

**VGP NV**

*a public limited liability company under Belgian law*

Leonardo Da Vincilaan 19A bus 6, 1831 Machelen (Diegem)

**Offering of up to 4,524,569 existing Shares**

The shares of the Company (the “Shares”) being offered by the Selling Shareholders are herein referred to as the “Offer Shares.” This prospectus (the “Prospectus”) relates to the offering by VM Invest NV, Bart Van Malderen and Little Rock SA (the “Selling Shareholders”) of up to 4,524,569 existing Shares (the “Offer Shares”). The Offer Shares are being offered in: (i) a secondary public offering to retail and institutional investors in Belgium (the “Belgian Offering”); (ii) a private placement in the United States to persons who are reasonably believed to be “qualified institutional buyers” or “QIBs” (as defined in Rule 144A (“Rule 144A”) under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”)), in reliance on Rule 144A or pursuant to another exemption from or transaction not subject to the registration requirements under the U.S. Securities Act; and (iii) private placements to institutional investors in certain other jurisdictions (collectively, the “Offering”). The Offering outside the United States will be made in compliance with Regulation S (“Regulation S”) under the U.S. Securities Act. The Offer Shares are being offered only in those jurisdictions in which, and only to those persons to whom, offers of Offer Shares may be lawfully made.

The aggregate number of Offer Shares may be increased by option up to 25% of the aggregate number of Offer Shares initially offered (the “Increase Option”). Any decision to exercise the Increase Option will be communicated, at the latest, on the date of the announcement of the Offer Price.

The Selling Shareholders are expected to grant KBC Securities, as stabilization manager (the “Stabilization Manager”), on behalf of itself and the Underwriters (as defined herein), an option to purchase additional Shares in an aggregate amount equal to up to 15% of the number of Offer Shares sold in the Offering (including pursuant to any effective exercise of the Increase Option) at the Offer Price (as defined below) to cover over-allotments or short positions, if any, in connection with the Offering (the “Over-allotment Option”). The Over-allotment Option will be exercisable for a period of 30 days following the Pricing Date (as defined below). As used herein, the term “Offer Shares” shall include any over-allotted Shares (unless the context requires otherwise). Within five business days after the end of the Stabilization Period (as defined below), information in relation to stabilization activities, if any, will be made public.

**An investment in the Offer Shares involves substantial risks and uncertainties. Prospective investors should read the entire document, and, in particular, should see “*Risk Factors*” beginning on page 16 for a discussion of certain factors that should be considered in connection with an investment in the Shares. All of these factors should be considered before investing in the Offer Shares. Prospective investors must be able to bear the economic risk of an investment in the Shares and should be able to sustain a partial or total loss of their investment. See “*Summary—Section D—Risks*” and “*Risk Factors*.”**

**PRICE RANGE: € 55 TO € 63 PER OFFER SHARE**

The price per Offer Share (the “Offer Price”) will be determined during the Offering Period (as defined herein) through a bookbuilding process in which only institutional investors may participate. The Offer Price, the number of Offer Shares sold in the Offering and the allocation of Offer Shares to retail investors is expected to be made public by a Company press release on or about 26 October 2017 and in any event no later than the first business day after the end of the Offering Period (the “Pricing Date”). The Offer Price will be a single price in Euros, exclusive of the Belgian tax on stock exchange transactions, and of costs, if any, charged by financial intermediaries for the submission of applications. The Offer Price is expected to be between € 55 and € 63 per Offer Share (the “Price Range”). The Offer Price may be set within the Price Range or below the lower end of the Price Range but will not exceed the higher end of the Price Range. A supplement to this Prospectus will be published in accordance with article 34 of the Prospectus Law if the Offer Price is set below the lower end of the Price Range.

The offering period (the “Offering Period”) will begin on 12 October 2017 and is expected to end no later than 1 p.m. (CET) on 25 October 2017, subject to early closing, provided that the Offering Period will in any event be open for at least three business days from the availability of this Prospectus. However, in accordance with the possibility provided for in Article 3, § 2 of the Royal Decree of May 17, 2007 on primary market practices, the Company expects the subscription period for the retail offering to end on 24 October 2017, the day before the end of the institutional bookbuilding period, due to the timing and logistical constraints associated with the centralization of the subscriptions placed by retail investors with the Joint Global Coordinators (as defined below) and with other financial institutions. Any early closing of the Offering Period will be announced by means of a Company press release, and the dates for each of pricing and allocation, publication of the Offer Price and results of the Offering and closing of the Offering will in such case be adjusted accordingly. The Selling Shareholders reserve the right to reduce the maximum number of Offer Shares at any time prior to the allocation of the Offer Shares. The Offering will be withdrawn in the event no underwriting agreement is executed or in the event the underwriting agreement is executed but is subsequently terminated. If the Offering is withdrawn or if the maximum number of Offer Shares is reduced, such withdrawal or reduction will be announced by means of a Company press release, through electronic information services such as Reuters or Bloomberg, and in a supplement to this Prospectus. There is no minimum size of the Offering. The Company will not receive any proceeds from the Offering.

Delivery of the Offer Shares is expected to take place in book-entry form against payment therefor in immediately available funds on or about 27 October 2017 (the “Closing Date”) to investors’ securities accounts viaEuroclear Belgium, the Belgian central securities depository. See “*The Offering –* *Form of the Offer Shares and Delivery*.”

This document constitutes an offer prospectus for purposes of Article 3 of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (as amended, including by Directive 2010/73/EU, the “Prospectus Directive”) and has been prepared in accordance with Article 20 of the Belgian Law of June 16, 2006 on the public offering of securities and the admission of securities to trading on a regulated market, as amended (the “Prospectus Law”). The English version of this Prospectus dated 11 October 2017 was approved by the Belgian Financial Services and Markets Authority (the “FSMA”).

