- Profit for the period of € 42.7 million (+ € 10.5 million compared to 30 June 2015)
- 18.6% increase of committed annualised rental income to € 45.0 million[1] (+ € 7.0 million compared to 31 December 2015)
- 87.5% growth in gross rental income (+ € 6.1 million) to € 13.1 million
- The signed committed lease agreements represent a total of 865,855 m² [2] of lettable area with the weighted average term of the committed leases standing at 7.4 years as at the end of June 2016 (7.5 years as at 31 December 2015)
- 7 projects delivered during the first half of 2016 representing 139,955 m² of lettable area
- In addition 17 projects under construction representing 384,612 m² of future lettable area
- 597,000 m² of new development land plots acquired and 600,000 m² new land plots under option to support the development pipeline and which are expected to be acquired during the second half of 2016
- Net valuation gain on the investment portfolio reaches € 65.1 million (against € 48.1 million at the end of June 2015)
- Establishment of a 50/50 joint venture (VGP European Logistics) with Allianz Real Estate and acquisition by the joint venture of the initial seed portfolio consisting of 15 parks from VGP for a transaction value in excess of € 500 million
- During the second half of the year there are a number of large transactions in the pipeline, which, if successfully completed, will have a significant positive impact on the annualised rental income and the weighted average term of the committed leases

[1] Including VGP European Logistics (joint venture with Allianz Real Estate). As at 30 June 2016 the committed annualised rent income for VGP European Logistics stood at € 33.6 million.

[2] Including VGP European Logistics. As at 30 June 2016 the committed lease agreements of VGP European Logistics represent 655,568 m² of lettable area having a weighted average term of 7.5 years.

Summary

During the first half of 2016 VGP continued to perform strongly with development and leasing activities breaking previous record levels.

In order to sustain its growth over the medium term VGP entered into a 50/50 joint venture with Allianz Real Estate (VGP European Logistics) during the first quarter of 2016. The new joint venture will have an exclusive right of first refusal in relation to acquiring the income generating assets developed by VGP and located in Germany, the Czech Republic, Slovakia and Hungary. VGP will continue to service the joint venture as asset-, property- and development manager.

At the end of May 2016, VGP European Logistics completed the acquisition of the initial seed portfolio from VGP which consisted of 15 parks located in Germany (8 parks), the Czech Republic (4 parks), Slovakia (1 park) and Hungary (2 parks) and comprised 28 logistic and semi-industrial buildings which are almost 100% occupied and are of high quality having for the majority been built over the last two years

The acquisition of the initial seed portfolio marks the start of a long term venture with Allianz Real Estate in Germany, the Czech Republic, Slovakia and Hungary. It is the intention of both partners to grow their venture exponentially in the near future.

During the first half of 2016 VGP's activities can be summarised as follows:

- The operating activities resulted in a net profit of € 42.7 million (€ 2.30 per share) for the period ended 30 June 2016 compared to a net profit of € 32.2 million (€ 1.73 per share) as at 30 June 2015.
- The net profit included the adverse effects of the long term interest rates which after the Brexit fell to bottom level and which resulted in an unrealised loss on interest rate derivatives of € 6.4 million as at 30 June 2016.
- The increase in demand of lettable area resulted in the signing of new lease contracts in excess of € 9.0 million in total of which € 7.0 million related to new leases and € 2.0 million related to the renewal of existing leases.
- The Group's property portfolio reached an occupancy rate of 97.8% at the end of June 2016 (including the VGP European Logistics joint venture) compared to 97.3% at the end of December 2015. The occupancy rate of the VGP European Logistics joint venture's portfolio reached 99.2% at the end of June 2016.
- The investment property portfolio currently consists of 10 completed buildings representing 130,321 m² of lettable area with another 17 buildings under construction representing 384,612 m² of lettable area.
- Besides this VGP partially owns through its VGP European Logistics joint venture another 31 buildings[1] which represent 561,306 m² of lettable area and for which asset-, property and facility management services are provided by the VGP Group.
- The net valuation of the property portfolio as at 30 June 2016 included a EUR 22.1 million realised valuation gain on the disposal of the property portfolio to the VGP Europe Logistics joint venture (jointly held with Allianz Real Estate) of which the first closing took place on 31 May 2016.
- Following the completion of the acquisition of the initial seed portfolio by the VGP European Logistics joint venture, the board of directors approved the redemption on 1 June 2016 of all issued hybrid securities against a price equal to the issue price (in total € 60 million) plus the interest accrued (€ 3.0 million) from the issue date of each Security, after complying with the conflict of interest procedure in accordance with article 523 of the Belgian Companies Code.

