VGP

ANNUAL REPORT 2017

VGP

BUILDING TOMORROW TODAY

CONTENT

1

KEY FIGURES

KEY FIGURES

in thousands of €

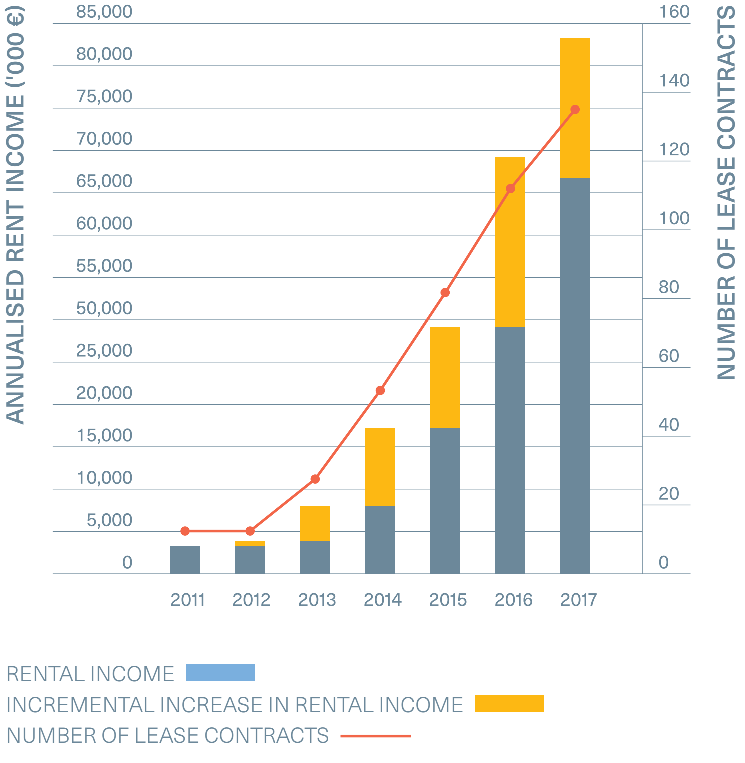
INVESTMENT PROPERTIES	2017	2016	2015	2014	2013
OWN PORTFOLIO					
TOTAL LETTABLE AREA *(m²)*	445,958	416,158	548,838	268,232	761,724
OCCUPANCY RATE *(%)*	100.0%	97.0%	97.3%	94.0%	96.2%
FAIR VALUE OF PROPERTY PORTFOLIO	627,737	682,525	677,084	416,089	225,804
VGP EUROPEAN LOGISTICS PORTFOLIO (100%)					
TOTAL LETTABLE AREA *(m²)*	830,905	593,454	—	—	—
OCCUPANCY RATE *(%)*	100.0%	100.0%	—	—	—
FAIR VALUE OF PROPERTY PORTFOLIO	877,761	594,198	—	—	—

BALANCE SHEET	2017	2016	2015	2014	2013
SHAREHOLDERS' EQUITY	466,230	390,305	361,978	215,417	166,057
GEARING					
NET DEBT/SHAREHOLDERS' EQUITY	0.94	0.87	0.71	0.72	0.55
NET DEBT/TOTAL ASSETS	42.3%	39.4%	35.7%	33.2%	24,9%

INCOME STATEMENT	2017	2016	2015	2014	2013
GROSS RENTAL INCOME	17,046	16,806	17,073	9,596	4,613
PROPERTY OPERATING EXPENSES AND NET SERVICE CHARGE INCOME/(EXPENSES)	(1,053)	(668)	(550)	(1,082)	(818)
NET RENTAL AND RELATED INCOME	**15,993**	**16,138**	**16,523**	**8,514**	**3,795**
PROPERTY AND FACILITY MANAGEMENT/ DEVELOPMENT INCOME	8,057	3,825	2,547	3,407	3,875
NET VALUATION GAINS/(LOSSES) ON INVESTMENT PROPERTIES	94,628	118,900	103,981	53,920	27,872
OTHER INCOME/(EXPENSES) – INCLUDING ADMINISTRATIVE COSTS	(20,241)	(16,778)	(13,998)	(7,089)	(4,850)
SHARE IN THE RESULTS OF JOINT VENTURE AND ASSOCIATES	29,229	7,897	191	14,473	1,526
OPERATING PROFIT	**127,666**	**129,982**	**109,244**	**73,225**	**32,218**
NET FINANCIAL RESULT	(10,466)	(16,906)	(10,154)	(7,675)	702
TAXES	(21,205)	(21,790)	(12,529)	(16,191)	(8,618)
PROFIT FOR THE YEAR	**95,995**	**91,286**	**86,561**	**49,359**	**24,302**

RESULT PER SHARE	2017	2016	2015	2014	2013
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	5.17	4.91	4.66	2.66	1.31
NET RESULT PER SHARE *(in €)* – DILUTED	5.17	4.91	4.66	2.66	1.31

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



LETTER TO THE SHARE-HOLDERS

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LETTER TO THE SHAREHOLDERS

Dear share– and bondholders of VGP

Dirk and myself have spent a lot of time on the road over the last year to meet and explain VGP to most of you in the course of our re-IPO which we successfully concluded on October 25, 2017. As a result, our free float has increased substantially from 6.0 % at the start of the year to 37.5 % now.

Together with the expansion of our shareholder base, our organization has also been growing a lot, counting more then 150 employees today divided over 10 different countries.

In 2018 priority will be given to create more structure inside our team. We will amongst others further reinforce the finance team in terms of reporting and investor relations. But before taking a look forward let me first summarise shortly our main achievements over the past year:

- First of all we are proud that our net profit increased to a record of € 96 million.
- As a big part of this profit comes from assets which are held for sale to our Joint Venture in the next closing, now planned for the end of April 2018., most of this profit will not remain theoretical gains in our books but will convert to available cash during the next closing with our VGP European Logistics joint venture.
- As a result, we will, after the closing with the Joint Venture of April 2018, dispose of enough free cash to realize our growth plans in 2018, and additionally have the possibility to pay out a dividend of € 35.3 million or € 1.90 per share.
- Our annualised committed leases grew with € 27.4 million to € 82.8 million, a 35% increase over the last year.
- We invested substantially in our landbank and landbank under option in line with our growth targets and started prospection in new Western European markets which materialized after the year end in the opening of two new offices i.e. one in Italy and one in the Benelux. During the following years, we will continue to put a lot of effort in expanding to more European countries as we try to follow our customers and offer them turn-key-solutions in all mature European markets.
- At the moment we have more than 450,000 m² under construction and we believe to be able to deliver roughly 500,000 m² to the market in 2018, thus outperforming the 400,000 m² we have set ourselves as annual target.

As a management team we are also very focused on the years ahead of us. On the one hand we do believe that new consumption patterns and technologies are emerging which are changing our market fundamentally but which, on the other hand, offer a solid base for further growth in the future, even if the economic cycle would turn.

The retail habits of the consumers are taking a clear turn to our advantage as e-commerce plays a more and more important role in the economy. E-commerce needs substantially more warehouse capacity than the traditional retailers. Given, in general, the scarcity of available workforce and development land to respond to this new trend, we believe that warehouse capacity enhancement through automatisation and robotisation will play a very important role in the near future, a trend which many of our customers are already anticipating and exploring very intensively, and in which VGP is actively involved in and expanding its know-how.

New growth plan

As our organization is continuously growing, we will put extra priority in 2018 to streamline and structure our management team. As mentioned before, we are strengthening our management team with some new experienced people to substantially reinforce the reporting and financial division (including an investor relation position) and have made a new business plan with clear individual and team related goals and parameters for all people in the organization matrix.

We want to enhance as such our platform in 2018 to enable it to execute the ambitious new growth plan we have set for ourselves in the next years. We have also decided to further expand our head office and further centralize a number of functions within the head office which are planned to move to a new location based in Antwerp, Belgium, during the second quarter of 2018.

Finally, as every year, I would like to use this opportunity to express my gratitude to all of our team members for their enthusiasm and dedication with which they focus on their daily challenges, to their families for supporting them when necessary and to all of you share-and bondholders for your faith in our company and its management.

Yours sincerely,
Jan Van Geet.


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COMPANY PROFILE

COMPANY 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'S OWN PORTFOLIO OWNS
A TOTAL LETTABLE AREA OF

$445{,}958\ m^2$ COMPLETED

$+\ 475{,}113\ m^2$ UNDER CONSTRUCTION

VGP owns a property portfolio of € 627.7 million as at 31 December 2017 which represents a total lettable area of over 445,958 m^2 (15 buildings) with another 22 buildings under construction representing 475,113 m^2 of which 219,414 m^2 (7 buildings) are being constructed for the VGP European Logistics joint venture.

The VGP European Logistics joint venture owns a property portfolio of € 877.8 million as at 31 December 2017 which represents a total lettable area of over 830,877 m^2 (45 buildings).

VGP EUROPEAN LOGISTICS JOINT VENTURE
OWNS A TOTAL LETTABLE AREA OF

$830{,}877\ m^2$

COMPLETED

REMAINING DEVELOPMENT LAND BANK IN FULL OWNERSHIP OF

$1{,}809{,}028\ m^2$

As at 31 December 2017 VGP has a remaining development land bank in full ownership of 1,809,028 m^2. This land bank allows VGP to develop besides the current completed projects and projects under construction (701,657 m^2) a further 904,000 m^2 of lettable area of which 420,000 m^2 in Germany, 170,000 m^2 in the Czech Republic, 246,000 m^2 in Spain, 37,000 m^2 in Latvia and 31,000 m^2 in Romania. Besides this, VGP had another 1,452,336 m^2 of new plots of land under option, at year-end, allowing to develop approx. 665,000 m^2 of new projects. It is expected that these remaining land plots will be acquired, subject to permits, during the course of 2018.

VGP European Logistics has a remaining development land bank in full ownership of 126,605 m^2 as at 31 December 2017. This land bank allows the Joint Venture to develop besides the current completed projects (830,877 m^2) and projects under construction (219,414 m^2 being developed by VGP) a further 52,518 m^2 of lettable area.

COMPANY STRATEGY


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COMPANY STRATEGY

VGP is a 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.

The aim of the Group is to become a leading pan-European specialised developer, owner and manager of high-quality logistic and light industrial property

In order to achieve this goal 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.

All the aforementioned elements should allow the Group to provide attractive return 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.

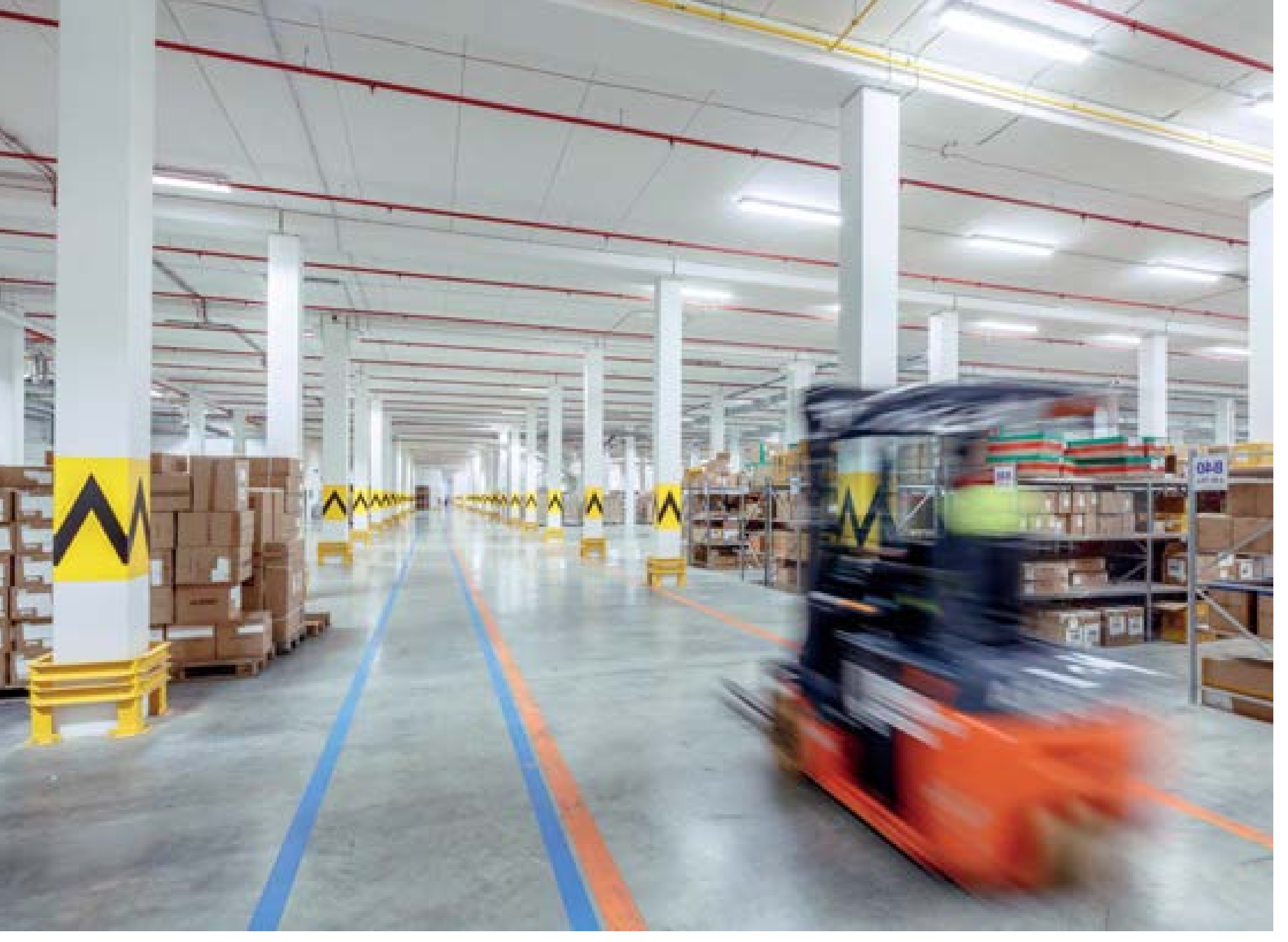
The Group concentrates on the sector of logistic and light industrial accommodation projects situated in Germany, the mid-European region and Spain. The Group aims to expand into other European markets in the near future.

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, re-conditioning, 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 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 co-ordination 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 function was created during 2016 as part of the services rendered to the newly established joint venture and entails giving advice and recommendations to the joint venture companies on the joint venture's assets 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 in the Czech Republic by SUTA s.r.o. ("SUTA") and 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.

During 2016 VGP undertook a strategic repositioning of the SUTA facility management within the VGP Group. In the past SUTA provided facility management services to a broad range of third party customers. In view of the strong growth of the own and the Joint Venture portfolio it was decided during the year to scale down all services provided to third parties and to concentrate primarily on the Group's and the Joint Venture's portfolios and a limited selected number of third parties going forward. In Germany, facility management services are carried out by FM Log.In.

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

1

Strategically located plots of land

2

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

3

High quality standardised logistic real estate

4

In-house competences enabling a fully integrated business model

5

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

5 VGP IN 2017


VANDERLANDE

VGP IN 2017

During 2017 VGP continued its strong growth in all the markets where the Group is active.

E-commerce continues to be a strong driver of demand for new lettable space. Development and letting activities continue to perform at record levels.

During the first half of 2017, a third 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 7 logistic buildings, and another 4 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 4 buildings which were acquired by the Joint Venture are also located in Germany (3 buildings) and in the Czech Republic (1 building).

DURING THE YEAR 2017 VGP COMPLETED

349,871 m^2

OF LETTABLE AREA

During the year 17 buildings were completed totalling 349,871 m^2 of lettable area. At the end of the year 22 buildings were under construction representing 475,113 m^2 of lettable area of which 219,414 m^2 (7 sbuildings) are being constructed for the VGP European Logistics joint venture.

VGP continued to improve its financial debt profile with the successful private placement of an 8 year, € 80 million bond at the end of March 2017, and the issue at the beginning of July 2017 of a new € 75 million, 7 year retail bond to refinance the Jul-17 Bond maturing on 12 July 2017.

VGP'S BUSINESS REVIEW

Commercial activities

The increase in demand of lettable area resulted in the signing of new lease contracts in excess of € 27.4 million (own and Joint Venture portfolio) of which € 24.3 million related to new or replacement leases million and € 3.1 million were related to renewals of existing lease contracts. During the year lease contracts for a total amount of € 1.6 million were terminated.

The annualised committed leases (on an aggregate own and Joint Venture portfolio basis) therefore increased to € 82.8 million as at the end of December 2017 (compared to € 64.3 million as at 31 December 2016).

The signed lease agreements as at 31 December 2017 represent a total of 1,658,414 m² of lettable area and correspond to 152 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 9.7 years at the year-end (10.3 years as at 31 December 2016) and the occupancy rate (own and Joint Venture portfolio) reached 100.0 % at year-end (compared to 98.8% at the end of 2016)

Own portfolio

During the year 2017 VGP signed new annualised committed leases in excess of € 16.9 million in total, of which € 15.7 million related to new or replacement leases and € 1.2 million to the renewal of existing leases. During the year lease contracts for a total amount of € 0.4 million were terminated.

Germany was the main driver of the increases in annualised committed leases with more than € 5.5 million of new leases signed during the year. The other countries also performed very well with new leases being signed in the Czech Republic + € 5.3 million, Latvia + € 1.4 million, Spain + € 1.4 million, Romania + € 1.1 million, and finally in Estonia +€ 1.0 million. This brings the annualised committed leases to € 30.3 million as at 31 December 2017.

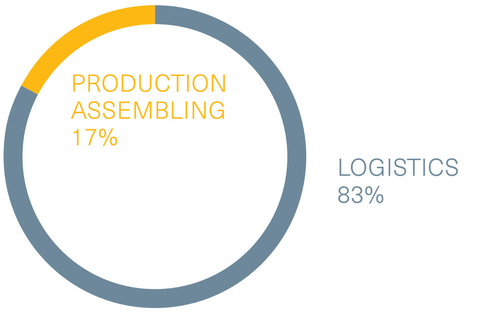
The signed lease agreements represent a total of 648,474 m² of lettable area and correspond to 58 different tenants' lease or future lease agreements. The weighted average term of the annualised committed leases stood at 13.0 years at the year-end (10.1 years to first break).

As at 31 December 2017 the investment property portfolio consists of 15 completed buildings representing 445,958 m² of lettable area with another 22 buildings under construction representing 475,113 m² of lettable area, of which 7 buildings (219,414 m²) are being developed for VGP European Logsitics. During the year 17 buildings were completed totalling 349,871 m² of lettable area.

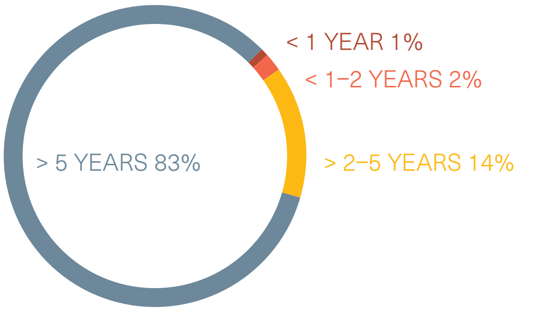
For its own account VGP delivered 12 buildings i.e. In the Czech Republic: 1 building of 14,383 m² in VGP Park Tuchomerice, 1 building of 8,725 m² in VGP Park Usti nad Labem, 3 buildings in VGP Park Olomouc totalling 28,778 m², and 2 buildings in VGP Park Jenec totalling 54,466 m². In Germany: 1 building of 53,777 m² in VGP Park Berlin, 1 building of 35,670 m² in VGP Park Ginsheim, 1 building of 23,679 m² in VGP Park Hamburg, 1 building of 24,587 m² in VGP Park Leipzig and 1 building of 8,386 m² in VGP Park Schwalbach.

Of these buildings the Joint Venture acquired at the end of May 2017: In the Czech Republic the building of VGP Park Tuchomerice (14,383 m²), and in Germany: the buildings in VGP Park Leipzig (24,587 m²), in VGP Park Schwalbach (8,386 m²) and 1 building in VGP Park Hamburg (23,679 m²). The occupancy rate of the own portfolio reached 100.0% at the end of 2017 (compared to 97.0% at the end of 2016).

PORTFOLIO BREAKDOWN BY USE
31 December 2017 (in m²)



COMMITTED LEASE MATURITY
31 December 2017 (in m²)



VGP European Logistics portfolio

During the year 2017 VGP negotiated for its Joint Venture new annualised committed leases in excess of €10.9 million in total of which € 9.5 million related to new or replacement leases and € 1.4 million to the renewal of existing leases. During the year lease contracts for a total amount of € 2.2 million were terminated.

Germany was the main driver of the increases in annualised committed leases with more than € 7.1 million of new leases signed during the year. In the other countries, new leases were signed in Hungary + € 1.1 million, the Czech Republic + € 1.0 million and finally in Slovakia + € 0.3 million. This brings the annualised committed leases to € 52.5 million as at 31 December 2017.

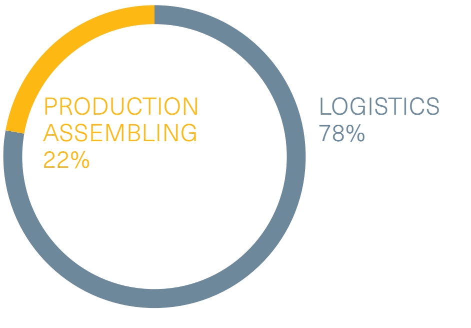
The signed lease agreements represent a total of 1,009,940 m² of lettable area and correspond to 94 different tenants' lease or future lease agreements. The weighted average term of the annualised committed leases stood at 7.9 years at the year-end (7.1 years to first break).

As at 31 December 2017 the investment property portfolio consists of 45 completed buildings representing 830,877 m² of lettable area with another 7 buildings being developed by VGP, on behalf of the Joint Venture, representing 219,414 m² of lettable area.

For the Joint Venture VGP completed 5 buildings i.e. In the Czech Republic: 1 building of 12,226 m² in VGP Park Brno, in Germany 3 buildings in VGP Park Hamburg of 72,982 m² in total and finally, in Hungary, 1 building of 12,212 m² in VGP Park Györ. The occupancy rate of the joint venture portfolio was 100% at the end of 2017 (same as for 2016.

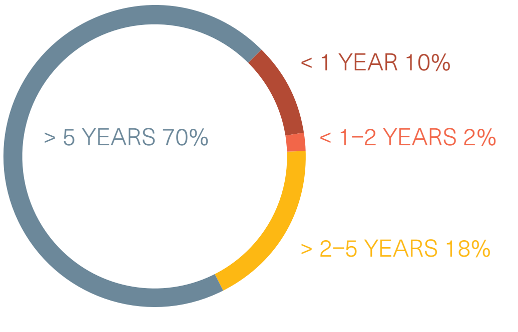
PORTFOLIO BREAKDOWN BY USE

31 December 2016 (in m²)



COMMITTED LEASE MATURITY

31 December 2016 (in m²)



Development activities

Own portfolio

The development activities have shown a consistent strong track record over the past years. Over the past 10 years VGP developed circa 2.4 million m² of lettable area.

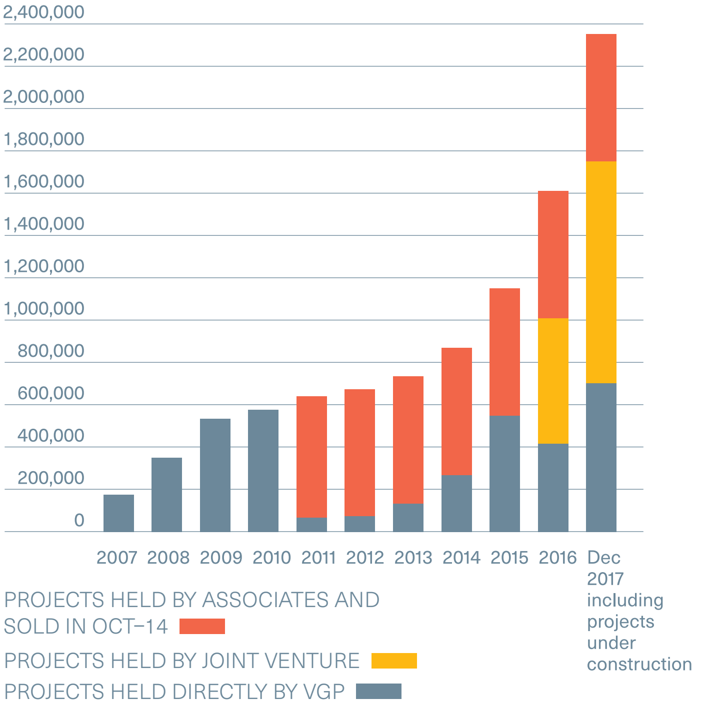
At the end of December 2017 VGP has the following 22 buildings under construction. For its own account VGP has 15 new buildings under construction i.e. in the Czech Republic: 2 buildings in VGP Park Usti nad Labem, 1 building in VGP Park Olomouc, 2 buildings in VGP Park Jenec, and 1 building in VGP Park Chomotov, In Germany: 2 buildings in VGP Park Berlin, 1 building in VGP Park Wetzlar, 1 building in VGP Park Göttingen, and 2 buildings in VGP Park Wustermark. In other countries: 1 building in VGP Park San Fernando de Henares (Spain), 1 building in VGP Park Kekava (Latvia) and 1 building in VGP Park Timisoara (Romania). The new buildings under construction on which 67%[1] pre-leases have already been signed as at 31 December 2017, represent a total future lettable area of 255,699 m² which corresponds to an estimated annualised rent income of € 12.6 million.

During the year, VGP continued to target land plots to support the development pipeline for future growth. In 2017, VGP acquired 729,939 m² of new development land of which 469,203 m² was located in Germany, 169,792 m² in the Czech Republic and 90,944 m² in Romania. These new land plots have a development potential of 357,000 m² of future lettable area.

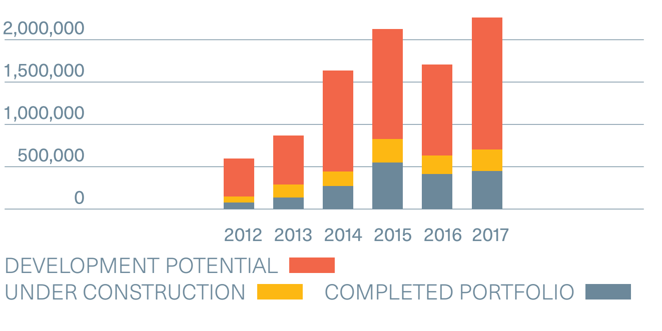
Besides this VGP has another 1,452,336 m² of new land plots under option which are located in Germany, the Czech Republic, Romania and Slovakia. These land plots have a development potential of approximately 665,000 m² of new lettable area and the bulk of the land plots are expected to be purchased during 2018, subject to obtaining the necessary permits.

As a result, VGP has currently a remaining secured development land bank of 3,261,364 m² of which 56% or 1,809,028 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 1,560,000 m² of lettable area of which 530,000 m² in Germany, 462,000 m² in the Czech Republic, 245,000 m² in Spain, 206,000 m² in Slovakia, 77,000 m² in Romania and 37,000 m² in Latvia.

TOTAL SQUARE METRES DEVELOPED
31 December 2017 (in m²)



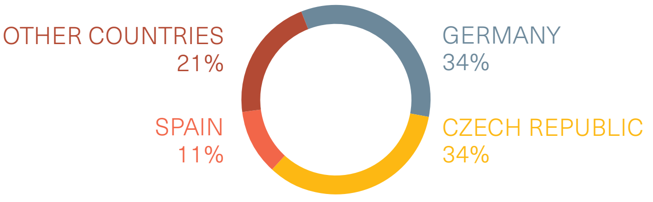
REMAINING DEVELOPMENT POTENTIAL OWN SECURED PORTFOLIO *(in m²)*



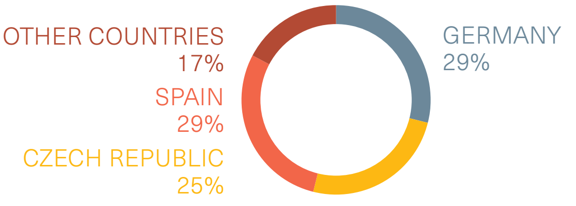
1 Calculated based on the contracted rent and estimated market rent for the vacant space.

The development potential of the VGP own portfolio on the remaining secured land bank as at 31 December 2017 is as follows:

TOTAL REMAINING SECURED LAND AREA
31 December 2017 (in m²)



TOTAL COMPLETED & PIPELINE
31 December 2017 (in m²)



REMAINING DEVELOPMENT POTENTIAL
31 December 2017 (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.

