cash flow generating unit exceeds the operating value, the loss of value following from this will be booked in the result and in the first instance included in the reduction of the possible goodwill and then subsequently to the other assets of the unit, in proportion to their book value. A write-down on the goodwill cannot be reversed in a subsequent financial year.

2.6 Intangible assets

Intangible assets are measured at cost or fair value less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and method are reviewed at each financial year-end.

2.7 Investment properties

Completed projects

Completed properties are initially measured at cost (including transaction costs). After initial recognition, investment property is carried at fair value. An external independent valuation expert with recognised professional qualifications and experience in the location and category of the property being valued, values the portfolio at least annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion

Any gain or loss arising from a change in fair value is recognised in the consolidated income statement.

Property under construction

Property that is being constructed or developed is also stated at fair value. The properties under construction are valued by the same external independent valuation expert used for the valuations of the completed projects but deducting the remaining construction costs from the calculated market value.

Any gain or loss arising from a change in fair value is recognised in the consolidated income statement.

All costs directly associated with the purchase and construction of a property and all subsequent capital expenditure qualifying as acquisition costs are capitalised.

Development land

Land of which the Group has the full ownership i.e. registered in the respective land registry as owner and on which the Group intends or has started construction (so called 'development land') is immediately valued at fair value. The development land is valued by the same external independent valuation expert used for the valuations of the completed projects.

Any gain or loss arising from a change in fair value is recognised in the consolidated income statement.

All costs directly associated with the purchase of the development land are capitalised.

Land which is not yet in full ownership but which is secured by a future purchase agreement or purchase option is not recognised as investment property until the Group has become full owner of this land.

The Group will be required to make from time to time down payments when entering into such future purchase agreements or purchase options. The down payments of the land will be recorded as other receivables unless such amounts are immaterial, in which case the Board of Directors may elect to classify such amounts under investment properties.

Infrastructure works are not included in the fair value of the development land but are recognised as investment property and valued at cost.

In case the Board of Directors is of the opinion that the fair value of the development land cannot be reliably determined the Board may elect to value the development land at cost less impairment until the fair value becomes reliably determinable.

2.8 Capitalisation of borrowing costs

Interest and other financial expenses relating to the acquisition of fixed assets incurred until the asset is put in use are capitalised. Subsequently, they are recorded as financial expenses.

2.9 Leases

Group company is the lessee

Operating leases

Leases under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognized, on a straight-line basis, as a reduction of rental expense over the lease term. Improvements to buildings held under operating leases are depreciated over their expected useful lives, or, where shorter, the term of the relevant lease.

Finance leases

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. At the start of the lease, financial leases are recorded as assets and liabilities in the balance sheet at the fair value of the leased asset or at the cash value of the minimal lease

payments, whichever is lower. The minimal lease payments are recorded partly as financing costs and partly as settlement of the outstanding debt such that this results in constant periodic interest over the remaining balance of the liability. The financial charges are directly charged to the result. Conditional lease payments are included as charges in the periods in which they are made.

Group company is the lessor in an operating lease

Properties leased out under operating leases are included in investment property in the consolidated balance sheet. See point 2.19 for the recognition of rental income.

Group company is the lessor – fees paid in connection with arranging leases and lease incentives

The Group makes payments to agents for services in connection with negotiating lease contracts with the Group's lessees. The letting fees are capitalised within the carrying amount of the related investment property and amortised over the lease term. Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

2.10 Property, plant and equipment

Property, plant and equipment are valued at their cost price less the accumulated depreciations and write-downs. The cost price includes all directly attributable costs and the relevant part of the indirect costs incurred to make the asset ready for use. Future disbursements for repairs are immediately recorded in the result unless they increase the future financial profits of the asset. The straight-line depreciation method is applied over the estimated lifetime of the assets. The useful life and the depreciation method are revised at least annually at the end of each financial year. The tangible fixed assets are depreciated in accordance with the following percentages:

— software:	33%
— IT equipment:	10-33%
— office furniture and fittings:	7-20%
— cars:	25%

2.11 Financial assets at amortised cost

Financial assets at amortized cost include trade receivables, other receivables and cash and cash equivalents and represent non-derivative financial instruments which are held within a business model with the purpose to receive contractual cashflows (held to collect) and the contractual terms of the financial asset give rise to cashflows at fixed dates which represent solely payments of principal and interest (SPPI). Such financial assets are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated income statement over the period of the borrowings on an effective interest basis.

Trade receivables do not carry any interest and are stated at amortised cost as reduced by appropriate bad debt allowances. Such allowances are based on the expected credit losses, calculated in accordance with IFRS 9. The group has not developed a provision matrix based on historical credit loss experience as historical credit losses are insignificant. In case there has been a significant increase

in credit risk since initial recognition, the Group recognises lifetime expected credit losses. This is the case when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the the default risk has significantly increased. An impairment loss is recognized in the statement of income, as are subsequent recoveries of previous impairments.

Other financial assets at amortized cost include mainly loan to joint ventures and associates. These financial assets are accounted for at amortized cost and the Group recognizes a loss allowance for expected credit losses in accordance with IFRS 9. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

Cash and cash equivalents comprise cash balances and call deposits. Such cash balances are only held with banks with high credit ratings, as such expected credit losses are not deemed significant. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash-flow statement.

2.12 Non-current assets held for sale and discontinued operations

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. A discontinued operation is a component of an entity which the entity has disposed of or which is classified as held for sale, which represents a separate major line of business or geographical area of operations and which can be distinguished operationally and for financial reporting purposes.

For a sale to be highly probable, the entity should be committed to a plan to sell the asset (or disposal group), an active program to locate a buyer and complete the plan should be initiated, and the asset (or disposal group) should be actively marketed at a price which is reasonable in relation to its current fair value, and the sale should be expected to be completed within one year from the date of classification. Assets (or disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value less costs necessary to make the sale. Any excess of the carrying amount over the fair value less costs to sell is included as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale.

Comparative balance sheet information for prior periods is not restated to reflect the new classification in the balance sheet.

2.13 Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated income statement over the period of the borrowings on an

effective interest basis. The Group classifies as a current portion any part of long-term loans that is due to be settled within one year from the balance sheet date.

2.14 Trade and other payables

Trade and other payables are stated at amortised cost.

2.15 Derivative financial instruments

The Group does not apply hedge accounting in accordance with IFRS 9. Derivative financial assets and liabilities are classified as financial assets or liabilities at Fair Value through Profit or Loss (FVPL). Derivative financial assets and liabilities comprise mainly interest rate swap and forward foreign exchange contracts for hedging purposes (economic hedge). Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in profit or loss in net change in fair value of financial instruments at FVPL.

2.16 Impairment on property, plant and equipment and intangible assets

The carrying amounts of the Group's property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the assets in the unit (group of units) on a pro-rata basis.

2.17 Reversal of impairment

An impairment loss is reversed in the consolidated income statement if there has been a change in the estimates used to determine the recoverable amount to the extent it reverses an impairment loss of the same asset that was recognised previously as an expense.

2.18 Provisions

A provision is recognised in the consolidated balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.19 Revenue recognition

Revenue includes rental income, property and facility management income, development management income and service charge income.

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of the incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Revenue from service and property, facility and development management is recognised in the accounting period in which control of the services are passed to the customer, which is when the service is rendered. For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Some property management contracts may include multiple elements of service, which are provided to tenants. The Group assesses whether the individual elements of service in contracts are separate performance obligations. Where the contracts include multiple performance obligations, and/or lease and non-lease components, the transaction price will be allocated to each performance obligation (lease and non-lease component) based on the stand-alone selling prices. Where these selling prices are not directly observable, they are estimated based on an expected cost plus margin. In the case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of variable consideration and payments to customers, which are not for distinct services, this consideration may include discounts, trade allowances, rebates and amounts collected on behalf of third parties.

A receivable is recognised when services are provided as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

2.20 Expenses

Service costs and property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

Net financial result

Net financial result comprises interest payable on borrowings and interest rate swaps calculated using the effective interest rate method net of interest capitalised, interest receivable on funds invested and interest rate swaps, foreign exchange and interest rate swap gains and losses that are recognised in the consolidated income statement.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets and deferred tax liabilities have been offset, pursuant to the fulfilment of the criteria of IAS 12 §74. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Critical accounting judgements and key sources of estimation uncertainty

3.1 General business risk

We refer to the chapter 'Risk factors' for an overview of the risks affecting the businesses of the VGP Group.

3.2 Critical judgements in applying accounting policies

The following are the critical judgments made by management, apart from those involving estimations (see note 3.3. below), that have a significant effect on the amounts reported in the consolidated financial statements:

- Determining whether control, joint control or a significant influence is exercised over investments. In this respect management concluded that:
 - (i) it has joint control over VGP European Logistics and hence this joint venture and the related associates are accounted for using the equity method;
 - (ii) it has no control over VGP Misv Comm. VA, despite the fact that this company is owned for 79%. Hence VGP Misv Comm. VA. is accounted for using the equity method.

- VGP has made the accounting policy choice to recognize the gain or loss on the disposal of a subsidiary to a joint venture or associate in full in profit or loss. In respect of the treatment of revenues derived from transactions with joint ventures and associates (e.g. sales services, interest revenue, ...), the Group has opted not to eliminate its interest in these transactions nor to make any adjustment for the proportional adjustment to the joint venture corresponding figures. By doing so the Group will only recognise its proportional profit or loss in its consolidated figures and ensure that it does not recognise a higher profit or loss than its share in the "results in joint ventures and associates". (See note 2.3 for further information).

3.3 Key sources of estimation uncertainty

- VGP's portfolio is valued at least annually by independent real estate experts. This valuation by real estate experts is intended to determine the market value of a property at a certain date, as a function of the market evolution and the characteristics of the property concerned.

The property portfolio is recorded at the fair value established by the real estate experts in the Group's consolidated accounts. (see note 13).

4. Segment reporting

The chief operating decision maker is the person that allocates resources to and assesses the performance of the operating segments. The Group has determined that its chief operating decision-maker is the chief executive officer (CEO) of the Company. He allocates resources to and assesses the performance at business line and country level.

The segmentation for segment reporting within VGP is primarily by business line and secondly by geographical region.

4.1 Business lines

Business decisions are taken based on various key performance indicators (such as rental income, - activity, occupancy and development yields) and are monitored in this way as VGP primarily focuses on (i) development activities; (ii) letting logistical sites; and finally (iii) asset- and property management (including facility management) mainly provided to the VGP European Logistics joint venture.

For management purpose, the Group also presents financial information according to management breakdowns, based on these functional allocations of revenues and costs. These amounts are based on a number of assumptions, and accordingly are not prepared in accordance with IFRS audited consolidated financial statements of VGP NV for the years ended 31 December 2018 and 2017.

Investment business

The Group's investment or so-called rental business consists of operating profit generated by the completed and leased out projects of the Group's portfolio and the proportional share of the operating profit (excluding net valuation gains) of the completed and leased out projects of the Joint Venture's portfolio. Revenues and expenses allocated to the rental business unit include 10% of the Group's property operating expenses; other income; other expenses, after deduction of expenses allocated to property development; and share in result of the joint venture, excluding any revaluation result.

Property development

The Group's property development business consists of the net development result on the Group's development activities. Valuation gains (losses) on investment properties related to Germany, Czech Republic, Slovakia and Hungary are assumed to be for these purposes cash generating, as these assets are assumed to be sold to the Joint Venture at a certain point in time and hence crystallizing an effective cash inflow at the moment of such sale. Valuation gains/(losses) on investment properties outside of the JV perimeter i.e. all countries except for Germany, Czech Republic, Slovakia and Hungary are excluded, as they are assumed to be non-cash generating, on the basis that these assets are assumed to be kept in the Group's own portfolio for the foreseeable future. In addition, 90% of total property operating expenses are allocated to the property development business, as are administration expenses after rental business and property management expenses.

Property and asset management

Property and asset management revenue includes asset management, property management and facility management income. Associated operating, administration and other expenses include directly allocated expenses from the respective asset management, property management and facility management service companies. The administrative expenses of the Czech and German property management companies have been allocated on a 50:50 basis between the rental business and the property and asset management business.

Breakdown summary of the business lines

<i>in thousands of €</i>	2018	2017
Investment EBITDA	42,351	32,867
Property development EBITDA	46,427	57,047
Property management and asset management EBITDA	6,848	5,825
Total operating EBITDA	95,626	95,740

<i>in thousands of €</i>	FOR THE YEAR ENDED 31 DECEMBER 2018			
	INVESTMENT	DEVELOPMENT	PROPERTY AND ASSET MANAGEMENT	TOTAL
Gross rental income	16,627	—	—	16,627
Property operating expenses	(112)	(1,011)	—	(1,123)
Net rental income	16,515	(1,011)	—	15,504
Joint venture management fee income	—	—	9,965	9,965
Net valuation gains/(losses) on investment properties destined to the Joint Venture	—	61,248	—	61,248
Administration expenses	(1,021)	(13,810)	(3,117)	(17,948)
Share of joint ventures' Adjusted operating profit after tax ¹	26,857	—	—	26,857
EBITDA	42,351	46,427	6,848	95,626
Depreciation and amortisation	(27)	(126)	(66)	(219)
Earnings before interest and tax	42,324	46,301	6,782	95,407
Net financial costs – Own				(12,485)
Net financial costs – Joint venture and associates				(9,677)
Profit before tax				73,245
Current income taxes – Own				(1,046)
Current income taxes – Joint venture and associates				(697)
Recurrent net income				71,502
Net valuation gains/(losses) on investment properties – other countries ²				37,304
Net valuation gains/(losses) on investment properties – Joint venture and associates				39,938
Net fair value gain/(loss) on interest rate swaps and other derivatives				(1,485)
Net fair value gain/(loss) on interest rate swaps and other derivatives – Joint venture and associates				(2,706)
Deferred taxes – Own				(14,952)
Deferred taxes – Joint venture and associates				(8,495)
Reported profit for the period				121,106

¹ The adjustments to the share of profit from the joint venture (at share) are composed of € 39.9 million of net valuation gains/(losses) on investment properties, € 2.7 million of net fair value gain/(loss) on interest rate derivatives and € 8.5 million of deferred taxes in respect of these adjustments.

² Relates to developments in countries outside of the JV perimeter i.e. all countries except for Germany, Czech Republic, Slovakia and Hungary.

<i>in thousands of €</i>	FOR THE YEAR ENDED 31 DECEMBER 2017			
	INVESTMENT	DEVELOPMENT	PROPERTY AND ASSET MANAGEMENT	TOTAL
Gross rental income	17,046	—	—	17,046
Property operating expenses	(194)	(1,748)	—	(1,942)
Net rental income	16,852	(1,748)	—	15,104
Joint venture management fee income	—	—	8,057	8,057
Net valuation gains/(losses) on investment properties destined to the Joint Venture	—	75,053	—	75,053
Administration expenses	(647)	(16,258)	(2,232)	(19,137)
Share of joint ventures' Adjusted operating profit after tax ¹	16,663	—	—	16,663
EBITDA	32,867	57,047	5,825	95,740
Depreciation and amortisation	(23)	(124)	(69)	(216)
Earnings before interest and tax	32,844	56,923	5,756	95,524
Net financial costs – Own				(13,912)
Net financial costs – Joint venture and associates				(6,169)
Profit before tax				75,442
Current income taxes – Own				(762)
Current income taxes – Joint venture and associates				(218)
Recurrent net income				74,463
Net valuation gains/(losses) on investment properties – other countries ²				19,575
Net valuation gains/(losses) on investment properties – Joint venture and associates				24,427
Net fair value gain/(loss) on interest rate swaps and other derivatives				3,447
Net fair value gain/(loss) on interest rate swaps and other derivatives – Joint venture and associates				669
Deferred taxes – Own				(20,443)
Deferred taxes – Joint venture and associates				(6,142)
Reported profit for the period				95,995

1 The adjustments to the share of profit from the joint venture (at share) are composed of € 24.4 million of net valuation gains/(losses) on investment properties, € 0.7 million of net fair value gain/(loss) on interest rate derivatives and € 6.1 million of deferred taxes in respect of these adjustments.