Gross rental income up 87.5% to € 13.1 million

The gross rental income reflects the full impact of the income generating assets delivered during 2016 and the deconsolidation of VGP European Logistics portfolio. This newly established joint venture with Allianz Real Estate acquired 15 parks from VGP at the end of May 2016. The gross rental income for the period ending 30 June 2016 increased by 87.5% to 13.1 million compared to € 7.0 million for the period ending 30 June 2015 compared to € 6.7 million for the period ending 30 June 2015.

The gross rental income of the VGP European Logistics portfolio for the period January 2016 to 31 May 2016 was EUR 9.4 million.

Committed annualised rental income increases to € 45.0 million

Supported by the continued increase in demand for lettable space in almost all of its markets VGP signed 29 new leases during the first half year. These contracts represent in total more than € 9.0 million annualised rental income of which € 7.0 million (19 lease agreements) relate to new leases and € 2.0 million (10 lease agreements) relate to the renewal of existing leases.

The annualised committed leases therefore increased to € 45.0 million[1] as at the end of June 2016 (compared to € 38.0 million as at 31 December 2015).

Germany was the main driver of the growth in committed leases with € 4.9 million of new leases signed during the first half year. Meanwhile, final contract negotiations are on-going with several blue chip retailers which, when closed, will have a significant positive impact on the weighted average lease term and the committed annual rental income.

The other countries also performed very well with new leases being signed in the Czech Republic + € 1.4 million, in Slovakia + € 1.1 million, in Estonia + € 1.1 million and finally in Romania + € 0.5 million. In Spain two major transactions are currently in final negotiations which, if materialised, will have a significant impact on the Group’s annualised rental income and balance sheet.

The signed committed lease agreements (including VGP European Logistics) represent a total of 865,855 m² [2] of lettable area with the weighted average term of the committed leases standing at 7.4 years[3] as at the end of June 2016 compared to 7.5 years as at 31 December 2015.

Property and facility management income reaches € 0.7 million

The property and facility management income reached € 0.7 million for the period compared to € 1.3 million for the period ending June 2015.

The decrease in the property and facility management income is mainly due to the termination of the property and facility management agreement with P3 in October 2015. The asset management, property management and development management activities will result in an increased contribution to the result of the VGP Group benefitting from the growth of the joint venture’s real estate portfolio.

Net valuation gain on the property portfolio reaches € 65.1 million

As at 30 June 2016 the net valuation gains on the property portfolio reaches € 65.1 million against a net valuation gain of € 48.1 million per 30 June 2015.

On 31 May 2016 the VGP European Logistics joint venture completed the acquisition of 15 parks (Seed portfolio) from VGP which comprised 28 logistic and semi-industrial buildings. The transaction resulted in an additional realised valuation gain of € 22.1 million.

The trend of increasingly lower yields maintained in real estate valuations continued to persist during the first half of 2016. However due to the change of portfolio mix, following the divestment of the seed portfolio to VGP European Logistics, the own property portfolio, excluding development land, is being valued by the valuation expert at 30 June 2016 based on a weighted average yield rate of 7.71% (compared to 7.02% as at 31 December 2015 and 7.42% as at 30 June 2015) applied to the contractual rents increased by the estimated rental value on un-let space.

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

Share in the result of joint ventures and associates

As at 30 June 2016 the share in the joint ventures and associates recorded a negative balance of € 3.3 million which was mainly driven by a € 2.2 million negative fair value on interest rate derivatives.

Net financial expenses reach € 14.6 million

For the period ending 30 June 2016, the financial income was € 0.6 million (€ 3.1 million as at 30 June 2015) and included € 0.5 million interest income on loans granted to VGP European Logistics and a € 0.1 million unrealised gain on interest rate derivatives (€ 3.0 million as at 30 June 2015).

The reported financial expenses as at 30 June 2016 are mainly made up of € 6.5 million interest expenses related to financial debt (€ 5.0 million as at 30 June 2015), € 6.4 million unrealised losses on interest rate derivatives, € 2.6 million other financial expenses (€ 1.5 million as at 30 June 2015) mainly relating to the amortisation of the transactions costs of the 2 bonds issued during 2013 and the additional financial costs incurred in respect from the sale the initial seed portfolio to VGP European Logistics, € 0.1 million of net foreign exchange losses (compared to € 0.1 million net foreign exchange gains as at 30 June 2016) and a positive impact of € 0.5 million (€ 1.0 million per 30 June 2015) related to capitalised interests.

As a result the net financial expenses reached € 14.6 million as at 30 June 2016 compared to € 2.5 million as at 30 June 2015.

