



Press Release
Regulated Information

VGP reports full year 2017 record profits

23 February 2018 – 7.30 a.m. CET, Diegem (Belgium): VGP NV ('VGP' or 'the Company'), today announced results for year ended 31 December 2017.

- Record profit for the period of € 96.0 million (+ € 4.7 million compared to 31 December 2016)
- Proposal for the distribution of a dividend of € 35.3 million (€ 1.90 per share) representing a gross dividend yield of 3.1%¹.
- Record signed and renewed rental income of € 27.4 million driven by 484,000 m² of new lease agreements signed corresponding to € 24.3 million of new annualised rental income combined with 61,000 m² of lease agreements renewed corresponding to € 3.1 million of annualised rental income. Total net increase of € 21.7 million when considering the sale of Estonia.
- The signed annualised committed leases represent € 82.8 million equivalent to 1.66 million m² of lettable area, a 35.0% increase since December 2016 (when excluding Estonia).
- New development land of 729,939 m² acquired and an additional 1,452,336 m² of new land plots under option, subject to receiving permits expected to be acquired during 2018 which adds to a total remaining development land bank as of December 2017 of 3,261,364 m² (34% net increase since December 2016)
- A total of 17 projects delivered representing 349,871 m² of lettable area, with an additional 22 projects under construction representing 475,113 m² of future lettable area. It is expected that more than 200,000 m² of lettable area will be delivered during the first quarter of 2018.
- Continued geographical expansion into Western Europe with consolidation of presence in Spain where 4 buildings are under construction (2 new buildings started up after year-end) and where 3 new lease contracts with blue chip tenants were signed during the past few months.
- VGP European Logistics joint venture saw one closing in 2017 of €173 million, this is expected to be followed by an > €€370 million closing by end of March 2018 which will allow VGP to reinvest in its development pipeline and continue to grow the business.
- A new long-term remuneration plan aligned with shareholders' interests, based on the growth of VGP's NAV, is currently being reviewed by the remuneration committee and will be disclosed in further detail in the remuneration report included in the Annual Report 2017. The new plan will be applicable as from 2018 onwards.
- Conservative financing policy in place with a current gearing of 42.3%, in line with the Company's target maximum consolidated gearing of 55%.

¹ Based on the closing share price of € 62.20 as at 20 February 2018.

VGP, the developer, manager and owner of high quality logistics real estate in Europe, has today published its annual 2017 results. The Company experienced strong growth in all its active markets, with profits for the period up to € 96.0 million, an increase of 5.2% compared to last year, and net valuation gain on the portfolio amounting to € 94.6 million.

Jan Van Geet, CEO of VGP Group, said: *“2017 delivered record profits and was a record year on many measures for VGP and importantly, we are delivering on all our commitments – strong underlying commercial performance, geographical expansion into Western Europe towards EPRA Index inclusion eligibility, build-up of our land bank, successful completion of disposals to our joint venture and an 2018-onwards shareholder aligned long-term remuneration plan.”*

Jan Van Geet added: *“Our key asset remains our decentralised, comprehensive and experienced team with strong knowledge of the local business environment and legal framework, providing our client base one-stop turn-key solutions for high quality properties in top locations. We are seeing exciting opportunities to invest for the future, to continue to deliver on our commitments as we grow into a pan-European pure-play logistics real-estate company”.*

The Group’s portfolio has continued to make strong progress during the second half of 2017, growing both in value and physical size. The value of annualised committed leases stood at € 82.8 million¹, as at 31 December 2017. For the whole year 2017, the annualised committed leases increased with € 21.7 million on a like for like basis². The signed annualised committed leases at the end of December 2017 represent a total of 1,658,414 m² of lettable area, a 35.0 % increase since 31 December 2016 (excluding VGP Estonia). Of this total space 648,474 m² belong to the own portfolio (545,715 m² as at 31 December 2016) and 1,009,940 m² to the VGP European Logistics joint venture (732,523 m² at 31 December 2016).