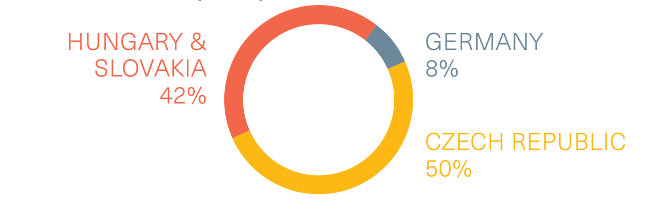
VGP European Logistics portfolio

On behalf of the Joint Venture VGP is constructing 7 new buildings: In the Czech Republic: 1 building in VGP Park Cesky Ujezd and 1 building in VGP Park Hradek nad Nisou. In Germany: 1 building in VGP Park Hamburg, 1 building in VGP Park Frankenthal and 2 buildings in VGP Park Leipzig. In the other countries: 1 building in VGP Park Malacky (Slovakia). The new buildings under construction on which 82%[1] pre-leases have already been signed as at 31 December 2017, represent a total future lettable area of 219,414 m², which corresponds to an estimated annualised rent income of € 11.5 million.

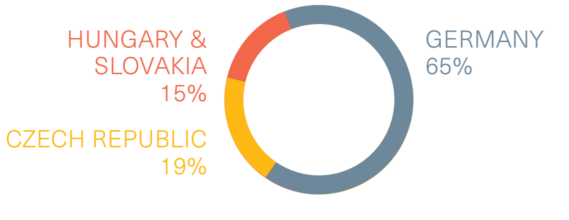
The Joint Venture has currently a remaining development land bank in full ownership of 126,605 m² on which a total of 52,518 m² of new lettable area can be developed.

The current development potential of the VGP European Logistics portfolio as at 31 December 2017 is as follows:

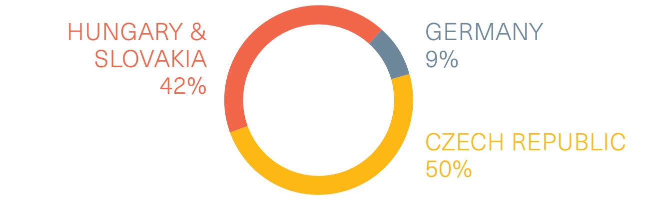
TOTAL REMAINING LAND AREA
31 December 2017 (in m²)



TOTAL COMPLETED & PIPELINE
31 December 2017 (in m²)



REMAINING DEVELOPMENT POTENTIAL
31 December 2017 (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.

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

GENERAL MARKET OVERVIEW[1]

CEE + Germany and Spain – Key market indicators

CEE, GERMANY AND SPAIN INVESTMENT MARKET OVERVIEW

	2017 VOLUME *(€ millions)*	**2016 VOLUME** *(€ millions)*
POLAND	5,030	4,540
CZECH REPUBLIC	3,538	3,600
ROMANIA	1,840	890
SLOVAKIA	1,000	840
HUNGARY	525	1,700
OTHER CEE	1,045	994
TOTAL CEE	**12,980**	**12,564**
GERMANY	56,800	52,900
SPAIN	11,230	8,706
GRAND TOTAL	**81,010**	**74,170**

SOURCE: Jones Lang LaSalle February 2018

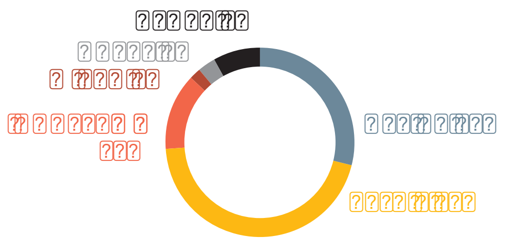
1 SOURCE: Jones Lang LaSalle

CEE Real estate investment – Market overview 2017

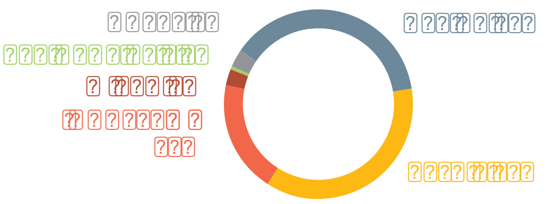
At ca. €12.98 billion, 2017 recorded a 3.3% increase over 2016 (€12.56 billion) and for the second year running set a new record transaction volume for the CEE region. We have registered continued appetite from investors for the full range of assets across the entire region. The full year breakdown saw Poland and the Czech Republic each record new second best ever volumes with a regional share of 39% and 27% respectively. These were followed by Hungary (14%), Romania (8%) SEE markets (8%) and Slovakia (4%). Table includes Germany where transaction volume on the commercial property market amounted to around €56.8 billion, which not only matched the previous record in 2015 after just two years but exceeded it by €1.7 billion. Compared to 2016, this represents an increase of 7%. The total investment volume in Spain were up by 29%. The breakdown of volumes for 2017 is as follows:

With a solid pipeline of transactions set for 2018, we expect another strong year. JLL forecast for the full year suggests CEE regional volumes will reach in excess of ca. €12.0 billion, which could again challenge the new record set in 2017.

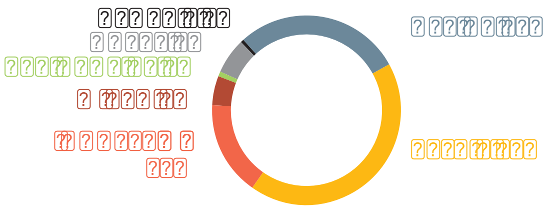
CEE SECTOR SPLIT 2015



CEE SECTOR SPLIT 2016

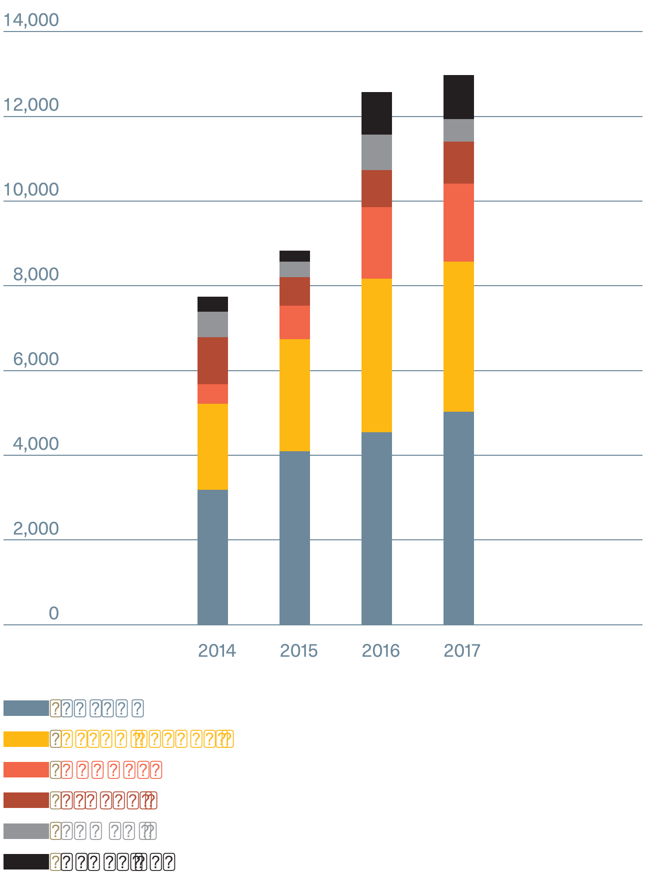


CEE SECTOR SPLIT 2017



SOURCE: Jones Lang LaSalle February 2018

CEE VOLUME BY COUNTRIES



SOURCE: Jones Lang LaSalle February 2018

Focus on Germany

The economic conditions for German commercial property investment markets remained uniformly positive during 2017. In addition to the continuing low interest rates, a thriving economy and strong lettings markets helped drive strong demand for investment products.

The essential criterion for investors is and remains the likely rise in interest rates, and what the implications of this rise could have for the investment market. After all, 2017 marked the tenth anniversary of the start of the last major financial crisis and, at least in terms of its monetary policy, the European Central Bank remains in crisis mode with its zero-rate policy. At the same time, the ECB has at least signalled that it will begin to implement its exit strategy – by halving the purchase volume of state and company bonds from January 2018 from €60 billion to date to €30 billion per month. Whichever way we interpret this decision, in our view it represents a first step towards the normalisation of monetary policy in the Eurozone. A change in interest rates is not expected before mid/end 2019, however. Demand is still present and intact, fuelled by the significant gap in yields that still exists between real estate and government bonds. The gap will narrow in the medium-term, but this will be caused by rising bond yields rather than decreasing property yields. It seems reasonable to assume that with a further narrowing of the gap, and when the difference between the two becomes much smaller than at present, the point will be reached when property no longer appears to be commensurate with the risks relative to bonds. It is likely that "traditional bond investors" such as insurers will then again turn their attention more to the bond market and focus less on the property market.

The transaction volume on the German commercial property market amounted to around €56.8 billion, which not only matched the previous record in 2015 after just two years but exceeded it by €1.7 billion. Compared to 2016, this represents an increase of 7%. A remarkable result considering the widely reported supply shortage and increased prices.

The scarcity of products was a feature of the past year, and was particularly evident in the office property segment. As a result, investors turned to markets outside the Big 7 – their share stood at around 21% by the end of the year – while more investors focused on the search for yields and attractive investment opportunities in project developments, although these are mainly to be found in the Big 7. These so-called forward deals for individual transactions doubled in volume within two years to account for 12% of the total transaction volume. The majority of these project developments have already been let, but this trend certainly appears to illustrate a certain acceptance of greater risk.

Focus on the Czech Republic

2017 was again another strong year for Czech Republic's investment market. Investment volumes remained robust with a total investment volume of €3.54bn in 2017 compared to €3.62bn in 2016. Despite reflecting a marginal decrease in volume, this was primarily due to the shortage of available product and not the lack of investor appetite, both domestically or internationally.

On a Global and European scale, we have continued to see increasing allocations into real estate with a heavy weight of capital that is seeking solid and secure income returns. With Western European markets showing their lowest yields on record, investors are keen to seek out markets which offer an attractive yield profile yet still benefitting from security and stability -thus Central Europe has continued to prove itself as a popular destination for capital, particularly the Czech Republic.

The retail sector has proved resilient with several high profile transactions such as the purchases of Olympia Brno by Deutsche Euroshop, Letnany Shopping Center by CBRE Global Investors and the 50% purchase of Metropole Zlicin by Unibail Rodamco. Total retail volumes made up 45% of total volumes -the largest sector by some margin.

The offices sector has continued to demonstrate strong performance with 29 transactions making up 29% of the total investment volume. The status of Prague's positive occupational market with low vacancy rates and strong take-up has made the capital city a key destination. Notable transactions include the acquisitions of Zlaty Andel by CPI, Skoduv Palac by GLL and Blox by CFH Investment Bank.

In the industrial and logistics sector we have recorded transactions worth of €366 million for 2017 which makes up 10% of the total investment volumes. This smaller share is mainly due to the fact that the largest industrial portfolios were transacted in recent years. Key transactions of note are the Stage Capital portfolio acquisition by CBRE Global Investors, Logistics Centre Lovosice by P3/GIC and the Logicor Prague Airport transacted as a part of wider European portfolio by CIC.

The most notable difference for 2017 has been the growth of domestic Czech Capital. Investment volumes by Czech institutions made up 31% of the total investment volume, the highest on record and the highest level of domestic activity across Central and Eastern Europe.

Our views on prime yields are as follows: Industrial and logistics have compressed by 25 bps since H1 2017 to 5.75%, offices and prime shopping centres now stand at 4.85% with a significant premium for trophy assets. Prime retail parks are traded at 6.00% while High Street assets are at 3.50%.

Focus on Romania

The 2017 property investment volume for Romania is estimated at almost € 1 billion, a value ca. 10% higher than the one registered in 2016 (€ 890 million). The number of transactions increased, with the average deal size standing at approximately € 28.5 million. Bucharest accounted for approximately 36% of the total investment volume, less than in 2016, showing that liquidity in secondary cities has improved. Market volumes were dominated by retail transactions (43%), while industrial, office and hotels accounted for over 22%, 17% and 18% respectively.

The largest transaction of the year was the acquisition of 50% of Iulius Group's retail and office portfolio (Iulius Mall Cluj-Napoca, Iulius Mall Iasi, Iulius Mall Timisoara and Iulius Mall Suceavaand 3 office buildings) by South African group Atterbury. The second most important retail transaction was the acquisition by Mitiska of a portfolio consisting 11 retail properties and 3 development projects from Alpha Group, for approximately € 60 million.

In industrial, the largest deal in 2017 was the acquisition of Logicor's Romanian portfolio as part of a Pan-European transaction by China Investment Corporation form Blackstone for a value estimated at around € 78 million. Other major deals included the acquisition of the Renault warehouse in Oarjaby Globalworth for € 42 million.

The macro-economic forecast for Romania continues to be positive, despite some recent concerns. The country was the EU's top performer in the first nine months of 2017 (with GDP growth estimated at 7%) and is expected to hold this position in 2018 as well, with GDP increase forecast at 5.5%.

The yield spread between Romania and Poland, Czech Republic and Hungary remains close to or at record levels. Liquidity has improved, but is still significantly below potential mainly because of the limited availability of quality product for sale in open market processes at realistic pricing expectations. However, the situation looks set to change in 2018 with several large transactions already on the way.

On the financing side, terms and conditions are getting closer to what can be expected in the core CEE markets. Consequently, sentiment is strong, with a total volume for 2018 estimated to break the € 1 billion mark.

Prime office yields are at 7.50%, prime retail yields at 7.25%, while prime industrial yields are at 8.50%. Yields for office and retail are at the same level as 12 months ago, while industrial yields have compressed by 50 bps over the year. There is soft downward pressure on yields and in 2018, we may witness limited compression in case prime assets will transact.

Focus on Spain

In economic context the Spanish economy grew at a healthy pace in 2017. GDP was up 3.1% YoY, according to Oxford Economics, which is 7 basis points higher than the EU average of 2.4% YoY.

Industrial activity has benefited from the improved economic landscape, which is underpinned by a pick-up in consumer spending. The Industrial Production Index rose 3% over the course of the year to hit pre-crisis levels. The global context remains strong and stable, which, coupled with greater diversification in Spanish companies, led to a rise in exports in 2017 of 5.3% YoY, the highest growth in six years. Imports have also grown (+4.1% YoY), which has driven demand for logistics space. The growth outlook for 2018 is positive, with estimated annual growth of 2.9%, according to Oxford Economics.

Investment in Spanish commercial real estate (offices, retail, logistics and hotels) reached a volume of close to 11.4 billion euros in 2017, up 30% versus 2016. It was a strong year for real estate investment, with volumes comfortably exceeding the pre-crisis highs reached in 2006. Across all sectors, the full spectrum of investor profiles were represented; core through opportunistic, with deals ranging from small single-let assets through to complex platform transactions.

Last year saw an all-time high in terms of investment in logistics property in Spain, reaching 1.4 billion euros, up 72% versus 2016. The largest deal last year was led by China Investment Corporation (CIC), which bought Logicor – the biggest owner of logistics assets in Spain with over one million square metres – from Blackstone.

In addition to Madrid and Barcelona, investors also set their sights on Valencia, Zaragoza, Bilbao, Seville and Malaga, either due to their strategic location or growth prospects. Prime yield levels continued to tighten over the course of 2017 – 50 basis points in Madrid and 35 points in Barcelona – to stand at 5.5% and 5.75%, respectively.

These figures are the lowest on record, although the spread with respect to the 10-year Spanish bond still paints a very healthy picture (above 380 basis points). We expect prime yields to continue to contract in Madrid to 5.4%. Logistics is the only real estate sector in the city where we still expect them to fall against a more general backdrop of yield stabilisation. The Spanish logistics sector is still attractive to investors, offering better yields than other European markets, such as Paris (4.75%), Berlin (3.5%) and London (3.75%).

The combination of robust economic growth and an ongoing improving job market should provide the needed boost to strengthen business sector growth, expanding the number of both companies and employees. This will not only continue to spur consumption, but also occupancy levels and commercial real estate market rents. Despite the political uncertainty, Spain remains an attractive real estate investment destination. This is especially the case in the logistics sector, which has strong upside potential thanks to its solid fundamentals, coupled with the growth of e-commerce.

GERMAN MARKET

Once again, take-up of logistic space in Germany exceeds 6 million m²

There was a total take-up of around 6.5 million m² in the German warehousing and logistic space market in 2017 (owner-occupiers and lettings), exceeding the 6 million m² mark for the third successive year. Although it was 3% below the previous year's record level (approx. 6.7 million m²), the 2017 performance was still 15% above the average from the years 2012–2016 and around a third higher than the long-term average from 2007–2016. Take-up by owner-occupiers fell by 7% year-on-year, whilst letting take-up remained almost stable at - 1%. Due to the positive outline economic conditions and continued high level of demand for space, we expect a similar level of take-up in 2018.

"Big 5" take-up remains at high level

Around 2.03 million m² was taken-up in the "Big 5" conurbations (Berlin, Düsseldorf, Frankfurt, Hamburg and Munich) in 2017. Although this was 3% less than in 2016, it was 6% above the 5-year average and even 17% above the 10-year average. Whilst letting take-up was 18% above the 5-year average, take-up by owner-occupiers was almost 30% below.

There was a year-on-year increase in take-up in the Düsseldorf (49%) and Frankfurt (14%) regions, Berlin remained stable but there were decreases in the Hamburg (-31%) and Munich (-14%) regions. The highest take-up was registered in the Frankfurt region (652,000 m²), which exceeded second placed Hamburg (460,000 m²) by 42%. This was followed in third place by Berlin with 420,000 m². Five of the six largest deals of the year in the "Big 5" were registered in the Frankfurt region, including lettings of over 54,000 m² in Butzbach to Bosch, just under 40,000 m² in Trebur to Kraftverkehr Nagel and over 35,000 m² in Gross-Gerau to Gorilla Sports. Around 40% of total take-up was attributable to companies in the distribution/logistics sector with an average deal size of around 6,500 m². The share attributable to retailers was 23% with an average deal size of 4,000 m². 22% of total take-up was generated by manufacturers with an average deal size of 3,500 m².

Year-on-year, there was a slight decrease in take-up in the ≥5,000 m² size category (-5%). 744,000 m² or 54% of take-up in this size category was attributable to new-build/ project developments.

There is still a limited supply of modern warehousing and logistic space available short-term in the "Big 5". Around 1 million m² warehousing space was completed in the "Big 5" in 2017, of which just 16% was still available at the time of completion, and just a third of the current supply pipeline of around 630,000 m² is still available.

Prime rents remain stable

Prime rents for warehouse space in the ≥5,000 m² size category in the "Big 5" remained stable in 2017 compared to 2016. The highest rent of €6.75/m²/month was achieved in the Munich region, followed by the Frankfurt (€6.00/m²/ month), Hamburg (€5.60/m²/ month) and Düsseldorf regions (€5.40/m²/month). The most reasonably priced premium space was in Berlin, where prime rents reached €5.00/m²/month.

Second best year ever outside the "Big 5"

At 4.46 million m², take-up outside the "Big 5" conurbations* was almost at the same level as the previous year, trailing the record year 2016 by just 112,000 m². 2017 is therefore the second-best performance of the past 10 years and was 20% above the 5-year average and 42% above the 10-year average.

Around three-quarters of all take-up was attributable to new-build/project developments outside the "Big 5" conurbations, which is greater than in the "Big 5" themselves.

The highest take-up was again in the Ruhr Area. At almost 550,000 m², this corresponded to 12% of total take-up volume outside the "Big 5". Although it fell well short of the extraordinary record performance of the previous year (1.05 million m²), it was still the second-best result of the past 10 years. This was followed by the Hanover/Brunswick (374,000 m²) and Mönchengladbach regions (353,000 m²). The latter benefited from large-scale lettings to Amazon (around 140,000 m²) and the logistic company Rhenus, which leased a total of 120,000 m² in two phases. There was one large transaction in the Hanover/Brunswick region: a logistic centre with approx. 93,000 m² was constructed in Peine for the non-food discounter Action. The distribution/logistics sector was also dominant outside the "Big 5" with 44% of total take-up. This was followed by the retail and manufacturing sectors with 29% and 25% respectively. E-commerce companies contributed around 435,000 m² to total take-up outside the "Big 5" conurbations in 2017.

(* NOTE: INCLUDES ONLY SPACES LARGER THAN 5,000 M² IN THESE REGIONS)
(SOURCE: Jones Lang LaSalle)

WAREHOUSING TAKE-UP GERMANY: LETTINGS/OWNER-OCCUPIERS

	2012 *(m²)*	2013 *(m²)*	2014 *(m²)*	2015 *(m²)*	2016 *(m²)*	2017 *(m²)*
OUTSIDE THE "BIG 5"-CONURBATIONS:						
— LETTINGS	1,637,300	1,539,062	1,759,872	2,406,425	2,606,553[1]	2,632,197[1]
— OWNER-OCCUPIERS	1,299,600	1,772,338	1,906,528	1,715,875	1,966,347[1]	1,828,703[1]
— TOTAL	**2,936,900**	**3,311,400**	**3,666,400**	**4,122,300**	**4,572,900**	**4,460,900**
"BIG 5"-CONURBATIONS:						
— LETTINGS	1,365,500	1,206,200	1,406,000	1,545,000	1,724,700	1,705,500
— OWNER-OCCUPIERS	418,900	499,900	484,300	512,900	380,000	326,100
— TOTAL	**1,784,400**	**1,706,100**	**1,890,300**	**2,057,900**	**2,104,700**	**2,031,600**
LETTINGS	3,002,800	2,745,262	3,165,872	3,951,425	4,331,253	4,337,697
OWNER-OCCUPIERS	1,718,500	2,272,238	2,390,828	2,228,775	2,346,347	2,154,803
TOTAL	**4,721,300**	**5,017,500**	**5,556,700**	**6,180,200**	**6,677,600**	**6,492,500**

SOURCE: Jones Lang LaSalle

1 As calculated by the company based on Jones Lang LaSalle data

WAREHOUSING TAKE-UP GERMANY

	2012 *(m²)*	2013 *(m²)*	2014 *(m²)*	2015 *(m²)*	2016 *(m²)*	2017 *(m²)*
REGION						
— BERLIN	333,600	333,000	327,400	456,100	418,300	420,300
— DUSSELDORF	145,100	295,200	283,200	328,900	175,900	261,800
— FRANKFURT (INCLUDING WIESBADEN/MAINZ)	455,600	415,000	559,000	470,500	570,300	652,700
— HAMBURG	575,400	450,000	450,000	600,000	665,000	460,000
— MUNICH	274,700	212,900	270,700	202,400	275,200	236,800
TOTAL "BIG 5"-CONURBATIONS	1,784,400	1,706,100	1,890,300	2,057,900	2,104,700	2,031,600
OUTSIDE "BIG 5"-CONURBATIONS	2,936,900	3,311,400	3,666,400	4,122,300	4,572,900	4,460,900
TOTAL	**4,721,300**	**5,017,500**	**5,556,700**	**6,180,200**	**6,677,600**	**6,492,500**

SOURCE: Jones Lang LaSalle

SPANISH MARKET

The E-commerce continues to break records in Spain

Technological progress and increased connectivity are driving e-commerce transactions and this situation is expected to continue in the future. The improving economic outlook, the growing focus of logistics operators on online sales, increased consumer confidence when buying online and aggressive marketing campaigns are other factors that have buoyed the development of e-commerce.

According to the latest data furnished by Spain's Competition Authority (CNMC), e-commerce sales in Spain rose by 23.4% year-on-year in the second quarter of 2017 to reach 7.34 billion euros. The second quarter of 2017 saw 118 million transactions, an increase of 27.4% on Q2 2016.

The sectors reporting the highest online revenues are travel agencies and tour operators, accounting for 14.4% of the total. Air travel comes in second at 11.9% and clothing in third place with 5.4% of total revenues. Music, books, newspapers and stationery lead the ranking by number of transactions with 6.4% of the total, followed by land passenger travel with 6.2% and direct marketing, also with 6.2%.

In less than a decade, online commerce has gone from a novelty to an everyday sales channel, and is set to continue growing and transforming the logistics landscape.

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.

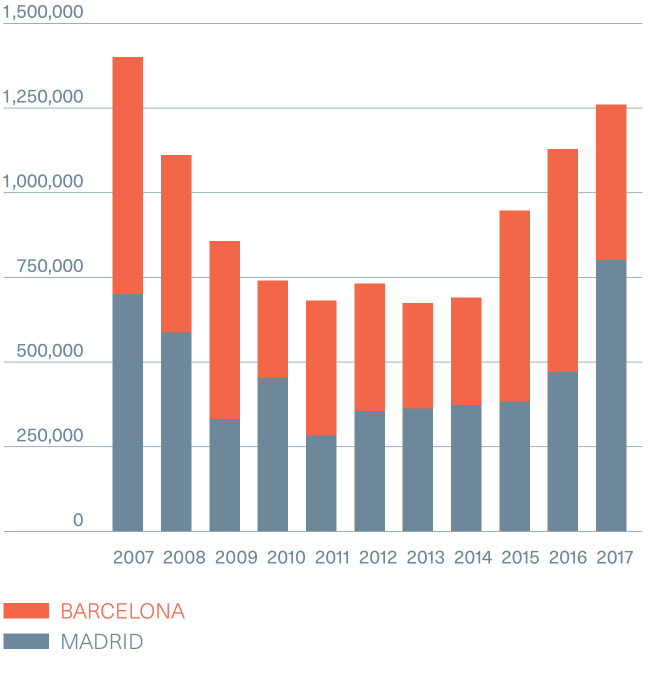
Operators are concentrated along the primary logistics routes. These include the A-2, A-3, A-4 and A-42 roads heading out of Madrid and the A-2 and AP-7 in Barcelona. These roads in both cities pass through all three rings. Operators are located along various stretches depending on the type of freight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

Take-up of logistics spaces

Logistics take-up has been driven by the sound economic data, exceeding one million square metres leased in 2017 in Madrid and Barcelona. The exact figure was 1,260,000 m², which represents an increase of 12% on the volume leased in 2016.

Madrid hit an all-time high, with deals signed for 800,000 m², double the 2016 figure. This is mainly due to the high number of transactions closed in the period, which totalled over 64, compared to 43 the previous year. The most salient deals last year included the 103,000 m² leased in Illescas (Toledo) by Amazon and the 60,000 m² taken up by Leroy Merlín in the Meco Industrial Estate, near Madrid.

TAKE-UP IN MADRID AND BARCELONA *(in m²)*



SOURCE: Jones Lang LaSalle

In Barcelona, take-up levels were down slightly on previous years due largely to the lack of supply and the fact that there were no large deals signed at all. Some 460,000 m² was taken up in 2017, down 30% versus last year. ID Logistics' 55,000 m² deal in Bisbal del Penedés was one of the major deals signed last year, as was the leasing of 35,000 m² by Alfil Logistics in Barcelona's ZAL II.

With a view to the year ahead, we expect to see a rise in turnkey projects and pre-let deals owing mainly to the lack of quality completed warehouses and the active demand.

By deal size, the Madrid market is dominated by occupiers seeking medium-sized floor areas of between 5,000 and 10,000 m², representing 38% of total deals. Barcelona, however, is currently characterised by the lease of small floor areas of between 2,000 and 5,000 m², which accounted for 40% of transactions.

Most of the floor space taken up in 2017 is still concentrated in the third ring (39%), although the first ring saw a healthy upturn, accounting for 34% of take-up versus 19% in 2016. The second ring in Barcelona was particularly active in 2017, accounting for 55% of take-up. The take-up in the areas furthest from the city centre is explained by the greater availability of large surface areas.

Logistics companies led the take-up of space in 2017, accounting for 46% and 71% of total space leased in Madrid and Barcelona, respectively. The buoyancy of the third-party logistics sector can be explained by the activity of e-commerce and retail operators, which are often unable to meet their own logistics needs and have to turn to logistics suppliers to handle the delivery of goods and products to customers. A good example of this is the growing demand for facilities aimed at cross-docking activities closer to major cities.

Evolution of rental levels

The rise in take-up levels has led to a moderate uptick in rental levels. Since the economic recovery got underway in 2014, prime rental levels in Madrid have grown by 9% to stand at €5.00/sqm/month at 2017 year end; prime rents in Barcelona have now reached €6.75/sqm/month. Rental levels are forecast to continue trending upwards, with estimated annual growth of 3.5% and 2.1% in Madrid and Barcelona, respectively, over the next 4 years.

RENTAL LEVELS BY MADRID RINGS

MADRID	RENTAL LEVELS €/m²/MONTH	
	MIN.	MAX.
1ST RING	4.25	5.00
2ND RING	3.50	4.50
3RD RING	2.50	3.50

RENTAL LEVELS BY BARCELONA RINGS

BARCELONA	RENTAL LEVELS €/m²/MONTH	
	MIN.	MAX.
1ST RING	5.50	6.75
2ND RING	4.00	5.25
3RD RING	2.75	3.75

Immediate and future logistics offer

A turnaround in demand has led to a falling logistics vacancy rate. Although the vacancy rate declined in Madrid over the course of 2017, there was a slight increase in the fourth quarter, to 4.21%. This was mainly due to certain warehouses becoming available in the third ring and the relocation of tenants to areas closer to the city. The third ring, which currently has a vacancy rate of 6.68%, has the most available space, coming in at 174,621 m², while at the other end of the spectrum, the second ring has a vacancy rate of 2.27%, with just 66,509 m² available to let.