A supplement to this Prospectus will be published in accordance with article 34 of the Prospectus Law in the event (i) the Offering Period is extended, (ii) the lower limit of the Price Range is decreased or the Offer Price is set below the lower end of the Price Range, (iii) the maximum number of Offer Shares is reduced, including due to an early closing of the Offering Period without placement of the total number of Offer Shares (excluding the Increase Option), or (iv) the underwriting agreement is not executed or is executed but subsequently terminated and the Offering is withdrawn.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any of the Offer Shares in any jurisdiction or to any person to whom it would be unlawful to do so.

The Shares have not been and will not be registered under the U.S. Securities Act or the applicable securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Prospective purchasers are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the Shares, see “*Transfer Restrictions*.”

***Joint Global Coordinators and Joint Bookrunners***

|  |  |
| --- | --- |
|  |  |
| **J.P. Morgan** | **KBC Securities** |

***Co-Lead Manager***

**Belfius**

***Co-Manager***

**ING**

Prospectus dated 11 October 2017

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Summary

*Summaries are made up of disclosure requirements known as “Elements.” These Elements are numbered in Sections A – E (A.1 – E.7).*

*This summary contains all the Elements required to be included in a summary for this type of securities and company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted in the summary because of the type of securities and company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “Not applicable.”*

**Section A—Introduction and warnings**

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| **Element** | **Disclosure requirement** |
| **A.1** | **Introduction and warnings** |
|  | This summary must be read as an introduction to this Prospectus and is provided to aid investors when considering whether to invest in the Offer Shares, but is not a substitute for this Prospectus. Any decision to invest in the Offer Shares should be based on consideration of this Prospectus as a whole. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the EEA, no civil liability will attach to the persons responsible for this summary in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Offer Shares. Where a claim relating to this Prospectus is brought before a court in a Member State of the EEA, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated. |
| **A.2** | **Consent for use of the prospectus for subsequent resale** |
|  | Not applicable. The Company does not consent to the use of the Prospectus for the subsequent resale or final placement of securities by financial intermediaries. |