During the year 2017 VGP delivered a total of 17 projects representing 349,871 m² of lettable area, with an additional 22 projects under construction representing 475,113 m² of future lettable area. It is expected that more than 200,000 m² of lettable area will be delivered during the first quarter of 2018. At the end of May 2017, a third successful closing occurred with the VGP European Logistics joint venture (50/50 JV with Allianz Real Estate). The transaction value of the third closing was in excess of € 173 million. It is currently anticipated that a fourth closing will occur at the end of March 2018 which will have an estimated transaction value of > € 370 million.

Gearing level of the Group increased slightly to 42.3% as at 31 December 2017 (39.4% at 31 December 2016) despite raising of new debt during the first half of 2017.

The portfolio’s strong performance during the year allows the Company to propose a dividend distribution of € 35.3 million (€ 1.90 per share).

¹ Including VGP European Logistics (joint venture with Allianz Real Estate). As at 31 December 2017 the annualised committed leases for VGP European Logistics stood at € 52.5 million (30 June 2017: € 51.3 million) compared to € 38.6 million as at 31 December 2016.

² Excluding the € 3.2 million committed leases outstanding as at 31 December 2016 related to VGP Estonia, which was divested during Sep-17.

Summary

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).

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 of a new € 75 million, 7 year retail bond to refinance the Jul-17 Bond maturing on 12 July 2017.

VGP's activities during the year 2017 can be further summarised as follows:

- The operating activities resulted in a profit for the year of € 96.0 million (€ 5.17 per share) for the financial year ended 31 December 2017 compared to a profit of € 91.3 million (€ 4.91 per share) for the financial year ended 31 December 2016.
- The increase in demand of lettable area resulted in the signing of new lease contracts in excess of € 27.4 million in total of which € 24.3 million¹ related to new or replacement leases (€ 8.6 million on behalf of VGP European Logistics) and € 3.1 million² (€ 1.9 million on behalf of VGP European Logistics) were related to renewals of existing lease contracts.
- The weighted average term of the annualised committed leases of the combined own and Joint Venture portfolio stood at 9.7 years at the end of December 2017 (10.3 years as at 31 December 2016). The own portfolio reached 13.0 years, while the Joint Venture portfolio reached 7.9 years.
- The Group's property portfolio, including the own and Joint Venture property portfolio, reached an occupancy rate of 100.0% at the end of December 2017 compared to 98.8% at the end of December 2016.
- The own investment property portfolio consists of 15 completed buildings representing 445,958 m² of lettable area whereas the Joint Venture property portfolio consists of 45 completed buildings representing 830,905 m² of lettable area.
- At the end of December 2017, 22 buildings representing 475,113 m² of lettable area were under construction.
- The net valuation of the property portfolio as at 31 December 2017 showed a net valuation gain

¹ Including € 1.0 million of new leases of VGP Estonia

² Including € 0.4 million of renewed leases of VGP Estonia.

of € 94.6 million (against a net valuation gain of € 118.9 million per 31 December 2016).

- 729,939 m² of new development land plots were acquired during the year and 1,452,336 m² new land plots under option to support the development pipeline and which are expected to be acquired in the course of 2018, subject to obtaining permits. Besides this a significant number of new land plots (> 1 million m²) have been identified and are under investigation. VGP expects that a significant number of these land plots will be contractually locked in during the first half of 2018.
- As at 31 December 2017 the financial income benefited from the interest income on loans made available to the Joint Venture (€ 5.3 million) and the unrealised gain on financial instruments (€3.5 million) but was adversely impacted by the interest on the issued bonds (€ 18.8 million). This resulted in a net financial cost of € 10.5 million as at 31 December 2017 compared to € 16.9 million as at 31 December 2016.
- Successful private placement of a new 8 year € 80 million bond at the end of March 2017 and successful placement of a 7 year € 75 million retail bond at the beginning of July 2017 to refinance the maturing Jul-17 Bond.
- On 4 August 2017, the Company performed a capital reduction of € 20,069,694.00 capital reduction paid out in cash, corresponding to € 1.08 per share.
- On 27 October 2017, completion of the successful re-IPO through a secondary public offering, allowing the broadening of the shareholder base and increasing the free float from 10.1% to 37.5%.