The vacancy rate tightened in Barcelona last year, falling 104 basis points to 3.20%, or 228,345 m², despite the completion of new logistics developments during that time. Vacancy rates in the first ring are even lower, coming in at 1.5%, which is just 27,554 m² of lettable space, whereas the third ring offers the greatest amount of free surface area, at 108,721 m².

REPORT OF THE BOARD OF DIRECTORS


6

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 Šebesťák (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 is aware of the importance of diversity in the composition of the Board of Directors in general and of gender diversity in particular. The Remuneration Committee is currently short listing a number of candidates, given the specific activities of VGP and the countries in which it is active, with the aim to recommend candidates to the Board during the second half of 2018 and consequently by 2019 reaching the upcoming Belgian legal requirements.

The Board of Directors held 6 board meetings in 2017 of which 1 was held by conference call. The most important points on the agenda were:

— approval of the 2016 annual accounts and 2017 semi-annual accounts;
— approval of budgets;
— review and discussion of the third 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;
— review and approval of new financing arrangements to support the growth of the Group i.e. approval of the issuance of an institutional and a new retail bond;

— review and discussion on the secondary public offering and approval of the related transaction documents;
— review and approval of the amendments to the Company's Corporate Governance Charter;
— discussion and approval of the new dividend policy;
— approval of the recommendation of the audit committee to re-appoint Deloitte as statutory and Group's auditor;

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	5
NON-EXECUTIVE DIRECTOR			
VM INVEST NV, REPRESENTED BY BART VAN MALDEREN	2017	2021	6
INDEPENDENT, NON-EXECUTIVE DIRECTORS			
MAREK ŠEBESŤÁK	2015	2019	5
ALEXANDER SAVERYS	2015	2019	5
RIJO ADVIES BVBA REPRESENTED BY JOS THYS	2015	2019	6

The Annual General Meeting of Shareholders of 12 May 2017 approved the renewal of the mandates of the Executive Director (Jan Van Geet s.r.o.) and the Non-Executive Director (VM Invest NV) for a period of 4 years to end immediately after the annual shareholders' meeting to be held in 2021 and at which the decision will be taken to approve the annual accounts closed on 31 December 2020.

Committees of the Board of Directors

The Board of Directors has also established two advisory committees: an 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 Šebesťák, 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	2
MAREK ŠEBESŤÁK	2015	NON-EXECUTIVE	INDEPENDENT	2019	1

The Audit Committee met twice in 2017. 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 2016 annual accounts and 2017 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	2
ALEXANDER SAVERYS	2015	NON-EXECUTIVE	INDEPENDENT	2019	2
JOS THYS	2015	NON-EXECUTIVE	INDEPENDENT	2019	2

The Remuneration Committee met two times in 2017.
The most important points on the agenda were:

- discussion on remuneration policy;
- allocation of variable remuneration;
- mid-term variable remuneration of Little Rock (refer to the remuneration report for further details).

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 an 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.

The remuneration of the members of the Board of Directors is reflected in the table below:

NAME *amounts in €*	**FIXED REMUNERATION**	**VARIABLE BOARD ATTENDANCE**	**VARIABLE COMMITTEE ATTENDANCE**	**TOTAL**
CHAIRMAN				
MAREK ŠEBESŤÁK	20,000	10,000	500	30,500
DIRECTORS				
ALEXANDER SAVERYS	10,000	5,000	1,000	16,000
RIJO ADVIES BVBA represented by JOS THYS	10,000	6,000	2,000	18,000
VM INVEST NV represented by BART VAN MALDEREN	10,000	6,000	2,000	18,000
JAN VAN GEET s.r.o. represented by JAN VAN GEET	10,000	5,000	—	15,000
TOTAL	**60,000**	**32,000**	**5,500**	**97,500**

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) and Jan Papoušek s.r.o. represented by Jan Papoušek (Chief Operating Officer - Outside CZ).

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 2017 of the CEO

— fixed remuneration of € 300,000 and a total directorship remuneration of € 15,000
— short term variable remuneration: € 0
— contribution of retirement benefits: € 0
— other components of the remuneration: € 36,562 (includes company car and related expenses)

Total remuneration 2017 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 2017 is set forth below on a global basis.

— fixed remuneration of € 575,107
— short term variable remuneration: € 521,000
— contribution of retirement benefits of € 48,424
— other components of the remuneration: € 74,148 (company car and related expenses)

Mid-term variable remuneration Little Rock SA

Little Rock SA is responsible for the Group's daily management, financial management and commercial management and is represented for this purpose by the CEO (Mr Jan Van Geet), CFO (Mr Dirk Stoop) and CCO (Mr Tomas Van Geet) respectively. As a consideration for rendering such services, Little Rock SA is entitled to receive a fixed fee, a short-term variable fee subject to certain criteria being met, and a mid-term variable fee of 5% of the profits before taxes of the Group on a consolidated basis, in return for Little Rock SA's (and the aforementioned managers') commitment to observe the Group's daily, financial and commercial management for a period of five years (starting April 2015).

The fixed fee and short- term variable remuneration has been included in the remuneration overview of the CEO and the executive management.

The mid-term variable remuneration allocated to Little Rock for 2017 amounts to € 6,189,984 and has been fully provided for in the 2017 consolidated accounts.

Following the secondary public offering in October 2017, Little Rock has agreed to unilaterally terminate the profit allocation agreement and hence Little Rock will no longer be entitled to the profit allocation for the financial years 2018 and 2019 and the Company will no longer have any commitments or obligations to Little Rock in respect of these 2018 and 2019 financial years. The outstanding amounts in respect of the 2015, 2016 and 2017 financial years have been fully provided for in the accounts of VGP as at 31 December 2017 and will be paid out during the first half of 2018.

New Long-term incentive plan for VGP team

Background

The Group has an incentive structure in place for selected member's 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. As at 31 December 2017 the Company held 43.23% of the VGP Misv shares.

New plan

The Board of Directors, based on the recommendation of the remuneration committee has agreed to set up a new long-term incentive plan based on the same principles of the VGP Misv incentive structure. 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. The new incentive scheme will apply as from 2018 and will gradually build up as and when the VGP Misv incentive scheme will phase out, thereby ensuring that at no point in a time more than 5% of the total equivalent shares of the Company is allocated under both the old and new incentive plans.

No dilution for existing or new shareholders

VGP MISV is an independent company from the VGP Group companies. As a result, this structure does not have any dilutive effect on any existing or new shareholders. Similarly as the Company holds the shares of VGP Misv and hence indirectly an equivalent of its own shares, the new scheme will have no dilutive effect for the existing or new shareholders.

For 2017 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 committee 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 2017 and early 2018 can be summarised as follows:

(i) on 23 March 2017, Jan Van Geet acquired 100% of the shares of Alsgard SA, which itself holds 2,409,914 shares (12.97%) in VGP NV;

(ii) on 30 March 2017, VM Invest NV sold 766,203 VGP NV shares to a broad base of institutional investors through an accelerated book building;

(iii) on 25 October 2017, a secondary public transaction was initiated which resulted in the sale of 3,545,250 VGP NV shares held by Bart Van Malderen, 705,660 VGP NV shares held by VM Invest NV and 835,649 VGP NV shares held by Little Rock SA.

(iv) In February 2018, Griet Van Malderen bought in total 78,949 VGP NV shares.

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.

No conflict of interests arose during 2017 but one conflict of interest arose in February 2018.

Excerpt from the minutes of the Board of Directors meeting of 22 February 2018

The agenda calls for (a) deliberation and approval of the waiver by Little Rock SA of the variable fee existing of 5% of the consolidated gross profit for the financial years 2018 and 2019 of the VGP Group; (b) confirmation and approval of the mid-term variable fee of Little Rock for 2017; and (c) granting of a proxy.

Before the deliberation and decision making begins, Mr Jan Van Geet (acting as permanent representative of Jan Van Geet s.r.o.) informs the meeting that Jan Van Geet s.r.o. has a conflict of interest within the meaning set forth in article 523 of the Belgian Companies Code in respect of the aforementioned agenda points. The conflict of interest in accordance with article 523 of the Belgian Companies Code exists given the fact that Little Rock SA is a company controlled by Mr. Jan Van Geet. Jan Van Geet s.r.o. (permanently represented by Mr. Jan Van Geet) leaves the meeting and does not take part in the deliberations and decision making process of the agenda items. This conflict of interest will also be notified to the auditor of the Company.

The approval of the waiver by Little Rock SA of the variable fee existing of 5% of the consolidated gross profit for the financial years 2018 and 2019 of the VGP group and the notified conflict of interest are discussed by the board of directors.

The board of directors agrees and approves that the approval of the waiver by Little Rock SA of the aforementioned variable fee is in the interest of the Company and its shareholders. The effect of the waiver will be that the 5% of the consolidated gross profit of the financial years 2018 and 2019 must not be retained for Little Rock SA. This advantage for the Company outweighs the immediate payment of the amounts provisioned relating to the gross profit of the group for the financial years 2015, 2016 and 2017, which has also been agreed with Little Rock SA.

After deliberation on all items of the agenda the meeting, with respect to the procedure set forth in article 523 of the Belgian Companies Code and article 16 of the articles of association of the Company,

DECIDES to approve that the entire outstanding balance towards Little Rock SA can be paid out in one lump sum after the next Joint Venture closing currently scheduled to occur at the end of April 2018.

DECIDES to approve the 2017 Little Rock mid-term variable remuneration which amounts to € 6,189,984.

DECIDES to appoint each director, as well as Jan Van Geet and Dirk Stoop, as special proxy holders, each acting alone and with the right of substitution, with the authority to perform all acts and sign all documents in the name of and for the account of the Company in order to execute the bovementioned resolution.

The complete minutes of this Board of Directors will be included in the Board of Director's report attached to the 31 December 2017 statutory accounts.

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 setup 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 on-going 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 Nationaal 1 J, 1930 Zaventem, Belgium represented by Mr. Rik Neckebroeck has been appointed as Statutory Auditor.

The Annual General Meeting of Shareholders of 12 May 2017 approved the renewal of the mandate of the Statutory Auditor for a period of 3 years to end 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.

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 joint venture agreement (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 asserts 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 third JV Closing represented a gross rental income for the Group of € 1.7 million in 2017. As at 31 December 2017 the committed annualized rent attributed to the Joint Venture amounts to € 52.5 million (compared to € 38.6 million as at 31 December 2016).

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 predilution 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 € 149.9 million as at 31 December 2017 (of which € 137.2 million constituted construction and development loans) and € 89.9 million as at 31 December 2016 (of which € 81.6 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 2017, the Group's total gross rental income of € 17.1 million included the gross rental income of the portfolio sold to the Joint Venture in the third closing of March 2017 for an aggregate amount of € 1.7 million. 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 Czech Republic, and to a lesser extent, in 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.

The Group's intention is to construct primarily logistic properties and ancillary offices. In case of termination of a lease of logistic property with ancillary offices, it may be difficult to attract a new tenant requiring all of the ancillary office space, in view of different tenants' requirements and activities than the initial tenant. Due to the nature of the real estate and the lack of alternative uses of logistic properties and to a more limited extent the offices, the ability to respond to adverse changes in the performance of the properties could be limited, which could impact the business, financial condition, operating results and cash flows of the Group.

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 pro-active 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).

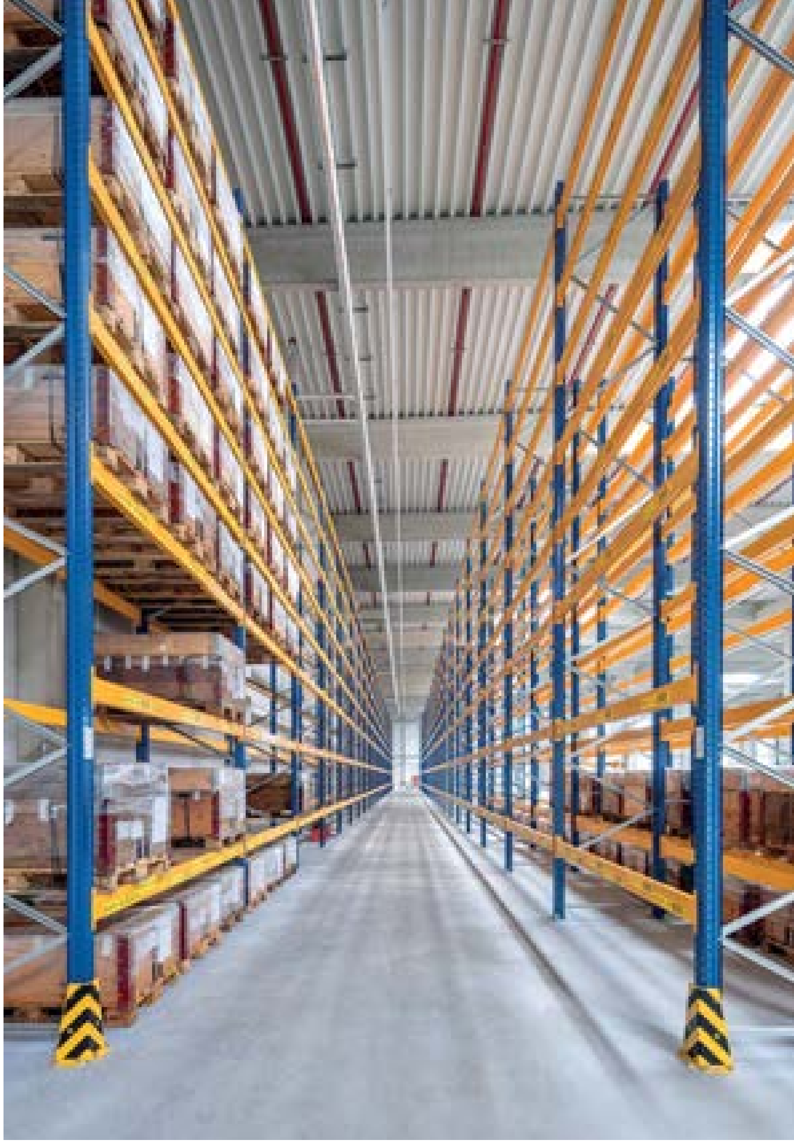
The Group has regrouped the Facility Management services in the Czech Republic in SUTA s.r.o. ("SUTA") and in Germany in FM Log.In.GmbH ("FM Log"). Facility Management services are mainly provided internally whereby SUTA and FM Log provide facility management services and, depending on the particular location, various activities, such as maintenance services, defect reporting, waste management services, maintenance of greenery etc. that may be necessary in this respect. In the Czech Republic and Slovakia, approximately 30% (based on incurred costs) of the facility management services required for the operation of the properties in the own portfolio as well as in the Joint Venture portfolio are provided internally with the remaining portion being contracted to third parties. In Germany, this figure corresponds to 20%, whereby the facility management function is being built up. 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 2017, the Group had over 130 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 scheme will be complemented with a new long-term incentive scheme which will take effect as from 2018 onwards (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. For example, a significant portion of the annualized committed leases (for the combined own and Joint Venture portfolio), (accounting to 9.1% of the annualised committed leases (excluding Estonia) as at 31 December 2017), results from the lease of a warehouse in Barcelona to Punto Fa S.L. (part of the Mango group). The Group could therefore be adversely affected by the financial difficulties of the Mango group.

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 on-going 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

The Group is materially indebted

The Group has incurred significant borrowings in order to finance its growth via its currently outstanding bonds and/or via bank credit facilities. Under the terms of these 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 2018 Bond, the 2023 Bond, the 2024 Bond and the 2025 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 2017, the Group remained well within its covenants.

The terms and conditions of the 2018 Bond, the 2023 Bond, the 2024 Bond and the 2025 Bond include following financial covenants, evaluated at the level of the Company:

— Consolidated Gearing to equal or to be below 55% (as regards the 2018 Bond);
— Consolidated Gearing to equal or to be below 65% (as regards the 2023 Bond, the 2024 Bond and the 2025 Bond);
— 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 2017 the Consolidated Gearing stood at 42.3% compared to 39.4% as at 31 December 2016. The Interest Cover Ratio was 7.02 as at 31 December 2017 compared to 5.47 as at 31 December 2016 and finally the Debt Service Cover Ratio was 4.69 as at 31 December 2017 compared to 3.36 as at 31 December 2016.

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

— Loan to Value: lower than or equal to 65.0%; and
— Debt Service Cover Ratio: higher than or equal to 1.25.

As at 31 December 2017, the Loan to Value stood at 33.1% and the Debt Service Cover Ratio stood at 1.66.

As at 31 December 2016 VGP was also in compliance with all of its bank covenants.

Availability of adequate credit facilities or shareholder loans

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.

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 2017, all financial debt was at a fixed interest rate (compared to 95.2% as at 31 December 2016).

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.

The Group's profitability may be impacted by changes in the currency exchange rates. For example, if the Czech crown would weaken materially against the Euro, this would reduce the Group's revenue. The Group may also not be able to pass along its increased costs pursuant to such currency exchange rate fluctuations in this respect to its lessees.

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 small number of plots of land intended for a limited number 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 2017 owned by the Group amounted to 3,261,364 m² of which 1,809,028 m² (55%) was in full ownership and 1,452,336 m² (45%) 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 *(in thousands of €)*	**2017**	**2016**
REVENUE[1]	28,224	24,739
GROSS RENTAL INCOME	17,046	16,806
SERVICE CHARGE INCOME	3,121	4,108
SERVICE CHARGE EXPENSES	(2,415)	(3,073)
PROPERTY OPERATING EXPENSES	(1,759)	(1,703)
NET RENTAL INCOME	**15,993**	**16,138**
JOINT VENTURE MANAGEMENT FEE INCOME	8,057	3,825
NET VALUATION GAINS/(LOSSES) ON INVESTMENT PROPERTIES	94,628	118,900
ADMINISTRATION EXPENSES	(19,353)	(15,446)
OTHER INCOME	624	483
OTHER EXPENSES	(1,512)	(1,815)
SHARE IN RESULT OF JOINT VENTURE	29,229	7,897
OPERATING PROFIT/(LOSS)	**127,666**	**129,982**
FINANCIAL INCOME	9,730	2,814
FINANCIAL EXPENSES	(20,196)	(19,720)
NET FINANCIAL RESULT	**(10,466)**	**(16,906)**
PROFIT BEFORE TAXES	**117,200**	**113,076**
TAXES	(21,205)	(21,790)
PROFIT FOR THE PERIOD	**95,995**	**91,286**
ATTRIBUTABLE TO:		
SHAREHOLDERS OF VGP NV	95,995	91,286
NON-CONTROLLING INTERESTS	—	—

ASSETS *(in thousands of €)*	**2017**	**2016**
BASIC EARNINGS PER SHARE *(in €)*	5.17	4.91
DILUTED EARNINGS PER SHARE *(in €)*	5.17	4.91

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

Balance sheet

ASSETS *(in thousands of €)*	**2017**	**2016**
INTANGIBLE ASSETS	36	14
INVESTMENT PROPERTIES	392,291	550,262
PROPERTY, PLANT AND EQUIPMENT	507	517
NON-CURRENT FINANCIAL ASSETS	322	5
INVESTMENTS IN JOINT VENTURE AND ASSOCIATES	143,312	89,194
OTHER NON-CURRENT RECEIVABLES	12,757	8,315
DEFERRED TAX ASSETS	32	3
TOTAL NON-CURRENT ASSETS	**549,257**	**648,310**
TRADE AND OTHER RECEIVABLES	11,074	19,426
CASH AND CASH EQUIVALENTS	30,269	71,595
DISPOSAL GROUP HELD FOR SALE	441,953	132,263
TOTAL CURRENT ASSETS	**483,296**	**223,284**
TOTAL ASSETS	**1,032,553**	**871,594**

SHAREHOLDERS' EQUITY AND LIABILITIES *(in thousands of €)*	**2017**	**2016**
SHARE CAPITAL	62,251	62,251
RETAINED EARNINGS	403,910	327,985
OTHER RESERVES	69	69
SHAREHOLDERS' EQUITY	**466,230**	**390,305**
NON-CURRENT FINANCIAL DEBT	390,067	327,923
OTHER NON-CURRENT FINANCIAL LIABILITIES	1,966	5,348
OTHER NON-CURRENT LIABILITIES	1,680	2,432
DEFERRED TAX LIABILITIES	11,750	20,012
TOTAL NON-CURRENT LIABILITIES	**405,463**	**355,715**
CURRENT FINANCIAL DEBT	81,358	81,674
TRADE DEBTS AND OTHER CURRENT LIABILITIES	38,379	35,496
LIABILITIES RELATED TO DISPOSAL GROUP HELD FOR SALE	41,123	8,404
TOTAL CURRENT LIABILITIES	**160,860**	**125,574**
TOTAL LIABILITIES	**566,323**	**481,289**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,032,553**	**871,594**

COMMENTS ON THE ACCOUNTS

Income statement

Net rental income

The net rental income decreased slightly with € 0.1 million to € 16.0 million after taking into effect the full impact of the income generating assets delivered during 2017, the deconsolidation of the VGP European Logistics portfolio in May 2016 and the third closing with the Joint Venture in May 2017.

Following the entering into the VGP European Logistics joint venture, the analysis of the net rental income on a 'look-through' basis (with the Joint Venture included at share) provides a more meaningful analysis of the net rent evolution.

Including VGP's share of the Joint Venture, net rental income in total has increased by € 9.6 million, or 39.9% compared to 2016 (from € 23.9 million as at 31 December 2016 to 33.5 million as at 31 December 2017).

Net valuation gain on investment properties

As at 31 December 2017 the net valuation gains on the property portfolio reached € 94.6 million compared to a net valuation gain of € 118.9 million for the period ended 31 December 2016.

The trend of increasingly lower yields in real estate valuations continued to persist during the second half year. The own property portfolio, excluding development land, is valued by the valuation expert at 31 December 2017 based on a weighted average yield of 6.26% (compared to 6.49% as at 31 December 2016) 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 € 4.2 million to € 8.1 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 € 3.2 million for the period ending 31 December 2016 to € 4.4 million for the period ending 31 December 2017. The development management fee income generated during the period was € 3.7 million, an increase of € 3.0 million compared to 31 December 2016.

Share in result of Joint Venture

VGP's share of the Joint Venture's profit for the period increased by € 21.3 million from 7.9 million in 2016 to € 29.3 million in 2017, 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 € 17.5 million for the period ending 31 December 2017 compared to € 7.8 million for the period ended 31 December 2016. 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 2017, the Joint Venture (100% share) had € 52.5 million of annualised committed leases representing 1,009,940 m² of lettable area compared to € 38.6 million of annualised committed leases representing 732,523 m² at the end of December 2016.

The net valuation gains on investment properties at share increased to € 24.4 million for the period ending 31 December 2017 (compared to € 6.9 million for the period ending 31 December 2016). The VGP European Logistics portfolio was valued at a weighted average yield of 5.63% as at 31 December 2017 (compared to 5.92% as at 30 June 2017 and 6.08% at 31 December 2016) reflecting the further contraction of the yields during the second half of 2017. 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 as at 31 December 2017 increased to € 5.5 million from € 3.9 million as at 31 December 2016. For the period ending 31 December 2017, the financial income at share was € 0.8 million (€ 0.1 million for the period ending 31 December 2016) and included a

€ 0.7 million unrealised gain on interest rate derivatives (€ 85k as at 31 December 2016). The financial expenses at share increased from € 4.0 million for the period ending 31 December 2016 to € 6.3 million for the period ending 31 December 2017 and included € 1.3 million interest on shareholder debt (€ 0.7 million as at 31 December 2016), € 5.3 million interest on financial debt (€ 2.3 million as at 31 December 2016), € 85k unrealised losses on interest rate derivatives (€ 0.6 million as at 31 December 2016), € 1.0 million other financial expenses (€ 0.6 million as at 31 December 2016) mainly relating to the amortisation of capitalised finance costs on bank borrowings and a positive impact of € 1.3 million (€ 0.6 million per 31 December 2016) related to capitalised interests.

Other income/(expenses) and administrative costs

The other income/(expenses) and administrative costs for the period were € 20.2 million compared to € 16.1 million for the period ended 31 December 2016, reflecting mainly 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 2017 the VGP team comprised more than 130 people active in more than 9 different countries.

Net financial costs

For the period ending 31 December 2017, the financial income was € 9.7 million (€ 2.8 million for the period ending 31 December 2016) and included € 5.3 million interest income on loans granted to VGP European Logistics (€ 2.5 million as at 31 December 2016), 3.5 million unrealised gain on interest rate derivatives (€ 0.2 million as at 31 December 2016), € 0.6 million of net foreign exchange gains (compared to € 0.1 million losses as at 31 December 2016) and € 0.3 million other financial income (€ 0.2 million as at 31 December 2016).

The reported financial expenses as at 31 December 2017 are mainly made up of € 19.4 million interest expenses related to financial debt (€ 13.0 million as at 31 December 2016), € 0.1 million unrealised losses on interest rate derivatives (€ 4.8 million as at 31 December 2016), € 3.7 million other financial expenses (€ 3.2 million as at 31 December 2016) and a positive impact of € 3.0 million (€ 1.4 million for the period ending 31 December 2016) related to capitalised interests. As a result, the net financial costs reached € 10.5 million for the period ending 31 December 2017 compared to € 16.9 million at the end of December 2016.

Shareholder loans to VGP European Logistics amounted to € 149.9 million as at 31 December 2017 (compared to € 89.9 million as at 31 December 2016) of which € 137.1 million (€ 81.6 million as at 31 December 2016) 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.

Taxes decreased slightly from € 21.8 million as at 31 December 2016 to € 21.2 million for the period ending 31 December 2017. 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.

Profit for the year

Profit for the year increased from € 91.3 million (€ 4.91 per share) as at 31 December 2016 to € 96.0 million (€ 5.17 per share) for the financial year ended 31 December 2017.

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 2017 the own investment property portfolio consists of 15 completed buildings representing 445,958 m² of lettable area with another 22 buildings under construction representing 475,113 m² of lettable area of which 7 buildings (219,414 m²) are being developed on behalf of the Joint Venture.

During the year VGP delivered, for its own account, 12 buildings representing 252,451 m² of lettable area and 5 buildings (97,421 m²) were delivered on behalf of the Joint Venture.

Investment in Joint Venture and associates

The consolidated financial statements include the Group's share of the results of the Joint Venture accounted for using the equity method from the date when a significant influence commences until the date when significant influence ceases. When VGP's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that VGP has incurred obligations in respect of the associate.

At the end of December 2017 the investments in the Joint Venture increased to € 143.3 million from € 89.2 million as at 31 December 2016.

The investments in joint venture and associates as at the end of 2017 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 increased from € 132.3 million as at 31 December 2016 to € 442.0 million as at 31 December 2017 and 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.

It is currently planned that a fourth closing will occur at the end of April 2018 with the Joint Venture whereby assets for a total amount of > € 370 million (at fair value) will be transferred.

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 located 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 € 194.9 million as at 31 December 2017 (compared to € 132.3 million as at 31 December 2016).

During September 2017, VGP completed the sale of its VGP Park Nehatu located in Tallinn (Estonia) to East Capital Baltic Property fund III, a fund managed by East Capital. The transaction covered a total of 5 modern logistics buildings with a total of more than 77,000 m² of lettable area. The assets and liabilities related to VGP Park Nehatu were only reclassified as held for sale at the end of June 2017.

Total non-current and current financial debt

During 2017 VGP continued to improve its financial debt profile with the successful private placement of an 8-year, € 80 million bond at the end of March 2017 with a fixed rate of 3.35% per annum. At the beginning of July VGP issued another new € 75 million, 7-year retail bond, with a fixed rate of 3.25% per annum, to refinance the Jul-17 Bond maturing on 12 July 2017.

The financial debt increased from € 409.6 million as at 31 December 2016 to € 471.4 million as at 31 December 2017. The increase was mainly driven by a private placement of a new 8-year, € 80 million bond at the end of March 2017 and bank debt decreased with € 18.1 million following the divestment of VGP Park Nehatu in September 2017.

The gearing ratio of the Group increased from 39.4% at 31 December 2016 to 42.3% as at 31 December 2017.

Cash flow statement

SUMMARY *(in thousands of €)*	**2017**	**2016**
CASH FLOW FROM OPERATING ACTIVITIES	(6,786)	6,793
CASH FLOW FROM INVESTING ACTIVITIES	(90,274)	(124,416)
CASH FLOW FROM FINANCING ACTIVITIES	57,625	168,871
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(39,434)**	**51,248**

The cash from operating activities decreased by € 13.6 million, mainly due to the increase (€ 10.1 million) in interest paid reflecting the full year impact of the € 225 million Sep-23 Bond (issued in September 2016) and the newly issued € 80 million Mar-25 Bond during March 2017.