**Section B—Company**

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| **Element** | **Disclosure requirement** |
| **B.1** | **The legal and commercial name of the Company** |
|  | The legal name of the Company is VGP NV. It carries out its business under the name of VGP and associated registered trademarks. |
| **B.2** | **Domicile and legal form of the Company** |
|  | The Company is a public limited liability company incorporated in the form of a *société anonyme/ naamloze vennootschap* under Belgian law. It is registered with the legal entities register of Brussels, under enterprise number 0887.216.042. The Company’s registered office is located at Leonardo Da Vincilaan 19A bus 6, 1831 Machelen (Diegem), Belgium. |
| **B.3** | **Current operations and principal activities of the Company and the principal markets in which it competes** |
|  | The Company, together with its Subsidiaries (collectively, “VGP”, the “VGP Group” or 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 Group has an in-house team which manages all the activities of its fully integrated business model: from the identification and acquisition of the land, to the conceptualisation and design of the project, the supervision of the construction works, the contacts with potential tenants and a significant part of the Facility Management of its own real estate portfolio.  The aim of the Group is to become a leading specialised developer and owner of logistic property for the mid-European region (with a current focus on Latvia, the Czech Republic, Slovakia, Hungary and Romania), Germany, Spain and possibly other countries depending on market demand and perceived trends. |
| **B.4a** | **Significant recent trends affecting the Company and the industries in which it operates** |
|  | Following the initial steps into the Spanish market in 2015 with the opening of an office in Barcelona, the Group has substantially expanded its presence in Spain during 2016 with the acquisition of a state of the art brand new 180,000 m² logistics building (extendable to circa 260,000 m²) together with a significant portion of of future development land from the fashion group Mango and a 223,000 m² development land plot in San Fernando de Henares, located close to the Madrid Barajas International airport.  The Group’s Property Portfolio is rapidly expanding, with Germany being the Group’s main market in which it has become one of the leading developers over the past 24 months (*source: wirtschaftswoche.de*). Notwithstanding the anticipated growth in new markets such as Spain, Germany is expected to remain the main market for the Group for the foreseeable future given the fact that Germany is one of the top logistics locations in Europe. In recent years the supply of stock available for leasing in Germany has become very scarce, and there is an increasing demand for lettable spaces of around and above 10,000 m² which is in line with the niche market in which the Group wants to be active in. The property market in which the Group is active in the European countries has experienced a significant increase of investment activity in the last few years, caused by, among others, a climate of falling interest rates, strong economic growth and increasing exchange rate stability. The prime headline rents for modern logistics space in all of the markets where the Group is active have remained flat over the past 12 months and are expected to remain stable for the foreseeable future (*source: Jones Lang LaSalle*). E-commerce is the fastest growing retail market in Europe and North-America *(Source:* [*http://www.retailresearch.org/onlineretailing.php*](http://www.retailresearch.org/onlineretailing.php)*)*. One of the key characteristics of the e-commerce business model is to enhance product availability by streamlining the supply chain through multiple retail / storage points. Opportunities abound for investment in and development of warehouses to service the changing needs of Europe’s e-commerce sector. *(Source: KPMG)*  As per the end of September 2017, the Group has signed € 3.3 million of additional new leases signed bringing the Annualised Committed Leases for the year to date to € 77.2 million (an increase of € 17.1 million compared to 31 December 2016) with several new leases in advanced / final phase(s) of negotiations.  The Group occupied 328,246 m² of new land plots acquired adding 159,208 m² of additional development lettable area potential and 660,000 m² of new land plots which brings the total land bank under option to 1,300,000 m² having a development potential of circa 600,000 m²of future lettable area.  Development of 6 new projects have started up, totalling 46,536 m² of future lettable area increasing the current buildings under construction to 563,198 m² of future lettable area. These buildings under construction on which 76% pre-leases have already been signed, represent a total estimated Annualised Rent Income of € 26.9 million (assuming full occupancy and current market rental conditions).  The Group is in ongoing negotiations for the acquisition of 4 separate locations in a new European market. The exact location of the new market will be announced as soon as the negotiations are finalized and all permits have been obtained, after which it is expected that shortly thereafter the first development will be started up.  At the end of September 2017, VGP had 1.1 million m² completed GLA, 0.6 million m² GLA under construction, and 1.6 million m² GLA remaining potential for development. |
| **B.5** | **Description of the Group and the Company’s position within the Group** |
|  | The Company is the holding company of the different entities that constitute the Group. The Company holds 100% of the shares in a number of subsidiaries (the “Subsidiaries”).  The Group develops and constructs high-end logistic real estate and ancillary offices, which are subsequently rented out to reputable clients by means of long term commercial lease contracts. Since 2010, the Group has changed its business model and strategy from a strict develop and hold strategy towards a strategy with an increased focus on development and more pro-active approach in respect of potential disposal of the income-generating assets, as a result of which the Group could (partially) realise valuation gains and generate additional fee income from property – and facility services. This change in strategy has been further reinforced with the entering into a 50:50 joint venture with Allianz AZ Finance VII Luxembourg  S.A., SAS Allianz Logistique S.A.S.U. and Allianz Benelux SA (together “Allianz”) in the first quarter of 2016, pursuant to which VGP NV holds a 50% participation in the share capital of VGP European Logistics S.à r.l. (the vehicle of the joint venture with Allianz, the “Joint Venture”).  