ADJUSTED OPERATING PROFIT <i>(in thousands of €)</i>	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	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	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
Tax on Adjusted operating profit	(15,656)	(21,132)
Adjusted operating profit after tax	58,050	83,775

See also Note 2 for further details.

In view of the broadened investor base and in order to provide a more transparent and consistent basis to enable comparison between European property companies the Directors have introduced the Adjusted operating profit measure. Whilst this measure does not include the development activities outside Germany, the Czech Republic, Slovakia and Hungary the Directors are of the opinion that it provides a fair representation of the recurrent profit generated by VGP and provides a reasonable basis to reconcile to EPRA metrics.

Given the fact that VGP is currently mainly geared towards its development activities, the Directors have elected to apply only the most relevant EPRA metrics. Further review and application of additional EPRA metrics will be considered when VGP will have reached a more mature investment portfolio profile.

Reconciliations between VGP Adjusted operating metrics and EPRA metrics are provided in the Supplementary Notes to the condensed financial information, which also include EPRA metrics as well as VGP's Adjusted income statement and balance sheet presented on a proportionally consolidated basis.

Adjusted operating profit before tax decreased by 29.7 % to € 73.7 million (2016: € 104.9 million) during 2017 as a result of the above movements (see Note 2). When including the net valuation gain on developments undertaken in counties outside Germany, the Czech Republic, Slovakia and Hungary the Adjusted operating profit before tax (including other countries)¹ would increase to € 87.3 million (2016: € 107.2 million).

¹ Including the net valuation gain on development properties in Spain, Romania, Latvia and Estonia which amount to € 13.6 million as at 31 December 2017 and € 2.3 million as at 31 December 2016.

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.

Therefore, taking into account 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)¹.

Annualised committed rent income

The increase in demand of lettable area resulted in the signing of new lease contracts in excess of € 27.4 million in total of which € 24.3 million related to new or replacement leases (€ 8.6 million on behalf of VGP European Logistics) and € 3.1 million (€ 1.9 million on behalf of VGP European Logistics) were related to renewals of existing lease contracts. During the year lease contracts for a total amount of € 1.6 million (€ 1.3 million on behalf of VGP European Logistics) were terminated.

The annualised committed leases therefore increased to € 82.8 million², as at the end of December 2017 (compared to € 64.3 million as at 31 December 2016).

Germany was the main driver of the growth in committed leases with € 12.5 million of new leases signed during the year (€ 7.1 million on behalf of VGP European Logistics).

The other countries also performed very well with new leases being signed in the Czech Republic + € 6.2 million (€ 0.8 million on behalf of VGP European Logistics), in Spain + € 1.4 million (own portfolio), in Latvia + € 1.4 million, in Romania + € 1.1 million (own portfolio), in Hungary + € 0.6 million (JV portfolio), in Slovakia + € 0.1 million (JV portfolio), and finally in Estonia + € 1.0 million (own portfolio) which was divested in September 2017.

The signed committed lease agreements of the own portfolio represent a total of 648,474 m² of lettable area with the weighted average term of the annualised committed leases standing at 13.0 years³ as at the end of December 2017.

The signed committed lease agreements of the Joint Venture portfolio represent a total of 1,009,940 m² of lettable area with the weighted average term of the annualised committed leases standing at 7.9 years⁴ as at the end of December 2017.

¹ See Note 2 of the *Supplementary notes not part of the condensed interim financial information*.

² Including VGP European Logistics (joint venture with Allianz Real Estate). As at 31 December 2017 the annualised committed leases for VGP European Logistics stood at € 52.5 million (30 June 2017: € 51.3 million) compared to € 38.6 million as at 31 December 2016.

³ The weighted average term of the committed leases up to the first break stands at 10.1 years as at 31 December 2017.

⁴ The weighted average term of the committed leases up to the first break stands at 7.1 years as at 31 December 2017.