2 Relates to developments in countries outside of the JV perimeter i.e. all countries except for Germany, Czech Republic, Slovakia and Hungary.

4.2 Geographical markets

This basic segmentation reflects the geographical markets in Europe in which VGP operates. VGP's operations are split into the individual countries where it is active. This segmentation is important for VGP as the nature of the activities and the customers have similar economic characteristics within those segments.

31 DECEMBER 2018 <i>in thousands of €</i>	GROSS RENTAL INCOME¹	NET RENTAL INCOME¹	SHARE OF JOINT VENTURE'S OPERATING EBITDA	OPERATING EBITDA (INCL. JV AT SHARE)	INVESTMENT PROPERTIES OWN	INVESTMENT PROPERTIES JV AT SHARE	CAPITAL EXPENDITURE²
Western Europe							
Germany	22,743	19,110	17,543	53,660	298,712	441,420	172,258
Spain	6,536	5,273	—	4,044	143,502	—	44,965
Austria	95	106	—	30	19,840	—	19,756
Netherlands	—	—	—	(206)	34,147	—	33,884
Italy	—	—	—	(319)	3,842	—	3,842
	29,374	24,489	17,543	57,209	500,044	441,420	274,705
Central and Eastern Europe							
Czech Republic	9,779	10,117	6,175	34,705	116,203	132,102	40,018
Slovakia	1,859	1,715	1,692	2,184	12,505	22,605	339
Hungary	2,271	2,206	1,872	998	5,522	28,154	2,930
Romania	3,687	3,367	—	3,221	63,291	—	15,614
	17,596	17,405	9,739	41,108	197,521	182,860	58,901
BALTICS							
Latvia	460	258	—	100	33,120	—	19,078
Other³							
	—	1,265	(425)	(2,791)	—	—	—
Total	47,430	43,417	26,857	95,626	730,685	624,281	352,684

1 Includes joint venture at share.

2 Capital expenditures includes additions and acquisition of investment properties and development land but does not include tenant incentives, letting fees, and capitalised interest. Capital expenditure directly incurred for the own portfolio amounts to € 274.6 million and amounts to € 78.1 million on development properties of the Joint Venture.

3 Other includes the Group central costs and costs relating to the operational business which are not specifically geographically allocated.

31 DECEMBER 2017 <i>in thousands of €</i>	GROSS RENTAL INCOME¹	NET RENTAL INCOME¹	SHARE OF JOINT VENTURE'S OPERATING EBITDA	OPERATING EBITDA (INCL. JV AT SHARE)	INVESTMENT PROPERTIES OWN	INVESTMENT PROPERTIES JV AT SHARE	CAPITAL EXPENDITURE²
Western Europe							
Germany	13,835	10,589	10,594	51,237	375,367	263,215	175,475
Spain	7,500	5,046	—	3,933	209,976	—	5,546
	21,335	15,635	10,594	55,170	585,343	263,215	181,021
Central and Eastern Europe							
Czech Republic	6,405	6,605	3,500	37,254	156,688	75,416	58,703
Slovakia	1,631	1,499	1,459	1,928	11,262	21,722	902
Hungary	1,735	1,731	1,510	2,752	9,101	22,725	5,620
Romania	3,058	2,716	—	2,685	45,660	—	5,365
	12,829	12,551	6,469	44,619	222,711	119,863	70,590
BALTICS							
Estonia	2,210	2,167	—	2,154	—	—	3,894
Latvia	—	(79)	—	(220)	14,535	—	5,463
	2,210	2,088	—	1,934	14,535	—	9,357
Other ³	—	2,364	(400)	(5,983)	—	—	—
Total	36,374	32,638	16,663	95,740	822,589	383,078	260,968

1 Includes joint venture at share.

2 Capital expenditures includes additions and acquisition of investment properties and development land but does not include tenant incentives, letting fees, and capitalised interest. Capital expenditure directly incurred for the own portfolio amounts to € 171.1 million and amounts to € 89.8 million on development properties of the Joint Venture.

3 Other includes the Group central costs and costs relating to the operational business which are not specifically geographically allocated.

5. Revenue

<i>in thousands of €</i>	2018	2017
Rental income from investment properties	14,164	16,759
Straight lining of lease incentives	2,463	287
Total gross rental income	16,627	17,046
Property and facility management income	6,681	4,400
Development management income	3,284	3,657
Joint Venture management fee income	9,965	8,057
Service charge income	3,744	3,121
Total revenue	30,336	28,224

The Group leases out its investment property under operating leases. The operating leases are generally for terms of more than 5 years. The gross rental income reflects the full impact of the income generating assets delivered during 2018. In addition, the 2018 rental income includes € 3.2 million of rent for the period 1 January 2018 to 30 April 2018 related to the property portfolio sold to VGP European Logistics during the fourth closing at the end of April 2018. (compared to € 1.7 million of rent for the period 1 January 2017 to 31 May 2017 related to the property portfolio sold during the third closing at the end of May 2017). On 26 September 2018 the sale of Mango building located in Barcelona (Spain) was completed. The rental income of the Mango building for the period up to 26 September 2018 was € 5.6 million.

At the end of December 2018, the Group (including the Joint Venture) had annualised committed leases of € 104.1 million¹ compared to € 82.8 million² as at 31 December 2017.

The breakdown of future lease income on an annualised basis for the own portfolio was as follows:

<i>in thousands of €</i>	2018	2017
Less than one year	33,092	29,983
Between one and five years	118,267	109,260
More than five years	100,175	274,630
Total	251,534	413,873

6. Property operating expenses

<i>in thousands of €</i>	2018	2017
Repairs and maintenance	(334)	(306)
Letting, marketing, legal and professional fees	(201)	(286)
Real estate agents	(1,067)	(417)
Service charge income	3,744	3,121
Service charge expenses	(2,915)	(2,423)
Other income	989	632
Other expenses	(1,339)	(2,263)
Total	(1,123)	(1,942)

¹ € 70.9 million related to the JV Property Portfolio and € 33.2 million related to the Own Property Portfolio.

² € 52.5 million related to the JV Property Portfolio and € 30.3 million related to the Own Property Portfolio.

7. Net valuation gains/(losses) on investment properties

<i>in thousands of €</i>	2018	2017
Unrealised valuation gains/(losses) on investment properties	25,964	65,343
Unrealised valuation gains/(losses) on disposal group held for sale	38,192	24,929
Realised valuation gains/(losses) on disposal of subsidiaries and investment properties	34,396	4,356
Total	98,552	94,628

The own property portfolio, excluding development land but including the assets being developed on behalf of the Joint Venture, is valued by the valuation expert at 31 December 2018 based on a weighted average yield of 6.29% (compared to 6.00% as at 31 December 2017) applied to the contractual rents increased by the estimated rental value on unlet space. A 0.10% variation of this market rate would give rise to a variation of the total portfolio value of € 9.0 million.

8. Administration expenses

<i>in thousands of €</i>	2018	2017
Wages and salaries	(7,004)	(5,719)
Audit, legal and other advisors	(6,999)	(10,100)
Other expenses	(3,945)	(3,335)
Depreciation	(219)	(199)
Total	(18,167)	(19,353)

9. Investments in joint venture

9.1 Profit from joint venture

The table below presents a summary Income Statement of the Group's Joint Venture with Allianz Real Estate (VGP European Logistics) and the associates, all of which are accounted for using the equity method. VGP European Logistics is incorporated in Luxembourg and owns logistics property assets in Germany, the Czech Republic, Slovakia and Hungary. VGP NV holds 50% directly in VGP European Logistics S.à r.l. and holds another 5.1% in the subsidiaries of the Joint Venture holding assets in Germany.

INCOME STATEMENT <i>(in thousands of €)</i>	VGP EUROPEAN LOGISTICS JV AT 100%	VGP EUROPEAN LOGISTICS GERMAN ASSET COMPANIES AT 100 %	VGP EUROPEAN LOGISTICS GERMAN ASSET COMPANIES AT 5.1%	VGP EUROPEAN LOGISTICS JV AT 50%	2018
Gross rental income	57,746	37,847	1,930	28,873	30,803
Property Operating expenses					
— underlying property operating expenses	(905)	(704)	(36)	(452)	(488)
— property management fees	(4,495)	(3,029)	(154)	(2,247)	(2,402)
Net rental income	52,346	34,114	1,740	26,173	27,913
Net valuation gains/(losses) on investment properties	74,475	52,960	2,701	37,238	39,938
Administration expenses	(2,038)	(730)	(37)	(1,019)	(1,056)
Operating profit/(loss)	124,784	86,344	4,404	62,392	66,795
Net financial result	(23,537)	(12,031)	(614)	(11,769)	(12,382)
Taxes	(17,233)	(11,319)	(577)	(8,616)	(9,194)
PROFIT FOR THE PERIOD	84,014	62,994	3,213	42,007	45,220

INCOME STATEMENT <i>(in thousands of €)</i>	VGP EUROPEAN LOGISTICS JV AT 100%	VGP EUROPEAN LOGISTICS GERMAN ASSET COMPANIES AT 100 %	VGP EUROPEAN LOGISTICS GERMAN ASSET COMPANIES AT 5.1%	VGP EUROPEAN LOGISTICS JV AT 50%	2017
Gross rental income	36,328	22,831	1,164	18,164	19,328
Property Operating expenses					
— underlying property operating expenses	(534)	(170)	(9)	(267)	(276)
— property management fees	(2,853)	(1,811)	(92)	(1,426)	(1,519)
Net rental income	32,941	20,850	1,063	16,470	17,534
Net valuation gains/(losses) on investment properties	45,049	37,299	1,902	22,524	24,427
Administration expenses	(1,672)	(690)	(35)	(836)	(871)
Operating profit/(loss)	76,318	57,459	2,930	38,159	41,089
Net financial result	(10,218)	(7,675)	(391)	(5,109)	(5,500)
Taxes	(11,942)	(7,635)	(389)	(5,971)	(6,360)
PROFIT FOR THE PERIOD	54,158	42,149	2,150	27,079	29,229

9.2 Summarised balance sheet information in respect of joint venture

BALANCE SHEET <i>(in thousands of €)</i>	VGP EUROPEAN LOGISTICS JV AT 100%	VGP EUROPEAN LOGISTICS GERMAN ASSET COMPANIES AT 100 %	VGP EUROPEAN LOGISTICS GERMAN ASSET COMPANIES AT 5.1%	VGP EUROPEAN LOGISTICS JV AT 50%	2018
Investment properties	1,162,881	840,001	42,840	581,441	624,281
Other assets	815	—	—	408	408
Total non-current assets	1,163,696	840,001	42,840	581,849	624,689
Trade and other receivables	12,315	6,096	311	6,158	6,469
Cash and cash equivalents	42,255	26,917	1,373	21,128	22,501
Total current assets	54,570	33,013	1,684	27,286	28,970
Total assets	1,218,266	873,014	44,524	609,135	653,659
Non-current financial debt	633,720	467,603	23,848	316,860	340,708
Other non-current financial liabilities	5,147	—	—	2,574	2,574
Other non-current liabilities	6,345	3,044	155	3,173	3,328
Deferred tax liabilities	75,097	47,083	2,401	37,549	39,950
Total non-current liabilities	720,309	517,730	26,404	360,156	386,560
Current financial debt	16,346	10,071	514	8,173	8,687
Trade debts and other current liabilities	31,636	22,892	1,167	15,818	16,985
Total current liabilities	47,982	32,963	1,681	23,991	25,672
Total liabilities	768,291	550,693	28,085	384,147	412,232
Net assets	449,975	322,321	16,439	224,988	241,427

BALANCE SHEET <i>(in thousands of €)</i>	VGP EUROPEAN LOGISTICS JV AT 100%	VGP EUROPEAN LOGISTICS GERMAN ASSET COMPANIES AT 100 %	VGP EUROPEAN LOGISTICS GERMAN ASSET COMPANIES AT 5.1%	VGP EUROPEAN LOGISTICS JV AT 50%	2017
Investment properties	715,067	500,887	25,544	357,534	383,078
Other assets	269	—	—	135	135
Total non-current assets	715,336	500,887	25,544	357,669	383,213
Trade and other receivables	11,843	10,596	540	5,922	6,462
Cash and cash equivalents	22,151	15,338	782	11,076	11,858
Total current assets	33,994	25,934	1,322	16,998	18,320
Total assets	749,330	526,821	26,866	374,667	401,533
Non-current financial debt	389,692	276,954	14,125	194,846	208,971
Other non-current financial liabilities	—	—	—	—	—
Other non-current liabilities	3,544	1,981	101	1,773	1,874
Deferred tax liabilities	53,752	36,536	1,863	26,876	28,739
Total non-current liabilities	446,988	315,471	16,089	223,495	239,584
Current financial debt	10,651	7,887	402	5,326	5,728
Trade debts and other current liabilities	23,852	19,265	983	11,926	12,909
Total current liabilities	34,503	27,152	1,385	17,252	18,637
Total liabilities	481,491	342,623	17,474	240,747	258,221
Net assets	267,839	184,198	9,392	133,920	143,312

VGP European Logistics recorded its fourth closing at the end of April 2018, with the acquisition of 6 new parks from VGP, comprising of 13 logistic buildings and another 5 newly completed logistic buildings which were developed in parks previously transferred to the Joint Venture. The 6 parks are located in Germany (3) and in the Czech Republic (3). The additional 5 buildings which were acquired by the Joint Venture are located in Germany (3 buildings), in the Czech Republic (1 building) and in Hungary (1 building).

The Joint Venture's property portfolio, excluding development land and buildings being constructed by VGP on behalf of the Joint Venture, is valued by the valuation expert at 31 December 2018 based on a weighted average yield of 5.31% (compared to 5.68% as at 31 December 2017) applied to the contractual rents increased by the estimated rental value on unlet space. A 0.10% variation of this market rate would give rise to a variation of the Joint Venture portfolio value (at 100%) of € 22.5 million.

The (re)valuation of the Joint Venture portfolio was based on the appraisal report of the property expert Jones Lang LaSalle.

VGP provides certain services, including asset-, property- and development advisory and management, for the VGP European joint venture and receives fees from the Joint Venture for doing so. Those services are carried out on an arms-length basis and do not give VGP any control over the relevant Joint Venture (nor any unilateral material decision-making rights). Significant transactions and decisions within the Joint Venture require full Board and/or Shareholder approval, in accordance with the terms of the Joint Venture agreement.

9.3 Other non-current receivables

<i>in thousands of €</i>	2018	2017
Shareholder loans to VGP European Logistics S.à r.l.	37,739	11,539
Shareholder loans to associates (subsidiaries of VGP European Logistics S.à r.l.)	3,722	1,218
Construction and development loans to subsidiaries of VGP European Logistics S.à r.l.	101,887	137,150
Construction and development loans reclassified as assets held for sale	(101,887)	(137,150)
Total	41,461	12,757

For further information, please refer to additional comments of note 20.