The changes in the cash flow from investing activities were due to: (i) € 168.4 million (2016: € 336.7 million) of expenditure incurred for the development activities and land acquisition. Last year's figures included the newly acquired building of Mango in Spain; (iii) € 122.1 million (2016: € 236.1 million) cash in from the sale of the spring 2017 portfolio compared to the much larger sale of the initial Seed portfolio and subsequent closing during 2016 to VGP European Logistics; (iv) € 1.0 million (2016: € 4.7 million) cash in from the repayment of equity from VGP European Logistics; (v) € 78.6 million (2016: € 28.5 million) shareholder loans (net) granted to VGP European Logistics, and finally €33.7 million net cash proceeds from the sale of VGP Park Nehatu (Estonia).

Events after the balance sheet date

At the end of April 2018, a fourth closing with VGP European Logistics is expected to take place with a transaction value of > € 370 million.

INFORMATION ABOUT THE SHARE

Listing of shares

EURONEXT BRUSSELS
MAIN MARKET OF PRAGUE

VGP SHARE	VGP	ISIN BE0003878957
VGP VVPR-STRIP	VGPS	ISIN BE0005621926

MARKET CAPITALISATION 31 DEC-17	1,153,078,253 €
HIGHEST CAPITALISATION	1,671,731,178 €
LOWEST CAPITALISATION	1,040,650,800 €
SHARE PRICE 31 DEC-16	89.91 €
SHARE PRICE 31 DEC-17	62.05 €

Shareholder structure

As at 31 December 2017 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	78,949	0.42%
SUB-TOTAL GRIET VAN MALDEREN GROUP	***734,687***	***3.95%***
PUBLIC	6,891,185	37.08%
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

FIRST QUARTER TRADING UPDATE 2018	11 MAY 2018
GENERAL MEETING OF SHAREHOLDERS	11 MAY 2018
EX-DATE DIVIDEND 2017	14 MAY 2018
RECORD DATE DIVIDEND 2017	15 MAY 2018
PAYMENT DATE DIVIDEND 2017	16 MAY 2018
2018 HALF YEAR RESULTS	24 AUGUST 2018
2018 THIRD QUARTER INTERIM RESULTS	23 NOVEMBER 2018

OUTLOOK 2018

Based on the positive trend in demands for lettable area recorded by VGP during the second half of 2017, VGP expects to be able to continue expanding its rental income and property portfolio through the completion and start-up of circa 500,000 m² of additional new buildings in 2018. It is expected that more than 200,000 m² of lettable area will be delivered during the first quarter of 2018. We expect a > € 370 million closing with VGP European Logistics joint venture by the end of April 2018.

BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

COMPOSITION ON 31 DECEMBER 2017

	NAME	YEAR APPOINTED	EXECUTIVE OR NON-EXECUTIVE	INDEPENDENT	NEXT DUE FOR RE-ELECTION
CHAIRMAN	MAREK ŠEBESŤÁK	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 Šebesťák
*1954

Mr Šebesťák 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 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 an hygienic disposable products manufacturer which introduced the revolutionary fluffless 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 2017	
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

Mr. Jan Van Geet
*1971

Jan Van Geet is the founder 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's team 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's team 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.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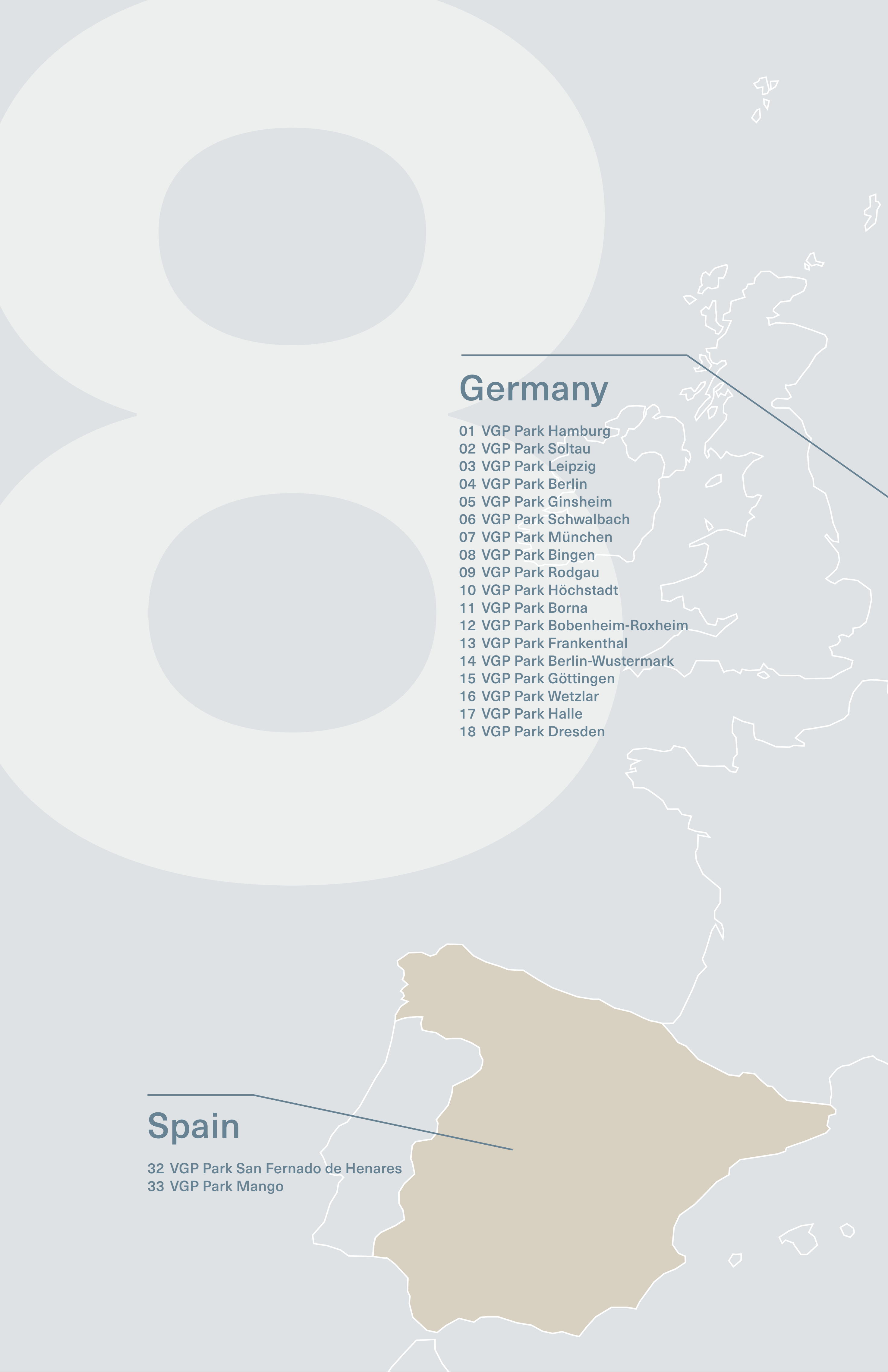
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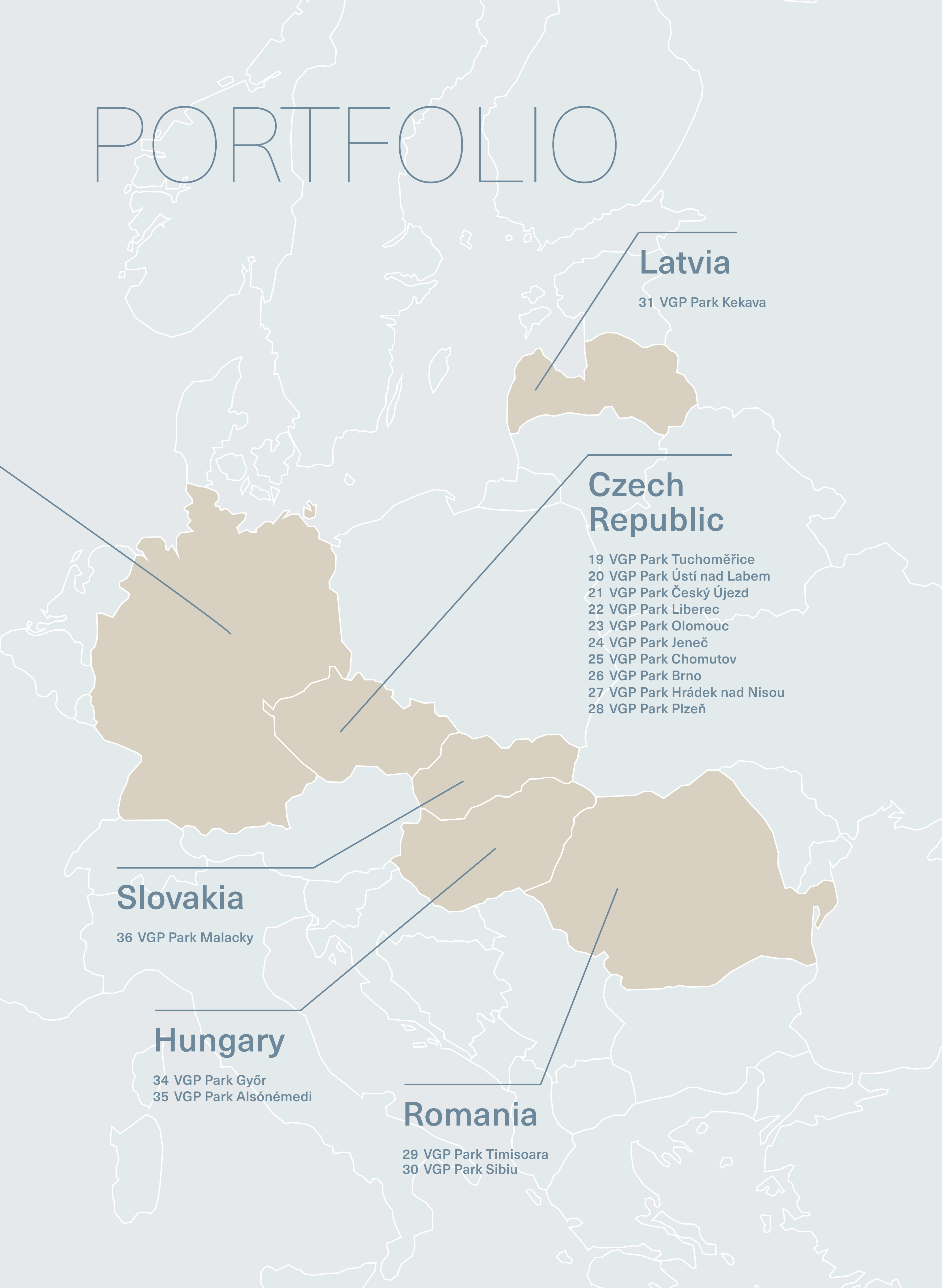
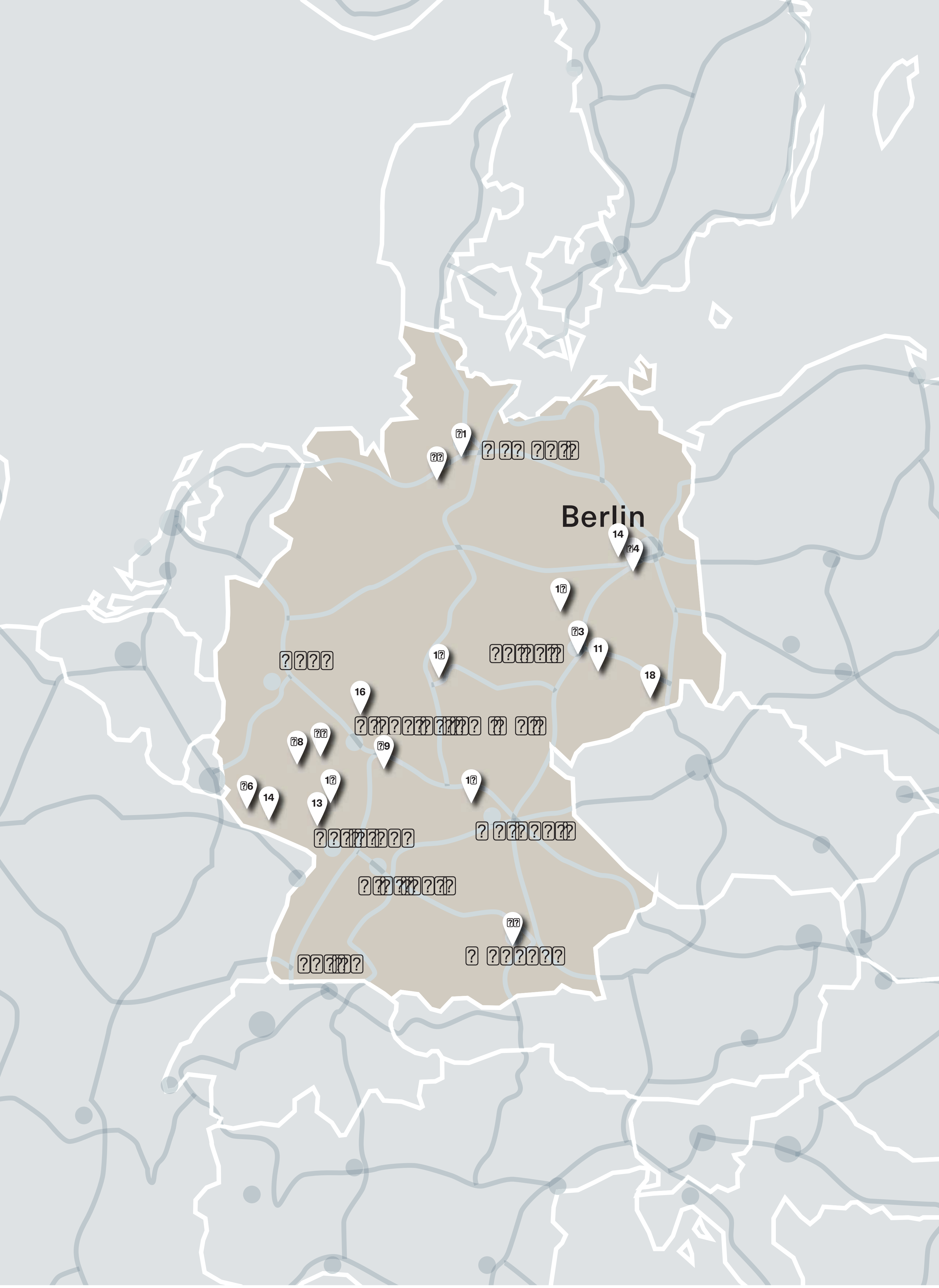
Germany
01 VGP Park Hamburg
02 VGP Park Soltau
03 VGP Park Leipzig
04 VGP Park Berlin
05 VGP Park Ginsheim
06 VGP Park Schwalbach
07 VGP Park München
08 VGP Park Bingen
09 VGP Park Rodgau
10 VGP Park Höchstadt
11 VGP Park Borna
12 VGP Park Bobenheim-Roxheim
13 VGP Park Frankenthal
14 VGP Park Berlin-Wustermark
15 VGP Park Göttingen
16 VGP Park Wetzlar
17 VGP Park Halle
18 VGP Park Dresden
Spain
32 VGP Park San Fernando de Henares
33 VGP Park Mango

PORTFOLIO


Latvia
31 VGP Park Kekava
Czech Republic
19 VGP Park Tuchoměřice
20 VGP Park Ústí nad Labem
21 VGP Park Český Újezd
22 VGP Park Liberec
23 VGP Park Olomouc
24 VGP Park Jeneč
25 VGP Park Chomutov
26 VGP Park Brno
27 VGP Park Hrádek nad Nisou
28 VGP Park Plzeň
Slovakia
36 VGP Park Malacky
Hungary
34 VGP Park Győr
35 VGP Park Alsónémedi
Romania
29 VGP Park Timisoara
30 VGP Park Sibiu


Berlin
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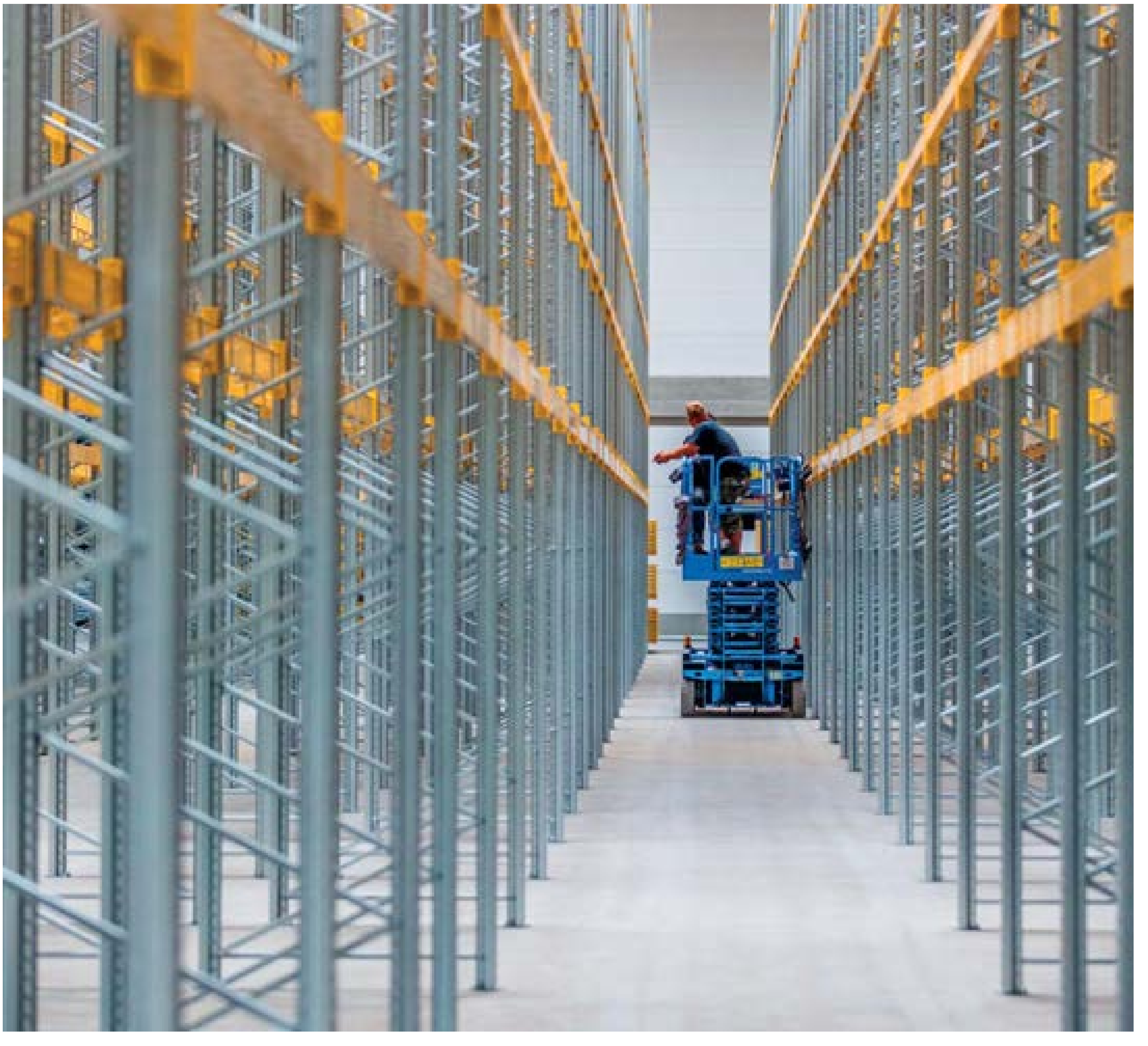


Germany

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 Höchstadt
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

VGP Park Berlin

TENANT	Laser Automotive Brandenburg GmbH, Lidl Digital International GmbH & Co. KG, Isringhausen GmbH & Co. KG
LETTABLE AREA	23,850 m²
BUILT	2015

VGP Park Berlin

TENANT	on-going negotiations
LETTABLE AREA	9,198 m²
BUILT	under construction

VGP Park Berlin

TENANT	SSW Stol[illegible]e Stahl Waren GmbH, DefShop GmbH
LETTABLE AREA	26,765 m²
BUILT	under construction

VGP Park Berlin

TENANT	Lidl E-Commerce Food GmbH & Co. KG
LETTABLE AREA	53,777 m²
BUILT	under construction

VGP Park Bingen

TENANT	Custom Chrome Europe GmbH
LETTABLE AREA	6,400 m²
BUILT	2014

VGP Park Bobenheim-Roxheim

TENANT	Lekkerland Deutschland GmbH & Co.KG
LETTABLE AREA	23,270 m²
BUILT	2016

VGP Park Borna

TENANT	Lekkerland Deutschland GmbH & Co.KG
LETTABLE AREA	13,617 m²
BUILT	2015

VGP Park Frankenthal

TENANT	Amazon Logistik GmbH
LETTABLE AREA	147,022 m²
BUILT	under construction

VGP Park Ginsheim

TENANT	INDAT Robotics GmbH, Greenyard Fresh Germany GmbH, 4PX Express GmbH, Vicampo.de GmbH
LETTABLE AREA	35,670 m²
BUILT	2017

VGP Park Hamburg

TENANT	GEODIS Logistics Deutschland GmbH, JOB AG Personaldienstleistungen AG, Deutsche Post Immobilien GmbH
LETTABLE AREA	35,167 m²
BUILT	2013

VGP Park Hamburg

TENANT	Volkswagen AG, Drive Medical GmbH & Co. KG, CHEP Deutschland GmbH
LETTABLE AREA	24,666 m²
BUILT	2014–2016

VGP Park Hamburg

TENANT	Syncreon Deutschland GmbH
LETTABLE AREA	18,743 m²
BUILT	2015

[illegible]

VGP Park Hamburg

[illegible]

TENANT	[illegible]ebco Europe GmbH[illegible] Hausmann Logistik GmbH
LETTABLE AREA	9,471 m²
BUILT	2015

[illegible]

VGP Park Hamburg

[illegible]

TENANT	L[illegible] Logistik GmbH
LETTABLE AREA	14,471 m²
BUILT	2016

[illegible]

VGP Park Hamburg

[illegible]

TENANT	Landgard eG
LETTABLE AREA	13,136 m²
BUILT	under construction

[illegible]

VGP Park Hamburg

[illegible]

TENANT	Rhenus SE [illegible] Co. KG
LETTABLE AREA	57,471 m²
BUILT	2015 – 2017

[illegible]

VGP Park Hamburg

[illegible]

TENANT	Geis Industrie-Service GmbH[illegible] Karl Hein[illegible]Dietrich GmbH [illegible] Co KG[illegible] Lagerei und Spedition Dirk Vollmer GmbH
LETTABLE AREA	40,586 m²
BUILT	2017

[illegible]

VGP Park Hamburg

[illegible]

TENANT	CARGO-PARTNER GmbH[illegible] Lagerei und Spedition Dirk Vollmer GmbH
LETTABLE AREA	9,393 m²
BUILT	2017

[illegible]

VGP Park Hamburg

[illegible]

TENANT	Rieck Projekt Kontakt Logistik Hamburg GmbH [illegible] Co. KG
LETTABLE AREA	23,679 m²
BUILT	2017

[illegible]

VGP Park Hamburg

[illegible]

TENANT	AO Deutschland Ltd.
LETTABLE AREA	2,502 m²
BUILT	2015

[illegible]

VGP Park Höchstadt

[illegible]

TENANT	C&A Mode GmbH & Co. KG
LETTABLE AREA	15,001 m²
BUILT	2015

[illegible]

VGP Park Leipzig

[illegible]

TENANT	on-going negotiations
LETTABLE AREA	6,215 m²
BUILT	under construction

[illegible]

VGP Park Leipzig

[illegible]

TENANT	on-going negotiations
LETTABLE AREA	8,873 m²
BUILT	under construction

[illegible]

VGP Park Leipzig

[illegible]

TENANT	USM operations GmbH
LETTABLE AREA	24,587 m²
BUILT	2017

[illegible]

VGP Park Rodgau

[illegible]

TENANT	A & O GmbH, Geis Ersatzteil-Service GmbH, ELTETE Deutschland GmbH, PTG Lohnabfüllung GmbH, toom Baumarkt GmbH
LETTABLE AREA	24,878 m²
BUILT	2016

[illegible]

VGP Park Rodgau

[illegible]

TENANT	Rhenus SE & Co. KG
LETTABLE AREA	43,375 m²
BUILT	2016

[illegible]

VGP Park Rodgau

[illegible]

TENANT	Logistik Dienstleistungszentrum GmbH (LDZ)
LETTABLE AREA	19,774 m²
BUILT	2015

[illegible]

VGP Park Rodgau

[illegible]

TENANT	EBARA Pumps Europe S.p.A., ASENDIA Operations GmbH & Co KG
LETTABLE AREA	7,062 m²
BUILT	2016

VGP Park Rodgau

TENANT	PTG Lohnabfüllung GmbH
LETTABLE AREA	8,734 m²
BUILT	2015

VGP Park Schwalbach

TENANT	Optimas OE Solutions GmbH
LETTABLE AREA	8,386 m²
BUILT	2017

VGP Park Soltau

TENANT	AUDI AG
LETTABLE AREA	55,811 m²
BUILT	2016

VGP Park Wetzlar

TENANT	POCO Einrichtungsmärkte GmbH, Global Cargo Service GmbH
LETTABLE AREA	18,385 m²
BUILT	under construction

VGP Park Göttingen

TENANT	Friedrich ZUFALL GmbH & Co. KG
LETTABLE AREA	42,643 m²
BUILT	under construction

VGP Park Wustermark

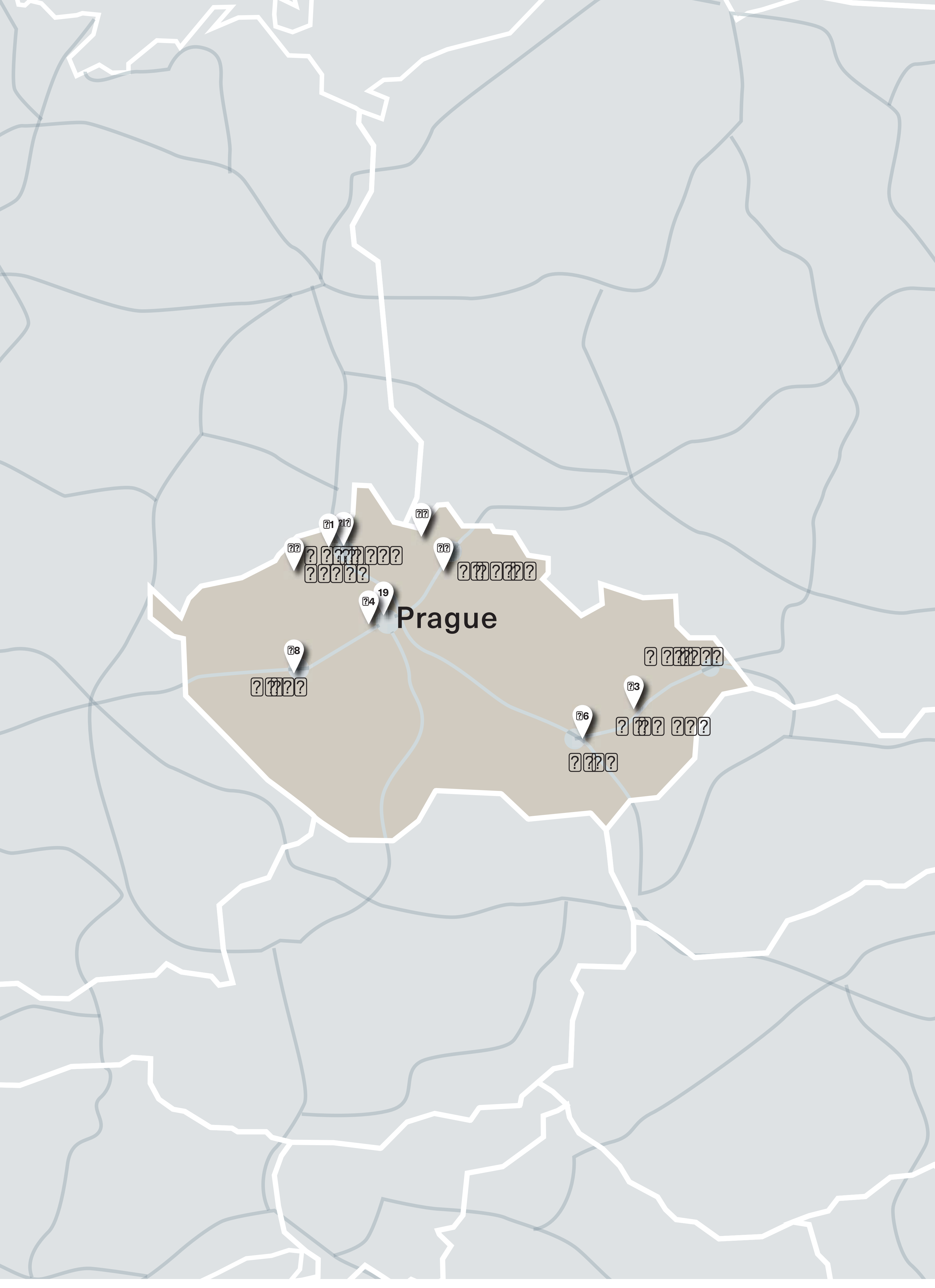
TENANT	Wepoba Wellpappenfabrik GmbH & Co. KG
LETTABLE AREA	12,803 m²
BUILT	under construction