The Joint Venture’s objective 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 in the Central and Eastern European (“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. The Joint Venture’s strategy will therefore primarily be a hold strategy and its territorial scope may be expanded in order to include other countries, subject to a mutual agreement thereto between VGP and Allianz. This Joint Venture confirms the long-term strategy of the Group to realise valuation gains and will over time have a significant impact on the fee income generating capabilities of the Group as VGP benefits from fee income generated from asset management, property management and development management services. This strategy has a negative impact on the recurrent rent income for the Group as the income generating assets are generally sold to realize capital gains. However, the rent income will grow again in the short and medium term once new developments are constructed on the land bank that has been acquired, among others, with proceeds from these transactions, and are let to tenants. In addition, the Group indirectly benefits from the underlying increase in rent income of the Joint Venture as it is entitled to 50% of its profits.  VGP NV currently also holds 43.23% of the share capital of VGP MISV Comm. VA (the “Associate”), a separate vehicle set up with a view to implement a long-term incentive plan for the Group’s personnel. |
| **B.6** | **Major shareholders**  The following shareholders have an interest in the Company’s capital which is notifiable in accordance with article 6 of the Law of 2 May 2007 on the disclosure of important participations in listed companies and article 14 of the Articles of Association: (i) VM Invest NV (controlled by Bart Van Malderen) (23.96%), (ii) Bart Van Malderen (19.08%), (iii) VGP MISV Comm. VA (controlled by Bart Van Malderen) (5.00%), (iv) Little Rock SA (controlled by Jan Van Geet) (25.33%), (v) Alsgard SA (controlled by Jan Van Geet) (12.97%) and (vi) Vadebo France NV (controlled by Griet Van Malderen) (3.53%).   |  |  |  | | --- | --- | --- | | **Shareholders** | **Number of shares** | **% of shares issued** | | VM Invest NV | 4,451,668 | 23.96% | | Bart Van Malderen | 3,545,250 | 19.08% | | VGP MISV Comm. VA | 929,153 | 5.00% | | **Sub-total Bart Van Malderen Group** | ***8,926,071*** | **48.03%** | | Little Rock SA | 4,707,752 | 25.33% | | Alsgard SA | 2,409,914 | 12.97% | | **Sub-total Jan Van Geet Group** | ***7,117,666*** | **38.30%** | | Vadebo France NV | 655,738 | 3.53% | | Public | 1,883,575 | 10.14% | | **Total** | 18,583,050 | 100.00% |   None of these major shareholders have different voting rights. The Company is not directly or indirectly owned or controlled by any of its shareholders. |
|  |  |
| **B.7** | **Consolidated Income Statement Information**   |  | **For the six months ended 30-Jun** | | **For the year ended 31-Dec** | | | | | --- | --- | --- | --- | --- | --- | --- | |  | **2017** | **2016** | **2016** | **2015** | **2014** | | |  | *(€ thousands)* | | | | | | | Revenue | 14,296 | 17,004 | 24,739 | 23,118 | 15,113 | | | Gross rental income | 9,111 | 13,085 | 16,806 | 17,073 | 9,596 | | | Service charge income | 1,409 | 3,042 | 4,108 | 3,498 | 2,110 | | | Service charge expenses | (1,267) | (2,447) | (3,073) | (3,076) | (1,679) | | | Property operating expenses | (655) | (1,099) | (1,703) | (972) | (1,513) | | | **Net rental income** | **8,598** | **12,581** | **16,138** | **16,523** | **8,514** | | | Property and development management income | 3,495 | 638 | 3,141 | 1,433 | 2,175 | | | Facility management income | 281 | 239 | 684 | 1,114 | 1,233 | | | Net valuation gains/(losses) on investment properties | 59,864 | 65,127 | 118,900 | 103,981 | 53,920 | | | Administration expenses | (9,660) | (4,904) | (15,446) | (13,451) | (6,556) | | | Other income | 370 | 233 | 483 | 487 | 348 | | | Other expenses | (439) | (587) | (1,815) | (1,034) | (881) | | | Share in result of joint venture and associates | 15,167 | (3,279) | 7,897 | 191 | 14,473 | | | **Operating profit** | **77,676** | **70,048** | **129,982** | **109,244** | **73,225** | | | Financial income | 4,208 | 558 | 2,814 | 466 | 2,880 | | | Financial expenses | (9,184) | (15,156) | (19,720) | (10,620) | (10,555) | | | **Net financial result** | **(4,976)** | **(14,598)** | **(16,906)** | **(10,154)** | **(7,675)** | | | **Profit before taxes** | **72,700** | **55,450** | **113,076** | **99,090** | **65,550** | | | Taxes | (10,243) | (12,712) | (21,790) | (12,529) | (16,191) | | | **Profit for the period** | **62,457** | **42,738** | **91,286** | **86,561** | **49,359** | | | *Attributable to:* |  |  |  | | |  | | Shareholders of VGP NV | 62,457 | 42,738 | 91,286 | 86,561 | 49,359 | | | Non-controlling interests | — | — | — | — |  | | | **Profit for the period** | **62,457** | **42,738** | **91,286** | **86,561** | **49,359** | | | 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** | **62,457** | **42,738** | **91,286** | **86,561** | **49,359** | | | *Attributable to:* | — | — |  |  | |  | | Shareholders of VGP NV | **62,457** | **42,738** | 91,286 | 86,561 | 49,359 | | | Non-controlling interests | — | — | — | — | — | |   **Consolidated Balance Sheet Information**   |  | **As of 30-Jun** | **As of 31-Dec** | | | | --- | --- | --- | --- | --- | |  | **2017** | **2016** | **2015** | **2014** | |  | *(€ thousands)* | | | | | *Assets:* |  | | | | | Goodwill | — | — | 631 | 631 | | Intangible assets | 30 | 14 | 12 | 57 | | Investment properties | 500,186 | 550,262 | 173,972 | 416,089 | | Property, plant and equipment | 530 | 517 | 378 | 370 | | Non-current financial assets | 782 | 5 | 216 | — | | Investments in joint venture and associates | 130,254 | 89,194 | (103) | 17 | | Other non-current receivables | 16,232 | 8,315 | — | — | | Deferred tax assets | 440 | 3 | 89 | 258 | | **Total non-current assets** | **648,454** | **648,310** | **175,195** | **417,422** | | Trade and other receivables | 42,209 | 19,426 | 4,927 | 6,822 | | Cash and cash equivalents | 141,545 | 71,595 | 9,825 | 43,595 | | Disposal group held for sale | 190,227 | 132,263 | 527,361 | — | | **Total current assets** | **373,981** | **223,284** | **542,113** | **50,417** | | **Total assets** | **1,022,435** | **871,594** | **717,308** | **467,839** | | *Shareholders' equity and liabilities:* |  | | | | | Share capital | 62,251 | 62,251 | 62,251 | 62,251 | | Retained Earnings | 370,372 | 327,985 | 239,658 | 153,097 | | Other reserves | 69 | 69 | 69 | 69 | | Other equity | — | — | 60,000 | — | | **Shareholders' equity** | **432,692** | **390,305** | **361,978** | **215,417** | | Non-current financial debt | 386,882 | 327,923 | 170,800 | 193,034 | | Other non-current financial liabilities | 1,689 | 5,348 | 967 | 1,656 | | Other non-current liabilities | 2,534 | 2,432 | 405 | 1,122 | | Deferred tax liabilities | 19,927 | 20,012 | 8,247 | 27,329 | | **Total non-current liabilities** | **411,032** | **355,715** | **180,419** | **223,141** | | Current financial