9.4 Investments in joint ventures and associates

<i>in thousands of €</i>	2018	2017
As at 1 January	143,312	89,194
Additions	52,895	25,787
Result of the year	45,220	29,229
Repayment of equity	—	(1,000)
Adjustments from sale of participations	—	102
As at the end of the period	241,427	143,312

10. Net financial result

<i>in thousands of €</i>	2018	2017
Bank and other interest income	34	45
Interest income – loans to joint venture and associates	5,702	5,300
Fair value gain on interest rate derivatives	39	3,547
Net foreign exchange gains	324	564
Other financial income	2	274
Financial income	6,101	9,730
Bond interest expense	(19,332)	(18,769)
Bank interest expense – variable debt	(806)	(540)
Bank interest expense – interest rate swaps – hedging	—	(74)
Interest capitalised into investment properties	3,230	2,966
Fair value loss on interest rate derivatives	(1,524)	(2,210)
Other financial expenses	(1,639)	(1,569)
Financial expenses	(20,071)	(20,196)
Net financial costs	(13,970)	(10,466)

11. Taxation

11.1 Income tax expense recognised in the consolidated income statement

<i>in thousands of €</i>	2018	2017
Current tax	(1,046)	(762)
Deferred tax	(14,952)	(20,443)
Total	(15,998)	(21,205)

11.2 Reconciliation of effective tax rate

<i>in thousands of €</i>	2018		2017	
Profit before taxes		137,104		117,200
Adjustment for share in result of joint venture and associates		(45,220)		(29,229)
Result before taxes and share in result of joint venture and associates		91,884		87,971
Income tax using the German corporate tax rate	15.8%	(14,541)	15.8%	(13,921)
Difference in tax rate non-German companies		(8,563)		(5,645)
Non-tax-deductible expenditure		(1,479)		(2,112)
Losses/Notional interest deduction		8,949		257
Other		(364)		216
Total	17.4%	(15,998)	24.1%	(21,205)

The non-tax deductible expenses in 2018 are mainly related to no-interest deductibility in Spain.

The expiry of the tax loss carry forward of the Group can be summarised as follows:

2018 (<i>in thousands of €</i>)	< 1 YEAR	2-5 YEARS	>5 YEARS
Tax loss carry forward	1	1,052	46,232

2017 (<i>in thousands of €</i>)	< 1 YEAR	2-5 YEARS	>5 YEARS
Tax loss carry forward	243	2,965	40,360

11.3 Deferred tax assets and liabilities

The deferred tax assets and liabilities are attributable to the following:

<i>in thousands of €</i>	ASSETS		LIABILITIES		NET	
	2018	2017	2018	2017	2018	2017
Fixed assets	—	—	(29,243)	(33,367)	(29,243)	(33,367)
Currency hedge accounting/Derivatives	—	—	(1,822)	(1,718)	(1,822)	(1,718)
Tax losses carried-forward	200	610	—	—	200	610
Capitalised interest	—	—	(600)	(535)	(600)	(535)
Capitalised cost	—	—	(7)	(13)	(7)	(13)
Other	81	82	—	—	81	82
Tax assets/liabilities	281	692	(31,671)	(35,632)	(31,390)	(34,941)
Set-off of assets and liabilities	504	(660)	(504)	660	—	—
Reclassification to liabilities related to disposal group held for sale	—	—	15,484	23,223	15,484	23,223
Net tax assets/liabilities	785	32	(16,691)	(11,750)	(15,906)	(11,718)

A total deferred tax asset of € 4,533k (€4,317k in 2017) was not recognised.

12. Earnings per share

12.1 Earnings per ordinary share (EPS)

<i>in number</i>	2018	2017
Weighted average number of ordinary shares (basic)	18,583,050	18,583,050
Dilution	—	—
Weighted average number of ordinary shares (diluted)	18,583,050	18,583,050
Correction for reciprocal interest through associates	(732,478)	(401,648)
Weighted average number of ordinary shares (diluted and after correction for reciprocal interest through associates)	17,850,572	18,181,402

<i>in thousands of €</i>	2018	2017
Result for the period attributable to the Group and to ordinary shareholders	121,106	95,995
Earnings per share (in €) – basic	6.52	5.17
Earnings per share (in €) – diluted	6.52	5.17
Earnings per share (in €) – after dilution and correction for reciprocal interest through associates	6.78	5.28

Correction for reciprocal interest relates to the elimination of the proportional equity component of the respective VGP NV shares held by VGP Misv Comm. VA. VGP NV holds 78.83% in VGP Misv Comm. VA. (see note 24).

12.2 Net asset value per share (NAV)

<i>EPRA NAV (in thousands of €)</i>	2018	2017
IFRS NAV	543,467	466,230
Effect of exercise of options, convertibles and other equity interests	—	—
Diluted NAV	543,467	466,230
To exclude:		
Fair value of financial instruments	60	1,644
Deferred tax	31,390	34,942
EPRA NAV	574,917	502,816
Number of shares	18,583,050	18,583,050
EPRA NAV per share (€/share)	30.94	27.06

<i>EPRA NNNAV (in thousands of €)</i>	2018	2017
EPRA NAV	574,917	502,816
To include:		
Fair value of financial instruments	(60)	(1,644)
Deferred tax	(31,390)	(34,942)
Fair value adjustment in respect of issued debt	2,510	(14,084)
EPRA triple net NAV (NNNAV)	545,977	452,146
Number of shares	18,583,050	18,583,050
EPRA NNNAV per share (€/share)	29.38	24.33

13. Investment properties

<i>in thousands of €</i>	2018			
	COMPLETED	UNDER CONSTRUCTION	DEVELOPMENT LAND	TOTAL
As at 1 January	152,611	95,005	144,675	392,291
Capex	68,974	86,090	4,454	159,518
Acquisitions	—	8,971	106,120	115,091
Capitalised interest	2,631	359	240	3,230
Capitalised rent free and agent's fee	2,817	1,176	—	3,993
Sales and disposal	(134,066)	—	(5,160)	(139,226)
Transfer on start-up of development	—	40,945	(40,945)	—
Transfer on completion of development	99,749	(99,749)	—	—
Net gain from value adjustments in investment properties	958	36,649	3,639	41,246
Reclassification to (-)/from held for sale	(72,220)	(35,160)	(250)	(107,630)
As at 31 December	121,454	134,286	212,773	468,513

<i>in thousands of €</i>	2017			
	COMPLETED	UNDER CONSTRUCTION	DEVELOPMENT LAND	TOTAL
As at 1 January	265,813	125,989	158,460	550,262
Capex	82,320	63,619	—	145,939
Acquisitions	—	—	25,211	25,211
Capitalised interest	1,732	1,226	8	2,966
Capitalised rent free and agent's fee	2,025	231	—	2,256
Sales and disposal	(148,810)	(12,186)	(3,244)	(164,240)
Transfer on start-up of development	—	34,437	(34,437)	—
Transfer on completion of development	120,984	(120,984)	—	—
Net gain from value adjustments in investment properties	8,861	53,105	3,377	65,343
Reclassification to (-)/from held for sale	(180,314)	(50,432)	(4,700)	(235,446)
As at 31 December	152,611	95,005	144,675	392,291

As at 31 December 2018 investment properties totalling € 38.0 million (€ 37.6 million as at 31 December 2017) were pledged in favour the Group's banks. (see note 17).

13.1 Fair value hierarchy of the Group's investment properties

All of the Group's properties are level 3, as defined by IFRS 13, in the fair value hierarchy as at 31 December 2018 and there were no transfers between levels during the year. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to level 1 (inputs from quoted prices) and level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

13.2 Property valuation techniques and related quantitative information

(i) Valuation process

The Group's investment property is initially carried at cost plus transaction cost. It is subsequently measured at fair value and is valued at least once per year. In view of the rapid growth of the portfolio the Group has in recent years opted to perform the valuations twice per year i.e. as at 30 June and 31 December. Valuations are performed by independent external property appraisers. The Group ordinarily uses Jones Lang LaSalle as the Group's valuator. From time to time, at the discretion of the Company, a small part of the portfolio may be valued by another external independent valuator. For the 31 December 2018 valuations, all valuations were carried out by Jones Lang LaSalle. As a result, the value of the Group's assets depends on developments in the local real estate market in each of the Group's countries of operations, and is subject to change. Gains

and losses from changes in fair value are recognized in the Group's income statement as valuation results and are also a component of the Group's indirect result.

The Group's valuation contracts are typically entered into for a term of one year and the fees of the property experts are fixed for the term of their appointment and are not related to the value of the properties for which a valuation is made. The valuations are prepared in accordance with the RICS Valuation - Professional Standards (incorporating the International Valuation Standards) Global edition July 2017 (same approach as for the previous period end valuations). The basis of valuation is the market value of the property, as at the date of valuation, defined by the RICS as: *"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

(ii) Valuation methodology

Discounted cash flow approach

In view of the nature of the portfolio and the bases of valuation Jones Lang LaSalle has adopted the income approach, discounted cash flow technique, analysed over a 10-year period for each property. The cash flow assumes a ten-year hold period with the exit value calculated on ERV. To calculate the exit value Jones Lang LaSalle has used the exit yield which represents their assumption of the possible yield in the 10th year.

The cash flow is based upon the rents payable under existing lease agreements until the agreed lease end. In case of early break option, the valuator has assumed that the break will be exercised only if the penalty is less than the valuator's assumed expiry void period.

After the lease termination the valuator has assumed a certain expiry void period and a 5 year new lease contract. For currently vacant premises the valuator has assumed a certain initial void period and 5 year lease contract. For the properties that are under construction, the valuator has adopted an initial void starting as of the valuation date. The assumed rental income was calculated on the basis of estimated rental value (ERV).

The assumed voids are used to cover the time and the relocated cost of marketing, re-letting and possible reconstruction. The voids were adopted to each of the buildings within the portfolio.

In order to calculate the net rental income the valuations have deducted capital expenditures (contribution to the sinking fund) from the gross rental income.

Equivalent yield approach

For the properties in Spain, the valuator has adopted the equivalent yield approach.

The equivalent yield approach calculates the gross market value by applying a capitalisation rate (equivalent yield) to the net rental income as of the valuation date and capitalising the income into perpetuity.

The abovementioned assumptions are more thoroughly specified below section of the valuation assumptions

Valuation assumptions

The following main assumptions, together with the quantitative information included in section *"(iii) Quantitative information about fair value measurements using unobservable inputs"*; were made by the valuator.

- Jones Lang LaSalle's analyses adopts a 10 years cash flow approach to reflect the initial income and any agreed rent indexation reverting to the estimated rental

value after expiry of the current leases. For the purpose of the valuation the valuator has assumed that the current tenants will stay in the premises until the agreed lease end. In case of early break option, the valuator has assumed that the break will be exercised only if the penalty is less than valuator's assumed expiry void period.

- For the properties in Spain, the value was calculated using the equivalent yield approach, which assumes the building is completed as of the valuation date and subject to a 10-year lease.
- The valuator has assumed that after termination (first possible break) of the current lease contracts new 5-year leases will be signed and the valuator's ERV will be applied and the rent will be indexed each lease anniversary in line with EU CPI, if not mentioned otherwise in the lease agreements.
- The range of used estimated rental values has been detailed in below section *"(iii) Quantitative information about fair value measurements using unobservable inputs"*.
- After the termination of existing leases (first break option) the valuator has adopted an expiry void of 3-12 months. The assumed voids are used to cover the time and the cost of marketing, re-letting and possible reconstruction. The voids were adopted to each of the building within the portfolio.
- For currently vacant industrial and office premises the valuator has adopted an initial void of 9 – 12 months.
- For properties that are vacant and under construction, the valuator has adopted an initial void starting at the valuation date.
- From the gross income the valuator has deducted a contribution to a sinking fund at 0.50% – 3.02%.
- The rents were indexed in line with the indexation that was agreed in the lease agreements. The EU CPI indexation was assumed at the level of 1.9%, and the CSU CPI indexation was assumed at the level of 2.0%.
- The rents after reversion have been indexed on an annual basis each lease anniversary in line with the EU CPI indexation, which is assumed to be at 1.9%.
- The exit value was calculated on ERV.
- The cash flow that was used for the calculation was discounted either quarterly or monthly depending on the frequency of the rent payments.
- Based on the location, projected achievable rental income stream and position in the market the valuator has applied an exit yields and discount rates (see below section *"(iii) Quantitative information about fair value measurements using unobservable inputs"*; for further details).

Property that is being constructed or developed for future use as investment property is also stated at fair market value, and investment properties under construction are also valued by an independent valuation expert. For the properties under construction the valuation expert has used the same approach as applicable for the completed properties but deducting the remaining construction costs from the calculated market value, whereby "remaining construction costs" means overall pending development cost, which include all hard costs, soft costs, financing costs and developer profit. Developer profit takes into account the level of risk connected with individual property and is mainly dependent on development stage and pre-letting status.

The equivalent yield approach ("EYA") was utilized for the building under construction in Spain. EYA calculates the gross market value by applying a capitalisation rate (equivalent yield) to the net rental income as of the valuation date, and capitalising the income into perpetuity. When

calculating the value of the property it is assumed that the building is completed as of the valuation date and subject to a 10-year lease, with the remaining construction costs deducted from the market value.

Land held for development is valued using the valuation sales comparison approach. The sales comparison approach produces a value indication by comparing the subject property to similar properties and applying adjustments to reflect advantages and disadvantages to the subject property. This is most appropriate when a number of similar properties have recently been sold or are currently for sale in the market.

Valuation review

The valuations made are reviewed internally by the CEO, CFO and Financial Controller and discussed with the independent valuator as appropriate. The CFO and CEO report on the outcome of the valuation processes and results to the audit committee and take any comments or decision in consideration when performing the subsequent valuations.

At each semi-annual period end, the financial controller together with the CFO: (i) verify all major inputs to the independent valuation report; (ii) assess property valuation movements when compared to the prior semi-annual and annual period; (iii) holds discussions with the independent valuer.

(iii) Quantitative information about fair value measurements using unobservable inputs

The quantitative information in the following tables is taken from the different reports produced by the independent real estate experts. The figures provide the range of values and the weighted average of the assumptions used in the determination of the fair value of investment properties.