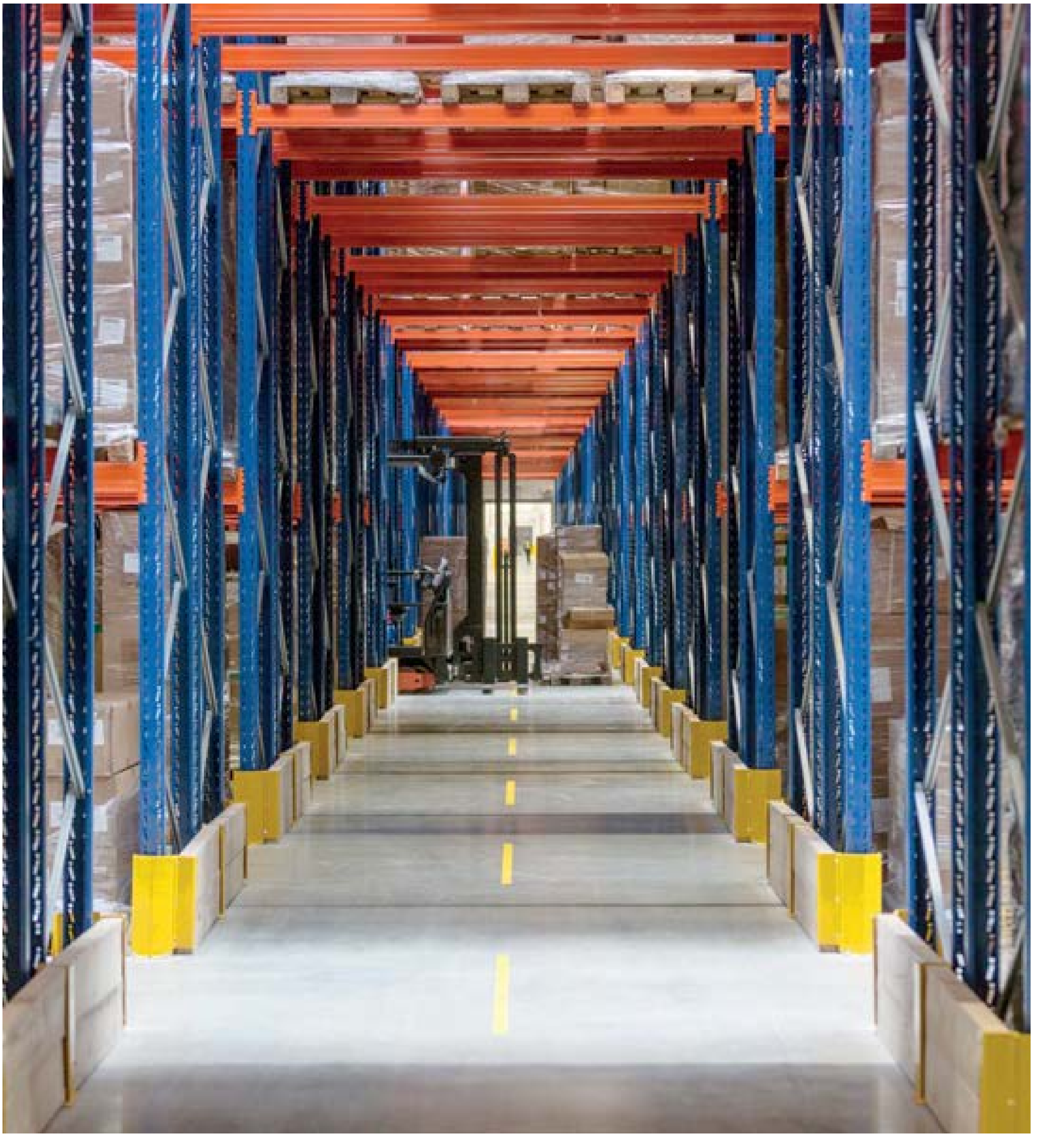
VGP Park Wustermark

TENANT	TA Technix GmbH
LETTABLE AREA	6,380 m²
BUILT	under construction

Overview of portfolio in Germany

VGP PARK	OWNER	LAND AREA *(m²)*	LETTABLE AREA *(m²)*				
			COM-PLETED	UNDER CON-STRUCTION	POTENTIAL	TOTAL	CONTRACTED ANNUAL RENT *(€)*
VGP PARK HAMBURG	VGP	87,952	—	—	30,148	30,148	—
VGP PARK BERLIN	VGP	188,455	53,777	35,963	—	89,740	2.7
VGP PARK GINSHEIM	VGP	59,845	35,670	—	—	35,670	2.3
VGP PARK WETZLAR	VGP	67,336	—	18,385	18,385	36,770	0.4
VGP PARK MÜNCHEN	VGP	537,003	—	—	244,304	244,304	—
VGP PARK GOTTINGEN	VGP	81,086	—	42,643	—	42,643	0.9
VGP PARK WUSTERMARK	VGP	85,777	—	19,183	28,810	47,993	0.9
VGP PARK HALLE	VGP	165,888	—	—	77,982	77,982	0.5
VGP PARK DRESDEN-RADEBURG	VGP	32,383	—	—	20,175	20,175	0.9
TOTAL		**1,305,725**	**89,447**	**116,174**	**419,804**	**625,424**	**8.4**
VGP PARK BINGEN	Joint Venture	15,000	6,400	—	—	6,400	0.4
VGP PARK HAMBURG	Joint Venture	537,112	236,148	13,136	—	249,285	12.9
VGP PARK SOLTAU	Joint Venture	119,868	55,811	—	—	55,811	1.9
VGP PARK RODGAU	Joint Venture	212,740	103,699	—	—	103,699	6.1
VGP PARK HÖCHSTADT	Joint Venture	45,680	15,001	—	—	15,001	0.9
VGP PARK BERLIN	Joint Venture	46,540	23,850	—	—	23,850	1.1
VGP PARK SCHWALBACH	Joint Venture	19,587	8,386	—	—	8,386	0.5
VGP PARK FRANKENTHAL	Joint Venture	174,832	—	147,022	—	147,022	7.7
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	24,587	15,088	4,750	44,425	1.2
TOTAL		**1,376,432**	**510,768**	**175,246**	**4,750**	**690,764**	**35.2**
TOTAL GERMANY		**2,682,157**	**600,215**	**291,420**	**424,554**	**1,316,188.62**	**43.6**


Prague
19



Czech Republic

19 — VGP Park Tuchoměřice
20 — VGP Park Ústí nad Labem
21 — VGP Park Český Újezd
22 — VGP Park Liberec
23 — VGP Park Olomouc
24 — VGP Park Jeneč
25 — VGP Park Chomutov
26 — VGP Park Brno
27 — VGP Park Hrádek nad Nisou
28 — VGP Park Plzeň

VGP Park Brno

TENANT	KARTON P□P, spol. s r.o.□ NOTINO, s.r.o.□□INK Trading s.r.o.
LETTABLE AREA	12,226 m²
BUILT	2017

VGP Park Brno

TENANT	NOTINO, s.r.o.□SUTA s.r.o.□ SECUPACK s.r.o.
LETTABLE AREA	13,673 m²
BUILT	2013–2016

VGP Park Brno

TENANT	HARTMANN – RICO a.s.
LETTABLE AREA	8,621 m²
BUILT	2013

VGP Park □esk□ □je□d

TENANT	Yusen Logistics (C□ech) s.r.o.
LETTABLE AREA	13,071 m²
BUILT	under construction

VGP Park ?esk? ?je?d

TENANT	FIA ProTeam s.r.o.
LETTABLE AREA	2,753 m²
BUILT	2016

VGP Park Hr?dek nad Nisou

TENANT	Drylock Technologies s.r.o.
LETTABLE AREA	40,361 m²
BUILT	2012–2014

VGP Park Hr?dek nad Nisou

TENANT	Drylock Technologies s.r.o.
LETTABLE AREA	12,935 m²
BUILT	under construction

VGP Park Liberec

TENANT	KNORR-BREMSE Syst?my pro u?itkov? vo?dla ?R, s.r.o.
LETTABLE AREA	11,436 m²
BUILT	2016

VGP Park Olomouc

TENANT	Nagel [illegible]esko s.r.o.
LETTABLE AREA	7,776 m²
BUILT	2017

VGP Park Olomouc

TENANT	John Crane a.s.
LETTABLE AREA	9,010 m²
BUILT	2017

VGP Park Olomouc

TENANT	SGB C[illegible]ech Trafo s.r.o.
LETTABLE AREA	10,476 m²
BUILT	under construction

VGP Park Olomouc

TENANT	Benteler Automotive Rumburk s.r.o.[illegible] Gerflor C[illegible] s.r.o.[illegible]RTR-TRANSPORT A LOGISTIKA s.r.o.[illegible]SUTA s.r.o.
LETTABLE AREA	11,993 m²
BUILT	2017

[illegible]

VGP Park Olomouc

[illegible]

TENANT	Euro Pool System C[illegible] s.r.o.[illegible] FENIX solutions s.r.o.
LETTABLE AREA	19,859 m²
BUILT	2015

[illegible]

VGP Park Pilsen

[illegible]

TENANT	ASSA ABLOY ES Production s.r.o.
LETTABLE AREA	8,711 m²
BUILT	2014

[illegible]

VGP Park Pilsen

[illegible]

TENANT	FAIVELEY TRANSPORT C[illegible]ECH a.s.
LETTABLE AREA	21,918 m²
BUILT	2015

[illegible]

VGP Park Pilsen

[illegible]

[illegible]	Excell C[illegible]ech s.r.o.[illegible] FAIVELEY TRANSPORT C[illegible]ECH a.s.
[illegible]	9,543 m²
[illegible]	2014–2015

[illegible]

VGP Park Pilsen

[illegible]

TENANT	COPO TEXTIL PORTUGAL S.A., organizační složka; TRANSTECHNIK CS, spol. s r.o.
LETTABLE AREA	3,640 m²
BUILT	2015–2016

[illegible]

VGP Park Tuchoměřice

[illegible]

TENANT	CAAMANO C. INTERNATIONAL GLASS CORPORATION, s.r.o.; invelt – s.r.o.; Obytné vozy s.r.o.
LETTABLE AREA	6,409 m²
BUILT	2013

[illegible]

VGP Park Tuchoměřice

[illegible]

TENANT	HARTMANN – RICO a.s.; FM ČESKÁ, s.r.o.; ESA s.r.o.; 4PX Express C. s.r.o.; Lidl Česká republika v.o.s.
LETTABLE AREA	18,604 m²
BUILT	2014–2017

[illegible]

VGP Park Ústí nad Labem

[illegible]

TENANT	JOTUN CZECH a.s.; Minda KTSN Plastic Solutions s.r.o.
LETTABLE AREA	5,351 m²
BUILT	2014

[illegible]

VGP Park [illegible]st[illegible]nad Labem

[illegible]

TENANT	Ligman Europe s.r.o.
LETTABLE AREA	6,368 m²
BUILT	under construction

[illegible]

VGP Park [illegible]st[illegible]nad Labem

[illegible]

TENANT	Treves C[illegible] s.r.o.
LETTABLE AREA	8,725 m²
BUILT	2017

[illegible]

VGP Park [illegible]st[illegible]nad Labem

[illegible]

TENANT	Treves C[illegible] s.r.o.
LETTABLE AREA	6,134 m²
BUILT	under construction

[illegible]

VGP Park [illegible]st[illegible]nad Labem

[illegible]

TENANT	SSI Technologies s.r.o.
LETTABLE AREA	6,081 m²
BUILT	2015

[illegible]

VGP Park Jene[illegible]

[illegible]

TENANT	4PX Express C[illegible] s.r.o.
LETTABLE AREA	52,582 m²
BUILT	2017

[illegible]

VGP Park Jene[illegible]

[illegible]

TENANT	4PX Express C[illegible] s.r.o.
LETTABLE AREA	11,657 m²
BUILT	under construction

[illegible]

VGP Park Jene[illegible]

[illegible]

TENANT	4PX Express C[illegible] s.r.o.
LETTABLE AREA	1,885 m²
BUILT	2017

[illegible]

VGP Park Jene[illegible]

[illegible]

TENANT	4PX Express C[illegible] s.r.o.
LETTABLE AREA	3,645 m²
BUILT	under construction

[illegible]

VGP Park Chomutov

[illegible]

TENANT	Magna Automotive (C[illegible]) s.r.o.
LETTABLE AREA	33,423 m^2
BUILT	under construction

Overview of portfolio in the Czech Republic

VGP PARK	OWNER	LAND AREA *(m²)*	LETTABLE AREA *(m²)*				
			COM-PLETED	UNDER CONSTRUC-TION	POTENTIAL	TOTAL	CONTRACTED ANNUAL RENT *(€)*
VGP PARK ÚSTÍ NAD LABEM	VGP	141,968	20,157	12,502	8,726	41,385	2.0
VGP PARK OLOMOUC	VGP	425,079	28,778	10,476	144,250	183,504	1.8
VGP PARK JENEČ	VGP	173,859	54,466	15,301	—	69,767	2.8
VGP PARK CHOMUTOV	VGP	95,057	—	33,423	16,779	50,202	1.1
TOTAL		**835,963**	**103,402**	**71,702**	**169,755**	**344,859**	**7.7**
VGP PARK TUCHOMĚŘICE	Joint Venture	58,701	25,013	—	—	25,013	1.1
VGP PARK BRNO	Joint Venture	63,974	34,520	—	—	34,520	1.8
VGP PARK HRÁDEK NAD NISOU	Joint Venture	180,638	40,361	12,935	23,584	76,880	2.2
VGP PARK OLOMOUC	Joint Venture	54,674	19,859	—	—	19,859	1.0
VGP PARK PLZEŇ	Joint Venture	92,354	43,961	—	—	43,961	2.2
VGP PARK ČESKÝ ÚJEZD	Joint Venture	45,383	2,753	13,071	—	15,824	0.5
VGP PARK LIBEREC	Joint Venture	36,062	11,436	—	2,304	13,740	0.6
TOTAL		**531,786**	**177,903**	**26,006**	**25,888**	**229,797**	**9.5**
TOTAL CZECH REPUBLIC		**1,367,749**	**281,304**	**97,708**	**195,643**	**574,655**	**17.2**

Other countries in Europe

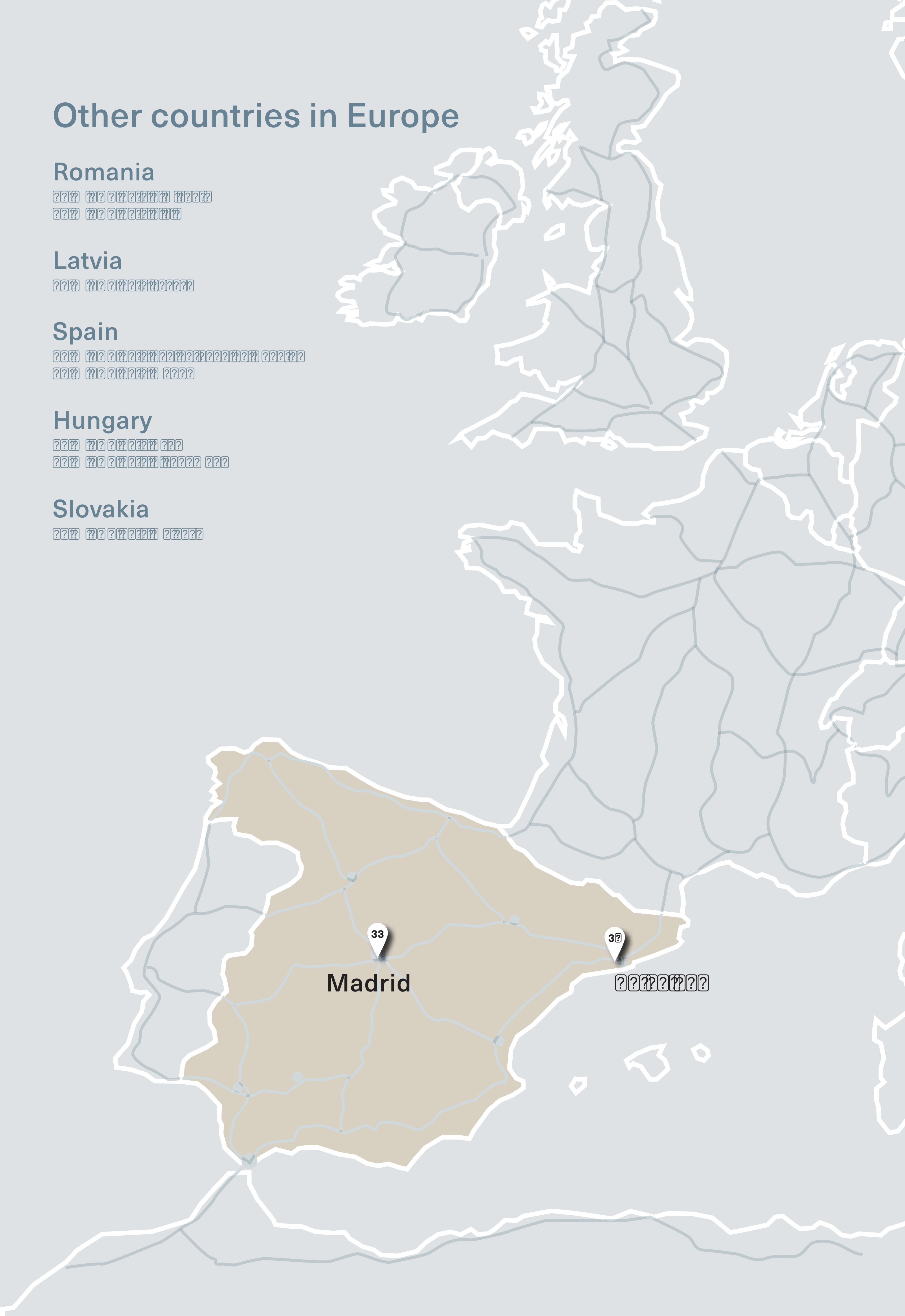
Romania

Latvia

Spain

Hungary

Slovakia




31
Riga
36
Bratislava
34
Budapest
Bucharest

VGP Park Alsónémedi

TENANT	Nagel Hungária Logisztikai Korlátolt Felelősségű Társaság
LETTABLE AREA	22,905 m²
BUILT	2016

VGP Park Győr

TENANT	SKINY Gyártó Korlátolt Felelősségű Társaság, Waberer's-Szemerey Kft., Gebrüder Weiss Szállítmányozási Kft.
LETTABLE AREA	20,290 m²
BUILT	2009

VGP Park Győr

TENANT	Lear Corporation Hungary Kft., TI Automotive (Hungary) Kft.
LETTABLE AREA	24,009 m²
BUILT	2012, 2017

VGP Park Győr

TENANT	Dana Hungary Kft.
LETTABLE AREA	6,463 m²
BUILT	2011

[illegible]

VGP Park Malacky

[illegible]

TENANT	Benteler Automotive SK s.r.o.
LETTABLE AREA	14,863 m^2
BUILT	2009

[illegible]

VGP Park Malacky

[illegible]

TENANT	Benteler Automotive SK s.r.o.[illegible] Cipher Europe s.r.o.
LETTABLE AREA	18,162 m^2
BUILT	2016 – partly under construction

[illegible]

VGP Park Malacky

[illegible]

TENANT	FROMM SLOVAKIA, a.s.[illegible] Tajco Slovakia s. r. o.
LETTABLE AREA	15,255 m^2
BUILT	2015

[illegible]

VGP Park Malacky

[illegible]

TENANT	Volkswagen Kon[illegible]ernlogistik GmbH [illegible] Co. OHG
LETTABLE AREA	25,692 m^2
BUILT	2015

VGP Park Malacky

TENANT	IDEAL Automotive Slovakia, s.r.o.
LETTABLE AREA	12,756 m²
BUILT	2016

VGP Park Kekava

TENANT	SIA Degalava Real Estate MMD Serviss SIA
LETTABLE AREA	23,686 m²
BUILT	under construction

VGP Park Timisoara

TENANT	QUEHENBERGER LOGISTICS ROU SRL cargo-partner Expeditii SRL
LETTABLE AREA	17,565 m²
BUILT	2016

VGP Park Timisoara

TENANT	SC EKOL INTERNATIONAL LOGISTICS SRL SC FAN COURIER EXPRESS SRL VAN MOER GROUP SRL KLG Europe Logistics SRL
LETTABLE AREA	18,077 m²
BUILT	2016

[illegible]

VGP Park Timişoara

[illegible]

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 ITC LOGISTIC ROMANIA SRL CSC ETICHETE SRL
LETTABLE AREA	17,841 m²
BUILT	2013–2014

[illegible]

VGP Park Timişoara

[illegible]

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 LOGISTIC ENTRUM SRL
LETTABLE AREA	18,161 m²
BUILT	2015/under construction

[illegible]

VGP Park Timişoara

[illegible]

TENANT	cargo-partner Expeditii s.r.l. JUST LOGISTICS SRL
LETTABLE AREA	21,157 m²
BUILT	under construction

[illegible]

VGP Park Mango

[illegible]

TENANT	PUNTO FA, S.L.
LETTABLE AREA	181,465 m²
BUILT	2016

VGP Park
San Fernando de Henares

TENANT	ThyssenKrupp Elevadores, S.L.U. Rhenus Logistics S.A.U.
LETTABLE AREA	22,980 m²
BUILT	under construction

Overview portfolio in other countries in Europe

VGP PARK	OWNER	LAND AREA *(m²)*	LETTABLE AREA *(m²)*				
			COM-PLETED	UNDER CON-STRUCTION	POTENTIAL	TOTAL	CONTRACTED ANNUAL RENT *(€)*
VGP PARK BRATISLAVA, SLOVAKIA	VGP	419,316	—	—	205,384	205,384	—
VGP PARK TIMISOARA, ROMANIA	VGP	279,291	71,644	21,157	30,830	123,631	3.9
VGP PARK SIBIU, ROMANIA	VGP	97,036	—	—	46,166	46,166	—
VGP PARK KEKAVA, LATVIA	VGP	148,442	—	23,686	37,440	61,126	1.4
VGP PARK SAN FERNANDO, SPAIN	VGP	222,666	—	22,980	111,784	134,764	1.4
VGP PARK MANGO, SPAIN	VGP	274,255	181,465	—	133,934	315,399	7.5
TOTAL		**1,441,005**	**253,109**	**67,823**	**565,538**	**886,470**	**14.2**
VGP PARK MALACKY, SLOVAKIA	Joint Venture	220,492	68,566	18,162	9,880	96,608	3.8
VGP PARK GYŐR. HUNGARY	Joint Venture	121,798	50,761	—	—	50,761	2.6
VGP PARK ALSÓNÉMEDI, HUNGARY	Joint Venture	85,349	22,905	—	12,000	34,905	1.4
TOTAL		**427,639**	**142,232**	**18,162**	**21,880**	**182,274**	**7.9**
TOTAL OTHER COUNTRIES		**1,868,644**	**395,341**	**85,985**	**587,418**	**1,068,744**	**22.0**

FINANCIAL REVIEW VGP NV

FOR THE YEAR ENDED 31 DECEMBER 2017

9

CONTENT OF THE FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENT

Consolidated income statement

For the year ended 31 December 2017

INCOME STATEMENT *(in thousands of €)*	**NOTE**	**2017**	**2016**
REVENUE[1]	6	28,224	24,739
GROSS RENTAL INCOME	6	17,046	16,806
SERVICE CHARGE INCOME		3,121	4,108
SERVICE CHARGE EXPENSES		(2,415)	(3,073)
PROPERTY OPERATING EXPENSES		(1,759)	(1,703)
NET RENTAL INCOME		**15,993**	**16,138**
JOINT VENTURE MANAGEMENT FEE INCOME	6	8,057	3,825
NET VALUATION GAINS/(LOSSES) ON INVESTMENT PROPERTIES	7	94,628	118,900
ADMINISTRATION EXPENSES	8	(19,353)	(15,446)
OTHER INCOME		624	483
OTHER EXPENSES		(1,512)	(1,815)
SHARE IN RESULT OF JOINT VENTURE	9	29,229	7,897
OPERATING PROFIT/(LOSS)		**127,666**	**129,982**
FINANCIAL INCOME	10	9,730	2,814
FINANCIAL EXPENSES	10	(20,196)	(19,720)
NET FINANCIAL RESULT		**(10,466)**	**(16,906)**
PROFIT BEFORE TAXES		**117,200**	**113,076**
TAXES	11	(21,205)	(21,790)
PROFIT FOR THE PERIOD		**95,995**	**91,286**
ATTRIBUTABLE TO:			
SHAREHOLDERS OF VGP NV	12	95,995	91,286
NON-CONTROLLING INTERESTS		—	—

RESULT PER SHARE	**NOTE**	**2017**	**2016**
BASIC EARNINGS PER SHARE *(in €)*	12	5.17	4.91
DILUTED EARNINGS PER SHARE *(in €)*	12	5.17	4.91

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

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

Consolidated statement of comprehensive income

For the year ended 31 December 2017

STATEMENT OF COMPREHENSIVE INCOME *(in thousands of €)*	**2017**	**2016**
PROFIT FOR THE YEAR	**95,995**	**91,286**
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	—	—
OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	—	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	—	—
TOTAL COMPREHENSIVE INCOME/(LOSS) OF THE PERIOD	**95,995**	**91,286**
ATTRIBUTABLE TO:		
SHAREHOLDERS OF VGP NV	95,995	91,286
NON-CONTROLLING INTEREST	—	—

Consolidated balance sheet

For the year ended 31 December 2017

ASSETS *(in thousands of €)*	**NOTE**	**2017**	**2016**
INTANGIBLE ASSETS		36	14
INVESTMENT PROPERTIES	13	392,291	550,262
PROPERTY, PLANT AND EQUIPMENT		507	517
NON-CURRENT FINANCIAL ASSETS		322	5
INVESTMENTS IN JOINT VENTURE AND ASSOCIATES	9	143,312	89,194
OTHER NON-CURRENT RECEIVABLES	9	12,757	8,315
DEFERRED TAX ASSETS	11	32	3
TOTAL NON-CURRENT ASSETS		**549,257**	**648,310**
TRADE AND OTHER RECEIVABLES	14	11,074	19,426
CASH AND CASH EQUIVALENTS	15	30,269	71,595
DISPOSAL GROUP HELD FOR SALE	20	441,953	132,263
TOTAL CURRENT ASSETS		**483,296**	**223,284**
TOTAL ASSETS		**1,032,553**	**871,594**

SHAREHOLDERS' EQUITY AND LIABILITIES *(in thousands of €)*	**NOTE**	**2017**	**2016**
SHARE CAPITAL	16	62,251	62,251
RETAINED EARNINGS		403,910	327,985
OTHER RESERVES		69	69
SHAREHOLDERS' EQUITY		**466,230**	**390,305**
NON-CURRENT FINANCIAL DEBT	17	390,067	327,923
OTHER NON-CURRENT FINANCIAL LIABILITIES		1,966	5,348
OTHER NON-CURRENT LIABILITIES	18	1,680	2,432
DEFERRED TAX LIABILITIES	11	11,750	20,012
TOTAL NON-CURRENT LIABILITIES		**405,463**	**355,715**
CURRENT FINANCIAL DEBT	17	81,358	81,674
TRADE DEBTS AND OTHER CURRENT LIABILITIES	19	38,379	35,496
LIABILITIES RELATED TO DISPOSAL GROUP HELD FOR SALE	20	41,123	8,404
TOTAL CURRENT LIABILITIES		**160,860**	**125,574**
TOTAL LIABILITIES		**566,323**	**481,289**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,032,553**	**871,594**

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

Statement of changes in equity

For the year ended 31 December 2017

STATEMENT OF CHANGES IN EQUITY *(in thousands of €)*	STATUTORY SHARE CAPITAL	CAPITAL RESERVE *(see note 16)*	IFRS SHARE CAPITAL	RETAINED EARNINGS	SHARE PREMIUM	OTHER EQUITY	TOTAL EQUITY
BALANCE AS AT 1 JANUARY 2016	**112,737**	**(50,486)**	**62,251**	**239,658**	**69**	**60,000**	**361,978**
OTHER COMPREHENSIVE INCOME/(LOSS)	—	—	—	—	—	—	—
RESULT OF THE PERIOD	—	—	—	91,286	—	—	91,286
EFFECT OF DISPOSALS	—	—	—	—	—	—	—
TOTAL COMPREHENSIVE INCOME/(LOSS)	**—**	**—**	**—**	**91,286**	**—**	**—**	**91,286**
DIVIDENDS TO SHAREHOLDERS	—	—	—	—	—	—	—
SHARE CAPITAL DISTRIBUTION TO SHAREHOLDERS	—	—	—	—	—	—	—
HYBRID SECURITIES	—	—	—	(2,959)	—	(60,000)	(62,959)
BALANCE AS AT 31 DECEMBER 2016	**112,737**	**(50,486)**	**62,251**	**327,985**	**69**	**—**	**390,305**
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**

Consolidated cash flow statement

For the year ended 31 December 2017

CASH FLOW STATEMENT *(in thousands of €)*	**NOTE**	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES	*21*		
PROFIT BEFORE TAXES		117,200	113,076
ADJUSTMENTS FOR:			
DEPRECIATION		216	897
UNREALISED (GAINS)/LOSSES ON INVESTMENT PROPERTIES	7	(90,272)	(97,696)
REALISED (GAINS)/LOSSES ON DISPOSAL OF SUBSIDIARIES AND INVESTMENT PROPERTIES	7	(4,356)	(21,204)
UNREALISED (GAINS)/LOSSES ON FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE	10	(4,011)	4,723
INTEREST (INCOME)		(5,619)	(2,636)
INTEREST EXPENSE		20,096	14,820
SHARE IN (PROFIT)/LOSS OF JOINT VENTURE AND ASSOCIATES	9	(29,229)	(7,897)
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS		**4,025**	**4,083**
DECREASE/(INCREASE) IN TRADE AND OTHER RECEIVABLES		(7,308)	(14,505)
(DECREASE)/INCREASE IN TRADE AND OTHER PAYABLES		17,113	28,681
CASH GENERATED FROM THE OPERATIONS		**13,830**	**18,259**
INTEREST INCOME		393	157
INTEREST (EXPENSE)		(20,247)	(10,684)
INCOME TAXES PAID		(762)	(939)
NET CASH FROM OPERATING ACTIVITIES		**(6,786)**	**6,793**
CASH FLOWS FROM INVESTING ACTIVITIES	*21*		
PROCEEDS FROM DISPOSAL OF TANGIBLE ASSETS AND OTHER		8	46
PROCEEDS FROM DISPOSAL OF SUBSIDIARIES		33,662	—
INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER CONSTRUCTION		(168,379)	(336,654)
SALE OF INVESTMENT PROPERTIES TO VGP EUROPEAN LOGISTICS JOINT VENTURE	22	122,053	236,060
DISTRIBUTION BY/(INVESTMENT IN) VGP EUROPEAN LOGISTICS JOINT VENTURE		1,000	4,678
LOANS PROVIDED TO THE JOINT VENTURE AND ASSOCIATES		(89,819)	(28,546)
LOANS REPAID BY JOINT VENTURE AND ASSOCIATES		11,200	—
NET CASH USED IN INVESTING ACTIVITIES		**(90,274)**	**(124,416)**
CASH FLOWS FROM FINANCING ACTIVITIES	*21*		
REPAYMENT HYBRID INSTRUMENTS			(62,960)
NET PROCEEDS/(CASH OUT) FROM THE ISSUE/(REPAYMENT) OF SHARE CAPITAL	16	(20,070)	—
PROCEEDS FROM LOANS	17	157,444	283,367
LOAN REPAYMENTS	17	(79,749)	(51,536)
NET CASH USED IN FINANCING ACTIVITIES		**57,625**	**168,871**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(39,434)**	**51,248**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		71,595	9,825
EFFECT OF EXCHANGE RATE FLUCTUATIONS		426	234
RECLASSIFICATION TO (-)/FROM HELD FOR SALE	22	(2,318)	10,288
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**30,269**	**71,595**

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 2017

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 Leonardo Da Vincilaan 19 bus 6, 1831 Machelen (Diegem), Belgium and the Company is registered under enterprise number 0887.216.042 (Register of Legal Entities of Brussels).