debt | 89,087 | 81,674 | 3,522 | 5,722 | | Other current financial liabilities | 2,110 | - | - | - | | Trade debts and other current liabilities | 58,862 | 35,496 | 10,342 | 23,559 | | Liabilities related to disposal group held for sale | 28,652 | 8,404 | 161,047 | — | | **Total current liabilities** | **178,711** | **125,574** | **174,911** | **29,281** | | **Total liabilities** | **589,743** | **481,289** | **355,330** | **252,422** | | **Total shareholders' equity and liabilities** | **1,022,435** | **871,594** | **717,308** | **467,839** |   **Consolidated Statement of Cash Flow Information**   |  | **For the six months ended 30-Jun** | | **For the year ended 31-Dec** | | | | --- | --- | --- | --- | --- | --- | |  | **2017** | **2016** | **2016** | **2015** | **2014** | |  | *(€ thousands)* | | | | | | *Cash flows from operating activities*: |  |  |  |  |  | | Profit before taxes | 72,700 | 55,450 | 113,076 | 99,090 | 65,550 | | *Adjustments for:* |  |  |  |  |  | | Depreciation | 89 | 258 | 897 | 734 | 178 | | Unrealised (gains) / losses on investment properties | (59,522) | (42,997) | (97,696) | (103,975) | (58,160) | | Realised (gains) losses on disposal of subsidiaries and investment properties | (342) | (22,131) | (21,204) | (6) | 4,241 | | Unrealised (Gains) / losses on financial instruments and foreign exchange | (1,998) | 6,462 | 4,723 | 245 | 1,407 | | Interest (received) | (2,134) | (516) | (2,636) | (21) | (2,880) | | Interest paid | 9,108 | 8,653 | 14,820 | 10,194 | 9,093 | | Share in result of associates | (15,167) | 3,279 | (7,897) | (191) | (9,248) | | **Operating profit before changes in working capital and provisions** | **2,734** | **8,458** | **4,083** | **6,070** | **10,181** | | Decrease / (increase) in trade and other receivables | (722) | (4,324) | (14,505) | (8,555) | 7,561 | | (Decrease) / increase in trade and other payables | 4,333 | 18,794 | 28,681 | 413 | (12,654) | | **Cash generated from the operations** | **6,345** | **22,928** | **18,259** | **(2,072)** | **5,088** | | Interest received | 21 | 516 | 157 | 21 | 2,880 | | Interest (paid) | (596) | (8,653) | (10,684) | (10,194) | (9,093) | | Income taxes paid | (259) | (225) | (939) | (364) | (417) | | **Net cash used in operating activities** | **5,511** | **14,566** | **6,793** | **(12,609)** | **(1,542)** | | *Cash flows from Investing Activities* |  |  |  |  |  | | Proceeds from disposal of subsidiaries | — | — | — | 311 | — | | Proceeds from disposal of tangible assets | 2 | 36 | 46 | 26 | 3,324 | | Acquisition of subsidiaries | — | (148) | — | (224) | (406) | | Disposal of subsidiaries and investment properties to VGP European Logistics Joint Venture | 90,794 | 155,911 | 236,060 | — | — | | Distribution by / (investment in) VGP European Logistics Joint Venture | — | — | 4,678 | — | — | | (Loans provided to) / loans repaid by joint venture and associates | (36,794) | — | (28,546) | — | 49,812 | | Investment property and investment property under construction | (68,829) | (84,279) | (336,654) | (147,490) | (112,221) | | **Net cash used in investing activities** | **(14,827)** | **71,520** | **(124,416)** | **(147,377)** | **(59,491)** | | *Cash flows from Financing Activities* |  |  |  | |  | | Gross dividends paid | — | — | — | — | — | | Net proceeds / (cash out) from the issue / (repayment) hybrid instruments | — | (62,960) | (62,960) | 60,000 | — | | Proceeds from loans and bonds | 79,568 | 50,009 | 283,367 | 83,967 | 26,862 | | Loan and bond repayments | (4,131) | (50,714) | (51,536) | (3,914) | (1,612) | | **Net cash used in financing activities** | **75,437** | **(63,665)** | **168,871** | **140,053** | **25,250** | | **Net increase / (decrease) in cash and cash equivalents** | **66,121** | **22,421** | **51,248** | **(19,933)** | **(35,783)** | | Cash and cash equivalents at the beginning of the period | 71,595 | 9,825 | 9,825 | 43,595 | 79,226 | | Effect of exchange rate fluctuations | 412 | 176 | 234 | 347 | 152 | | Reclassification to (-) / from held for sale | 3,417 | 19,329 | 10,288 | (14,184) | — | | **Cash and cash equivalents at the end of the period** | **141,545** | **51,751** | **71,595** | **9,825** | **43,595** |   **Non-IFRS Financial Data**   |  | **For the six months ended 30-Jun** | | **For the year ended 31-Dec** | | | | --- | --- | --- | --- | --- | --- | |  | **2017** | **2016** | **2016** | **2015** | **2014** | |  | (€ thousands, except as otherwise noted) | | | | | | Total Net Debt | 356,371 | 184,905 | 343,350 | 257,972 | 156,817 | | Gearing Ratio | 34.9% | 23.5% | 39.4% | 36.0% | 33.5% |     **Gearing Ratio and Total Net Debt**   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **As at 30-Jun** | **As at 31-Dec** | **As at 31-Dec** | **As at 31-Dec** | |  | **2017** | **2016** | **2015** | **2014** | |  | *(in thousands of* €) | | | | | Non-Current Financial Debt | 386,882 | 327,923 | 269,904 | 193,034 | | Other Non-Current Financial Liabilities | 1,689 | 5,348 | 2,191 | 1,656 | | Current Financial Debt | 89,087 | 81,674 | 9,886 | 5,722 | | Other Current Financial Liabilities | 2,110 | 0 | - | - | | Financial Debt classified under Liabilities related to Disposal Group held for sale | 18,747 | - | - | - | | **Total Financial Debt** | **498,515** | **414,945** | **281,981** | **200,412** | | Cash and Cash Equivalents | (141,545) | (71,595) | (24,009) | (43,595) | | Cash and Cash Equivalents Classified as Disposal Group held for sale | (599) | - | - | - | | **Total Net Debt** | **356,371** | **343,350** | **257,972** | **156,817** | | **Total Shareholders Equity and Liabilities** | **1,022,435** | **871,594** | **717,308** | **467,839** | | **Gearing Ratio** | **34.9%** | **39.4%** | **36.0%** | **33.5%** |   No significant change to the Company’s financial condition and operating results has occurred during or subsequent to the period covered by the historical key financial information until the date of this Prospectus. In the above table (i) “Total Net Debt” is calculated as total gross financial debt less capitalised finance costs, cash and cash equivalents, (ii) “Gross Rental Income” means, cash rental income for a period including the respective accrued rent free periods for that period, (iii) “Net Rental Income” is calculated as the gross rental income, including service charges, less direct property expenses for maintaining and owning the property, (iv) “Gearing Ratio” is calculated as net financial debt divided by total equity and liabilities, expressed as a percentage, (v) “EBITDA” is calculated as revenue plus net financial result, less taxes, depreciation and amortisation, (vi) “EBIT” is calculated as revenue plus net financial result, less taxes, and (vii) “Recurrent Net Income” is calculated as reported profit for the period plus deferred taxes, other non-current financial income and expenses and net valuation gains (losses) for the Group's assets in Romania, Estonia, Latvia and Spain. |