REGION	SEGMENT	FAIR VALUE 31 DEC-18 (€ '000)	VALUATION TECHNIQUE	LEVEL 3 – UNOBSERVABLE INPUTS	RANGE			
Czech Republic	IP	24,300	Discounted cash flow	ERV per m ² (in €)	46-56			
				Discount rate	6.15%			
				Exit yield	6.00%			
				Weighted average yield	6.14%			
				Cost to completion (in '000 €)	200			
				Properties valued (aggregate m ²)	85,392			
				WAULT (until maturity) (in years)	8.1			
				WAULT (until first break) (in years)	5.4			
				IPUC	17,240	Discounted cash flow	ERV per m ² (in €)	48-63
							Discount rate	7.25%
Exit yield	6.00%							
Weighted average yield	6.59%							
Cost to completion (in '000 €)	5,570							
Properties valued (aggregate m ²)	35,143							
DL	25,419	Sales comparison	Price per m ² (in €)				—	
Germany	IP	65,960	Discounted cash flow				ERV per m ² (in €)	44-63
							Discount rate	5.90%-6.40%
				Exit yield	4.75%-5.20%			
				Weighted average yield	5.05%			
				Cost to completion (in '000 €)	2,028			
				Properties valued (aggregate m ²)	149,639			
				WAULT (until maturity) (in years)	7.7			
				WAULT (until first break) (in years)	7.7			
				IPUC	61,490	Discounted cash flow	ERV per m ² (in €)	45-60
							Discount rate	5.90%-7.90%
Exit yield	4.80%-5.25%							
Weighted average yield	5.41%							
Cost to completion (in '000 €)	30,172							
Properties valued (aggregate m ²)	126,940							
DL	80,158	Sales comparison	Price per m ² (in €)				—	
Spain	IP	22,190	Equivalent yield				ERV per m ² (in €)	57
							Equivalent yield	5.50%
							Reversionary yield (nominal)	5.52%

REGION	SEGMENT	FAIR VALUE 31 DEC-18 (€ '000)	VALUATION TECHNIQUE	LEVEL 3 – UNOBSERVABLE INPUTS	RANGE	
Spain				Weighted average yield	6.24%	
				Cost to completion (in '000 €)	405	
				Properties valued (aggregate m ²)	22,819	
				WAULT (until maturity) (in years)	6.1	
				WAULT (until first break) (in years)	6.1	
		IPUC	63,080	Equivalent yield	ERV per m ² (in €)	57-90
					Equivalent yield	5.50%-6.00%
					Reversionary yield (nominal)	5.70%-6.27%
					Weighted average yield	6.42%
					Cost to completion (in '000 €)	14,832
					Properties valued (aggregate m ²)	78,091
		DL	58,232	Sales comparison	Price per m ² (in €)	—
	Romania	IP	48,300	Discounted cash flow	ERV per m ² (in €)	45-49
Discount rate					9.00%	
Exit yield					8.50%	
Weighted average yield					8.85%	
Cost to completion (in '000)					292	
Properties valued (aggregate m ²)					92,333	
					WAULT (until maturity) (in years)	3.8
					WAULT (until first break) (in years)	1.8
		IPUC	7,600	Discounted cash flow	ERV per m ² (in €)	45
					Discount rate	9.25%-9.75%
					Exit yield	8.75%-9.25%
					Weighted average yield	9.99%
					Cost to completion (in '000)	8,790
				Properties valued (aggregate m ²)	36,857	
	DL	7,391	Sales comparison	Price per m ² (in €)	—	
Austria	IP	19,840	Discounted cash flow	ERV per m ² (in €)	68	
				Discount rate	6.70%	
				Exit yield	5.50%	
				Weighted average yield	5.76%	
				Cost to completion (in '000)	—	
				Properties valued (aggregate m ²)	16,535	
				WAULT (until maturity) (in years)	14.0	
				WAULT (until first break) (in years)	14.0	
Latvia	IP	20,870	Discounted cash flow	ERV per m ² (in €)	49	
				Discount rate	8.40%	
				Exit yield	8.15%	
				Weighted average yield	9.36%	
				Cost to completion (in '000)	630	
				Properties valued (aggregate m ²)	35,557	
				WAULT (until maturity) (in years)	6.7	
		IPUC	12,250	Discounted cash flow	ERV per m ² (in €)	50
					Discount rate	8.30%
					Exit yield	8.15%
					Weighted average yield	8.77%
					Cost to completion (in '000)	3,050
				Properties valued (aggregate m ²)	26,988	

REGION	SEGMENT	FAIR VALUE 31 DEC-18 (€'000)	VALUATION TECHNIQUE	LEVEL 3 – UNOBSERVABLE INPUTS	RANGE
Netherlands	DL	34,147	Sales comparison	Price per m ² (in €)	—
Italy	DL	3,842	Sales comparison	Price per m ² (in €)	—
Slovakia	DL	1,042	Sales comparison	Price per m ² (in €)	—
Hungary	DL	2,810	Sales comparison	Price per m ² (in €)	—
Total		576,143			

REGION	SEGMENT	FAIR VALUE 31 DEC-17 (€'000)	VALUATION TECHNIQUE	LEVEL 3 – UNOBSERVABLE INPUTS	RANGE
Czech Republic	IP	30,080	Discounted cash flow	Annual rent per m ² (in €)	35-96
				Discount rate	5.90%-6.5%
				Exit yield	5.90%-6.25%
				Weighted average yield	6.30%
				Cost to completion (in '000 €)	135
	IPUC	25,620	Discounted cash flow	Annual rent per m ² (In €)	39-96
				Discount rate	5.90%-7.25%
				Exit yield	5.90%-6.25%
				Weighted average yield	6.40%
				Cost to completion (in '000 €)	8,771
	DL	34,316	Sales comparison	Price per m ² (in €)	—
Germany	IP	30,360	Discounted cash flow	Annual rent per m ² (in €)	45-63
				Discount rate	5.55%-5.75%
				Exit yield	4.75%-5.75%
				Weighted average yield	5.04%
				Cost to completion (in '000 €)	527
	IPUC	93,169	Discounted cash flow	Annual rent per m ² (in €)	41-52
				Discount rate	5.75%-8.00%
				Exit yield	5.00%-5.50%
				Weighted average yield	5.98%
				Cost to completion (in '000 €)	23,723
	DL	50,475	Sales comparison	Price per m ² (in €)	—
Spain	IP	126,280	Net present value	Annual rent per m ² (in €)	42
				IRR	5.50%
				Weighted average yield	5.98%
				Cost to completion (in '000 €)	—
					IPUC
Equivalent yield	5.50%				
Weighted average yield	6.21%				
Cost to completion (in '000 €)	3,673				
	DL	65,251	Sales comparison		
Other (Romania)	IP	37,600	Discounted cash flow	Annual rent per m ² (in €)	41-50
				Discount rate	9.50%
				Exit yield	9.00%
				Weighted average yield	8.75%
				Cost to completion (in '000)	80

REGION	SEGMENT	FAIR VALUE 31 DEC-17 (€ '000)	VALUATION TECHNIQUE	LEVEL 3 – UNOBSERVABLE INPUTS	RANGE
Other (Romania, Latvia)	IPUC	18,200	Discounted cash flow	Annual rent per m ² (in €)	46-60
				Discount rate	8.5%-9.75%
				Exit yield	8.25%-9.25%
				Weighted average yield	9.93%
				Cost to completion (in '000)	6,000
Other (Romania, Slovakia, Latvia)	DL	5,340	Sales comparison	Price per m ² (in €)	—
Total		627,737			

IP = completed investment property

IPUC = investment property under construction

DL = development land

(iv) Sensitivity of valuations

The sensitivity of the fair value based on changes to the significant non-observable inputs used to determine the fair value of the properties classified in level 3 in accordance with the IFRS fair value hierarchy is as follows (all variables remaining constant):

NON OBSERVABLE INPUT	IMPACT ON FAIR VALUE IN CASE OF	
	FALL	RISE
ERV (in €/m ²)	Negative	Positive
Discount rate	Positive	Negative
Exit yield	Positive	Negative
Remaining lease term (until first break)	Negative	Positive
Remaining lease term (until final expiry)	Negative	Positive
Occupancy rate	Negative	Positive
Inflation	Negative	Positive

A decrease in the estimated annual rent will decrease the fair value.

An increase in the discount rates and the capitalisation rates used for the terminal value i.e. the exit yield of the discounted cash flow method will decrease the fair value.

There are interrelationships between these rates as they are partially determined by market rate conditions. For investment properties under construction, the cost to completion and the time to complete will reduce the fair values whereas the consumption of such cost over the period to completion will increase the fair value.

In addition, the sensitivity of the fair value of the portfolio can be estimated as follows: the effect of a rise (fall) of 1% in rental income results in a rise (fall) in the fair value of the portfolio of approximately € 5.7 million (all variables remaining constant).

The effect of a rise (fall) in the weighted average yield (see note 7) of 25 basis points results in a fall (rise) in the fair value of the portfolio of approximately € 21.9 million (all variables remaining constant).

14. Trade and other receivables

<i>in thousands of €</i>	2018	2017
Trade receivables	7,279	5,474
Tax receivables - VAT	20,126	6,224
Accrued income and deferred charges	208	227
Other receivables	2,088	4,234
Reclassification to (-)/from held for sale	(6,637)	(5,085)
Total	23,064	11,074

15. Cash and cash equivalents

The Group's cash and cash equivalents comprise primarily cash deposits held at German, Spanish, Czech and Belgian banks.

16. Share capital

	SHARE CAPITAL MOVEMENT <i>in thousands of €</i>	TOTAL OUTSTANDING SHARE CAPITAL AFTER THE TRANSACTION <i>in thousands of €</i>	NUMBER OF SHARES ISSUED <i>in units</i>	TOTAL NUMBER OF SHARES <i>in units</i>
01. 01. 2006 Cumulative share capital of all Czech companies	10,969	10,969	—	—
06. 02. 2007 Incorporation of VGP NV	100	11,069	100	100
05. 11. 2007 Share split	—	11,069	7,090,400	7,090,500
11. 12. 2007 Contribution in kind of Czech companies	120,620	131,689	7,909,500	15,000,000
11. 12. 2007 Capital increase IPO	50,000	181,689	3,278,688	18,278,688
28. 12. 2007 Exercise of over-allotment option – IPO	4,642	186,331	304,362	18,583,050
31.12. 2007 Elimination capital increase – contribution in kind	(120,620)	65,711	—	18,583,050
31.12.2007 Issuing costs capital increase	(3,460)	62,251	—	18,583,050

The statutory share capital of VGP NV amounts to € 92,667k. The € 30.4 million capital reserve included in the Statement of Changes in Equity, relates to the elimination of the contribution in kind of the shares of a number of Group companies and the deduction of all costs in relation to the issuing of the new shares and the stock exchange listing of the existing shares from the equity of the company, at the time of the initial public offering (“IPO”) (see also “Changes of changes in equity”).

17. Current and non-current financial debt

The contractual maturities of interest-bearing loans and borrowings (current and non-current) are as follows:

MATURITY <i>in thousands of €</i>	2018			
	OUTSTANDING BALANCE	< 1 YEAR	> 1-5 YEAR	> 5 YEAR
Non-current				
Bank borrowings	—	—	—	—
Bonds				
3.90% bonds Sep-23	221,957	—	221,957	—
3.25% bonds Jul-24	79,663	—	—	79,663
3.35% bonds Mar-25	74,346	—	—	74,346
3.50% bonds Mar-26	188,419	—	—	188,419
	564,385	—	221,957	342,428
Total non-current financial debt	564,385	—	221,957	342,428
Current				
Bank borrowings	14,959	14,959	—	—
Accrued interest	7,520	7,520	—	—
Total current financial debt	22,479	22,479	—	—
Total current and non-current financial debt	586,864	22,479	221,957	342,428

MATURITY <i>in thousands of €</i>	2017			
	OUTSTANDING BALANCE	< 1 YEAR	> 1-5 YEAR	> 5 YEAR
Non-current				
Bank borrowings	14,918	—	14,918	—
Bonds				
3.90% bonds Sep-23	221,314	—	—	221,314
3.25% bonds Jul-24	74,227	—	—	74,227
3.35% bonds Mar-25	79,609	—	—	79,609
	375,150	—	—	375,150
Total non-current financial debt	390,068	—	14,918	375,150
Current				
Bank borrowings	752	752	—	—
Bonds				
5.10% bonds Dec-18	74,701	74,701	—	—
Accrued interest	5,905	5,905	—	—
Total current financial debt	81,358	81,358	—	—
Total current and non-current financial debt	471,425	81,358	14,918	375,150

The above 31 December 2018 balances include capitalised finance costs on bank borrowings of € 41k (as compared to €83k for 2017) and capitalised finance costs on bonds € 5,615k (as compared to 5,149k for 2017).

The accrued interest relates to the 4 issued bonds. The coupons of the bonds are payable annually on 21 September for the Sep-23 Bond, 6 July for the Jul-24 Bond, 30 March for the Mar-25 Bond and 19 March for the Mar-26 Bond.

17.1 Secured bank loans

The loans granted to the VGP Group are all denominated in € (except for the “other bank debt” which is denominated in CZK) and can be summarised as follows:

2018 <i>in thousands of €</i>	FACILITY AMOUNT	FACILITY EXPIRY DATE	OUTSTANDING BALANCE	< 1 YEAR	> 1- 5 YEARS	> 5 YEARS
Raiffeisen – Romania	14,959	31-Dec-19	14,959	14,959	—	—
Total bank debt	14,959		14,959	14,959	—	—

2017 <i>in thousands of €</i>	FACILITY AMOUNT	FACILITY EXPIRY DATE	OUTSTANDING BALANCE	< 1 YEAR	> 1- 5 YEARS	> 5 YEARS
Raiffeisen - Romania	15,668	31-Dec-19	15,668	750	14,918	—
Other bank debt	2	2016-2018	2	2	—	—
Total bank debt	15,670		15,670	752	14,918	—

In order to secure the obligations under these agreements, the Group created:

- Mortgage agreement over the existing properties;
- Mortgage agreement over the land;
- Agreement on future mortgage agreement with respect to the remaining part of the project land and project buildings;
- Pledge on all existing and future receivables;
- Pledge over the shares whereby VGP NV as the pledgor and the security agent as the pledgee enter into the Share Pledge Agreement. All shares issued by the borrower are pledged in favour of the security agent;
- Pledge of rental fee revenues and guarantees;
- Pledge of bank accounts receivables;
- Pledge of rights and receivables under the construction contracts.

Interest rate swaps

As a general principle, loans are entered into by the Group in EUR at a floating rate, converting to a fixed rate through interest rate swaps in compliance with the respective loan agreements.

For further information on financial instruments we refer to note 23.

Events of default and breaches of loan covenants

The loan agreements granted by the banks are subject to a number of covenants which can be summarised as follows:

- Loan to value ratio for investment loan tranches equal or less than 67.02%;
- Debt service cover ratio equal or higher than 1.25;

The above mentioned ratios are tested based on a rolling 12 month period and are calculated as follows:

- Loan to value ratio means in respect of a project the aggregate loans divided by the open market value as valued by an independent valuator;
- Debt service cover ratio means cash available for debt service divided by debt service whereby debt service means the aggregate amount of financial expenses due and payable together with any loan principal due and payable.

During the year the Group operated well within its loan covenants and there were no events of default nor were there any breaches of covenants with respect to loan agreements noted.

17.2 Bonds

As at 31 December 2018 VGP has following 4 bonds outstanding:

- € 225 million fixed rate bonds due 21 September 2023 carry a coupon of 3.90% per annum. The bonds have been listed on the regulated market of NYSE Euronext Brussels (ISIN Code: BE0002258276 - Common Code: 148397694). (“Sep-23 Bond”)
- € 75 million fixed rate bonds due 6 July 2024 which carry a coupon of 3.25% per annum. The bonds have been listed on the regulated market of NYSE Euronext Brussels (ISIN Code: BE0002287564 - Common Code: 163738783). (“Jul-24 Bond”)
- € 80 million fixed rate bonds due 30 March 2025 carry a coupon of 3.35% per annum. The bonds are not listed (ISIN Code: BE6294349194 - Common Code: 159049558). (“Mar-25 Bond”)
- € 190 million fixed rate bonds due 19 March 2026 carry a coupon of 3.50% per annum. The bonds have been listed on the regulated market of NYSE Euronext Brussels (ISIN Code: BE0002611896 - Common Code: 187793777). (“Mar-26 Bond”)

All bonds are unsecured.

Events of default and breaches of bond covenants

The terms and conditions of the bonds include following financial covenants:

- Consolidated gearing to equal or to be below 65%
- Interest cover ratio to equal or to be above 1.2
- Debt service cover ratio to equal or to be above 1.2

The abovementioned ratios are tested semi-annually based on a 12-month period and are calculated as follows:

- Consolidated gearing means consolidated total net debt divided by the sum of the equity and total liabilities;
- Interest cover ratio means the aggregate net rental income (increased with the available cash and cash equivalents) divided by the net finance charges;
- Debt service cover ratio means cash available for debt service divided by net debt service.

During the year the Group operated well within its bond covenants there were no events of default nor were there any breaches of covenants with respect to the bonds noted.