The weighted average term of the annualised leases of the combined own and Joint Venture portfolio stood at 9.7 years¹ at the end of December 2017 compared to 10.3 years at the end of December 2016.

Net valuation gains on the property portfolio

<i>(in thousands of €)</i>	2017	2016
Development gains on development properties destined to the Joint Venture	75,053	111,103
Net valuation gains / (losses) on development properties – other countries	13,586	2,295
Net valuation gains / (losses) on investment properties	1,691	5,502
Profit on disposal of investment properties	4,298	-
Total	94,628	118,900

See also Note 2 for further details.

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 the Joint Venture

<i>(in thousands of €)</i>	2017	2016
Share of joint ventures' Adjusted operating profit after tax	8,757	2,905
Adjustments to the share of operating profit from joint ventures after tax	20,472	4,991
Total	29,229	7,897

See also Note 6 for further details.

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.

¹ The weighted average term of the committed leases up to the first break stands at 8.2 years as at 31 December 2017.

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

<i>(in thousands of €)</i>	2017	2016
Net financial costs (including adjustments)	(13,913)	(12,287)
Net fair value gain/(loss) on interest rate swaps and other derivatives	3,447	(4,619)
Net financial costs	(10,466)	(16,906)

See also Note 2 and 7 for further details.

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.

Evolution of the property portfolio

The development activities of 2017 can be summarised as follows:

Completed projects

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)

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 Győr.

Projects under construction

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.

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.

Land bank

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

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.

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.

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 March 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

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



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.

Financing

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 ratio¹ of the Group increased from 39.4% at 31 December 2016 to 42.3% as at 31 December 2017.

Dividend

In view the successful and sustainable evolution of the Group's results, the Board of Directors of VGP has decided to propose to the Annual General Meeting a distribution of a gross dividend of € 35,307,795 (€1.90 per share).

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 March 2018.

¹ Calculated as Net debt / Total equity and liabilities



For more information

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Profile

VGP (www.vgpparks.eu) constructs and develops high-end logistic real estate and ancillary offices for its own account and for the account of its VGP European Logistics joint venture (50:50 joint venture between Allianz Real Estate and VGP), 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.

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CONDENSED CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

INCOME STATEMENT <i>(in thousands of €)</i>	NOTE	2017	2016
Revenue ¹	4	28,224	24,739
Gross rental income	4	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	4	8,057	3,825
Net valuation gains / (losses) on investment properties	5	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	6	29,229	7,897
Operating profit / (loss)		127,666	129,982
Financial income	7	9,730	2,814
Financial expenses	7	(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		-	-
RESULT PER SHARE	NOTE	2017	2016
Basic earnings per share (in €)	8	5.17	4.91
Diluted earnings per share (in €)	8	5.17	4.91

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



2. CONDENSED 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
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	-	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>	-	-
Other comprehensive income for the period	-	-
Total comprehensive income / (loss) of the period	95,995	91,286
Attributable to:		
Shareholders of VGP NV	95,995	91,286
Non-controlling interest	-	-

3. CONDENSED CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2017

ASSETS (in thousands of €)	NOTE	2017	2016
Goodwill		-	-
Intangible assets		36	14
Investment properties	9	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 €)	NOTE	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

4. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December

STATEMENT OF CHANGES IN EQUITY <i>(in thousands of €)</i>	Statutory share capital	Capital reserve (see note 20)	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)	-	-	0	-	-	-	0
Result of the period	-	-	0	95,995	-	-	95,995
Effect of disposals	-	-	0	-	-	-	0
Total comprehensive income / (loss)	-	-	0	95,995	-	-	95,995
Dividends to shareholders	-	-	0	-	-	-	0
Share capital distribution to shareholders	(20,070)	20,070	0	(20,070)	-	-	(20,070)
Hybrid securities	-	-	0	-	-	-	0
Balance as at 31 December 2017	92,667	(30,416)	62,251	403,910	69	-	466,230

5. CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 December

CASH FLOW STATEMENT <i>(in thousands of €)</i>	2017	2016
<i>Cash flows from operating activities</i>		
Profit before taxes	117,200	113,076
<i>Adjustments for:</i>		
Depreciation	216	897
Unrealised (gains) / losses on investment properties	(90,272)	(97,696)
Realised (gains) / losses on disposal of subsidiaries and investment properties	(4,356)	(21,204)
Unrealised (gains) / losses on financial instruments and foreign exchange	(4,011)	4,723
Interest (received)	(5,619)	(2,636)
Interest paid	20,096	14,820
Share in (profit)/loss of joint venture and associates	(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 received	393	157
Interest (paid)	(20,247)	(10,684)
Income taxes paid	(762)	(939)
Net cash from operating activities	(6,786)	6,793
<i>Cash flows from investing activities</i>		
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	122,053	236,060
Distribution by / (investment in) VGP European Logistics joint venture	1,000	-
(Loans provided to) / loans repaid by Joint Venture and associates	(78,619)	(28,546)
Net cash used in investing activities	(90,274)	(124,416)
<i>Cash flows from financing activities</i>		
Repayment hybrid instruments	-	(62,960)
Net Proceeds / (cash out) from the issue / (repayment) of share capital	(20,070)	-
Proceeds from loans	157,444	283,367
Loan repayments	(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	(2,318)	10,288
Cash and cash equivalents at the end of the period	30,269	71,595



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the period ended 31 December

1 BASIS OF PREPARATION

The financial information set out in this announcement is based on the consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial information is in accordance with the accounting policies set out in the 2016 financial statements.

While the financial information included in these condensed financial statements has been prepared in accordance with the recognition and measurement criteria of IFRS as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRS by April 2018.

There have been no changes to the basis of accounting on adoption of new standards and amendments to standards and interpretations which have become effective for the first time for this financial year

2 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	0
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 6.

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

3 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.

3.1 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 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

<i>In thousands of €</i>	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

<i>In thousands of €</i>	For the year ended 31 December 2017			
	Investment	Development	Property and asset management	Total
Gross rental income	17,046	-	-	17,046
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	(6)	(124)	(69)	(199)
Adjusted operating profit before interest and tax	25,134	56,996	5,489	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 6.

² Relates to developments in countries outside of the JV perimeter i.e. Spain, Romania, Latvia and Estonia.

<i>In thousands of €</i>	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	(278)	(13,353)	(1,673)	(15,304)
Other income/(expenses) -net	(940)	-	(392)	(1,332)
Share of joint ventures' Adjusted operating profit after tax ¹	2,905	-	-	2,905
Adjusted operating EBITDA	19,358	96,217	1,760	117,335
Depreciation and amortisation	(1)	(90)	(51)	(142)
Adjusted operating profit before interest and tax	19,357	96,127	1,709	117,193
Net financial costs (including adjustments)				(12,287)
Adjusted operating profit before tax				104,906
Tax on Adjusted operating 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				0
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 6.

² Relates to developments in countries outside of the JV perimeter i.e. Spain, Romania, Latvia and Estonia.

3.2 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							
<i>In thousands of €</i>	Gross rental income ¹	Net rental income ¹	Share of joint venture's Adjusted profit after tax	Adjusted operating PBIT	Investment properties Own	Investment properties JV at share	Capital expenditure ²
Western Europe							
Germany	13,835	12,024	5,473	46,061	375,367	263,215	175,475
Spain	7,500	6,958	-	3,921	209,976	-	5,546
	21,335	18,982	5,473	49,982	585,343	263,215	181,021
Central and Eastern Europe							
Czech Republic	6,405	6,005	2,144	35,783	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	2,004	9,101	22,725	5,620
Romania	3,058	3,088	-	2,678	45,660	-	5,365
	12,829	12,306	3,841	41,867	222,711	119,863	70,590
Baltics							
Estonia	2,210	2,301	-	2,154	-	-	3,894
Latvia	-	(12)	-	(221)	14,535	-	5,463
	2,210	2,289	-	1,933	14,535	-	9,357
Other ³	-	(87)	(557)	(6,163)	-	-	-
Total	36,374	33,490	8,757	87,619	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			Share of joint venture's Adjusted profit after tax	Adjusted operating PBIT	Investment properties Own	Investment properties JV at share	Capital expenditure ²
<i>In thousands of €</i>	Gross rental income ¹	Net rental income					
Western Europe							
Germany	10,732	9,708	1,592	91,884	284,791	168,683	100,119
Spain	242	239	-	(612)	195,842	-	195,821
	10,974	9,947	1,592	91,272	480,633	168,683	295,940
Central and Eastern Europe							
Czech Republic	5,850	5,724	1,013	25,911	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	2,871	2,264	22,049	0
Romania	2,281	2,393	-	2,007	36,043	-	5,904
	12,097	11,662	1,892	32,322	148,199	95,821	35,604
Baltics							
Estonia	2,469	2,396	-	2,260	47,400	-	3,992
Latvia	0	(10)	-	(205)	6,293	-	1,467
	2,469	2,386	-	2,055	53,693	-	5,459
Other ³	-	(61)	(579)	(8,456)	-	-	-
Total	25,540	23,934	2,905	117,193	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.