The Group is a 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 geographical focus of the Group is mainly on Germany, the Czech Republic and Spain and to a lesser extent on Latvia, Slovakia, Hungary and Romania.

The aim of the Group is to become a leading pan-European specialised developer, owner and manager of logistic property.

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 6 April 2018.

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 2017.

New standards and interpretations applicable during 2017

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

- Annual improvements to IFRS Standards 2014–2016 Cycle: Amendments to IFRS 12 (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed by the EU)
- Amendments to IAS 7 *Statement of Cash Flows – Disclosure Initiative* (applicable for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 12 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses* (applicable for annual periods beginning on or after 1 January 2017

The above new standards, amendments to standards and interpretation did not give rise to any material changes in the presentation and preparation of the consolidated financial statements of the year.

New standards and interpretations not yet effective during 2017

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2017, and have not been applied when preparing financial statements:

— IFRS 9 – *Financial Instruments (effective 1 January 2018)*: IFRS 9 was finalised and published by IASB in July 2014 and endorsed by the EU in November 2016. IFRS 9 contains the requirements for the classification and measurement of financial assets and financial liabilities, the impairment of financial assets, and the general hedge accounting. IFRS 9 will replace most parts of IAS 39 – Financial Instruments: Recognition and Measurement.

Based on an analysis of VGP's situation as at 30 June 2017, IFRS 9 is not expected to have a material impact on the consolidated financial statements. With respect to the impairment of financial assets measured at amortised cost, including trade receivables, the initial application of the expected credit loss model under IFRS 9 will result in earlier recognition of credit losses compared to the incurred loss model currently applied under IAS 39. Considering the relatively limited amount of trade receivables combined with the low associated credit risk, the Company does however not anticipate a material impact on the consolidated financial statements.

— IFRS 15 – *Revenue from Contracts with Customers (effective 1 January 2018)*: IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Upon its effective date IFRS 15 will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts and the related interpretations.

IFRS 15 is not expected to have a material impact on the consolidated financial statements of the Company as lease contracts are excluded from the scope of the standard and represent the main source of income for VGP. The principles of IFRS 15 are still applicable to the non-lease components that may be contained in lease contracts or in separate agreements, such as maintenance related services charged to the lessee. Considering however that such non-lease components mostly represent services recognised over time under both IFRS 15 and IAS 18, VGP does not anticipate a material impact in that respect.

— IFRS 16 – *Leases (effective 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. IFRS 16 has not yet been endorsed at the EU level.

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.

— Annual improvements to IFRS Standards 2014–2016 Cycle: Amendments to IFRS 1 and IAS 28 (applicable for annual periods beginning on or after 1 January 2018, 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 IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)

— Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2018)

— Amendments to IFRS 9 Prepayment Features with Negative Compensation(applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)

— 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 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)

— Amendments to IAS 40 *Transfers of Investment Property* (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)

— IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (applicable for annual periods beginning on or after 1 January 2018, 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, but not yet endorsed in the EU)

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 an 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 reliable 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 2.20 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 Trade and other receivables

Trade receivables do not carry any interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. An allowance for impairment of trade and other receivables is established if the collection of a receivable becomes doubtful. Such receivable becomes doubtful 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 receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows. An impairment loss is recognized in the statement of income, as are subsequent recoveries of previous impairments.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. 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.

2.13 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.

2.14 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.

2.15 Trade and other payables

Trade and other payables are stated at amortised cost.

2.16 Derivative financial instruments

A derivative is a financial instrument or other contract which fulfils the following conditions:

— its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract;
— it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
— it is settled at a future date.

Hedging derivatives are defined as derivatives that comply with the company's risk management strategy, the hedging relationship is formally documented and the hedge is effective, that is, at inception and throughout the period, changes in the fair value or cash flows of the hedged and hedging items are almost fully offset and the results are within a range of 80 percent to 125 percent.

Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value, with changes in fair value included in net profit or loss of the period in which they arise.

Fair values are obtained from quoted market prices or discounted cash-flow models, as appropriate. All non-hedge derivatives are carried (as applicable) as current or non-current assets when their fair value is positive and as current or non-current liabilities when their fair value is negative.

VGP holds no derivative instruments nor intends to issue any for speculative purposes.

2.17 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.

2.18 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.

2.19 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.

2.20 Rental income

Rental income from investment property leased out under an operating lease is recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Rental income is recognised as from the commencement of the lease contract.

The Group did not enter into any financial lease agreements with tenants, all lease contracts qualify as operating leases.

The lease contracts concluded can be defined as ordinary leases whereby the obligations of the lessor under the lease remain essentially those under any lease, for instance to ensure that space in a state of being occupied is available to the lessee during the whole term of the lease. The lease contracts are usually concluded for periods between 5-10 years (first break option) and include most of the time an automatic extension clause. The lessee cannot cancel the lease contract until the first break option date.

2.21 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 it has joint control over VGP European Logistics and hence this joint venture and the related associates are 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 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. Adjusted operating profit

Adjusted operating profit is a non-IFRS measure and is the Group's measure of underlying operating profit, which is used by the Board and senior management to measure and monitor the Group's recurrent income performance.

It is based on the Best Practices Recommendations Guidelines of European Public Real Estate Association (EPRA), which calculate profit excluding investment and development property revaluations and gains or losses on disposals. Changes in the fair value of financial instruments and their related taxation are also excluded. The Directors have elected not to report all EPRA metrics. Refer to the Supplementary Notes for the selected EPRA metrics.

The Directors have made a company specific non-EPRA adjustment in respect of the fair value gains/(losses) generated on the investment properties located in Germany, the Czech Republic, Slovakia and Hungary which are due to be sold to the VGP European Logistics joint venture.

In March 2016, the Group entered into a 50/50 joint venture with Allianz Real Estate for an initial term of 10 years. The Joint Venture allows VGP to recycle (partially or totally) its initial invested capital when completed projects are acquired by the Joint Venture, and allows VGP to re-invest these cash flows in the continued expansion of the development pipeline, including the further expansion of the land bank, thus allowing VGP to concentrate on its core development activities. It is the intention to have 1- to 2 closings with the joint venture per annum.

This non-EPRA adjustment, therefore, reflects the operational and recurrent nature of the development activities undertaken in these 4 countries and allows VGP to better match the development administrative cost to the development profits.

In order to have a comprehensive view of the performance of the development activities as a whole the net valuation gains/(losses) on development properties – other countries i.e. all countries except for Germany, the Czech Republic, Slovakia and Hungary, should also be taken into consideration.

ADJUSTED OPERATING PROFIT *(in thousands of €)*	**2017**	**2016**
GROSS RENTAL INCOME	17,046	16,806
SERVICE CHARGE INCOME/(EXPENSES) – NET	706	1,035
PROPERTY OPERATING EXPENSES	(1,759)	(1,703)
NET RENTAL INCOME	**15,993**	**16,138**
JOINT VENTURE MANAGEMENT FEE INCOME	8,057	3,825
DEVELOPMENT GAINS ON DEVELOPMENT PROPERTIES DESTINED TO THE JOINT VENTURE[1]	75,053	111,103
ADMINISTRATION EXPENSES	(19,353)	(15,446)
OTHER INCOME/(EXPENSES) – NET	(888)	(1,332)
SHARE OF JOINT VENTURES' ADJUSTED OPERATING PROFIT AFTER TAX[2]	8,757	2,905
ADJUSTED OPERATING PROFIT BEFORE INTEREST AND TAX	**87,619**	**117,193**
NET FINANCIAL COSTS (INCLUDING ADJUSTMENTS)	(13,913)	(12,287)
ADJUSTED OPERATING PROFIT BEFORE TAX	**73,706**	**104,906**
ADJUSTMENTS TO RECONCILE TO IFRS:		
ADJUSTMENTS TO THE SHARE OF OPERATING PROFIT FROM JOINT VENTURES AFTER TAX[2]	20,472	4,991
NET VALUATION GAINS/(LOSSES) ON DEVELOPMENT PROPERTIES – OTHER COUNTRIES[3]	13,586	2,295
NET VALUATION GAINS/(LOSSES) ON INVESTMENT PROPERTIES	1,691	5,502
PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES[4]	4,298	—
NET FAIR VALUE GAIN/(LOSS) ON INTEREST RATE SWAPS AND OTHER DERIVATIVES	3,447	(4,619)
TOTAL ADJUSTMENTS	**43,494**	**8,169**
PROFIT BEFORE TAX	**117,200**	**113,076**
TAX		
ON ADJUSTED OPERATING PROFIT	(15,656)	(21,132)
IN RESPECT OF ADJUSTMENTS	(5,549)	(658)
	(21,205)	(21,790)
PROFIT FOR THE YEAR	**95,995**	**91,286**
ATTRIBUTABLE TO:		
OWNERS OF THE COMPANY	95,995	91,286
NON-CONTROLLING INTERESTS	—	—

1 Non-EPRA related adjustment referred to in third paragraph above.
2 A detailed breakdown of the adjustments to the share of profit from the joint venture is included in note 9.1.
3 Relates to developments in countries outside of the JV perimeter i.e. Spain, Romania, Latvia and Estonia.
4 Relates to disposal of VGP Estonia

5. 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.

5.1 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 2017 and 2016.

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 related to Romania, Spain, Estonia (only applicable to 2016) and Latvia 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 management business.

Breakdown summary of the business lines

in thousands of €	2017	2016
INVESTMENT ADJUSTED OPERATING EBITDA	25,140	19,358
PROPERTY DEVELOPMENT ADJUSTED OPERATING EBITDA	57,120	96,217
PROPERTY MANAGEMENT AND ASSET MANAGEMENT ADJUSTED OPERATING EBITDA	5,558	1,760
TOTAL ADJUSTED OPERATING EBITDA	**87,818**	**117,335**

(in thousands of €)	FOR THE YEAR ENDED 31 DECEMBER 2017			
	INVESTMENT	DEVELOPMENT	PROPERTY AND ASSET MANAGEMENT	TOTAL
GROSS RENTAL INCOME	17,046	—	—	17,046
SERVICE CHARGE INCOME/(EXPENSES) – NET	706	—	—	706
PROPERTY OPERATING EXPENSES	(176)	(1,583)	—	(1,759)
NET RENTAL INCOME	**17,576**	**(1,583)**	**—**	**15,993**
JOINT VENTURE MANAGEMENT FEE INCOME	—	—	8,057	8,057
DEVELOPMENT GAINS ON DEVELOPMENT PROPERTIES DESTINED TO THE JOINT VENTURE	—	75,053	—	75,053
ADMINISTRATION EXPENSES	(922)	(16,350)	(1,882)	(19,154)
OTHER INCOME/(EXPENSES) – NET	(271)	—	(617)	(888)
SHARE OF JOINT VENTURES' ADJUSTED OPERATING PROFIT AFTER TAX[1]	8,757	—	—	8,757
ADJUSTED OPERATING EBITDA	**25,140**	**57,120**	**5,558**	**87,818**
DEPRECIATION AND AMORTISATION				(199)
ADJUSTED OPERATING PROFIT BEFORE INTEREST AND TAX				**87,619**
NET FINANCIAL COSTS (INCLUDING ADJUSTMENTS)				(13,913)
ADJUSTED OPERATING PROFIT BEFORE TAX				**73,706**
TAX ON ADJUSTED OPERATING PROFIT				(15,656)
ADJUSTED OPERATING PROFIT AFTER TAX				**58,050**
ADJUSTMENTS TO RECONCILE TO IFRS:				
ADJUSTMENTS TO THE SHARE OF PROFIT FROM JOINT VENTURES AFTER TAX[1]				20,472
NET VALUATION GAINS/(LOSSES) ON DEVELOPMENT PROPERTIES – OTHER COUNTRIES[2]				13,586
NET VALUATION GAINS/(LOSSES) ON INVESTMENT PROPERTIES				1,691
PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES				4,298
NET FAIR VALUE GAIN/(LOSS) ON INTEREST RATE SWAPS AND OTHER DERIVATIVES				3,447
TAX IN RESPECT OF ADJUSTMENTS				(5,549)
TOTAL ADJUSTMENTS				**37,944**
PROFIT FOR THE YEAR				**95,995**

1 A detailed breakdown of the adjustments to the share of profit from the joint venture is included in note 9.1.
2 Relates to developments in countries outside of the JV perimeter i.e. Spain, Romania, Latvia.

(in thousands of €)	FOR THE YEAR ENDED 31 DECEMBER 2016			
	INVESTMENT	**DEVELOPMENT**	**PROPERTY AND ASSET MANAGEMENT**	**TOTAL**
GROSS RENTAL INCOME	16,806	—	—	16,806
SERVICE CHARGE INCOME/(EXPENSES) – NET	1,035	—	—	1,035
PROPERTY OPERATING EXPENSES	(170)	(1,533)	—	(1,703)
NET RENTAL INCOME	**17,671**	**(1,533)**	**—**	**16,138**
JOINT VENTURE MANAGEMENT FEE INCOME	—	—	3,825	3,825
DEVELOPMENT GAINS ON DEVELOPMENT PROPERTIES DESTINED TO THE JOINT VENTURE	—	111,103	—	111,103
ADMINISTRATION EXPENSES	(279)	(13,069)	(1,325)	(14,673)
OTHER INCOME/(EXPENSES) – NET	(309)	—	(1,023)	(1,332)
ADJUSTMENTS TO THE SHARE OF PROFIT FROM JOINT VENTURES AFTER TAX[1]	2,905	—	—	2,905
ADJUSTED OPERATING EBITDA	**19,988**	**96,501**	**1,477**	**117,966**
DEPRECIATION AND AMORTISATION				(773)
ADJUSTED OPERATING PROFIT BEFORE INTEREST AND TAX				**117,193**
NET FINANCIAL COSTS (INCLUDING ADJUSTMENTS) –				(12,287)
ADJUSTED OPERATING PROFIT BEFORE TAX				**104,906**
TAX ON ADJUSTED PROFIT				(21,132)
ADJUSTED OPERATING PROFIT AFTER TAX				**83,775**
ADJUSTMENTS TO RECONCILE TO IFRS:				
ADJUSTMENTS TO THE SHARE OF PROFIT FROM JOINT VENTURES AFTER TAX[1]				4,991
NET VALUATION GAINS/(LOSSES) ON DEVELOPMENT PROPERTIES – OTHER COUNTRIES[2]				2,295
NET VALUATION GAINS/(LOSSES) ON INVESTMENT PROPERTIES				5,502
PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES				—
NET FAIR VALUE GAIN/(LOSS) ON INTEREST RATE SWAPS AND OTHER DERIVATIVES				(4,619)
TAX IN RESPECT OF ADJUSTMENTS				(658)
TOTAL ADJUSTMENTS				**7,511**
PROFIT FOR THE YEAR				**91,286**

1 A detailed breakdown of the adjustments to the share of profit from the joint venture is included in note 9.1.
2 Relates to developments in countries outside of the JV perimeter i.e. Spain, Romania, Latvia and Estonia.

5.2 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 2017 *in thousands of €*	**GROSS RENTAL INCOME[1]**	**NET RENTAL INCOME[1]**	**SHARE OF JOINT VENTURE'S ADJUSTED PROFIT AFTER TAX**	**ADJUSTED OPERATING EBITDA**	**INVESTMENT PROPERTIES OWN**	**INVESTMENT PROPERTIES JV AT SHARE**	**CAPITAL EXPENDITURE[2]**
WESTERN EUROPE							
GERMANY	13,835	12,024	5,473	46,116	375,367	263,215	175,475
SPAIN	7,500	6,958	—	3,933	209,976	—	5,546
	21,335	18,982	5,473	50,049	585,343	263,215	181,021
CENTRAL AND EASTERN EUROPE							
CZECH REPUBLIC	6,405	6,005	2,144	35,898	156,688	75,416	58,703
SLOVAKIA	1,631	1,496	933	1,402	11,262	21,722	902
HUNGARY	1,735	1,717	764	2,006	9,101	22,725	5,620
ROMANIA	3,058	3,088	—	2,685	45,660	—	5,365
	12,829	12,306	3,841	41,991	222,711	119,863	70,590
BALTICS							
ESTONIA	2,210	2,301	—	2,154	—	—	3,894
LATVIA	—	(12)	—	(220)	14,535	—	5,463
	2,210	2,289	—	1,934	14,535	—	9,357
OTHER[3]	—	(87)	(557)	(6,156)	—	—	—
TOTAL	36,374	33,490	8,757	87,818	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.

31 DECEMBER 2016 *in thousands of €*	GROSS RENTAL INCOME[1]	NET RENTAL INCOME[1]	SHARE OF JOINT VENTURE'S ADJUSTED PROFIT AFTER TAX	ADJUSTED OPERATING EBITDA	INVESTMENT PROPERTIES OWN	INVESTMENT PROPERTIES JV AT SHARE	CAPITAL EXPENDITURE[2]
WESTERN EUROPE							
GERMANY	10,732	9,708	1,592	91,927	284,791	168,683	100,119
SPAIN	242	239	—	(600)	195,842	—	195,821
	10,974	9,947	1,592	91,327	480,633	168,683	295,940
CENTRAL AND EASTERN EUROPE							
CZECH REPUBLIC	5,850	5,724	1,013	25,994	100,221	52,261	26,099
SLOVAKIA	1,989	1,700	409	1,533	9,671	21,511	3,601
HUNGARY	1,977	1,845	470	2,872	2,264	22,049	—
ROMANIA	2,281	2,393	—	2,004	36,043	—	5,904
	12,097	11,662	1,892	32,403	148,199	95,821	35,604
BALTICS							
ESTONIA	2,469	2,396	—	2,260	47,400	—	3,992
LATVIA	—	(10)	—	(204)	6,293	—	1,467
	2,469	2,386	—	2,056	53,693	—	5,459
OTHER[3]	—	(61)	(579)	(7,820)	—	—	—
TOTAL	25,540	23,934	2,905	117,966	682,525	264,504	337,003

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 € 308.5 million and amounts to € 28.5 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.

6. Revenue

in thousands of €	2017	2016
RENTAL INCOME FROM INVESTMENT PROPERTIES	16,759	14,502
RENT INCENTIVES	287	2,304
TOTAL GROSS RENTAL INCOME	**17,046**	**16,806**
JOINT VENTURE MANAGEMENT FEE INCOME		
PROPERTY AND FACILITY MANAGEMENT INCOME	4,400	3,199
DEVELOPMENT MANAGEMENT INCOME	3,657	626
SERVICE CHARGE INCOME	3,121	4,108
TOTAL REVENUE	**28,224**	**24,739**

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 2017 and the third closing with the Joint Venture on 31 May 2017. The 2017 rental income includes € 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 14 September 2017 the sale of VGP Park Nehatu was completed. The rental income of VGP Park Nehatu for the period up to 14 September 2017 was € 2.2 million.

At the end of December 2017, the Group (including the Joint Venture at 100%) had annualised committed leases of € 82.8 million[1] compared to € 64.3 million[2] as at 31 December 2016. The annualised committed leases of VGP Park Nehatu was € 3.2 million as at 31 December 2016.

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

in thousands of €	2017	2016
LESS THAN ONE YEAR	29,983	25,340
BETWEEN ONE AND FIVE YEARS	109,260	94,376
MORE THAN FIVE YEARS	274,630	242,916
TOTAL	**413,873**	**362,632**

1 € 52.5 million related to the JV Property Portfolio and € 30.3 million related to the Own Property Portfolio.
2 € 38.6 million related to the JV Property Portfolio and € 25.7 million related to the Own Property Portfolio.

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

in thousands of €	2017	2016
UNREALISED VALUATION GAINS/(LOSSES) ON INVESTMENT PROPERTIES	65,343	66,006
UNREALISED VALUATION GAINS/(LOSSES) ON DISPOSAL GROUP HELD FOR SALE	24,929	31,690
REALISED VALUATION GAINS/(LOSSES) ON DISPOSAL OF SUBSIDIARIES AND INVESTMENT PROPERTIES	4,356	21,204
TOTAL	**94,628**	**118,900**

The own property portfolio, excluding development land, is valued by the valuation expert at 31 December 2017 based on a weighted average yield of 6.26% (compared to 6.49% as at 31 December 2016) 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 € 8.3 million.

8. Administration expenses

in thousands of €	2017	2016
WAGES AND SALARIES	(5,719)	(3,303)
AUDIT, LEGAL AND OTHER ADVISORS	(10,100)	(9,428)
OTHER EXPENSES	(3,335)	(2,573)
DEPRECIATION	(199)	(142)
TOTAL	**(19,353)**	**(15,446)**

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 *(in thousands of €)*	**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					
— SERVICE CHARGE INCOME/ (EXPENSES) – NET	637	490	25	319	343
— UNDERLYING PROPERTY OPERATING EXPENSES	(1,242)	(689)	(35)	(621)	(656)
— PROPERTY MANAGEMENT FEES	(2,853)	(1,811)	(92)	(1,426)	(1,519)
NET RENTAL INCOME	**32,870**	**20,821**	**1,062**	**16,435**	**17,497**
ADMINISTRATION EXPENSES	(1,672)	(690)	(35)	(836)	(871)
OTHER INCOME/ (EXPENSES) – NET	71	29	1	35	37
NET FINANCIAL RESULT (INCLUDING ADJUSTMENTS)	(11,556)	(7,675)	(391)	(5,778)	(6,169)
ADJUSTED OPERATING PROFIT/ (LOSS) BEFORE TAX	**19,713**	**12,485**	**637**	**9,857**	**10,493**
TAX ON ADJUSTED OPERATING PROFITS	(3,278)	(1,915)	(98)	(1,639)	(1,737)
ADJUSTED OPERATING PROFIT/ (LOSS) AFTER TAX	**16,435**	**10,570**	**539**	**8,218**	**8,757**
ADJUSTMENTS					
NET VALUATION GAINS/(LOSSES) ON INVESTMENT PROPERTIES	44,984	37,207	1,898	22,492	24,390
PROFIT/(LOSS) ON DISPOSAL OF INVESTMENT PROPERTIES	65	92	5	32	37
NET FAIR VALUE LOSS ON INTEREST RATE SWAPS AND OTHER DERIVATIVES	1,338	—	—	669	669
TAX IN RESPECT OF ADJUSTMENTS	(8,664)	(5,720)	(292)	(4,332)	(4,624)
TOTAL ADJUSTMENTS	**37,722**	**31,579**	**1,611**	**18,861**	**20,472**
PROFIT/(LOSS) AFTER TAX	**54,158**	**42,149**	**2,150**	**27,079**	**29,229**

INCOME STATEMENT *(in thousands of €)*	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%	2016
GROSS RENTAL INCOME	16,497	9,511	485	8,248	8,734
PROPERTY OPERATING EXPENSES					
— SERVICE CHARGE INCOME/ (EXPENSES) – NET	535	427	22	268	289
— UNDERLYING PROPERTY OPERATING EXPENSES	(1,048)	(517)	(26)	(524)	(550)
— PROPERTY MANAGEMENT FEES	(1,277)	(752)	(38)	(638)	(677)
NET RENTAL INCOME	**14,708**	**8,669**	**442**	**7,354**	**7,796**
ADMINISTRATION EXPENSES	(1,535)	(801)	(41)	(768)	(808)
OTHER INCOME/ (EXPENSES) – NET	(69)	(75)	(4)	(35)	(38)
NET FINANCIAL RESULT (INCLUDING ADJUSTMENTS)	(6,252)	(4,021)	(205)	(3,126)	(3,331)
ADJUSTED OPERATING PROFIT/ (LOSS) BEFORE TAX	**6,852**	**3,772**	**192**	**3,426**	**3,618**
TAX ON ADJUSTED OPERATING PROFITS	(1,359)	(656)	(33)	(679)	(713)
ADJUSTED OPERATING PROFIT/ (LOSS) AFTER TAX	**5,493**	**3,116**	**159**	**2,746**	**2,905**
ADJUSTMENTS					
NET VALUATION GAINS/(LOSSES) ON INVESTMENT PROPERTIES	13,069	6,198	316	6,534	6,851
PROFIT/(LOSS) ON DISPOSAL OF INVESTMENT PROPERTIES	(1)	—	—	(0)	(0)
NET FAIR VALUE LOSS ON INTEREST RATE SWAPS AND OTHER DERIVATIVES	(1,075)	—	—	(538)	(538)
TAX IN RESPECT OF ADJUSTMENTS	(2,532)	(1,079)	(55)	(1,266)	(1,321)
TOTAL ADJUSTMENTS	**9,460**	**5,119**	**261**	**4,730**	**4,991**
PROFIT/(LOSS) AFTER TAX	**14,953**	**8,235**	**420**	**7,477**	**7,897**

9.2 Summarised balance sheet information in respect of Joint Venture

BALANCE SHEET *(in thousands of €)*	**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**
ADJUSTMENT DISPOSAL OF ASSOCIATES					—
NET ASSETS	**267,839**	**184,198**	**9,392**	**133,920**	**143,312**

BALANCE SHEET *(in thousands of €)*	**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%**	**2016**
INVESTMENT PROPERTIES	496,267	320,995	16,371	248,133	264,504
OTHER ASSETS	190	29	1	95	96
TOTAL NON-CURRENT ASSETS	**496,456**	**321,024**	**16,372**	**248,228**	**264,600**
TRADE AND OTHER RECEIVABLES	8,335	6,972	356	4,168	4,523
CASH AND CASH EQUIVALENTS	17,342	11,464	585	8,671	9,256
TOTAL CURRENT ASSETS	**25,678**	**18,436**	**940**	**12,839**	**13,779**
TOTAL ASSETS	**522,134**	**339,460**	**17,312**	**261,067**	**278,379**
NON-CURRENT FINANCIAL DEBT	298,012	197,290	10,062	149,006	159,068
OTHER NON-CURRENT FINANCIAL LIABILITIES	1,075	—	—	538	538
OTHER NON-CURRENT LIABILITIES	1,440	16	1	720	721
DEFERRED TAX LIABILITIES	32,723	21,318	1,087	16,361	17,449
TOTAL NON-CURRENT LIABILITIES	**333,250**	**218,624**	**11,150**	**166,625**	**177,775**
CURRENT FINANCIAL DEBT	8,117	6,065	309	4,058	4,368
TRADE DEBTS AND OTHER CURRENT LIABILITIES	12,894	9,663	493	6,447	6,940
TOTAL CURRENT LIABILITIES	**21,011**	**15,728**	**802**	**10,505**	**11,308**
TOTAL LIABILITIES	**354,260**	**234,352**	**11,952**	**177,130**	**189,082**
ADJUSTMENT DISPOSAL OF ASSOCIATES[1]					103
NET ASSETS	**167,873**	**105,108**	**5,361**	**83,937**	**89,194**

VGP European Logistics recorded its third closing at the end of May 2017, with the acquisition of 6 new parks from VGP, comprising of 7 logistic buildings, and another 4 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 4 buildings which are being acquired by the Joint Venture are also located in Germany (3 buildings) and in the Czech Republic (1 building).