17.3 Reconciliation debt movement to cash flow

2018 <i>in thousands of €</i>	01-JAN	CASH FLOWS	NON-CASH MOVEMENT				31-DEC
			ACQUISITIONS/ (DIVESTMENTS)	FOREIGN EXCHANGE MOVEMENT	FAIR VALUE CHANGES	OTHER	
Non-current financial debt	390,067	173,357	—	—	—	961	564,385
Other non-current financial liabilities	1,966	—	—	—	(1,906)	—	60
Current financial debt	81,358	(60,752)	—	—	—	1,873	22,479
Other non-current financial liabilities	—	—	—	—	—	—	—
	473,391	112,605	—	—	(1,906)	2,834	586,924
Non-current financial assets	(322)	—	—	—	322	—	—
Total liabilities from financing activities	473,069	112,605	—	—	(1,584)	2,834	586,924

The non-cash movements relate to (i) € 1.9 million fair value changes related to changes of the fair value of financial instruments; and (ii) € 2.8 million other relating to changes in accrued interest on bonds and amortisation of finance costs.

2017 <i>in thousands of €</i>	01-JAN	CASH FLOWS	NON-CASH MOVEMENT				31-DEC
			ACQUISITIONS/ (DIVESTMENTS)	FOREIGN EXCHANGE MOVEMENT	FAIR VALUE CHANGES	OTHER	
Non-current financial debt	327,923	77,695	(16,852)	—	—	2,106	390,872
Other non-current financial liabilities	5,348	—	—	—	(3,382)	—	1,966
Current financial debt	81,674	—	(1,665)	—	—	544	80,553
Other non-current financial liabilities	—	—	—	—	—	—	—
	414,945	77,695	(18,517)	—	(3,382)	2,650	473,391
Non-current financial assets	(5)	—	—	—	(317)	—	(322)
Total liabilities from financing activities	414,940	77,695	(18,517)	—	(3,699)	2,650	473,069

The non-cash movements relate to (i) Divestment of VGP Estonia resulting in the repayment of the € 16.9 million bank debt and € 1.7 million bank debt repayment at the level of VGP Estonia during 2017; (ii) € 3.4 million fair value changes related to changes of the fair value of financial instruments and forward foreign exchange contract; and (iii) € 2.7 million other relating to changes in accrued interest on bonds and amortisation of finance costs.

18. Other non-current liabilities

<i>in thousands of €</i>	2018	2017
Deposits	542	1,657
Retentions	2,575	2,758
Reclassification to liabilities related to disposal group held for sale	(1,902)	(2,735)
Total	1,215	1,680

Deposits are received from tenants. Retentions are amounts withheld from constructors' invoices. It is common to pay only 90 percent of the total amount due. 5 percent is due upon final delivery of the building; the remaining part is paid, based on individual agreements, most commonly after 3 or 5 years.

19. Trade debts and other current liabilities

<i>in thousands of €</i>	2018	2017
Trade payables	39,942	45,259
Deposits	800	536
Retentions	736	3,015
Accrued expenses and deferred income	455	536
Other payables	4,807	4,197
Reclassification to liabilities related to disposal group held for sale	(7,976)	(15,164)
Total	38,764	38,379

20. Assets classified as held for sale and liabilities associated with those assets

<i>in thousands of €</i>	2018	2017
Intangible assets	—	—
Investment properties	262,172	430,298
Property, plant and equipment	—	—
Deferred tax assets	—	—
Trade and other receivables	6,637	5,085
Cash and cash equivalents	6,130	6,570
Disposal group held for sale	274,939	441,953
Non-current financial debt	—	—
Other non-current financial liabilities	—	—
Other non-current liabilities	(1,902)	(2,736)
Deferred tax liabilities	(15,483)	(23,223)
Current financial debt	—	—
Trade debts and other current liabilities	(7,976)	(15,164)
Liabilities associated with assets classified as held for sale	(25,361)	(41,123)
Total net assets	249,578	400,830

Under the joint venture agreement VGP European Logistics has an exclusive right of first refusal in relation to acquiring the income generating assets developed by VGP in Germany, the Czech Republic, Slovakia and Hungary. The development pipeline which will be transferred as part of any future acquisition transaction between the Joint Venture and VGP is being developed at VGP's own risk and subsequently acquired and paid for by the Joint Venture subject to pre-agreed completion and lease parameters.

As at 31 December 2018 the assets of the respective project companies which were earmarked to be transferred to the joint venture in the future, including the next March 2019 closing, were therefore reclassified as disposal group held for sale.

The investment properties correspond to the fair value of the asset under construction which are being developed by VGP on behalf of VGP European Logistics. This balance includes € 101.9 million of interest bearing development and construction loans (2017: € 137.1 million) granted by VGP to the Joint Venture to finance the development pipeline of the Joint Venture. (See also note 9.3)

21. Cash flow statement

SUMMARY (in thousands of €)	2018	2017
Cash flow from operating activities	(51,035)	(6,786)
Cash flow from investing activities	104,724	(90,274)
Cash flow from financing activities	77,299	57,625
Net increase/(decrease) in cash and cash equivalents	130,988	(39,434)

The cash from operating activities decreased by € 44.2 million, mainly due to the increase (€ 21.9 million) in VAT receivables reflecting the underlying increased development activities.

The changes in the cash flow from investing activities was mainly due to: (i) € 263.4 million (2017: €168.4 million) of expenditure incurred for the development activities and land acquisition; (ii) € 438.4 million cash in from the April 2018 closing with VGP European Logistics (2018: € 289.7 million compared to € 122.1 million closing in 2017) and the divestment of the Mango building (€ 148.7 million).

The changes in the cash flow from financing activities were driven by: (i) € 35.3 million dividend paid out in May 2018 (2017: € 20.1 million capital repayment); (ii) € 188.4 million net proceeds from the Mar-26 Bond, the repayment of the maturing Dec-18 Bond (€75 million) and € 0.8 million repayment of bank debt compared with the 2017 net proceeds of the issued Jul-24 Bond and Mar-25 Bonds totalling € 153.9 million, the repayment of the maturing € 75 million bonds in July 2017 and € 1.2 million net repayment of bank debt.

22. Cash flow from disposal of subsidiaries and investment properties

<i>in thousands of €</i>	2018	2017
Investment property	403,735	225,789
Trade and other receivables	6,452	8,264
Cash and cash equivalents	11,461	4,253
Non-current financial debt	—	(18,535)
Shareholder Debt	(255,730)	(120,137)
Other non-current financial liabilities	(2,090)	—
Deferred tax liabilities	(16,778)	(11,959)
Trade debts and other current liabilities	(16,493)	(14,585)
Total net assets disposed	130,557	73,090
Realised valuation gain on sale	34,386	4,356
Total non-controlling interest retained by VGP	(3,832)	(1,884)
Shareholder loans repaid at closing	338,313	108,309
Equity contribution	(49,599)	(23,903)
Total consideration	449,825	159,968
Cash disposed	(11,461)	(4,253)
Net cash inflow from divestments of subsidiaries and investment properties	438,364	155,715

23. Financial risk management and financial derivatives

23.1 Terms, conditions and risk management

Exposures to foreign currency, interest rate, liquidity and credit risk arises in the normal course of business of VGP.

The company analyses and reviews each of these risks and defines strategies to manage the economic impact on the company's performance. The results of these risk assessments and proposed risk strategies is reviewed and approved by the Board of Directors on regular basis.

Some of the risk management strategies include the use of derivative financial instruments which mainly consists of forward exchange contracts and interest rate swaps. The company holds no derivative instruments nor would it issue any for speculative purposes.

The following provides an overview of the derivative financial instruments as at 31 December 2018. The amounts shown are the notional amounts.

DERIVATIVES <i>in thousands of €</i>	2018			2017		
	< 1 YEAR	1-5 YEARS	> 5 YEARS	< 1 YEAR	1-5 YEARS	> 5 YEARS
Forward exchange contracts						
Held for trading	—	—	—	10,283	—	—
Interest rate swaps						
Held for trading	15,000	—	—	—	15,750	75,000

Following the issuance of the Mar-26 Bond in September 2018 a € 75 million interest rate swap (which had a delayed start date as of 6 December 2018) was liquidated. The remaining interest rate swaps (nominal amount of € 15 million) as at 31 December 2018 relate to the bank debt with Raiffeisen Bank Romania. The weighted average interest rate which has been fixed is 0.12% per annum.

23.2 Foreign currency risk

VGP incurs principally foreign currency risk on its capital expenditure as well as some of its borrowings and net interest expense/income.

VGP's policy is to economically hedge its capital expenditure as soon as a firm commitment arises, to the extent that the cost to hedge outweighs the benefit and in the absence of special features which require a different view to be taken.

The table below summarises the Group's main net foreign currency positions at the reporting date. Since the Group has elected not to apply hedge accounting, the following table does not include the forecasted transactions. However, the derivatives the Group has entered into, to economically hedge the forecasted transactions are included.

<i>in thousands of €</i>	2018		
	CZK	HUF	RON
Trade & other receivables	110,238	353,950	35,339
Non-current liabilities and trade & other payables	(129,712)	(15,924)	(10,231)
Gross balance sheet exposure	(19,473)	338,027	25,108
Forward foreign exchange	—	—	—
Net exposure	(19,473)	338,027	25,108

<i>in thousands of €</i>	2017	
	CZK	RON
Trade & other receivables	80,172	1,764
Non-current liabilities and trade & other payables	(364,870)	(5,355)
Gross balance sheet exposure	(284,698)	(3,591)
Forward foreign exchange	271,500	—
Net exposure	(13,198)	(3,591)

The following significant exchange rates applied during the year:

1 € =	2018 CLOSING RATE	2017 CLOSING RATE
CZK	25.72500	25.5400
HUF	321.51033	—
RON	4.66390	4.6597

Sensitivity

A 10 percent strengthening of the euro against the following currencies at 31 December 2018 would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

EFFECTS (in thousands of €)	2018	
	EQUITY	PROFIT OR (LOSS)
CZK	—	69
HUF	—	(96)
RON	—	(489)
Total	—	(516)

EFFECTS (in thousands of €)	2017	
	EQUITY	PROFIT OR (LOSS)
CZK	—	47
HUF	—	70
Total	—	117

A 10 percent weakening of the euro against the above currencies at 31 December 2018 would have had the equal but opposite effect on the above currencies to amounts shown above, on the basis that all other variables remain constant.

23.3 Interest rate risk

The Group applies a dynamic interest rate hedging approach whereby the target mix between fixed and floating rate debt is reviewed periodically. These reviews are carried out within the confines of the existing loan agreements which require that interest rate exposure is to be hedged when certain conditions are met.

Where possible the Group will apply IFRS 9 to reduce income volatility whereby some of the interest rate swaps may be classified as cash flow hedges. Changes in the value of a hedging instrument that qualifies as highly effective cash flow hedges are recognised directly in shareholders' equity (hedging reserve).

The Group also uses interest rate swaps that do not satisfy the hedge accounting criteria under IFRS 9 but provide effective economic hedges. Changes in fair value of such interest rate swaps are recognised immediately in the income statement. (Interest rate swaps held for trading).

At the reporting date the Group interest rate profile of the Group's (net of any capitalised financing costs) was as follows:

<i>in thousands of € – nominal amounts</i>	2018	2017
Financial debt		
Fixed rate		
Bonds	570,000	455,000
Variable rate		
Bank debt	15,000	15,752
Reclassified to liabilities related to disposal group held for sale	—	—
	15,000	15,752
Interest rate hedging		
Interest rate swaps		
Held for trading	15,000	15,750
Reclassified to liabilities related to disposal group held for sale	—	—
	15,000	15,750
Financial debt after hedging		
Variable rate		
Bank debt	—	2
Fixed rate		
Bonds	570,000	455,000
Bank debt	15,000	15,750
	585,000	470,750
Fixed rate/total financial liabilities	100.0%	100.0%

The effective interest rate on financial debt (bank debt and bonds), including all bank margins and cost of interest rate hedging instruments was 3.73 % for the year 2018. (3.74% for 2017).

Sensitivity analysis for change in interest rates or profit

In case of an increase / decrease of 100 basis points in the interest rates, profit before taxes would have no effect, as all debt at the end of December 2018 is fixed.

Sensitivity analysis for changes in interest rate of other comprehensive income

For 2018 there is no impact given the fact that there are no interest rate swaps outstanding classified as cash flow hedges as at the reporting date. The same situation applied at the 31 December 2017 reporting date.

23.4 Credit risk

Credit risk is the risk of financial loss to VGP if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from VGP's receivables from customers and bank deposits.

The management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Each new tenant is analysed individually for creditworthiness before VGP offers a lease agreement. In addition, the Group applies a strict policy of rent guarantee whereby, in general, each tenant is required to provide a rent guarantee for 6 months. This period will vary in function of the creditworthiness of the tenant.

At the balance sheet date there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The maximum exposure to credit risk at the reporting date was:

<i>in thousands of €</i>	2018 CARRYING AMOUNT	2017 CARRYING AMOUNT
Other non-current receivables	41,461	12,757
Trade & other receivables	29,493	16,159
Cash and cash equivalents	167,576	36,839
Reclassification to (-)/from held for sale	(12,767)	(11,655)
Total	225,763	54,100

As at 31 December 2018 there was € 1.5 million of restricted cash held in a bank account (2017: € 3.6 million) for settlement of final payments on land expected to be acquired during the course of 2019.

The aging of trade receivables as at the reporting date was:

<i>in thousands of €</i>	2018 CARRYING AMOUNT	2017 CARRYING AMOUNT
Gross trade receivables		
Gross trade receivables not past due	6,486	4,974
Gross trade receivables past due	793	500
Bad debt and doubtful receivables	—	—
Provision for impairment of receivables (-)	—	—
Reclassification to (-)/from held for sale	(1,580)	(880)
Total	5,699	4,594

23.5 Liquidity risk

The company manages its liquidity risk by ensuring that it has sufficient cash available and that it has sufficient available credit facilities and by matching as much as possible its receipts and payments.

The following are contractual maturities of financial assets and liabilities, including interest payments and derivative financial assets and liabilities but excluding non-financial assets or liabilities. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

<i>in thousands of €</i>	2018					
	CARRYING AMOUNT	CONTRACTUAL CASH FLOW	< 1 YEAR	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Assets						
Cash and cash equivalents	166,046	166,046	166,046	—	—	—
Trade and other receivables	29,031	29,031	29,031	—	—	—
Reclassified to (-) from held for sale	(12,768)	(12,768)	(12,768)	—	—	—
	182,309	182,309	182,309	—	—	—
Liabilities						
Secured bank loans	15,000	15,485	15,485	—	—	—
Unsecured bonds	564,385	697,135	20,543	20,543	286,628	369,423
Derivative financial instruments	60	142	76	66	—	—
Trade and other payables	49,402	49,402	46,285	1,997	999	121
Reclassification to liabilities related to disposal group held for sale	(9,807)	(9,807)	(9,250)	(40)	(517)	—
	619,041	752,357	73,139	22,566	287,110	369,544

<i>in thousands of €</i>	2017					
	CARRYING AMOUNT	CONTRACTUAL CASH FLOW	< 1 YEAR	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Assets						
Cash and cash equivalents	33,277	33,277	33,277	—	—	—
Derivative financial instruments	322	322	322	—	—	—
Trade and other receivables	15,933	15,933	15,933	—	—	—
Reclassified to (-) from held for sale	(11,606)	(11,606)	(11,606)	—	—	—
	37,926	37,926	37,926	—	—	—
Liabilities						
Secured bank loans	15,752	16,841	1,310	15,531	—	—
Unsecured bonds	449,851	457,915	15,280	86,455	34,365	321,815
Derivative financial instruments	1,966	142	76	66	—	—
Trade and other payables	57,422	57,422	53,007	1,314	357	2,744
Reclassification to liabilities related to disposal group held for sale	(18,396)	(18,396)	(15,660)	(1,237)	(325)	(1,174)
	506,594	513,924	54,013	102,129	34,397	323,385

23.6 Capital management

VGP is continuously optimising its capital structure targeting to maximise shareholder value while keeping the desired flexibility to support its growth. The Group targets a maximum gearing ratio of net debt / total shareholders' equity and liabilities at 65%.