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| **B.8** | **Selected key pro forma financial information**  Not applicable. No pro forma financial information has been included in the Prospectus or otherwise published by the Company. |

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| **B.9** | **Profit forecast or estimate** |
|  | Not applicable. No profit forecast has been included in the Prospectus or otherwise published by the Company. |
| **B.10** | **A description of the nature of any qualifications in the audit report on the historical financial information** |
|  | Not applicable. There are no qualifications to the audit report on the historical financial information. |
| **B.11** | **Working capital**  In the Company’s opinion, the working capital is sufficient for the Company’s present requirements, that is, for at least the next twelve months from the date of the publication of this Prospectus. |

**Section C—Shares**

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| **Element** | **Disclosure requirement** |
| **C.1** | **Type and class of the securities being offered** |
|  | The Offer Shares are ordinary shares in the share capital of the Company.  The ISIN code attributed to the Offer Shares is BE0003878957. |
|  | The Offer Shares are in registered or dematerialized form. |
| **C.2** | **Currency of the Shares** |
|  | The currency of the Shares is Euro. |
| **C.3** | **Numbers of Shares issued** |
|  | As of the date of this Prospectus, the Company’s share capital amounts to € 92,666,815.00, represented by 18,583,050 Shares, each representing an identical fraction of the Company’s share capital. |
| **C.4** | **Rights attached to the Shares** |
|  | All of the Shares have the same voting rights except that voting rights are suspended when such Shares are held by the Company as treasury shares. |
|  | The Shares carry the right to participate in dividends and other entitlements declared after the Closing Date, in respect of the financial year ending on 31 December 2017 and future years. |
| **C.5** | **Restrictions on the free transferability of the Shares** |
|  | The Shares are freely transferable, subject to any transactional restrictions. |
| **C.6** | **Applications for admission to trading on a regulated market and identity of all the regulated markets where the Shares are or are to be traded** |
|  | The Shares are listed on the regulated markets of Euronext Brussels and the Prague Stock Exchange under the symbol “VGP”. |
| **C.7** | **Dividend policy** |
|  | At the end of August 2017, the Board of Directors adopted a formal dividend policy. As a result, as from 2018 onwards and subject to (i) the availability of sufficient distributable reserve, (ii) available cash generated from distributions by the Joint Venture, (iii) free cash generated from the divestment cycles of income generating assets to the Joint Venture and (iv) shareholder approval, the Company intends to gradually increase the distribution of dividends over the next 3 years to target an annual distribution between 40% and 60% of its net profit for the year based on its consolidated IFRS financial statements. |