4 REVENUE

<i>In thousands of €</i>	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 property and facility management income	4,400	3,199
Joint Venture 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 million¹ compared to € 64.3 million² as at 31 December 2016. The annualised committed leases of VGP Park Nehatu was € 3.2 million as at 31 December 2016.

5 NET VALUATION GAINS / (LOSSES) ON INVESTMENT PROPERTIES

<i>In thousands of €</i>	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.

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 € 25.6 million related to the Own Property Portfolio.

6 INVESTMENTS IN JOINT VENTURE

6.1 Profit from Joint Venture

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

INCOME STATEMENT <i>(in thousands of €)</i>	VGP European Logistics JV at 100%	VGP European Logistics German Asset Companies at 100 %	VGP European Logistics German Asset Companies at 5.1%	VGP European Logistics JV at 50%	2017	2016
Gross rental income	36,328	22,831	1,164	18,164	19,328	8,734
Property Operating expenses						0
- service charge income / (expenses) - net	637	490	25	319	343	289
- underlying property operating expenses	(1,242)	(689)	(35)	(621)	(656)	(550)
- property management fees	(2,853)	(1,811)	(92)	(1,426)	(1,519)	(677)
Net rental income	32,870	20,821	1,062	16,435	17,497	7,796
Administration expenses	(1,672)	(690)	(35)	(836)	(871)	(808)
Other income / (expenses) - net	71	29	1	35	37	(38)
Net financial result (including adjustments)	(11,556)	(7,675)	(391)	(5,778)	(6,169)	(3,331)
Adjusted operating profit/(loss) before tax	19,713	12,485	637	9,857	10,493	3,618
Tax on Adjusted operating profits	(3,278)	(1,915)	(98)	(1,639)	(1,737)	(713)
Adjusted operating profit/(loss) after tax	16,435	10,570	539	8,218	8,757	2,905
Adjustments						
Net valuation gains / (losses) on investment properties	44,984	37,207	1,898	22,492	24,390	6,851
Profit/(loss) on disposal of investment properties	65	92	5	32	37	(0)
Net fair value loss on interest rate swaps and other derivatives	1,338	0	0	669	669	(538)
Tax in respect of adjustments	(8,664)	(5,720)	(292)	(4,332)	(4,624)	(1,321)
Total adjustments	37,722	31,579	1,611	18,861	20,472	4,991
Profit/(loss) after tax	54,158	42,149	2,150	27,079	29,229	7,897