As at 31 December 2018 the Group's gearing was as follows:

<i>in thousands of €</i>	2018	2017
Non-current financial debt	564,375	390,067
Other non-current financial liabilities	60	1,966
Current financial debt	22,479	81,358
Financial debt classified under liabilities related to disposal group held for sale	—	—
Total financial debt	586,914	473,391
Cash and cash equivalents	(161,446)	(30,269)
Cash and cash equivalents classified as disposal group held for sale	(6,130)	(6,570)
Total net debt (A)	419,338	436,552
Total shareholders 'equity and liabilities (B)	1,212,418	1,032,553
Gearing ratio (A)/(B)	34.6%	42.3%

23.7 Fair value

The following tables list the different classes of financial assets and financial liabilities with their carrying amounts in the balance sheet and their respective fair value and analyzed by their measurement category under both IAS 39 and IFRS 9.

Abbreviations used are explained below:

Abbreviations used in accordance with IAS 39 are:

L&R Loans and Receivables
HfT Financial assets or financial liabilities Held for Trading
FLMaAC Financial Liabilities Measured at Amortised Cost

Abbreviations used in accordance with IFRS 9 are:

AC Financial assets or financial liabilities measured at amortised cost
FVTPL Financial assets measured at fair value through profit or loss
HFT Financial liabilities Held for Trading

31 DECEMBER 2018 <i>in thousands of €</i>	IAS 39		IFRS 9		FAIR VALUE	FAIR VALUE HIERARCHY
	CARRYING AMOUNT	IAS 39 CATEGORY	CARRYING AMOUNT	IFRS 9 CATEGORY	2018	2018
Assets						
Other non-current receivables	41,460	L&R	41,460	AC	41,460	Level 2
Trade receivables	7,279	L&R	7,279	AC	7,279	Level 2
Other receivables	22,214	L&R	22,214	AC	22,214	Level 2
Derivative financial assets	—	Hft	—	FVTPL	—	Level 2
Cash and cash equivalents	166,046	L&R	166,046	AC	166,046	Level 2
Reclassification to (-) from held for sale	(12,767)		(12,767)		(12,767)	
Total	224,232		224,232		224,232	
Liabilities						
Financial debt						
Bank debt	14,953	FLMaAC	14,953	AC	14,953	Level 2
Bonds	564,385	FLMaAC	564,385	AC	563,972	Level 1
Trade payables	39,942	FLMaAC	39,942	AC	39,942	Level 2
Other liabilities	9,460	FLMaAC	9,460	AC	9,460	Level 2
Derivative financial liabilities	60	HfT	—	HFT	—	Level 2
Reclassification to liabilities related to disposal group held for sale	(9,808)		(9,808)		(9,808)	
Total	618,992		618,932		618,519	

31 DECEMBER 2017 <i>in thousands of €</i>	IAS 39		IFRS 9		FAIR VALUE	FAIR VALUE HIERARCHY
	CARRYING AMOUNT	IAS 39 CATEGORY	CARRYING AMOUNT	IFRS 9 CATEGORY	2017	2017
Assets						
Other non-current receivables	12,757	L&R	12,757	AC	12,757	Level 2
Trade receivables	5,474	L&R	5,474	AC	5,474	Level 2
Other receivables	8,457	L&R	8,457	AC	8,457	Level 2
Derivative financial assets	322	Hft	322	FVTPL	322	Level 2
Cash and cash equivalents	33,277	L&R	33,277	AC	33,277	Level 2
Reclassification to (-) from held for sale	(11,609)		(11,609)		(11,609)	
Total	48,678		48,678		48,678	
Liabilities						
Financial debt						
Bank debt	15,670	FLMaAC	15,670	AC	15,670	Level 2
Bonds	449,851	FLMaAC	449,851	AC	464,624	Level 1
Trade payables	45,258	FLMaAC	45,258	AC	45,258	Level 2
Other liabilities	12,165	FLMaAC	12,165	AC	12,165	Level 2
Derivative financial liabilities	1,966	HfT	1,966	HfT	1,966	Level 2
Reclassification to liabilities related to disposal group held for sale	(21,510)		(21,510)		(21,510)	
Total	503,399		503,399		518,172	

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents and trade and other receivables, primarily have short terms to maturity; hence, their carrying amounts at the reporting date approximate the fair values.
- The Other non-current receivables are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the counterparty and the risk characteristics of the financed project. As at 31 December 2018, the carrying amounts of these receivables, are assumed not to be materially different from their calculated fair values.
- Trade and other payables also generally have short times to maturity and, hence, their carrying amounts also approximate their fair values.
- The fair value of financial instruments is determined based on quoted prices in active markets. When quoted prices in active markets are not available, valuation techniques are used. Valuation techniques make maximum use of market inputs but are affected by the assumptions used, including discount rates and estimates of future cash flows. Such techniques include amongst others market prices of comparable investments and discounted cash flows. The principal methods and assumptions used by VGP in determining the fair value of financial instruments are obtained from active markets or determined using, as appropriate, discounted cash flow models and option pricing models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period ending 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial assets amounting to € 6,030k as at 31 December 2018 (€ 3,164k in 2017) were pledged in favour of VGP's financing banks.

24. Personnel

Long-term incentive plan for VGP team

The Board of Directors, based on the recommendation of the remuneration committee has agreed to set up a new long-term incentive plan in 2018. The new plan will allocate profit sharing units (“Units”), to the respective VGP team members (including the executive management team). One Unit represents the equivalent of one VGP NV share on a net asset value basis. After an initial lock-up period of 5 years each participant will be able to return the Units against the payment of the proportional net asset value growth of such Units. At any single point in time, the number of Units outstanding (i.e. awarded and not yet vested) cannot exceed 5% of the total equivalent shares of the Company.

For the financial year 2018 there were no Units allocated to the VGP team and the plan will therefore only become really effective as from 2019 onwards.

VGP Misv incentive plan

The Group has an incentive structure in place for selected members of the Group’s management which was set up after the initial public offering of December 2007 and whereby the existing reference shareholders have transferred a number of VGP shares representing 5 percent of the aggregate number of shares in VGP NV into VGP MISV, a limited partnership controlled by Mr Bart Van Malderen as managing partner (“beherend vennoot”/“associé commandité”). This structure does not have any dilutive effect on any existing or new shareholders. During the second half of 2018 and following the expiration of a 5 year-lock-up period certain members of the VGP team sold their respective VGP MISV shares to VGP NV. VGP NV acquired 330,830 VGP Misv shares for an aggregate amount of € 8.6 million. Following the acquisition of these shares, VGP NV currently holds 78.83% in VGP Misv Comm. VA as at the end of December 2018. Based on known variables as at the reporting date the remaining 21.17% would entail a cash out of circa € 6.6 million as at the reporting date.

It is foreseen that this plan will gradually phase out over the next 3 years.

25. Commitments

The Group has concluded a number of contracts concerning the future purchase of land. As at 31 December 2018 the Group had future purchase agreements for land totalling 1,597,599 m², representing a commitment of € 98.5 million and for which deposits totalling € 2.1 million had been made. As at 31 December 2017 Group had future purchase agreements for land totalling 1,452,336 m², representing a commitment of € 65.0 million and for which deposits totalling € 0.6 million had been made.

The € 2.1 million down payment on land was classified under investment properties as at 31 December 2018 given the immateriality of the amounts involved (same classification treatment applied for 2017).

As at 31 December 2018 the Group had contractual obligations to develop new projects for a total amount of € 75.5 million compared to € 75.6 million as at 31 December 2017.

All commitments are of a short-term nature. The secured land is expected to be acquired during the course of 2019, subject to receiving the necessary permits. The contractual construction obligations relate to buildings under construction which will be delivered during the course of 2019.

26. Related parties

Unless otherwise mentioned below, the settlement of related party transactions occurs in cash, there are no other outstanding balances which require disclosure, the outstanding balances are not subject to any interest unless specified below, no guarantees or collaterals provided and no provisions or expenses for doubtful debtors were recorded.

26.1 Shareholders

Shareholding

As at 31 December 2018 the main shareholders of the company are:

- Little Rock SA (20.84%): a company controlled by Mr. Jan Van Geet;
- Alsgard SA (12.97%): a company controlled by Mr. Jan Van Geet;
- VM Invest NV (20.16%): a company controlled by Mr. Bart Van Malderen;
- Comm VA VGP MISV (5%): a company controlled by Mr. Bart Van Malderen.

The two main ultimate reference shareholders of the company are therefore (i) Mr Jan Van Geet who holds 33.81% of the voting rights of VGP NV and who is CEO and an executive director. and (ii) Mr Bart Van Malderen who holds 25.16% of the voting rights of VGP NV and who is a non-executive director.

The full details of the shareholding of VGP can be found in the section “Information about the share”

Lease activities

Drylock Technologies s.r.o., a company controlled by Bart Van Malderen, leases a warehouse from VGP European Logistics under a long term lease contract. This lease contract was entered into during the month of May 2012. The rent received over the year 2018 amounts to € 2.6 million (compared to € 2.1 million for the year 2017). The warehouse was acquired by VGP European Logistics joint venture at the end of May 2016.

Jan Van Geet s.r.o. leases out office space to the VGP Group in the Czech Republic used by the VGP operational team. The lease runs until 2018 and 2021 respectively. During 2018 aggregate amount paid under these leases was € 96k equivalent compared to € 91k equivalent for 2017.

All lease agreements have been concluded on an arm's length basis.

Other services

The table below provides the outstanding balances with Jan Van Geet s.r.o.. The payable balance relates to unsettled invoices. The receivable balances relate to cash advances made to cover representation costs.

<i>in thousands of €</i>	2018	2017
Trade receivable/(payable)	(31)	(81)

VGP also provides real estate support services to Jan Van Geet s.r.o. During 2018 VGP recorded a € 32k revenue for these activities (2017: € 23k).

26.2 Subsidiaries

The consolidated financial statements include the financial statements of VGP NV and the subsidiaries listed in note 29. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated in the consolidation and are accordingly not disclosed in this note.

26.3 Joint venture and associates

The table below presents a summary of the related transactions with the Group's Joint Venture with Allianz Real Estate (VGP European Logistics) and the associates. VGP European Logistics is incorporated in Luxembourg and owns logistics property assets in Germany, the Czech Republic, Slovakia and Hungary. VGP NV holds 50% directly in the Joint Venture and 5.1% directly in the subsidiaries of the Joint Venture holding assets in Germany (associates).

<i>in thousands of €</i>	2018	2017
Loans outstanding at year end	143,347	149,907
Investments in Joint Venture	52,895	25,787
Equity distributions received	—	1,000
Net proceeds from sales to joint venture	289,704	122,053
Other receivables from/(payables) to the Joint Venture at year-end	(74)	(74)
Management fee income	7,933	6,688
Interest and similar income from joint venture and associates	5,702	5,299

26.4 Key Management

Key Management includes the Board of Directors and the executive management. The details of these persons can be found in the section *Board of Directors and Management*.

KEY MANAGEMENT REMUNERATION (<i>in thousands of €</i>)	2018	2017
Number of persons	11	9
Short term employee benefits		
Basic remuneration	1,080	875
Short term variable remuneration	700	521
Remuneration of directors	198	98
Total gross remuneration	1,978	1,494
Average gross remuneration	180	166

The disclosures relating to the Belgian Corporate Governance Code are included in the Corporate Governance Statement of this annual report. For 2018 no post-employment benefits were granted.

VGP Misv incentive plan

During the second half of 2018 and following the expiration of a 5 year-lock-up period certain members of the VGP team sold their respective VGP MISV shares to VGP NV. VGP NV acquired 330,830 (36%) VGP MISV shares for an aggregate amount of € 8.6 million. (see also note 24 for further details)

27. Events after the balance sheet date

On 1 April 2019, a fifth closing with VGP European Logistics took place with a transaction value of > € 190 million.

28. Services provided by the statutory auditor and related persons

The audit fees for VGP NV and its fully controlled subsidiaries amounted to € 121k In addition, additional non-audit services were performed during the year by Deloitte and related persons for which a total fee of € 30k was incurred.

29. Subsidiaries, joint venture and associates

29.1 Full consolidation

The following companies were included in the consolidation perimeter of the VGP Group as at 31 December 2018 and were fully consolidated:

SUBSIDIARIES	REGISTERED SEAT ADDRESS	%	
VGP NV	Antwerpen, Belgium	Parent	(1)
VGP CZ X a.s..	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(1)
VGP Park Chomutov a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(2)
VGP CZ XII a.s..	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(2)
VGP Park Olomouc 3 a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(2)
VGP Park Olomouc 5 a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(2)
VGP Park Ceske Budejovice a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(2)
VGP Park Mnichovo Hradiste a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(2)
VGP Park Hradek nad Nisou 2 a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(2)
VGP Park Rochlov a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(2)
Astria Group a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(2)
VGP – industrialni stavby s.r.o.	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(3)
SUTA s.r.o.	Prague, Czech Republic	100	(3)
VGP FM Services s.r.o.	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(3)
VGP Industriebau GmbH	Düsseldorf, Germany	100	(3)
VGP PM Services GmbH	Düsseldorf, Germany	100	(3)
FM Log.In. GmbH	Düsseldorf, Germany	100	(3)
VGP Park München GmbH	Düsseldorf, Germany	100	(2)
VGP Deutschland – Projekt 8 GmbH	Düsseldorf, Germany	100	(7)
VGP Park Hamburg 4 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP Park Goettingen S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP Park Halle S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP Park Berlin Wustermark S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)

SUBSIDIARIES	REGISTERED SEAT ADDRESS	%	
VGP Park Dresden S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP Park Berlin 3 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP DEU 12 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP Park Bischoffsheim S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP Park Goettingen 2 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP DEU 15 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP DEU 16 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP DEU 17 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP DEU 18 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP DEU 19 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP DEU 20 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP DEU 21 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP DEU 22 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP DEU 23 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP DEU 24 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP Asset Management S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(3)
VGP Finance NV	Zele, Belgium	100	(5)
VGP Latvia s.i.a.	Kekava, Latvia	100	(2)
VGP Park Timisoara S.R.L.	Timisoara, Romania	100	(2)
VGP Zone Brasov S.R.L.	Timisoara, Romania	100	(2)
VGP Park Sibiu S.R.L.	Timisoara, Romania	100	(2)
VGP Proiecte Industriale S.R.L.	Timisoara, Romania	100	(3)
VGP Park Bratislava a.s.	Bratislava, Slovakia	100	(2)
VGP – industrialne stavby s.r.o.	Bratislava, Slovakia	100	(3)
VGP Service Kft.	Győr, Hungary	100	(3)
VGP Park Hatvan Kft.	Győr, Hungary	100	(2)
VGP Park Győr Beta Kft.	Győr, Hungary	100	(2)
VGP Park Kecskemet Kft.	Győr, Hungary	100	(2)
VGP Nederland BV	Tilburg, The Netherlands	100	(2)
VGP Park Nederland 1 BV	Tilburg, The Netherlands	100	(2)
VGP Park Nederland 2 BV	Tilburg, The Netherlands	100	(2)
VGP Park Roosendaal BV	Tilburg, The Netherlands	100	(2)
VGP Naves Industriales Peninsula, S.L.U.	Barcelona, Spain	100	(1)
VGP (Park) Espana 1 S.L.U.	Barcelona, Spain	100	(2)
VGP (Park) Espana 3 S.L.U.	Barcelona, Spain	100	(2)
VGP (Park) Espana 4 S.L.U.	Barcelona, Spain	100	(2)
VGP (Park) Espana 5 S.L.U.	Barcelona, Spain	100	(2)
VGP (Park) Espana 6 S.L.U.	Barcelona, Spain	100	(2)
VGP (Park) Espana 7 S.L.U.	Barcelona, Spain	100	(2)
VGP (Park) Espana 8 S.L.U.	Barcelona, Spain	100	(2)
VGP (Park) Espana 9 S.L.U.	Barcelona, Spain	100	(2)
VGP Construzioni Industriali S.r.l.	Milan, Italy	100	(3)
VGP Park Italy 1 S.r.l.	Milan, Italy	100	(2)
VGP Park Italy 2 S.r.l.	Milan, Italy	100	(2)
VGP Park Italy 3 S.r.l.	Milan, Italy	100	(2)
VGP Park Italy 4 S.r.l.	Milan, Italy	100	(2)
VGP Industriebau Österreich GmbH	Vienna, Austria	100	(3)