**Section D—Risks**

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| **Element** | **Disclosure requirement** |
| **D.1** | ***Risks relating to the Company’s industry and business*** |
|  | *The Company is subject to the following material risks:* |
|  | * **The Group’s business, operations and financial conditions are significantly affected by the Joint Venture.** The Joint Venture has the exclusive right of first refusal (in accordance with the conditions as set forth in the JVA) in relation to acquiring the income generating assets located in Germany, the Czech Republic, Slovakia and Hungary. There is a risk that the Joint Venture would discontinue acquiring the completed assets from the Group. Should a member of the Group or the Company breaches certain material obligations under any management agreement or the Joint Venture Agreement which are not remedied, then Allianz will have the right to terminate all the management agreements, to terminate the Joint Venture Agreement and/or to exercise a call option over all the Company’s shares in the Joint Venture against payment of a price equal to 90% of the fair market value. Allianz has the right to dilute the Company in the Joint Venture (i) pursuant to the Company defaulting under its funding obligations towards the Joint Venture under the JVA or (ii) pursuant to Allianz being required to consolidate the Joint Venture within its companies’ group. Although not contractually required, the Group has recognized that it has de facto a 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 fulfil their respective obligations, since the proper functioning is material for the Group in realizing its expected capital gains. This entails that ultimately any payment due by the Joint Venture to the Group will 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 funding obligations towards the Joint Venture in accordance with the terms of the JVA, will lead to either VGP being diluted by Allianz in accordance with the provisions of the JVA or Allianz replacing VGP’s part of the funding by its own funding under preferential repayment and interest conditions. 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 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. |
|  | * **The inability of the Joint Venture to generate sufficient income may adversely affect the Group’s financial position.** The Joint Venture is exposed to several of the risks to which the Group is exposed. 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 loans granted by the Group to the Joint Venture and the Joint Venture’s subsidiaries 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 € 105.6 million as at 30 June 2017 (of which € 89.4 million 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 in the JVA that as a result, any development undertaken within the Joint Venture will be in first instance pre-financed by VGP. The repayment of the 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, then it could be possible that VGP is unable to recover the total amount of the 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 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. |
|  | * **The Group’s development projects require large investments while they will start generating income only after a period of time.** The Group may divest income generating assets, as a result of which its rental income would decrease. As at 31 December 2016, the Group’s total gross rental income of € 16.8 million included the gross rental income of the portfolio sold to the Joint Venture in the First JV Closing and of the portfolio sold to the Joint Venture in the Second JV Closing, for an aggregate amount of € 10.2 million. As at 30 June 2017, the Group’s total gross rental income of € 9.1 million included the gross rental income of portfolio sold to the Joint Venture in the Third JV Closing 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, no income is generated by the new development until such project is completed and delivered to a tenant. |
|  | * **The Group depends on its ability to execute new lease agreements and successfully dispose of its real estate assets.** The Group’s short term cash flow may be affected if it is unable to continue to successfully sign new lease contracts, which, in its turn, may affect the results of operations of the Group. The medium-term results of the Group may fluctuate significantly depending on the projects/parks that can be divested in a given year. Inability to generate sufficient cash in the medium term may affect the results of operations of the Group. |
|  | * **Risks related to the nature of the Group’s business: acquiring, developing, owning, managing a logistic real estate portfolio.** The results and the outlook of the Group depends among other things on the ability of the management to identify and acquire interesting real estate projects and to develop and commercialise such projects at economically viable conditions. |
|  | * **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 the property depends largely on national and regional economic conditions. Due to the nature of the real estate and the lack of alternative uses of logistic properties and such properties’ ancillary offices, the ability to respond to adverse changes in the performance of the properties could be limited. In addition thereto, due to this concentration, an economic downturn in this sector could have a material adverse effect on the Group’s business. Furthermore, 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 could decrease the value of the property of the Group. |
|  | * **The Group is exposed to the credit risk on rent payments from its tenants and failure by its tenants to pay rent when due could adversely affect the Group’s business, financial consolidated results and operations.** The value of a rental property depends largely on the remaining term of the related rental agreement as well as the creditworthiness of the tenants. If one or more of the Group’s largest customers is unable to meet its lease obligations, the Group’s business could be materially adversely affected. |
|  | * **Risks related to the Group’s development activities.** During the development phase of projects, the Group usually carries the costs of the project and begins to receive revenues only at a later point in time. Delays in the completion, cost overruns, underestimation of costs, etc. could decrease the Group’s cash flows. |
|  | * **Risks associated with the disposal of projects.** The Company’s cash flow can fluctuate considerably from year to year depending on the number of projects which can be sold 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. |
|  | * **The Group’s insurance coverage may be insufficient.** The Group may have to bear the costs related to or be liable for any debt or other financial obligation related to the property in case of damages or loss of the property. Certain types of losses may be uninsurable or not economically insurable and insurance proceeds are not always sufficient to cover the costs. |
|  | * **Risks related to legal and regulatory matters.** Regulatory changes in the different countries where the Group is active could have a material adverse effect on the Group’s business. Additionally, the Group may encounter difficulties in obtaining the relevant permits (within the expected timeframe, if at all). |
|  | * **Increased competition for acquiring new land plots may adversely affect the Group’s financial results.** Increased competition could have an impact on the purchase price and development costs of the sites, as well as on rental revenues and Occupancy Rates. |
|  | * **Dependency on key personnel.** As the Group depends largely on the expertise and commercial quality of its management, commercial and technical team, the loss of or failure to attract such persons may have a material adverse effect on the Group’s business. |
|  | * **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 Group’s annual rental income 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. |
|  | * **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.   *Financial Risks* |
|  | * **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. Among other things, the Group’s indebtedness 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. |
|  | * **The Group's borrowings are subject to certain restrictive covenants.** A breach of financial covenants could have an adverse effect on the financial position of the Group. 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 (consolidated Total Net Debt divided by the sum of the equity and total liabilities) to equal or to be below 55% (as regards the 2018 Bond) or 65% (as regards the 2023 Bond, the 2024 Bond and the 2025 Bond);   + Interest Cover Ratio (aggregate net rental income (increased with the available cash and cash equivalents) divided by the net Finance Charges) to equal or to be above 1.2;   + Debt Service Cover Ratio (or DSCR) (Cash Available for Debt Service divided by Net Debt Service) to be equal or to be above 1.2.   As at 30 June 2017 the Consolidated Gearing stood at 34.9% compared to 39.4% as at 31 December 2016. The Interest Cover Ratio was 60.8 as at 30 June 2017 compared to 5.47 as at 31 December 2016 and finally the Debt Service Cover Ratio was 29.2 as at 30 June 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 30 June 2017 (first testing date for this credit facility), the Loan to Value stood at 33.1% and the Debt Service Cover Ratio stood at 1.91. |
|  | * **Availability of adequate credit facilities or shareholder loans.** The non-availability of adequate credit facilities or shareholder loans or the lack of possibility to refinance or replace such credit facilities or shareholder loans may have an adverse effect on the growth of the Group and its financial condition. |
|  | * **Risks related to the 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. |
|  | * **The Group is exposed to interest rate and currency risks related to fluctuation in currency exchange rates.** The Group’s revenues and a majority of its expenses are denominated in Euro. However, certain expenses, assets and liabilities are recorded in a number of different currencies other than Euro. Variations in exchange rates may affect the amount of these items in the consolidated financial statements when such expenses, assets and liabilities are translated into Euro for the purposes of the preparation of the consolidated financial statements.   *Risks relating to the countries in which the Group operates* |
|  | * **Defects in the ownership title.** Real estate registries in some of the countries in which the Group is active do not provide conclusive evidence of ownership of title to property. Some of the members of the Group may not have title to some of the plots of land despite being registered as owners. |
|  | Other risk factors specific to the Group are included in the Section *Risk Factors* of this Prospectus and should be taken into consideration by investors as well. |
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| **D.3** | ***Risks Relating to the Shares and the Offering*** |
|  | *The Company is subject to the following material risks:* |
|  | • **The Shares may experience (increased) price and volume fluctuations.** Currently, the trading volumes of the Shares and the volatility of the trading price of the Shares have been affected by the relatively low percentage of free float: since the trading volumes are limited, there is limited volatility in the trading price of the Shares. As a result of the Offering, the free float is expected to increase from 10.14% to 34.49%. Such increase in free float should enable the Company to reach more market standard trading volumes, but is also likely to result in increased volatility in the trading price of the Shares. Moreover, there can be no assurance that the currently existing trading market for the Shares can be sustained or will be more liquid following the closing of the Offering. Furthermore, the Offer Price is not necessarily indicative of the prices at which the Shares will subsequently trade on the stock exchange. If an active trading market does not develop or is not maintained, the liquidity and trading price of the Shares could be adversely affected. |
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|  | *The Company is also exposed to the following risks:* |
|  | • Future sales of substantial amounts of the Company’s ordinary shares, or the perception that such sales could occur, could adversely affect the market value of the Shares. |
|  | • The Company may not be able to pay dividends in accordance with its stated dividend policy. There can be no assurance as to whether dividends or similar payments will be paid out in the future or, if they are paid, their amount. |
|  | • Investors may not be able to recover in civil proceedings for U.S. securities law violations. |
|  | • Investors may suffer dilution if they are unable to participate in future preferential subscription rights offerings. |
|  | • Investors with a reference currency other than Euro will become subject to foreign exchange rate risk when investing in the Shares. |
|  | • Any sale, purchase or exchange of Shares may become subject to the Financial Transaction Tax. |
|  | • Certain provisions of the Belgian Companies Code and the Articles of Association may affect potential takeover attempts and may affect the market price of the Shares.   |  | | --- | | • The market price of the Shares may prove to be highly volatile and may fluctuate significantly in response to a number of factors, many of which are beyond the Group’s control, including new government regulation, variations in operating results in the Company’s reporting periods, changes in financial estimates by securities analysts, changes in market valuation of similar companies, announcements by the Company or its competitors of significant contracts, acquisitions, strategic alliances, joint ventures, capital commitments or new services, loss of major customers, additions or departures of key personnel, any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts, future issues or sales of ordinary shares, and stock market price and volume fluctuations. Any of these events could result in a material decline in the price of the Shares. | |
|  | • The Group is subject to risks relating to related party transactions as it has maintained and continues to maintain relationships with related parties. |