6.2 Summarised balance sheet information in respect of Joint Venture

BALANCE SHEET <i>(in thousands of €)</i>	VGP European Logistics JV at 100%	VGP European Logistics German Asset Companies at 100 %	VGP European Logistics German Asset Companies at 5.1%	VGP European Logistics JV at 50%	2017	2016
Investment properties	715,067	500,887	25,544	357,534	383,078	307,053
Other assets	269	-	-	135	135	96
Total non-current assets	715,336	500,887	25,544	357,669	383,213	307,149
Trade and other receivables	11,843	10,596	540	5,922	6,462	4,523
Cash and cash equivalents	22,151	15,338	782	11,076	11,858	9,256
Total current assets	33,994	25,934	1,322	16,998	18,320	13,779
Total assets	749,330	526,821	26,866	374,667	401,533	320,928
Non-current financial debt	389,692	276,954	14,125	194,846	208,971	201,616
Other non-current financial liabilities	-	-	-	-	-	538
Other non-current liabilities	3,544	1,981	101	1,773	1,874	721
Deferred tax liabilities	53,752	36,536	1,863	26,876	28,739	17,448
Total non-current liabilities	446,988	315,471	16,089	223,495	239,584	220,323
Current financial debt	10,651	7,887	402	5,326	5,728	4,368
Trade debts and other current liabilities	23,852	19,265	983	11,926	12,909	6,940
Total current liabilities	34,503	27,152	1,385	17,252	18,637	11,308
Total liabilities	481,491	342,623	17,474	240,747	258,221	231,631
Adjustment disposal of associates ¹						103
Net assets	267,839	184,198	9,392	133,920	143,312	89,194

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.

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.

6.3 Other non-current receivables

<i>in thousands of €</i>	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 reclassifies as assets held for sale	(137,150)	(81,561)
Total	12,757	8,315

6.4 Investments in joint venture and associates

<i>in thousands of €</i>	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 the end of the period	143,312	89,194

7 NET FINANCIAL RESULT

<i>In thousands of €</i>	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	0
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	0	(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 2) are € 13.9 million (2016: € 12.3 million). This excludes net fair value gains and losses on interest rate swaps and other derivatives of € 3.4 million gain (2016: € 4.6 million loss).

8 EARNINGS PER SHARE

8.1 Earnings per ordinary share (EPS)

<i>In number</i>	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

<i>In thousands of €</i>	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.

8.2 Net asset value per share (NAV)

<i>EPRA NAV – In thousands of €</i>	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

<i>EPRA NNAV – In thousands of €</i>	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 (NNAV)	452,146	377,568
Number of shares	18,583,050	18,583,050
EPRA NNAV per share (EUR/share)	24.33	20.32

9 INVESTMENT PROPERTIES

<i>In thousands of €</i>	2017			
	Completed	Under Construction	Development land	Total
As at 1 January	265,813	125,989	158,460	550,262
Capex	82,320	63,619	-	145,939
Acquisitions	-	-	25,211	25,211
Capitalised interest	1,732	1,226	8	2,966
Capitalised rent free and agent's fee	2,025	231	-	2,256
Sales and disposal 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

<i>In thousands of €</i>	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	-	-	-	-
Fair value as at 31 December	265,813	125,989	158,460	550,262

SUPPLEMENTARY NOTES NOT PART OF CONDENSED FINANCIAL INFORMATION

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.

<i>In thousands of €</i>	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).

<i>In thousands of €</i>	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).

<i>In thousands of €</i>	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	2017			2016		
	Group	Joint Venture at 100%	Total	Group	Joint Venture at 100%	Total
<i>In thousands of €</i>						
Estimated Rental Value of vacant space	0	0	0	416	0	416
Estimated rental value of the whole portfolio	12,984	38,130	51,114	21,834	31,672	53,505
EPRA Vacancy Rate	0.0%	0.0%	0.0%	1.9%	0.0%	0.8%

GLOSSARY

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.

Break

First option to terminate a lease.

Contractual rent

The gross rent as contractually agreed in the lease on the date of signing.

Gearing ratio

Is a ratio calculated as consolidated net financial debt divided by total equity and liabilities or total assets.

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 market 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.

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.

Interest hedging

The use of derived financial instruments to protect debt positions against interest rate rises.

**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 newly established 50:50 joint venture between the Issuer and Allianz.

Lease expiry date

The date on which a lease can be cancelled

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).

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.

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.

Result on the portfolio

Realised and non-realised changes in value compared to the most recent valuation of the expert, including the effective or latent capital gain tax payable in the countries where VGP is active.