29.2 Companies to which the equity method is applied

JOINT VENTURE	REGISTERED SEAT ADDRESS	%	
VGP European Logistics S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	50.00	(4)

ASSOCIATES	REGISTERED SEAT ADDRESS	%	
VGP Misv Comm. VA	Zelee, Belgium	78.83	(4)
VGP Park Rodgau GmbH	Düsseldorf, Germany	5.10	(6)
VGP Park Bingen GmbH	Düsseldorf, Germany	5.10	(6)
VGP Park Hamburg GmbH	Düsseldorf, Germany	5.10	(6)
VGP Park Höchststadt GmbH	Düsseldorf, Germany	5.10	(6)
VGP Park Berlin GmbH	Düsseldorf, Germany	5.10	(6)
VGP Park Leipzig GmbH	Düsseldorf, Germany	5.10	(6)
VGP Park Hamburg 2 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	5.10	(6)
VGP Park Frankenthal S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	5.10	(6)
VGP Park Leipzig S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	5.10	(6)
VGP Park Hamburg 3 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	5.10	(6)
VGP DEU 3 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	5.10	(6)
VGP Park Berlin 2 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	5.10	(6)
VGP Park Ginsheim S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	5.10	(6)
VGP Park Wetzlar S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	5.10	(6)

- (1) Holding and service company
(2) Existing or future asset company.
(3) Services company
(4) Holding company
(5) Dormant
(6) The remaining 94.9% are held directly by VGP European Logistics S.a r.l.
(7) In liquidation

29.3 Changes in 2018

(i) New Investments

SUBSIDIARIES	REGISTERED SEAT ADDRESS	%
VGP DEU 14 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 15 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 16 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 17 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 18 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 19 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 20 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 21 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 22 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 23 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 24 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP Park Hradek nad Nisou 2 a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100
VGP Park Rochlov a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100
VGP Park Olomouc 5 a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100
Astria Group a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100
VGP Industriebau Österreich GmbH	Vienna, Austria	100
VGP Park Hatvan Kft.	Győr, Hungary	100
VGP Park Győr Beta Kft.	Győr, Hungary	100
VGP Park Kecskemet Kft.	Győr, Hungary	100

SUBSIDIARIES	REGISTERED SEAT ADDRESS	%
VGP Park Nederland 1 BV	Tilburg, The Netherlands	100
VGP Park Nederland 2 BV	Tilburg, The Netherlands	100
VGP Park Roosendaal BV	Tilburg, The Netherlands	100
VGP – industriálne stavby s.r.o.	Bratislava, Slovakia	100
VGP Construzioni Industriali S.r.l.	Milan, Italy	100
VGP Park Italy 1 S.r.l.	Milan, Italy	100
VGP Park Italy 2 S.r.l.	Milan, Italy	100
VGP Park Italy 3 S.r.l.	Milan, Italy	100
VGP Park Italy 4 S.r.l.	Milan, Italy	100
VGP Proiecte Industriale S.R.L.	Timisoara, Romania	100
VGP (Park) Espana 5 S.L.U.	Barcelona, Spain	100
VGP (Park) Espana 6 S.L.U.	Barcelona, Spain	100
VGP (Park) Espana 7 S.L.U.	Barcelona, Spain	100
VGP (Park) Espana 8 S.L.U.	Barcelona, Spain	100
VGP (Park) Espana 9 S.L.U.	Barcelona, Spain	100

(ii) Name change

NEW NAME	FORMER NAME
VGP Park Timisoara S.R.L.	VGP Park Romania S.R.L.
VGP Zone Brasov S.R.L.	VGP Constructii Industriale S.R.L.
VGP Park Bischoffsheim S.à r.l.	VGP DEU 13 S.à r.l.
VGP Park Goettingen 2 S.à r.l.	VGP DEU 14 S.à r.l.

(iii) Subsidiaries sold

SUBSIDIARIES	REGISTERED SEAT ADDRESS	%
VGP (Park) Espana 2 S.L.U.	Barcelona, Spain	100

(iv) Subsidiaries sold to VGP European Logistics joint venture

SUBSIDIARIES	REGISTERED SEAT ADDRESS	%
VGP Park Olomouc 1 nástupnická a.s.	Jenišovice u Jablonce nad Nisou, Czech Republic	100.0
VGP Park Usti nad Labem a.s.	Jenišovice u Jablonce nad Nisou, Czech Republic	100.0
VGP Park Jenec a.s.	Jenišovice u Jablonce nad Nisou, Czech Republic	100.0
VGP Park Olomouc 4 a.s.	Jenišovice u Jablonce nad Nisou, Czech Republic	100.0
VGP Park Berlin 2 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	94.9
VGP Park Ginsheim S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	94.9
VGP Park Wetzlar S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	94.9

(v) Registered numbers of the Belgian companies

COMPANIES	COMPANY NUMBER
VGP NV	BTW BE 0887.216.042 RPR – Antwerp (Division Antwerp)
VGP Finance NV	BTW BE 0894.188.263 RPR – Ghent (Division Dendermonde)
VGP Misv Comm. VA	BTW BE 0894.442.740 RPR – Ghent (Division Dendermonde)

Supplementary notes not part of the audited financial statements

For the year ended 31 December 2018

1. Income statement, proportionally consolidated

The table below includes the proportional consolidated income statement interest of the Group in the VGP European Logistics joint venture. The interest held directly by the Group (5.1%) in the German asset companies of the Joint Venture have been included in the 50% Joint Venture figures (share of VGP).

<i>in thousands of €</i>	2018			2017		
	GROUP	JOINT VENTURE	TOTAL	GROUP	JOINT VENTURE	TOTAL
Gross rental income	16,627	30,803	47,430	17,046	19,328	36,374
Property operating expenses	(1,123)	(2,890)	(4,013)	(1,941)	(1,795)	(3,736)
Net rental and related income	15,504	27,913	43,417	15,105	17,534	32,639
Joint venture management fee income	9,965	—	9,965	8,057	—	8,057
Net valuation gains/(losses) on investment properties	98,552	39,938	138,490	94,628	24,427	119,055
Administration expenses	(18,167)	(1,056)	(19,223)	(19,353)	(871)	(20,224)
Operating profit/(loss)	105,854	66,795	172,649	98,437	41,089	139,526
Net financial result	(13,970)	(12,382)	(26,352)	(10,466)	(5,500)	(15,966)
Taxes	(15,998)	(9,194)	(25,192)	(21,205)	(6,360)	(27,565)
Profit for the period	75,886	45,220	121,106	66,766	29,229	95,995

2. Balance sheet, proportionally consolidated

The table below includes the proportional consolidated balance sheet interest of the Group in the VGP European Logistics joint venture. The interest held directly by the Group (5.1%) in the German asset companies of the Joint Venture have been included in the 50% Joint Venture figures (share of VGP).

<i>in thousands of €</i>	2018			2017		
	GROUP	JOINT VENTURE	TOTAL	GROUP	JOINT VENTURE	TOTAL
Investment properties	468,513	624,281	1,092,794	392,291	383,078	775,369
Investment properties included in assets held for sale	262,172	—	262,172	430,298	—	430,298
Total investment properties	730,685	624,281	1,354,966	822,589	383,078	1,205,667
Other assets	43,029	408	43,437	13,654	135	13,789
Total non-current assets	773,714	624,689	1,398,403	836,243	383,213	1,219,456
Trade and other receivables	23,064	6,469	29,533	11,074	6,462	17,536
Cash and cash equivalents	161,446	22,501	183,947	30,269	11,858	42,127
Disposal group held for sale	12,767	—	12,767	11,655	—	11,655
Total current assets	197,277	28,970	226,247	52,998	18,319	71,317
Total assets	970,991	653,659	1,624,650	889,241	401,532	1,290,773
Non-current financial debt	564,375	340,708	905,083	390,067	208,971	599,038
Other non-current financial liabilities	60	2,574	2,634	1,966	—	1,966
Other non-current liabilities	1,515	3,328	4,843	1,680	1,873	3,553
Deferred tax liabilities	16,692	39,950	56,642	11,750	28,740	40,490
Total non-current liabilities	582,642	386,560	969,202	405,463	239,584	645,047
Current financial debt	22,479	8,687	31,166	81,358	5,728	87,086
Trade debts and other current liabilities	38,469	16,985	55,454	38,379	12,909	51,288
Liabilities related to disposal group held for sale	25,361	—	25,361	41,123	—	41,123
Total current liabilities	86,309	25,672	111,981	160,860	18,637	179,497
Total liabilities	668,951	412,232	1,081,183	566,323	258,221	824,544
Net assets	302,040	241,427	543,467	322,918	143,312	466,230

Parent company information

1. Financial statements VGP NV

1.1 Parent company accounts

The financial statements of the parent company VGP NV, are presented below in a condensed form.

In accordance with Belgian company law, the directors' report and financial statements of the parent company VGP NV, together with the auditor's report, have been deposited at the National Bank of Belgium.

They are available on request from:

VGP NV
Uitbreidingstraat 72 bus 7
B-2600 Antwerpen (Berchem)
Belgium
www.vgpparks.eu

The statutory auditor issued an unqualified opinion on the financial statements of VGP NV.

1.2 Condensed income statement

<i>in thousands of €</i>	2018	2017
Other operating income	12,220	6,817
Operating profit or loss	3,715	(7,036)
Financial result	(3,159)	(1,366)
Non-recurrent income financial assets	83,561	39,078
Current and deferred income taxes	(10)	(167)
Profit for the year	84,107	30,509

1.3 Condensed balance sheet after profit appropriation

<i>in thousands of €</i>	2018	2017
Formation expenses, intangible assets	5,615	5,149
Tangible fixed assets	187	4
Financial fixed assets	794,263	754,696
Total non-current assets	800,065	759,849
Trade and other receivables	10,428	2,899
Cash & cash equivalents	127,041	18,946
Total current assets	137,469	21,845
TOTAL ASSETS	937,534	781,694
Share capital	92,667	92,667
Non-distributable reserves	9,267	9,267
Retained earnings	182,596	174,680
Shareholders' equity	284,530	276,614
Amounts payable after one year	596,284	407,067
Amounts payable within one year	56,720	98,013
Creditors	653,004	505,080
TOTAL EQUITY AND LIABILITIES	937,534	781,694

Valuation principles

Valuation and foreign currency translation principles applied in the parent company's financial statements are based on Belgian accounting legislation.

2. Proposed appropriation of VGP NV 2018 result

The profit after tax for the year ended was € 84,107,428.19

At the General Meeting of Shareholders on 10 May 2019, the Board of Directors will propose that the above result be appropriated as follows:

<i>in thousands of €</i>	2018	2017
Profit of the financial year	84,107,428.19	30,508,513.04
Profit carried forward	139,372,216.23	145,498,698.59
Transfer to legal reserves	—	(1,327,200.40)
Profit/(loss) to be carried forward	182,596,934.42	139,372,216.23
Profit to be distributed (gross dividend)	40,882,710.00	35,307,795.00

The board of directors proposes to the Annual Shareholders' Meeting that a dividend of € 40,882,710.00 (€ 2.20 per share) be distributed for the year 2018.

Auditor's report

VGP NV

Statutory auditor's report to the shareholders' meeting of VGP NV for the year ended 31 December 2018

(Consolidated financial statements)

In the context of the statutory audit of the consolidated financial statements of VGP NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 12 May 2017, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2019. We have performed the statutory audit of the consolidated financial statements of VGP NV for 12 consecutive periods.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 1,212,418 (000) € and the consolidated income statement shows a profit for the year then ended of 121,106 (000) €.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2018 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

Valuation of investment properties

VGP develops, owns and manages a portfolio of logistic and industrial warehousing properties, located mainly in Germany, the Czech Republic, Slovakia, Hungary and Spain. The property portfolio is valued at 468,513 (000) € as at 31 December 2018, 624,281 (000) € is held by joint ventures at share and 262,172 (000) € is presented under “disposal group held for sale”.

The portfolio includes completed investments and properties under construction (“development properties”) and is valued using the investment method in accordance with IAS 40 which is based on expected future cash flows. Development properties are valued using the same methodology with a deduction for all costs necessary to complete the development. Key inputs into the valuation exercise are yields, estimated rental values and current market rents, which are influenced by prevailing market forces, comparable transactions and the specific characteristics of each property in the portfolio. The Group uses professionally qualified external valuers to fair value the Group’s portfolio at six-monthly intervals.

The valuation of the portfolio is a significant judgement area, underpinned by a number of assumptions. Specifically estimating the cost to complete for development properties can involve judgements and the existence of estimation uncertainty. Coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement on the income statement and balance sheet, warrants specific audit focus in this area.

Reference to disclosures:

The methodology applied in determining the valuation is set out in note 2.7 of the consolidated financial statements. In addition we refer to note 13 of the consolidated financial statements containing the investment property roll-forward, note 20 in relation to the disposal group held for sale and note 9 in relation to investments in joint ventures and associates.

How our audit addressed the key audit matters

Assessing the valuer’s expertise and objectivity

- We assessed the competence, independence and integrity of the external valuers.
- We assessed management’s process for reviewing and challenging the work of the external valuers.

Testing the valuations

- We compared the amounts per the valuation reports to the accounting records and from there we agreed the related balances through to the financial statements.
- We involved an internal valuation specialists to assist the financial audit team to discuss and challenge the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including occupancy rates, yields and development milestones and compared to other data we have knowledge of;
- We obtained the external valuation reports for all properties and confirmed that the valuation approach is in accordance with RICS in determining the carrying value in the balance sheet.
- For development properties we also confirmed that the supporting information for construction contracts and budgets was consistent with the cost to complete deducted from the valuation of development properties. Capitalized expenditure was tested on a sample basis to invoices, and budgeted costs to complete were compared to supporting evidence (for example by inspecting original construction contracts).

Information and standing data

- We tested the standing data the Group provided to the valuers for use in the performance of the valuation, relating to rental income, key rent contract characteristics and occupancy.
- We considered the internal controls implemented by management and we tested the design and implementation of controls over investment properties.