The VGP European Logistics portfolio was valued at a weighted average yield of 5.63% as at 31 December 2017 compared to 6.08% as at 31 December 2016 (5.92% as at 30 June 2017) reflecting the continued contraction of the yields during 2017. A 0.10% variation of this market rate would give rise to a variation of the total Joint Venture portfolio value of € 16.9 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.

1 In 2016 the associates SNOW S.à.r.l. and SUN S.à.r.l. were sold to Tristan Capital Partners as part of the liquidation process of these respective associates.

9.3 Other non-current receivables

in thousands of €	2017	2016
SHAREHOLDER LOANS TO VGP EUROPEAN LOGISTICS S.À R.L.	11,539	7,506
SHAREHOLDER LOANS TO ASSOCIATES (SUBSIDIARIES OF VGP EUROPEAN LOGISTICS S.À R.L.)	1,218	809
CONSTRUCTION AND DEVELOPMENT LOANS TO SUBSIDIARIES OF VGP EUROPEAN LOGISTICS S.À R.L.)	137,150	81,561
CONSTRUCTION AND DEVELOPMENT LOANS RECLASSIFIED AS ASSETS HELD FOR SALE	(137,150)	(81,561)
TOTAL	**12,757**	**8,315**

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

9.4 Investments in joint ventures and associates

in thousands of €	2017	2016
AS AT 1 JANUARY	**89,194**	**(103)**
ADDITIONS	25,787	86,077
RESULT OF THE YEAR	29,229	7,897
REPAYMENT OF EQUITY	(1,000)	(4,677)
ADJUSTMENTS FROM SALE OF PARTICIPATIONS	102	—
AS AT 31 DECEMBER	**143,312**	**89,194**

10. Net financial result

in thousands of €	2017	2016
BANK INTEREST INCOME	45	1
INTEREST INCOME – LOANS TO JOINT VENTURE	5,300	2,479
FAIR VALUE GAIN ON INTEREST RATE DERIVATIVES	3,547	177
NET FOREIGN EXCHANGE GAINS	564	—
OTHER FINANCIAL INCOME	274	157
FINANCIAL INCOME	**9,730**	**2,814**
BOND INTEREST EXPENSE	(18,769)	(11,190)
BANK INTEREST EXPENSE – VARIABLE DEBT	(540)	(1,419)
BANK INTEREST EXPENSE – INTEREST RATE SWAPS – HEDGING	(74)	(405)
INTEREST CAPITALISED INTO INVESTMENT PROPERTIES	2,966	1,419
FAIR VALUE LOSS ON INTEREST RATE DERIVATIVES	(100)	(4,796)
NET FOREIGN EXCHANGE LOSSES	—	(104)
OTHER FINANCIAL EXPENSES	(3,679)	(3,225)
FINANCIAL EXPENSES	**(20,196)**	**(19,720)**
NET FINANCIAL COSTS	**(10,466)**	**(16,906)**

Net financial costs (including adjustments) in Adjusted operating profit (note 4) are € 13.9 million (2016: € 12.3 million). This excludes net fair value gains on interest rate swaps and other derivatives of € 3.4 million (2016: € 4.6 million loss).

11. Taxation

11.1 Income tax expense recognised in the consolidated income statement

in thousands of €	**2017**	**2016**
CURRENT TAX	(762)	(939)
DEFERRED TAX	(20,443)	(20,851)
TOTAL	**(21,205)**	**(21,790)**

11.2 Reconciliation of effective tax rate

in thousands of €		**2017**		**2016**
PROFIT BEFORE TAXES		117,200		113,076
ADJUSTMENT FOR SHARE IN RESULT OF JOINT VENTURE AND ASSOCIATES		(29,229)		(7,897)
RESULT BEFORE TAXES AND SHARE IN RESULT OF JOINT VENTURE AND ASSOCIATES		**87,971**		**105,179**
INCOME TAX USING THE GERMAN CORPORATE TAX RATE	15.8%	(13,921)	15.8%	(16,645)
DIFFERENCE IN TAX RATE NON-GERMAN COMPANIES		(5,645)		(7,927)
NON-TAX-DEDUCTIBLE EXPENDITURE		(2,112)		(2,585)
LOSSES/NOTIONAL INTEREST DEDUCTION		257		5,362
OTHER		216		5
TOTAL	**24.1%**	**(21,205)**	**20.7%**	**(21,790)**

The non-tax deductible expenses in 2017 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:

2017 *(in thousands of €)*	**< 1 YEAR**	**2-5 YEARS**	**>5 YEARS**
TAX LOSS CARRY FORWARD	243	2,965	23,048

2016 *(in thousands of €)*	**< 1 YEAR**	**2-5 YEARS**	**>5 YEARS**
TAX LOSS CARRY FORWARD	64	1,823	11,902

11.3 Deferred tax assets and liabilities

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

in thousands of €	**ASSETS**		**LIABILITIES**		**NET**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
FIXED ASSETS	—	—	(33,367)	(28,151)	(33,367)	(28,151)
CURRENCY HEDGE ACCOUNTING/DERIVATIVES	—	166	(1,718)	—	(1,718)	166
TAX LOSSES CARRIED-FORWARD	610	361	—	—	610	361
CAPITALISED INTEREST	—	—	(535)	(594)	(535)	(594)
CAPITALISED COST	—	—	(13)	(40)	(13)	(40)
OTHER	82	—	—	(156)	82	(156)
TAX ASSETS/LIABILITIES	**692**	**527**	**(35,633)**	**(28,940)**	**(34,941)**	**(28,413)**
SET-OFF OF ASSETS AND LIABILITIES	(660)	(524)	660	524	—	—
RECLASSIFICATION TO LIABILITIES RELATED TO DISPOSAL GROUP HELD FOR SALE	—	—	23,223	8,404	23,223	8,404
NET TAX ASSETS/LIABILITIES	**32**	**3**	**(11,749)**	**(20,012)**	**(11,718)**	**(20,009)**

A total deferred tax asset of € 4,317k (€1,840k in 2016) was not recognised.

12. Earnings per share

12.1 Earnings per ordinary share (EPS)

in number	2017	2016
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	(401,648)	(401,648)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED AND AFTER CORRECTION FOR RECIPROCAL INTEREST THROUGH ASSOCIATES	18,181,402	18,181,402

in thousands of €	2017	2016
RESULT FOR THE PERIOD ATTRIBUTABLE TO THE GROUP AND TO ORDINARY SHAREHOLDERS	95,995	91,286
EARNINGS PER SHARE (IN €) – BASIC	5.17	4.91
EARNINGS PER SHARE (IN €) – DILUTED	5.17	4.91
EARNINGS PER SHARE (IN €) – AFTER DILUTION AND CORRECTION FOR RECIPROCAL INTEREST THROUGH ASSOCIATES	5.28	5.02

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 43.23% in VGP Misv Comm. VA.

12.2 Net asset value per share (NAV)

EPRA NAV *(in thousands of €)*	2017	2016
IFRS NAV	**466,230**	**390,305**
EFFECT OF EXERCISE OF OPTIONS, CONVERTIBLES AND OTHER EQUITY INTERESTS	—	—
DILUTED NAV	**466,230**	**390,305**
TO EXCLUDE:		
FAIR VALUE OF FINANCIAL INSTRUMENTS	1,644	5,342
DEFERRED TAX	34,942	28,414
EPRA NAV	**502,816**	**424,061**
NUMBER OF SHARES	18,583,050	18,583,050
EPRA NAV PER SHARE (EUR/SHARE)	27.06	22.82

EPRA NNNAV *(in thousands of €)*	2017	2016
EPRA NAV	**502,816**	**424,061**
TO INCLUDE:		
FAIR VALUE OF FINANCIAL INSTRUMENTS	(1,644)	(5,342)
DEFERRED TAX	(34,942)	(28,414)
FAIR VALUE ADJUSTMENT IN RESPECT OF ISSUED DEBT	(14,084)	(12,737)
EPRA TRIPLE NET NAV (NNNAV)	**452,146**	**377,568**
NUMBER OF SHARES	18,583,050	18,583,050
EPRA NNNAV PER SHARE (EUR/SHARE)	24.33	20.32

13. Investment properties

in thousands of €	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 TO JOINT VENTURE	(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**

in thousands of €	2016			
	COMPLETED	UNDER CONSTRUCTION	DEVELOPMENT LAND	TOTAL
AS AT 1 JANUARY	**38,530**	**47,180**	**88,262**	**173,972**
CAPEX	34,957	39,378	—	74,335
ACQUISITIONS	126,173	—	107,951	234,124
CAPITALISED INTEREST	783	636	—	1,419
CAPITALISED RENT FREE	406	—	—	406
TRANSFER ON START-UP OF DEVELOPMENT	—	39,380	(39,380)	—
TRANSFER ON COMPLETION OF DEVELOPMENT	47,775	(47,775)	—	—
NET GAIN FROM VALUE ADJUSTMENTS IN INVESTMENT PROPERTIES	17,189	47,190	1,627	66,006
RECLASSIFICATION TO (–)/FROM HELD FOR SALE				
AS AT 31 DECEMBER	**265,813**	**125,989**	**158,460**	**550,262**

As at 31 December 2017 investment properties totalling € 37.6 million (€ 110.6 million as at 31 December 2016) 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 2017 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 31 December 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, as was for example in the case of Spain in December 2016. For the 31 December 2017 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."

The valuations of properties are prepared by considering the aggregate of the net annual rents receivable from the properties, and where relevant, associated costs. A yield which reflects the risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. In view of the nature of the portfolio and the basis of valuation Jones Lang LaSalle adopted the income approach, discounted cash flow technique, analysed over a 10-year period for each property (except for the properties in Spain due to the length of the lease at VGP Park Mango and the initial phases of development of VGP Park San Fernando de Henares).

The cash flow assumes a ten-year hold period with the exit value calculated on the estimated rental value (ERV). The exit value is calculated based on the exit yield, which is the valuator's estimation of the possible yield in the tenth year, and the cash flow is based on the rents receivable under existing lease agreements until their expiry date and the expected rental value for the period remaining in the ten-year period, as applicable, taking into account estimated void periods (3-12 months for currently occupied industrial and office premises) following expiration of the initial lease, less a general deduction of 0.5%–2.25% from the gross income to cover potential capital expenditure on the portfolio.

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). 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. For the 31 December 2017 and 31 December 2016 valuations Jones Lang LaSalle was retained as external independent valuation expert, except for Spain where the valuation as at 31 December 2016 was made by the property expert valuator Gesvalt.

For the 31 December 2017 valuations Jones Lang LaSalle used the net present value ("NPV") valuation and initial yield approach for valuing the Spanish property portfolio. The NPV approach has been only used for the Mango building in VGP Park Mango (Barcelona). The NPV approach is similar to the DCF approach in that it calculates the present value by discounting future cash flows with a certain rate. The internal rate of return is calculated so that the sum of discounted positive and negative cash flows is equal to zero. When calculating the value of the Mango building the value of the property was estimated at the end of the 30-year lease.

The equivalent yield approach ("EYA") was utilized for the building under construction in VGP Park San Fernando de Henares (Madrid). 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.

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.

(ii) 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-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	42
				IRR	5.50%
				WEIGHTED AVERAGE YIELD	5.98%
				COST TO COMPLETION (IN '000 €)	—
	IPUC	18,445	EQUIVALENT YIELD	ANNUAL RENT PER m^2 (IN €)	60
				EQUIVALENT YIELD	5.50%
				WEIGHTED AVERAGE YIELD	6.21%
				COST TO COMPLETION (IN '000 €)	3,673
	DL	65,251	SALES COMPARISON	PRICE PER m^2	—
OTHER (ROMANIA)	IP	37,600	DISCOUNTED CASH FLOW	ANNUAL RENT PER m^2	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	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		—
TOTAL		**627,737**			

REGION	SEGMENT	FAIR VALUE 31 DEC-16 (€ '000)	VALUATION TECHNIQUE	LEVEL 3 – UNOBSERVABLE INPUTS	RANGE
CZECH REPUBLIC	IP	30,080	DISCOUNTED CASH FLOW	ANNUAL RENT PER m^2	50-84
				DISCOUNT RATE	6.50%-8.00%
				EXIT YIELD	6.25%-6.50%
				WEIGHTED AVERAGE YIELD	6.77%
				COST TO COMPLETION (IN '000)	1,200
	IPUC	25,620	DISCOUNTED CASH FLOW	ANNUAL RENT PER m^2	45-55
				DISCOUNT RATE	6.50%-8.00%
				EXIT YIELD	6.25%-6.50%
				WEIGHTED AVERAGE YIELD	6.88%
				COST TO COMPLETION (IN '000)	8,700
	DL	34,316	SALES COMPARISON	PRICE PER m^2	—
GERMANY	IP	30,360	DISCOUNTED CASH FLOW	ANNUAL RENT PER m^2	33
				DISCOUNT RATE	6.25%
				EXIT YIELD	5.50%
				WEIGHTED AVERAGE YIELD	5.83%
				COST TO COMPLETION (IN '000)	—
	IPUC	93,169	DISCOUNTED CASH FLOW	ANNUAL RENT PER m^2	45-68
				DISCOUNT RATE	6.50%-7.50%
				EXIT YIELD	5.25%-6.00%
				WEIGHTED AVERAGE YIELD	5.71%
				COST TO COMPLETION (IN '000)	31,838
	DL	50,475	SALES COMPARISON	PRICE PER m^2	—
SPAIN	IP	126,173	SALES COMPARISON	ACQUISITION VALUE	—
	DL	69,670	SALES COMPARISON	ACQUISITION VALUE	—

IP = completed investment property
IPUC = investment property under construction
DL = development land

REGION	SEGMENT	FAIR VALUE 31 DEC-16 (€ '000)	VALUATION TECHNIQUE	LEVEL 3 – UNOBSERVABLE INPUTS	RANGE
OTHER COUNTRIES	IP	79,200	DISCOUNTED CASH FLOW	ANNUAL RENT PER m^2	41-62
				DISCOUNT RATE	8.00%-10.00%
				EXIT YIELD	7.80%-9.25%
				WEIGHTED AVERAGE YIELD	8.54%
				COST TO COMPLETION (IN '000)	8,300
	IPUC	7,200	DISCOUNTED CASH FLOW	ANNUAL RENT PER m^2	46-55
				DISCOUNT RATE	10.00%
				EXIT YIELD	7.80%-8.5%
				WEIGHTED AVERAGE YIELD	9.94%
				COST TO COMPLETION (IN '000)	1,185
	DL	3,999	SALES COMPARISON	PRICE PER m^2	—
TOTAL		**550,262**			

(iii) 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 € 5.3 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 € 20.2 million (all variables remaining constant).

14. Trade and other receivables

in thousands of €	2017	2016
TRADE RECEIVABLES	5,474	2,663
TAX RECEIVABLES – VAT	6,224	14,526
ACCRUED INCOME AND DEFERRED CHARGES	227	391
OTHER RECEIVABLES	4,234	1,846
RECLASSIFICATION TO (-)/FROM HELD FOR SALE	(5,085)	—
TOTAL	**11,074**	**19,426**

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 *in thousands of €*	TOTAL OUTSTANDING SHARE CAPITAL AFTER THE TRANSACTION *in thousands of €*	NUMBER OF SHARES ISSUED *in units*	TOTAL NUMBER OF SHARES *in units*
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 decreased with € 20,070k from € 112,737k as at 31 December 2016 to € 92,667k as at 31 December 2017 following the capital distribution paid out during the 2017. 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 "*Statement of changes in equity*").

17. Current and non-current financial debt

MATURITY *in thousands of €*	**2017**			
	OUTSTANDING BALANCE	**< 1 YEAR**	**> 1-5 YEAR**	**> 5 YEAR**
NON-CURRENT				
BANK BORROWINGS	14,917	—	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	**390,067**	**—**	**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**

MATURITY *in thousands of €*	**2016**			
	OUTSTANDING BALANCE	**< 1 YEAR**	**> 1-5 YEAR**	**> 5 YEAR**
NON-CURRENT				
BANK BORROWINGS	32,873	—	32,873	—
BONDS				
5.10% BONDS DEC-18	74,380	—	74,380	—
3.90% BONDS SEP-23	220,670	—	—	220,670
	295,050	—	74,380	220,670
TOTAL NON-CURRENT FINANCIAL DEBT	**327,923**	**—**	**107,253**	**220,670**
CURRENT				
BANK BORROWINGS	2,417	2,417	—	—
BONDS				
5.15% BONDS JUL-17	74,747	74,747	—	—
ACCRUED INTEREST	4,510	4,510	—	—
TOTAL CURRENT FINANCIAL DEBT	**81,674**	**81,674**	**—**	**—**
TOTAL CURRENT AND NON-CURRENT FINANCIAL DEBT	**409,597**	**81,674**	**107,253**	**220,670**

The above 31 December 2017 balances include capitalised finance costs on bank borrowings of € 83k (as compared to €228k for 2016) and capitalised finance costs on bonds € 5,149k (as compared to 5,023k for 2016).

The accrued interest relates to the 4 issued bonds. The coupons of the bonds are payable annually on 6 December for the Dec-18 Bond, 21 September for the Sep-23 Bond, 6 July for the Jul-24 Bond and 30 March for the Mar-25 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) can be summarised as follows:

2017 *in thousands of €*	FACILITY AMOUNT	FACILITY EXPIRY DATE	OUTSTANDING BALANCE	< 1 YEAR	> 1–5 YEARS	> 5 YEARS
RAIFEISEN – ROMANIA	15,668	31-DEC-19	15,668	750	14,918	—
OTHER BANK DEBT	2	2018	2	2	—	—
TOTAL BANK DEBT	**15,670**		**15,670**	**752**	**14,918**	**—**

2016 *in thousands of €*	FACILITY AMOUNT	FACILITY EXPIRY DATE	OUTSTANDING BALANCE	< 1 YEAR	> 1–5 YEARS	> 5 YEARS
UNICREDIT BANK – CZECH REPUBLIC	3,030	31-DEC-19	3,030	214	2,816	—
RAIFEISEN – ROMANIA	16,500	31-DEC-19	13,000	750	12,250	—
SWEDBANK – ESTONIA	19,477	30-AUG-18	19,477	1,444	18,033	—
OTHER BANK DEBT	11	2016–2018	11	9	2	—
TOTAL BANK DEBT	**39,018**		**35,518**	**2,417**	**33,101**	**—**

The credit facilities with Tatra Banka, UniCredit Bank Czech Republic (partly), UniCredit Bank Hungary and Deutsche Hypo were prepaid in 2016 as part of the sale of the Seed portfolio to VGP European Logistics.

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 Euro 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 cost ratio for development loan tranches between 50% – 70% of investment cost;
— Loan to value ratio for investment loan tranches equal or less than 65%;
— Debt service cover ratio equal or higher than 1.2;
— Interest cover ratio equal or higher than 1.2. For some loan agreements this ratio varies over the term of the credit facility between 1.2 and 1.3;
— Pre-lease requirement to ensure that interest cover ratio equal or higher than 1.2 is achieved or alternatively pre-lease requirement ranging from 35% to 70%.

The above mentioned ratios are tested based on a 12 month period and are calculated as follows:
— Loan to cost ratio means in respect of a project the aggregate loans divided by the total investment costs;
— 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;
— Interest cover ratio means in respect of a project the net rent income divided by the aggregate amount of the financial expenses 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

VGP has issued the following 4 bonds:

- € 75 million fixed rate bonds due 6 December 2018 carry a coupon of 5.10% per annum. The bonds have been listed on the regulated market of NYSE Euronext Brussels (ISIN Code: BE0002208743 – Common Code: 099582871) ("Dec-18 Bond")
- € 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")

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 55%;-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 flows

2017 *in thousands of €*	**01-JAN-17**	**CASH FLOWS**	**NON-CASH MOVEMENT**				**31-DEC-17**
			ACQUISITIONS/ (DIVESTMENTS)	**FOREIGN EXCHANGE MOVEMENT**	**FAIR VALUE CHANGES**	**OTHER**	
NON-CURRENT FINANCIAL DEBT	327,923	77,695	(16,852)	—	—	1,301	390,067
OTHER NON-CURRENT FINANCIAL LIABILITIES	5,348	—	—	—	(3,382)	—	1,966
CURRENT FINANCIAL DEBT	81,674	—	(1,665)	—	—	1,349	81,358
	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) transfer of € 18.5 million of bank debt following the divestment of VGP Park Nehatu (Estonia); (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

in thousands of €	2017	2016
DEPOSITS	1,657	1,203
RETENTIONS	2,758	1,229
RECLASSIFICATION TO LIABILITIES RELATED TO DISPOSAL GROUP HELD FOR SALE	(2,735)	—
TOTAL	**1,680**	**2,432**

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

in thousands of €	2017	2016
TRADE PAYABLES	45,259	32,622
DEPOSITS	536	—
RETENTIONS	3,015	900
ACCRUED EXPENSES AND DEFERRED INCOME	536	677
OTHER PAYABLES	4,197	1,297
RECLASSIFICATION TO LIABILITIES RELATED TO DISPOSAL GROUP HELD FOR SALE	(15,164)	—
TOTAL	**38,379**	**35,496**

Trade payables increased in 2017 reflecting the increase of the projects under construction. Increase in retentions mainly due to the increased development activities.

20. Assets classified as held for sale and liabilities associated with those assets

in thousands of €	2017	2016
INTANGIBLE ASSETS	—	—
INVESTMENT PROPERTIES	430,298	132,263
PROPERTY, PLANT AND EQUIPMENT	—	—
DEFERRED TAX ASSETS	—	—
TRADE AND OTHER RECEIVABLES	5,085	—
CASH AND CASH EQUIVALENTS	6,570	—
DISPOSAL GROUP HELD FOR SALE	**441,953**	**132,263**
NON-CURRENT FINANCIAL DEBT	—	—
OTHER NON-CURRENT FINANCIAL LIABILITIES	—	—
OTHER NON-CURRENT LIABILITIES	(2,736)	—
DEFERRED TAX LIABILITIES	(23,223)	(8,404)
CURRENT FINANCIAL DEBT	—	—
TRADE DEBTS AND OTHER CURRENT LIABILITIES	(15,164)	—
LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**(41,123)**	**(8,404)**
TOTAL NET ASSETS	**400,830**	**123,859**

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 the next April 2018 or 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 2017 the assets of the respective project companies which were earmarked to be transferred to the joint venture in the future, including the next April 2018 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 € 137.2 million of interest bearing development and construction loans (2016: € 81.6 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

in thousands of €	**2017**	**2016**
CASH FLOW FROM OPERATING ACTIVITIES	(6,786)	6,793
CASH FLOW FROM INVESTING ACTIVITIES	(90,274)	(124,416)
CASH FLOW FROM FINANCING ACTIVITIES	57,625	168,871
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(39,434)**	**51,248**

The cash from operating activities decreased by € 13.6 million, mainly due to the increase (€ 10.1 million) in interest paid reflecting the full year impact of the € 225 million Sep-23 Bond (issued in September 2016) and the newly issued € 80 million Mar-25 Bond of March 2017.

The changes in the cash flow from investing activities were due to: (i) € 168.4 million (2016: € 336.7 million) of expenditure incurred for the development activities and land acquisition. Last year's figures included the newly acquired building of Mango in Spain; (iii) € 122.1 million (2016: € 236.1 million) cash in from the sale of spring 2017 portfolio compared to much larger sale of the initial Seed portfolio and subsequent closing during 2016 to VGP European Logistics; (iv) € 1.0 million (2016: € 4.7 million) cash in from the repayment of equity from VGP European Logistics; (v) € 78.6 million (2016:28.5 million) shareholder loans (net) granted to VGP European Logistics, and finally €33.7 net cash proceeds from the sale of VGP Park Nehatu (Estonia).

22. Cash flow from divestments to VGP European Logistics Joint Venture

in thousands of €	**2017**	**2016**
INVESTMENT PROPERTY	174,125	534,035
TRADE AND OTHER RECEIVABLES	7,056	7,613
CASH AND CASH EQUIVALENTS	3,417	10,288
NON-CURRENT FINANCIAL DEBT	—	(128,678)
SHAREHOLDER DEBT	(112,737)	(222,572)
OTHER NON-CURRENT FINANCIAL LIABILITIES	—	(888)
DEFERRED TAX LIABILITIES	(7,993)	(32,064)
TRADE DEBTS AND OTHER CURRENT LIABILITIES	(13,578)	(11,782)
TOTAL NET ASSETS DISPOSED	**50,290**	**155,952**
REALISED VALUATION GAIN ON SALE	58	21,184
TOTAL NON-CONTROLLING INTEREST RETAINED BY VGP	(1,884)	(4,940)
SHAREHOLDER LOANS REPAID AT CLOSING	100,909	150,612
EQUITY CONTRIBUTION	(23,903)	(76,460)
CONSIDERATION PAID IN CASH	**125,470**	**246,348**
CASH DISPOSED	(3,417)	(10,288)
NET CASH INFLOW FROM DIVESTMENTS TO VGP EUROPEAN LOGISTICS	**122,053**	**236,060**

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 2017. The amounts shown are the notional amounts.

DERIVATIVES *in thousands of €*	**2017**			**2016**		
	< 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	—	15,750	75,000		15,900	150,000

During the year new interest rate swaps were entered into with Raiffeisen Bank Romania with a remaining outstanding nominal amount as at 31 December 2017 of € 15.8 million. The weighted average interest rate fixed is 0.12% per annum.

Following the issuance of the Jul-24 Bond in July 2017 a € 75 million interest rate swap was liquidated. The remaining € 75 million interest rate swap has a start date of 6 December 2018. The interest rate which has been fixed by this interest rate swaps is 0.965% p.a.

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.

in thousands	**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)**

in thousands	2016	
	CZK	RON
TRADE & OTHER RECEIVABLES	39,319	1,286
NON-CURRENT LIABILITIES AND TRADE & OTHER PAYABLES	(171,064)	(6,033)
GROSS BALANCE SHEET EXPOSURE	**(131,745)**	**(4,748)**
FORWARD FOREIGN EXCHANGE	—	—
NET EXPOSURE	**(131,745)**	**(4,748)**

The following significant exchange rates applied during the year:

1 € =	2017 CLOSING RATE	2016 CLOSING RATE
CZK	25.54	27.020
RON	4.6597	4.5411

Sensitivity

A 10 percent strengthening of the euro against the following currencies at 31 December 2017 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 2016.

EFFECTS *in thousands of €*	2017	
	EQUITY	PROFIT OR (LOSS)
CZK	—	47
RON	—	70
TOTAL	**—**	**117**

EFFECTS *in thousands of €*	2016	
	EQUITY	PROFIT OR (LOSS)
CZK	—	443
HUF	—	95
TOTAL	**—**	**538**

A 10 percent weakening of the euro against the above currencies at 31 December 2017 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 IAS 39 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 IAS 39 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:

in thousands of € – nominal amounts	2017	2016
FINANCIAL DEBT		
FIXED RATE		
BONDS	455,000	375,000
VARIABLE RATE		
BANK DEBT	15,752	35,518
RECLASSIFIED TO LIABILITIES RELATED TO DISPOSAL GROUP HELD FOR SALE	—	—
	15,752	35,518
INTEREST RATE HEDGING		
INTEREST RATE SWAPS		
HELD FOR TRADING	15,750	15,900
RECLASSIFIED TO LIABILITIES RELATED TO DISPOSAL GROUP HELD FOR SALE	—	—
	15,750	15,900
FINANCIAL DEBT AFTER HEDGING		
VARIABLE RATE		
BANK DEBT	2	19,618
FIXED RATE		
BONDS	455,000	375,000
BANK DEBT	15,750	15,900
	470,750	390,900
FIXED RATE/TOTAL FINANCIAL LIABILITIES	**100.0%**	**95.2%**

The effective interest rate on financial debt (bank debt and bonds), including all bank margins and cost of interest rate hedging instruments was 3.74 % for the year 2017. (4.16% in 2016)

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 compared to € 190k lower/higher profit before taxes for 2016), as all debt at the end of December 2017 is fixed. The impact in 2016 comes from a change in the floating rate debt, with all variables held constant.