Shareholder loans to VGP European Logistics amounted to € 107.5 million as at 30 June 2016 of which € 99.8 million was related to financing of the buildings under construction and development land held by the VGP European Logistics joint venture. 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 and located in Germany, the Czech Republic, Slovakia and Hungary. Consequently these assets have been classified as investment properties (Disposal group held for sale) using the accounting principles applicable to Investment Properties.

The gearing ratio[1] of the Group remains conservative and stood at 23.5% at the end of June 2016 compared to a gearing level of 35.7% as at 31 December 2015.

Evolution of the property portfolio

The fair value of the own investment property decreased with 38.7% from € 677.1 million[2] as at 31 December 2015 to € 415.1 million as at 30 June 2016 mainly driven by the divestment of the income generating assets to the VGP European Logistics joint venture.

Completed projects

During the first half of 2016, 7 building were completed totalling 139,955 m².

These buildings were delivered in following locations. In Germany: 2 buildings totalling 68,129 m² in VGP Park Rodgau and 1 building of 15,065 m² in VGP Park Hamburg. In the other countries: 1 building of 3,840 m² in VGP Park Plzen (Czech Republic), 1 building of 12,665 m² in VGP Park Malacky (Slovakia), 1 building of 17,565 m² in VGP Park Timisoara (Romania) and finally 1 building of 22,892 m² in VGP Park Alsonemedi (Hungary).

Projects under construction

At the end of June 2016 VGP has the following 10 new buildings under construction for its own account: In Germany: 1 building in VGP Park Soltau, 1 building in VGP Park Berlin and 1 building in VGP Park Leipzig. In the Czech Republic: 1 building in VGP Park Tuchomerice, 2 buildings in VGP Park Cesky Ujezd, 1 building in VGP Park Liberec and 1 building in VGP Park Olomouc. In the other countries: 1 building in VGP Park Nehatu (Estonia) and finally 1 building in VGP Park Timisoara (Romania). The new buildings under construction on which several pre-leases have already been signed, represent a total future lettable area of 212,836 m².

For the VGP European Logistics joint venture, VGP was developing and hence pre-financing 7 new buildings at the end of June 2016:

In Germany: 2 buildings in VGP Park Hamburg, 1 building in VGP Park Rodgau, 1 building in VGP Park Frankenthal and 1 building in VGP Park Bobenheim-Roxheim. In the other countries: 1 building in VGP Park BRNO (Czech Republic) and finally 1 building in VGP Park Malacky (Slovakia). The new buildings under construction on which also several pre-leases have already been signed, represent a total future lettable area of 171,776 m².

The aforementioned projects will be part of a second closing with VGP European Logistics which will occur during the fourth quarter of 2016.

Land bank

During the first half year of 2016, VGP continued to target land plots to support the development pipeline for future growth. In 2016, VGP already acquired 597,000 m² of new development land of which 333,000 m² was located in Germany and 264,000 m² located in the Czech Republic. These new land plots allow VGP to develop approximately 278,000 m². Besides this VGP has another 600,000 m² of new land plots under option which are located in Spain and Slovakia. These land plots have a development potential of approx. 428,000 m² of new lettable areas. These remaining land plots are expected to be acquired, subject to permits, during the course of 2016.

VGP has currently a land bank in full ownership of 2,318,588 m². The land bank allows VGP to develop besides the current completed projects and projects under construction a further 651,000 m² of lettable area of which 351,000 m² in Germany, 217,000 m² in the Czech Republic, and 83,000 in the other countries.

Hybrid securities

Following the completion of the acquisition of the initial seed portfolio by the new joint venture with Allianz Real Estate at the end of May 2016 (VGP European Logistics); the board of directors approved the redemption of all issued hybrid securities against a price equal to the issue price (in total € 60 million) plus the interest accrued (€ 3.0 million) from the issue date of each Security, after complying with the conflict of interest procedure in accordance with article 523 of the Belgian Companies Code. The redemption took place on 1 June 2016.

Risk Factors

The overview of the most significant risks to which the VGP Group is exposed to can be found on page 42 to 43 of the Annual Report 2015. These risks remain actual and valid and will continue to apply for the remainder of the financial year.

Outlook 2016

Based on the positive trend in the demands for lettable area recorded by VGP during 2016, and provided there are no unforeseen events of economic and financial markets nature, VGP should be able to continue to substantially expand its rent income and property portfolio through the completion and start-up of additional new buildings.

During the second half of 2016 VGP will continue to review its sources of funding and funding strategy in order to enable the Group to continue to invest in the expansion of the land bank to support its development activities as well as to maximise shareholder value.