Key audit matter

Transactions with associates

VGP has one significant investment in an associate, VGP European Logistics SARL, for which the net book value amounted to 241,427 (000) € per 31 December 2018. There were a number of transactions during the year between VGP NV and VGP European Logistics SARL which warranted particular additional audit focus due to the magnitude of the transactions and/or the potential for complex contractual terms that introduce judgement into how they were accounted for. Under the joint venture agreement between VGP and Allianz, a number of legal entities and properties were transferred to VGP European Logistics SARL resulting in a total net cash proceeds of 289,700 (000) €. The appropriate accounting treatment of transactions with an associate, appropriate disclosure thereof in the consolidated financial statements and appropriately reflecting the result recognized on these transactions (including the presentation as realized versus unrealized gains/losses on disposal of investment properties) involves management judgement and can be highly complex due to the differences that may arise between the disposal value of these entities and properties compared to their carrying amount. As such, we consider this to be a key audit area.

Reference to disclosures:

Refer to note 2 for the related accounting policies, note 9 in relation to investments in joint ventures and associates and note 22 cash flow from disposal of subsidiaries and investment properties.

How our audit addressed the key audit matters

- For each transaction, we held discussions with management and obtained supporting documentation as necessary to ensure that we understood the nature of the transaction. We reviewed the proposed accounting treatment in relation to the Group's accounting policies and relevant IFRSs standards.
- We have obtained the reconciliation of the realized gain/loss resulting from these transactions and agreed key items in the reconciliation (such as sales value, remaining cost to complete) to the underlying agreements or other supporting documentation.
- We have read the paragraphs and addenda to the contracts supporting these transactions and have involved our own IFRS experts to analyze the appropriate accounting treatment of these transactions.
- We have assessed appropriate disclosure of these transactions in the notes to the consolidated financial statements.

Key audit matter

Accounting for deferred taxes

Per 31 December 2018, deferred tax liabilities amount to 16,692 (000) €, 75,097 (000) € is held by joint ventures at share and 15,483 (000) € are presented under disposal group held for sale. These deferred tax liabilities mainly relate to differences between the fair value and tax value of investment properties. Accounting for deferred taxes can be complex, taking into account current and future tax legislation in various countries where VGP operates. Specifically in transactions involving the transfer of legal entities containing real estate, deferred taxes are commonly valued taking into account a reduced deferred tax rate compared to the legally applicable tax rates, which may result in complexity in the accounting treatment of such transactions in accordance with IAS 12.

The same factors apply to VGP European Logistics SARL which is accounted for by VGP as an equity accounted investee.

Reference to disclosures:

Refer to note 2 for the related accounting policies.

In addition we refer to note 11 of the consolidated financial in relation to deferred taxes, note 20 in relation to the disposal group held for sale and note 9 in relation to investments in joint ventures and associates.

How our audit addressed the key audit matters

- Validating the reconciliation of the deferred tax liabilities on the balance sheet and in the income statement per 31 December 2018.
- Challenging management estimates in relation to specific tax positions taken to account for deferred taxes.
- Analyzing significant evolutions in deferred tax liabilities compared to the previous accounting period and agreeing these back to related movements in the fair value of investment property or other movements driving the change in deferred tax position of the Group.
- Validating that the Group used the appropriate tax rates for recognizing deferred taxes.
- Reviewing the impact on deferred taxes following the transfer of legal entities containing real estate in accordance with IAS 12.

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. 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 consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain 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 group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude 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 group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated 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 statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes any public disclosure about the matter.

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Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary (revised in 2018) to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated

financial statements for that same year and has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements, i.e.:

- the report included in the section "Report of the Board of Directors" of the annual report

is free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Zaventem, 5 April 2019
The statutory auditor



Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises
CVBA/SCRL
Represented by Rik Neckebroeck

Glossary of terms

Acquisition price

This means the value of the property at the time of acquisition. Any transfer costs paid are included in the acquisition price.

Annualised committed leases or annualised rent income

The annualised committed leases or the committed annualised rent income represents the annualised rent income generated or to be generated by executed lease – and future lease agreements.

Associates

Means all subsidiaries of VGP European Logistics S.à r.l. in which VGP NV holds a direct 5.1% participation and VGP MISV Comm. VA in which the Company holds 78.83%.

Belgian Corporate Governance Code

Drawn up by the Corporate Governance Commission and including the governance practices and provisions to be met by companies under Belgian Law which shares are listed on a regulated market (the "2009 Code"). The Belgian Corporate Governance Code is available online at www.corporategovernancecommittee.be.

Break

First option to terminate a lease.

Compliance Officer

The compliance officer is responsible for monitoring compliance with the code of conduct for financial transactions in the Corporate Governance Charter (the dealing code).

Contractual rent

The gross rent as contractually agreed in the lease on the date of signing.

Contribution in kind

The non-cash assets contributed to a company at the time of formation or when the capital is increased.

Dealing Code

The code of conduct containing rules that must be complied with by the members of the Board of Directors, the members of executive management, and all employees of the VGP Group, who by virtue of their position, possess information they know or should know is insider information.

Derivatives

As a borrower, VGP wishes to protect itself from any rise in interest rates. This interest rate risk can be partially hedged by the use of derivatives (such as interest rate swap contracts).

Discounted cash flow

This is a valuation method based on a detailed projected revenue flow that is discounted to a net current value at a given discount rate based on the risk of the assets to be valued.

EPRA

The European Public Real Estate Association, a real estate industry body, which has issued Best Practices Recommendations Guidelines in order to provide consistency and transparency in real estate reporting across Europe.

Equivalent yield (true and nominal)

Is a weighted average of the net initial yield and reversionary yield and represents the return a property will produce based upon the timing of the income received. The true equivalent yield assumes rents are received quarterly in advance. The nominal equivalent assumes rents are received annually in arrears.

Estimated rental value ("ERV")

Estimated rental value (ERV) is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Exit yield

Is the capitalisation rate applied to the net income at the end of the discounted cash flow model period to provide a capital value or exit value which an entity expects to obtain for an asset after this period.

Facility Management

Day-to-day maintenance, alteration and improvement work. VGP employs an internal team of facility managers who work primarily for the VGP Group and the Joint Venture.

Fair value

The fair value is defined in IAS 40 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In addition, market value must reflect current rental agreements, the reasonable assumptions in respect of potential rental income and expected costs.

FSMA (Financial Services and Markets Authority)

The Financial Services and Market Authority (FSMA) is the autonomous regulatory authority governing financial and insurance markets in Belgium.

Gearing ratio

Is a ratio calculated as consolidated net financial debt divided by total equity and liabilities or total assets.

IAS/IFRS

International Accounting Standards/ International Financial Reporting Standards. The international accounting standards drawn up by the International Accounting Standards Board (IASB), for the preparation of financial statements.

Indexation

The rent is contractually adjusted annually on the anniversary of the contract effective date on the basis of the inflation rate according to a benchmark index in each specific country.

Initial yield

Is the annualised rent of a property expressed as a percentage of the property value.

Insider information

Any information not publicly disclosed that is accurate and directly or indirectly relates to one or more issuers of financial instruments or one or more financial instruments and that, if it were publicly disclosed, could significantly affect the price of those financial instruments (or financial instruments derived from them).

Interest hedging

The use of derived financial instruments to protect debt positions against interest rate rises.

Investment value

The value of the portfolio, including transaction costs, as appraised by independent property experts.

IRS (Interest Rate Swap)

A transaction in which the parties swap interest rate payments for a given duration. VGP uses interest rate swaps to hedge against interest rate increases by converting current variable interest payments into fixed interest payments.

Joint Venture or VGP European Logistics or VGP European Logistics joint venture

Means VGP European Logistics S.à r.l., the 50:50 joint venture between the VGP and Allianz.

Lease expiry date

The date on which a lease can be cancelled.

Market capitalisation

Closing stock market price multiplied by the total number of outstanding shares on that date.

Net asset value

The value of the total assets minus the value of the total liabilities.

Net financial debt

Total financial debt minus cash and cash equivalents.

Net Initial Yield

Is the annualised rents generated by an asset, after the deduction of an estimate of annual recurring irrecoverable property outgoings, expressed as a percentage of the asset valuation (after notional purchaser's costs).

Occupancy rate

The occupancy rate is calculated by dividing the total leased out lettable area (m²) by the total lettable area (m²) including any vacant area (m²).

Project management

Management of building and renovation projects. VGP employs an internal team of project managers who work exclusively for the Group.

Property expert

Independent property expert responsible for appraising the property portfolio.

Property portfolio

The property investments, including property for lease, property investments in development for lease, assets held for sale and development land.

Reversionary Yield

Is the anticipated yield, which the initial yield will rise to once the rent reaches the ERV and when the property is fully let. It is calculated by dividing the ERV by the valuation.

Seed portfolio

The first 15 VGP parks acquired by the Joint Venture at the end of May 2016, including the respective completed buildings, buildings under construction and development land at the end of May 2016.

VGP European Logistics portfolio

The property for lease of the Joint Venture.

Weighted average term of financial debt

The weighted average term of financial debt is the sum of the current financial debt (loans and bonds) multiplied by the term remaining up to the final maturity of the respective loans and bonds divided by the total outstanding financial debt.

Weighted average term of the leases

The weighted average term of leases is the sum of the current rent and committed rent for each lease multiplied by the term remaining up to the final maturity of these leases divided by the total current rent and committed rent of the portfolio.

Weighted Average Unexpired Lease Term ("WAULT")

is the average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income.

Weighted average yield

The sum of the contractual rent of a property portfolio to the acquisition price of such property portfolio.

Take-up

Letting of rental spaces to users in the rental market during a specific period.

2018 Bond or Dec-18 Bond

the € 75 million fixed rate bond maturing on 6 December 2018 which carries a coupon of 5.10% per annum (listed on the regulated market of Euronext Brussels with ISIN Code: BE0002208743 – Common Code: 099582871) and which was refinanced on 6 December 2018.

2023 Bond or Sep-23 Bond

the € 225 million fixed rate bond maturing on 21 September 2023 which carries a coupon of 3.90% per annum (listed on the regulated market of Euronext Brussels with ISIN Code: BE0002258276 – Common Code: 148397694).

2024 Bond or Jul-24 Bond

the € 75 million fixed rate bond maturing on 6 July 2024 which carries a coupon of 3.25% per annum (listed on the regulated market of Euronext Brussels with ISIN Code: BE0002287564 – Common Code: 163738783).

2025 Bond or Mar-25 Bond

the € 80 million fixed rate bond maturing on 30 March 2025 which carries a coupon of 3.35% per annum (unlisted with ISIN Code: BE6294349194 – Common Code: 159049558).

2026 Bond or Mar-26 Bond

the € 190 million fixed rate bond maturing on 19 March 2026 which carries a coupon of 3.50% per annum (listed on the regulated market of Euronext Brussels with ISIN Code: BE0002611896 – Common Code: 187793777).

Statement of responsible persons

The undersigned declare that, to the best of their knowledge:

- The annual accounts, which are in line with the standards applicable for annual accounts, give a true and fair view of the capital, the financial situation and the results of the issuer and the consolidated subsidiaries;
- The annual report gives a true and fair view of the development and the results of the company and of the position of the issuer and the consolidated companies, as well as a description of the main risks and uncertainties they are faced with.



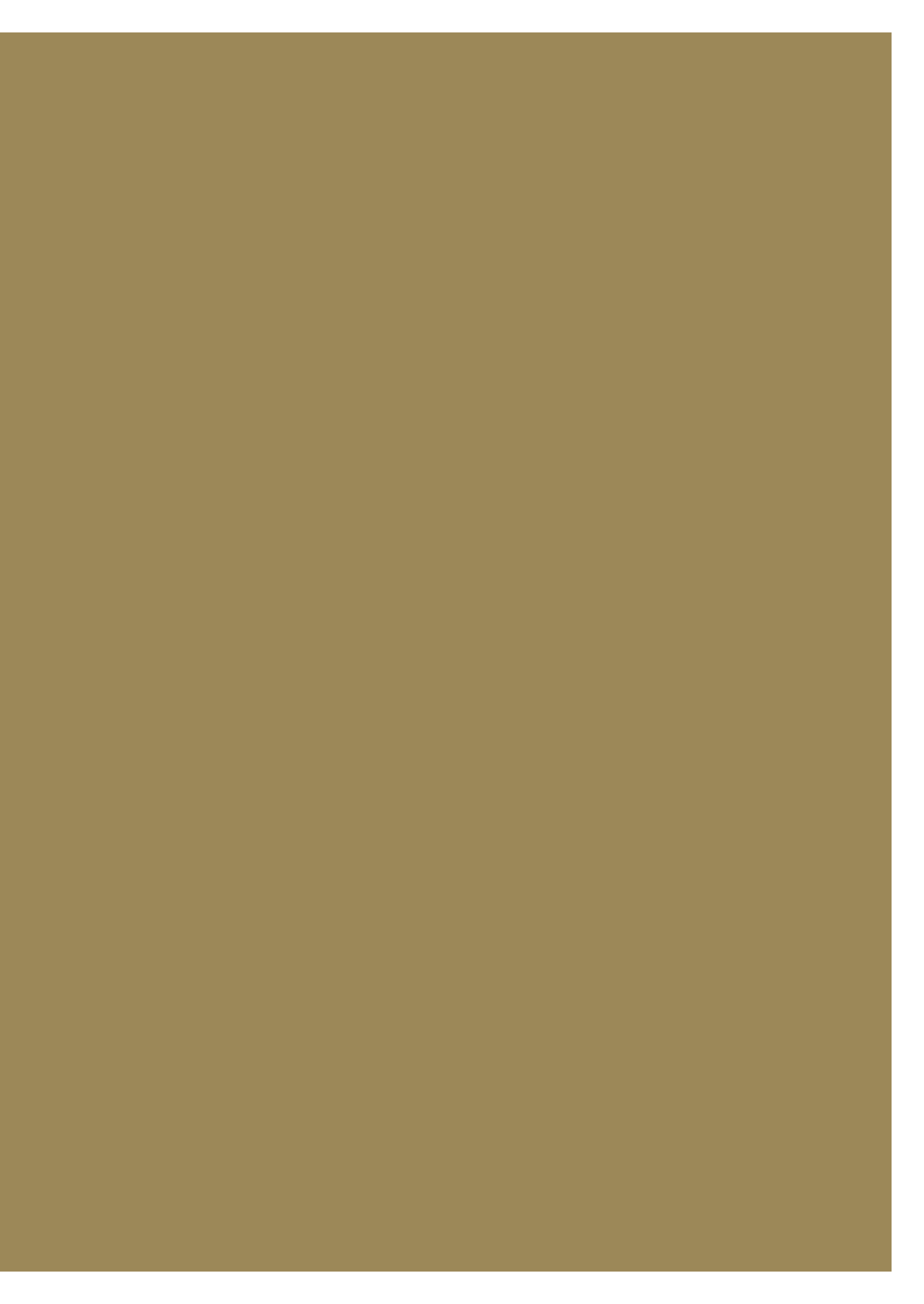
Jan Van Geet
as permanent representative
of Jan Van Geet s.r.o.
CEO



Dirk Stoop
as permanent representative
of Dirk Stoop BVBA
CFO

Disclaimer

This report may contain forward-looking statements. Such statements reflect the current views of management regarding future events, and involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. VGP is providing the information in this report as of this date and does not undertake any obligation to update any forward-looking statements contained in this report in light of new information, future events or otherwise. The information in this report does not constitute an offer to sell or an invitation to buy securities in VGP or an invitation or inducement to engage in any other investment activities. VGP disclaims any liability for statements made or published by third parties and does not undertake any obligation to correct inaccurate data, information, conclusions or opinions published by third parties in relation to this or any other report or press release issued by VGP.



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