Sensitivity analysis for changes in interest rate of other comprehensive income

For 2017 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 2016 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 except for the lease concluded with Punta Fa in Spain and which represents an annual rent of€ 7.5 million.

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:

in thousands of €	2017 CARRYING AMOUNT	2016 CARRYING AMOUNT
OTHER NON-CURRENT RECEIVABLES	12,757	8,315
TRADE & OTHER RECEIVABLES	16,159	19,426
CASH AND CASH EQUIVALENTS	36,839	68,033
RECLASSIFICATION TO (–)/FROM HELD FOR SALE	(11,655)	—
TOTAL	**54,100**	**95,774**

As at 31 December 2017 there was € 3.6 million of restricted cash held in a bank account for settlement of a final payment on land which is due to occur within the first quarter of 2018.

The aging of trade receivables as at the reporting date was:

in thousands of €	2017 CARRYING AMOUNT	2016 CARRYING AMOUNT
GROSS TRADE RECEIVABLES		
GROSS TRADE RECEIVABLES NOT PAST DUE	4,974	2,121
GROSS TRADE RECEIVABLES PAST DUE	500	542
BAD DEBT AND DOUBTFUL RECEIVABLES	—	—
PROVISION FOR IMPAIRMENT OF RECEIVABLES (–)	—	—
RECLASSIFICATION TO (–)/FROM HELD FOR SALE	(880)	—
TOTAL	**4,594**	**2,663**

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.

in thousands of €	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**

in thousands of €	2016					
	CARRYING AMOUNT	**CONTRACTUAL CASH FLOW**	**< 1 YEAR**	**1-2 YEARS**	**2-5 YEARS**	**MORE THAN 5 YEARS**
ASSETS						
CASH AND CASH EQUIVALENTS	68,033	68,033	68,033	—	—	—
DERIVATIVE FINANCIAL INSTRUMENTS	5	5	5	—	—	—
TRADE AND OTHER RECEIVABLES	19,035	19,035	19,035	—	—	—
RECLASSIFIED TO (–) FROM HELD FOR SALE	—	—	—	—	—	—
	87,073	**87,073**	**87,073**	**—**	**—**	**—**
LIABILITIES						
SECURED BANK LOANS	35,518	37,648	3,347	19,750	14,551	—
UNSECURED BONDS	369,796	447,938	91,463	87,600	26,325	242,550
DERIVATIVE FINANCIAL INSTRUMENTS	5,348	320	256	64	—	—
TRADE AND OTHER PAYABLES	37,250	37,250	34,818	312	1,221	899
RECLASSIFICATION TO LIABILITIES RELATED TO DISPOSAL GROUP HELD FOR SALE	—	—	—	—	—	—
	362,716	**523,156**	**129,884**	**107,726**	**42,097**	**243,449**

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 55%.
As at 31 December 2017 the Group's gearing was as follows:

in thousands of €	**2017**	**2016**
NON-CURRENT FINANCIAL DEBT	390,067	327,923
OTHER NON-CURRENT FINANCIAL LIABILITIES	1,966	5,348
CURRENT FINANCIAL DEBT	81,358	81,674
FINANCIAL DEBT CLASSIFIED UNDER LIABILITIES RELATED TO DISPOSAL GROUP HELD FOR SALE	—	—
TOTAL FINANCIAL DEBT	**473,391**	**414,945**
CASH AND CASH EQUIVALENTS	(30,269)	(71,595)
CASH AND CASH EQUIVALENTS CLASSIFIED AS DISPOSAL GROUP HELD FOR SALE	(6,570)	—
TOTAL NET DEBT (A)	**436,552**	**343,350**
TOTAL SHAREHOLDERS 'EQUITY AND LIABILITIES (B)	**1,032,553**	**871,594**
GEARING RATIO (A)/(B)	**42.3%**	**39.4%**

23.7 Fair value

The following tables list the carrying amount of the Group's financial instruments that are showing in the financial statements. In general, the carrying amounts are assumed to be a close approximation of the fair value.

The fair value of the financial assets and liabilities is defined as the amount at which the instrument could be exchanged, or settled, between knowledgeable, willing parties in an arm's length transaction.

2017 *in thousands of €*	**CARRYING AMOUNT 2017**	**AMOUNTS RECOGNISED IN BALANCE SHEET IN ACCORDANCE WITH IAS 39**			**FAIR VALUE 2017**	**FAIR VALUE HIERARCHY 2017**
		AMORTISED COSTS	**FAIR VALUE THROUGH EQUITY**	**FAIR VALUE THROUGH PROFIT OR LOSS**		
ASSETS						
OTHER NON-CURRENT RECEIVABLES	12,757	12,757	—	—	12,757	LEVEL 2
TRADE RECEIVABLES	5,474	5,474	—	—	5,474	LEVEL 2
OTHER RECEIVABLES	8,457	8,457	—	—	8,457	LEVEL 2
DERIVATIVE FINANCIAL ASSETS	322	—	—	322	322	LEVEL 2
CASH AND CASH EQUIVALENTS	33,277	33,277	—	—	33,277	LEVEL 2
RECLASSIFICATION TO (–) FROM HELD FOR SALE	(11,609)	(11,609)	—	—	(11,609)	
TOTAL	**48,678**	**48,356**	**—**	**322**	**48,678**	
LIABILITIES						
FINANCIAL DEBT						
BANK DEBT	15,670	15,670	—	—	15,670	LEVEL 2
BONDS	449,851	449,851	—	—	464,624	LEVEL 1
TRADE PAYABLES	45,258	45,258	—	—	45,258	LEVEL 2
OTHER LIABILITIES	12,165	12,165	—	—	12,165	LEVEL 2
DERIVATIVE FINANCIAL LIABILITIES	1,966	—	—	1,966	1,966	LEVEL 2
RECLASSIFICATION TO LIABILITIES RELATED TO DISPOSAL GROUP HELD FOR SALE	(21,510)	(21,510)	—	—	(21,510)	
TOTAL	**503,399**	**501,433**	**—**	**1,966**	**518,172**	

2016 *in thousands of €*	**CARRYING AMOUNT 2016**	**AMOUNTS RECOGNISED IN BALANCE SHEET IN ACCORDANCE WITH IAS 39**			**FAIR VALUE 2016**	**FAIR VALUE HIERARCHY 2016**
		AMORTISED COSTS	**FAIR VALUE THROUGH EQUITY**	**FAIR VALUE THROUGH PROFIT OR LOSS**		
ASSETS						
OTHER NON-CURRENT RECEIVABLES	8,315	8,315	—	—	8,315	LEVEL 2
TRADE RECEIVABLES	2,663	2,663	—	—	2,663	LEVEL 2
OTHER RECEIVABLES	16,371	16,371	—	—	16,371	LEVEL 2
DERIVATIVE FINANCIAL ASSETS	5	—	—	5	5	LEVEL 2
CASH AND CASH EQUIVALENTS	68,033	68,033	—	—	68,033	LEVEL 2
RECLASSIFICATION TO (–) FROM HELD FOR SALE	—	—	—	—	—	
TOTAL	**95,387**	**95,382**	**—**	**5**	**95,387**	
LIABILITIES						
FINANCIAL DEBT						
BANK DEBT	35,290	35,290	—	—	35,290	LEVEL 2
BONDS	369,796	369,796	—	—	385,212	LEVEL 1
TRADE PAYABLES	31,661	31,661	—	—	31,661	LEVEL 2
OTHER LIABILITIES	4,628	4,628	—	—	4,628	LEVEL 2
DERIVATIVE FINANCIAL LIABILITIES	5,348	—	—	5,348	5,348	LEVEL 2
RECLASSIFICATION TO LIABILITIES RELATED TO DISPOSAL GROUP HELD FOR SALE	—	—	—	—	—	
TOTAL	**446,723**	**441,375**	**—**	**5,348**	**462,139**	

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 2017, 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 2017, 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.

As at 31 December 2017 the Group did not provide for any rental guarantees.

Financial assets amounting to € 3,164k as at 31 December 2017 (€ 691k in 2016) were pledged in favour of VGP's financing banks.

24. Personnel

Employee benefit obligations
The Group had no post-employment benefit plans in place at the reporting date.

25. Commitments

The Group has concluded a number of contracts concerning the future purchase of land. As at 31 December 2017 the 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. As at 31 December 2016 Group had future purchase agreements for land totalling 417,000 m², representing a commitment of € 16.2 million and for which deposits totalling € 0.6 million had been made.

The € 0.6 million down payment on land was classified under investment properties as at 31 December 2017 given the immateriality of the amounts involved (same classification treatment applied for 2016).

As at 31 December 2017 the Group had contractual obligations to develop new projects for a total amount of € 75.6 million compared to € 80.3 million as at 31 December 2016.

All commitments are of a short-term nature. The secured land is expected to be acquired during the course of 2018, subject to receiving the necessary permits. The contractual construction obligations relate to buildings under construction which will be delivered during the course of 2018.

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 2017 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 2017 amounts to € 2.1 million (compared to € 2.1 million for the year 2016). 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 leases run until 2018 and 2021 respectively. During 2017 the aggregate amount paid under these leases was € 91k equivalent compared to € 98k equivalent for 2016.

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.

in thousands of €	2017	2016
TRADE RECEIVABLE/(PAYABLE)	(81)	(52)

VGP also provides real estate support services to Jan Van Geet s.r.o. During 2017 VGP recorded a € 23k revenue for these activities (2016: € 22k).

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

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).

in thousands of €	**2017**	**2016**
LOANS OUTSTANDING AT YEAR END	149,907	89,876
INVESTMENTS IN JOINT VENTURE	25,787	—
EQUITY DISTRIBUTIONS RECEIVED	1,000	4,677
NET PROCEEDS FROM SALES TO JOINT VENTURE	122,053	236,060
OTHER RECEIVABLES FROM/(PAYABLES) TO THE JOINT VENTURE AT YEAR-END	(74)	32
MANAGEMENT FEE INCOME	6,688	3,029
INTEREST AND SIMILAR INCOME FROM JOINT VENTURE AND ASSOCIATES	5,299	2,479

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 *in thousands of €*	**2017**	**2016**
NUMBER OF PERSONS	9	9
SHORT TERM EMPLOYEE BENEFITS		
BASIC REMUNERATION	875	866
SHORT TERM VARIABLE REMUNERATION	521	700
REMUNERATION OF DIRECTORS	98	102
TOTAL GROSS REMUNERATION	**1,494**	**1,668**
AVERAGE GROSS REMUNERATION	166	185

The disclosures relating to the Belgian Corporate Governance Code are included in the Corporate Governance Statement of this annual report.

For 2017 no post-employment benefits nor share based payment benefits were granted.

Little Rock SA is responsible for the Group's daily management, financial management and commercial management and is represented for this purpose by the CEO, CFO and CCO. As a consideration for rendering such services, Little Rock SA receives a fixed fee, a variable fee subject to certain criteria being met, and 5% of the profits before taxes of the Group on a consolidated basis. In return for Little Rock SA's commitment to observe the Group's daily, financial and commercial management for an additional period of five years (starting as from April 2015).

The variable fee allocated to Little Rock for 2017 amounts to € 6,190 thousand.

Following the secondary public offering in October 2017, Little Rock has agreed to unilaterally terminate the profit allocation agreement and hence Little Rock will no longer be entitled to the profit allocation for the financial years 2018 and 2019 and the Company will no longer have any commitments or obligations to Little Rock in respect of these 2018 and 2019 financial years. The outstanding amounts in respect of the 2015, 2016 and 2017 financial years have been fully provided for in the accounts of VGP as at 31 December 2017 and will be paid out during the first half of 2018. See also Remuneration Report.

27. Events after the balance sheet date

At the end of April 2018, a fourth closing with VGP European Logistics is expected to take place with a transaction value of > € 370 million.

28. Services provided by the statutory auditor and related persons

The audit fees for VGP NV and its fully controlled subsidiaries amounted to € 118k. In addition, additional non-audit services were performed during the year by Deloitte and related persons for which a total fee of € 176k was incurred.

Non-audit-fees mainly relate to the audit work performed during 2017 on the secondary public offering transaction and the issuance of 2 new bonds. An exemption to the 70% rule for non-audit services was granted by the "Commissie van Toezicht" in relation to the services provided for the secondary public offering (€ 150k).

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 2017 and were fully consolidated:

SUBSIDIARIES	REGISTERED SEAT ADDRESS	%	
VGP NV	Machelen (Diegem), Belgium	Parent	(1)
VGP Park Usti nad Labem a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(2)
VGP Park Jenec a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(2)
VGP CZ X a.s..	Jenišovice u Jablonce nad Nisou,Czech Republic	100	(2)
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 1 nástupnická 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 4 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 –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	(2)
VGP Park Hamburg 3 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP Park Berlin 2 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP Park Ginsheim S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP Park Wetzlar S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
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)
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)

SUBSIDIARIES	REGISTERED SEAT ADDRESS	%	
VGP DEU 12 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100	(2)
VGP DEU 13 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 Romania S.R.L.	Timisoara, Romania	100	(2)
VGP Sibiu S.R.L.	Timisoara, Romania	100	(2)
VGP Constructii Industriale S.R.L.	Timisoara, Romania	99	(3)
VGP Park Bratislava a.s.	Bratislava, Slovakia	100	(2)
VGP Service Kft	Györ, Hungary	100	(3)
VGP Nederland BV	Tilburg, The Netherlands	100	(2)
VGP Naves Industriales Peninsula, S.L	Barcelona, Spain	100	(1)
VGP (Park) Espana 1 SL.	Barcelona, Spain	100	(2)
VGP (Park) Espana 2 SL.	Barcelona, Spain	100	(2)
VGP (Park) Espana 3 SL.	Barcelona, Spain	100	(2)
VGP (Park) Espana 4 SL.	Barcelona, Spain	100	(2)

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	Zele, Belgium	43.23	(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 Höchstadt GmbH	Düsseldorf, Germany	5.10	(6)
VGP Park Berlin 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.	Düsseldorf, Germany	5.10	(6)
VGP Park Leipzig GmbH	Düsseldorf, Germany	5.10	(6)
VGP DEU 3 S.à r.l	Düsseldorf, Germany	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..

29.3 Changes in 2017

(i) New Investments

SUBSIDIARIES	REGISTERED SEAT ADDRESS	%
VGP DEU 9 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 10 S.à r.l	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 11 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 12 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	100
VGP DEU 13 S.à r.l	Luxembourg, Grand Duchy of Luxembourg	100
VGP (Park) Espana 4 SL.	Barcelona, Spain	100
VGP Sibiu S.R.L.	Timisoara, Romania	100

(ii) Name change

NEW NAME	FORMER NAME
VGP CZ III a.s.	VGP Park Tuchomerice a.s.
VGP CZ VII a.s.	VGP Park Usti nad Labem a.s.
VGP CZ IX a.s.	VGP Park Jenec a.s.
VGP CZ XI a.s.	VGP Park Chomutov a.s.
TPO hala G1 a.s.	VGP Park Olomouc 1 a.s.
GEHOJEDNA a.s.	VGP Park Olomouc 3 a.s.
GEHOVÝCHOD a.s.	VGP Park Olomouc 4 a.s.
VGP Park Hammersbach GmbH	FM Log.In. GmbH
VGP DEU 1 S.à r.l.	VGP Park Berlin 2 S.à r.l.
VGP DEU 2 S.à r.l.	VGP Park Ginsheim S.à r.l.
VGP DEU 5 S.à r.l.	VGP Park Wetzlar S.à r.l.
VGP DEU 6 S.à r.l.	VGP Park Hamburg 4 S.à r.l.
VGP DEU 7 S.à r.l.	VGP Park Goettingen S.à r.l.
VGP DEU 8 S.à r.l	VGP Park Halle S.à r.l.
VGP DEU 9 S.à r.l.	VGP Park Berlin Wustermark S.à r.l.
VGP DEU 10 S.à r.l	VGP Park Dresden S.à r.l.
VGP DEU 11 S.à r.l.	VGP Park Berlin 3 S.à r.l.

(iii) Subsidiaries sold

SUBSIDIARIES	REGISTERED SEAT ADDRESS	%
VGP Estonia OÜ	Tallinn, Estonia	100

(iv) Subsidiaries sold to VGP European Logistics joint venture

SUBSIDIARIES	REGISTERED SEAT ADDRESS	%
VGP Park Tuchomerice	Jenišovice u Jablonce nad Nisou,Czech Republic	100
VGP Park Cesky Ujezd a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100
VGP Park Hamburg 3 S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	94.9
VGP Park Leipzig GmbH	Düsseldorf, Germany	94.9
VGP DEU 3 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 – Brussels
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 2017

1. EPRA performance measures summary

The table below includes the most relevant EPRA metrics which have been considered given the focus of the VGP Group towards development activities. Further review and application of additional EPRA metrics will be considered when VGP will have reached a more mature investment portfolio profile.

in thousands of €	**2017**	**2016**
EPRA EARNINGS	1,088	(4,311)
EPRA NAV	502,816	424,062
EPRA NNNAV	452,146	377,568
EPRA VACANCY RATE (COMBINED OWN AND JOINT VENTURE)	0.0%	0.8%

2. 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).

in thousands of €	**2017**			**2016**		
	GROUP	**JOINT VENTURE**	**TOTAL**	**GROUP**	**JOINT VENTURE**	**TOTAL**
GROSS RENTAL INCOME	17,046	19,328	36,374	16,806	8,734	25,540
SERVICE CHARGE INCOME/(EXPENSES)	706	343	1,049	1,035	289	1,324
PROPERTY OPERATING EXPENSES	(1,759)	(2,175)	(3,934)	(1,703)	(1,227)	(2,930)
NET RENTAL AND RELATED INCOME	**15,993**	**17,497**	**33,490**	**16,138**	**7,796**	**23,934**
JOINT VENTURE MANAGEMENT FEE INCOME	8,057	—	8,057	3,825	—	3,825
ADMINISTRATION EXPENSES	(19,353)	(871)	(20,224)	(15,446)	(808)	(16,254)
OTHER INCOME/(EXPENSES) – NET	(888)	37	(851)	(1,332)	(38)	(1,370)
OPERATING PROFIT BEFORE INTEREST AND TAX	**3,809**	**16,663**	**20,472**	**3,185**	**6,949**	**10,134**
NET FINANCIAL COSTS (INCLUDING ADJUSTMENTS)	(13,913)	(6,169)	(20,082)	(12,287)	(3,331)	(15,618)
PROFIT BEFORE TAX	**(10,104)**	**10,493**	**389**	**(9,102)**	**3,618**	**(5,484)**
TAX ON EPRA EARNINGS	2,436	(1,737)	699	1,886	(713)	1,173
EPRA EARNINGS	**(7,668)**	**8,757**	**1,088**	**(7,216)**	**2,905**	**(4,311)**
COMPANY ADJUSTMENT:						
DEVELOPMENT GAINS ON DEVELOPMENT PROPERTIES DESTINED TO THE JOINT VENTURE	75,053	—	75,053	111,103	—	111,103
TAX ON COMPANY ADJUSTMENT	(18,091)	—	(18,091)	(23,017)	—	(23,017)
ADJUSTED OPERATING PROFIT AFTER TAX	**49,293**	**8,757**	**58,050**	**80,870**	**2,905**	**83,775**

EPRA EARNINGS PER SHARE	2017			2016		
	GROUP	JOINT VENTURE	TOTAL	GROUP	JOINT VENTURE	TOTAL
NUMBER OF SHARES – BASIC			18,583,050			18,583,050
EPRA EARNINGS PER SHARE (€/SHARE) – BASIC			0.06			(0.23)
ADJUSTED OPERATING EARNINGS PER SHARE (€/SHARE) – BASIC			3.12			4.51
NUMBER OF SHARES – DILUTED			18,583,050			18,583,050
EPRA EARNINGS PER SHARE (€/SHARE) – DILUTED			0.06			(0.23)
ADJUSTED OPERATING EARNINGS PER SHARE (€/SHARE) – DILUTED			3.12			4.51

3. 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).

in thousands of €	2017			2016		
	GROUP	JOINT VENTURE	TOTAL	GROUP	JOINT VENTURE	TOTAL
INVESTMENT PROPERTIES	392,291	383,078	775,369	550,262	264,504	814,766
INVESTMENT PROPERTIES INCLUDED IN ASSETS HELD FOR SALE	430,298	—	430,298	132,263	—	132,263
TOTAL INVESTMENT PROPERTIES	**822,589**	**383,078**	**1,205,667**	**682,525**	**264,504**	**947,029**
INVESTMENTS IN JOINT VENTURE AND ASSOCIATES	143,312	(143,312)	—	89,194	(89,194)	—
OTHER NET ASSETS/(LIABILITIES)	(56,549)	(36,925)	(93,474)	(38,064)	(20,593)	(58,657)
NET DEBT	(443,122)	(202,841)	(645,963)	(343,350)	(154,717)	(498,067)
TOTAL SHAREHOLDERS' EQUITY	**466,230**	**—**	**466,230**	**390,305**	**—**	**390,305**
EPRA ADJUSTMENTS						
TO EXCLUDE:						
FAIR VALUE OF FINANCIAL INSTRUMENTS	1,644	—	1,644	5,343	—	5,343
DEFERRED TAX	34,942	—	34,942	28,414	—	28,414
EPRA NAV	**502,816**	**—**	**502,816**	**424,062**	**—**	**424,062**
NUMBER OF SHARES – BASIC			18,583,050			18,583,050
EPRA NAV PER SHARE (€/SHARE) – BASIC			27.06			22.82
EPRA NAV	**502,816**	**—**	**502,816**	**424,062**	**—**	**424,062**
EFFECT OF EXERCISE OF OPTIONS, CONVERTIBLES AND OTHER EQUITY INTERESTS	—	—	—	—	—	—
DILUTED EPRA NAV	**502,816**	**—**	**502,816**	**424,062**	**—**	**424,062**
NUMBER OF SHARES – DILUTED			18,583,050			18,583,050
EPRA NAV PER SHARE (€/SHARE) – DILUTED			27.06			22.82

4. EPRA vacancy rate

ERV VACANCY *in thousands of €*	**2017**			**2016**		
	GROUP	**JOINT VENTURE AT 100%**	**TOTAL**	**GROUP**	**JOINT VENTURE AT 100%**	**TOTAL**
ESTIMATED RENTAL VALUE OF VACANT SPACE	0	0	0	416	0	416
ESTIMATED RENTAL VALUE OF THE WHOLE PORTFOLIO	20,606	38,130	58,736	21,834	31,672	53,505
EPRA VACANCY RATE	**0.0%**	**0.0%**	**0.0%**	**1.9%**	**0.0%**	**0.8%**

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
Leonardo Da Vincilaan 19A bus 6
B-1831 Machelen (Diegem)
Belgium
www.vgpparks.eu

The statutory auditor issued an unqualified opinion on the financial statements of VGP NV.

1.2 Condensed income statement

in thousands of €	**2017**	**2016**
OTHER OPERATING INCOME	6,817	3,126
OPERATING PROFIT OR LOSS	(7,036)	(13,797)
FINANCIAL RESULT	(1,366)	(72)
NON-RECURRENT INCOME FINANCIAL ASSETS	39,078	132,262
CURRENT AND DEFERRED INCOME TAXES	(167)	(516)
PROFIT OR (LOSS) FOR THE YEAR	**30,509**	**117,877**

1.3 Condensed balance sheet after profit appropriation

in thousands of €	2017	2016
FORMATION EXPENSES, INTANGIBLE ASSETS	5,149	5,206
TANGIBLE FIXED ASSETS	4	0
FINANCIAL FIXED ASSETS	754,696	602,433
TOTAL NON-CURRENT ASSETS	**759,849**	**607,639**
TRADE AND OTHER RECEIVABLES	2,899	491
CASH & CASH EQUIVALENTS	18,946	51,009
TOTAL CURRENT ASSETS	21,845	51,500
TOTAL ASSETS	781,694	659,139
SHARE CAPITAL	92,667	112,737
NON-DISTRIBUTABLE RESERVES	9,267	7,939
RETAINED EARNINGS	174,680	145,499
SHAREHOLDERS' EQUITY	**276,614**	**266,175**
AMOUNTS PAYABLE AFTER ONE YEAR	407,067	300,081
AMOUNTS PAYABLE WITHIN ONE YEAR	98,013	92,883
LIABILITIES	**505,080**	**392,964**
TOTAL EQUITY AND LIABILITIES	**781,694**	**659,139**

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 2017 result

The profit after tax for the year ended was € 30,508,513.04

At the General Meeting of Shareholders on 11 May 2018, the Board of Directors will propose that the above result be appropriated as follows:

in €	2017	2016
PROFIT OF THE FINANCIAL YEAR	30,508,513.04	117,877,265.63
PROFIT CARRIED FORWARD	145,498,698.59	33,515,296.24
TRANSFER TO LEGAL RESERVES	(1,327,200.40)	(5,893,863.28)
PROFIT/(LOSS) TO BE CARRIED FORWARD	139,372,216.23	145,498,698.59
PROFIT TO BE DISTRIBUTED (GROSS DIVIDEND)	35,307,795.00	—

The board of directors proposes to the Annual Shareholders' Meeting that a gross dividend of € 35,307,795.00 (€ 1.90 per share) be distributed for the year 2017.

AUDITOR'S REPORT

VGP NV

Statutory auditor's report to the shareholders' meeting for the year ended 31 December 2017

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 to you. This report includes our report on the consolidated financial statements together with our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

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 11 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 statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow 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 1 032 553 (000) EUR and the consolidated income statement shows a consolidated net profit for the year then ended of 95 995 (000) EUR.

In our opinion, the consolidated financial statements of VGP NV give a true and fair view of the group's net equity and financial position as of 31 December 2017 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). 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	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
Valuation of investment properties VGP develops, owns and manages a portfolio of logistic and industrial warehousing properties in Germany, the Czech Republic, Slovakia, Hungary and Spain. The property portfolio is valued at 392,291 (000) € as at 31 December 2017, 383,078 (000) € is held by joint ventures at share and 430,298 (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.	**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	HOW THE MATTER WAS ADDRESSED
Transactions with associates VGP has one significant investment in an associate, VGP European Logistics SARL, for which the net book value amounted to 143,3 million € per 31 December 2017. 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 for a total value in excess of 170 million €. 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 and note 9 in relation to investments in joint ventures and associates.	— 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	HOW THE MATTER WAS ADDRESSED
Accounting for deferred taxes Per 31 December 2017, deferred tax liabilities amount to 12 million EUR, 29 million is held by joint ventures at share and 23 million 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.	— Auditing the reconciliation of the deferred tax liabilities on the balance sheet and in the income statement per 31 December 2017. — Challenging management estimates in relation to specific tax positions taken to account for (deferred) income 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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 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 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.

Report on other legal, regulatory and professional 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.

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), 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, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other matters disclosed in this report

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 the period ended 31 December 2017 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 directors' 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. We do not express any kind of assurance on the annual report.

Statements regarding independence

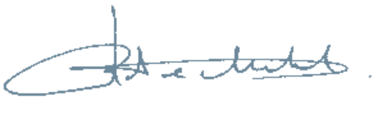
— Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the company during the performance of our mandate.

— 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, 9 April 2018
The statutory auditor



DELOITTE Bedrijfsrevisoren/Réviseurs d'Entreprises
BV o.v.v.e. CVBA/SC s.f.d. 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, VGP MISV Comm. VA in which the Company holds 43.23%; and until December 2016 Snow Crystal S.à.r.l. and SUN S.à.r.l., in which the Company held a 20% participation.

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.

CEE
Central and Eastern Europe

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.

Estimated rental value
Estimated rental value (ERV) is the rental value determined by independent property experts.

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 for the VGP Group and for third parties

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
The ratio of (initial) contractual rent of a purchased property to the acquisition price. See also Acquisition price.

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.

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 company.

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.

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.

Suta
Means SUTA s.r.o., having its registered office at Rozšířená 2159/15, Libeň, 182 00 Praha 8 and registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Entry No. 201835 and being a subsidiary of VGP.

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 current 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 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
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.

2023 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
the € 75 million fixed rated 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
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.

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STATEMENT OF RESPONSIBLE PERSONS

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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

NOTES

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