**Section E—The Offering**

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| **Element** | **Disclosure requirement** |
| **E.1** | **Net proceeds and expenses of the Offering** |
|  | Based on expected gross proceeds of € 266,949,571, the Selling Shareholders estimate that they will receive net proceeds from the Offering of approximately € 255,057,827.45, following the deduction of fees and expenses and underwriting commissions (including discretionary incentive fees, if any) in the amount of approximately € 11,891,743.55. Assuming a full placement of the Offer Shares (including the full exercise of the Increase Option), that the Offer Price is at the mid-point of the Price Range and that the Over-allotment Option is exercised in full, the Selling Shareholders will pay approximately € 11,891,743.55 in expenses and commissions from cash on hand. |
|  | All fees and expenses related to the Offering will be borne by the Selling Shareholders. |
| **E.2a** | **Use of proceeds and rationale of the Offering** |
|  | The net proceeds are intended to be used by the Selling Shareholders to be invested in their other businesses and activities or to support the Offering and increase the additional liquidity of the Shares to the benefit of all shareholders.  The Selling Shareholders Bart Van Malderen and VM Invest NV are historic investors and shareholders of the Company who have provided the Company with the relevant funds during the initial start-up phase of the Company. Since these Selling Shareholders believe that the Group is now sufficiently mature and has the capabilities to finance its obligations and activities on a stand-alone basis, these Selling Shareholders wish to decrease their participation in the Company and redeploy their initial investment in the Group into their other businesses and activities.  The Selling Shareholder Little Rock SA, controlled by Jan Van Geet, wishes to remain an important shareholder of the Company and Jan Van Geet wishes to remain CEO of the Group. Accordingly, this Selling Shareholder only wishes to divest a small part of the Shares it currently holds in order to support the Offering and the additional liquidity of the Shares on the trading market it believes the Offering will realize.  The Company will not receive any proceeds from the Offering.  The Company believes that the Offering is in its interest. Among the benefits for the Company to be expected as a result of the Offering are the following: (i) increase of the free float (from current 10.14% of outstanding shares to 34.49%) without additional shareholder dilution should enable the Company to reach more market standard trading volumes, (ii) increase of visibility of the Company on the equity markets, (iii) potential for inclusion/eligibility to be included in European Public Real Estate Association (EPRA) indices and hence further potential to increase visibility, and (iv) following the expiration of the lock-up provisions entered into by the Selling Shareholders and the Company, the Company could start using more equity financing as a financial instrument to finance future growth. |
| **E.3** | **Terms and conditions of the Offering** |
|  | **Offer Shares**  The Offering relates to the offering by the Selling Shareholders of up to 4,524,569 existing Shares, being approximately 24.35% of the aggregate existing Shares of which VM Invest NV and Bart Van Malderen will jointly offer up to 3,781,247 Shares, being approximately 20,35% of the aggregate existing Shares and Little Rock SA up to 743,322 Shares, being approximately 4% of the aggregate existing Shares. The Offering consists of (i) the Belgian Offering (i.e., a secondary public offering to retail and institutional investors in Belgium); (ii) a private placement in the United States to persons who are reasonably believed to be “qualified institutional buyers” or “QIBs” (as defined in Rule 144A under the U.S. Securities Act), in reliance on Rule 144A or pursuant to another exemption from or transaction not subject to the registration requirements under the U.S. Securities Act; and (iii) private placements to institutional investors in certain other jurisdictions. The Offering outside the United States will be made in compliance with Regulation S under the U.S. Securities Act. The Offer Shares are being offered only in those jurisdictions in which, and only to those persons to whom, offers of Offer Shares may be lawfully made. |
|  | **Retail allocation**  Provided that there is sufficient demand, it is intended that at least 10% of the Offer Shares will be allocated to retail investors in Belgium. The proportion of Offer Shares allocated to retail investors in Belgium may be increased or reduced if applications received from them exceed or do not reach, respectively, 10% of the Offer Shares. Retail investors in Belgium will be treated equally in terms of allocation in case of an oversubscription of the Offering.  In case of over-subscription of the Offer Shares reserved for retail investors, the allocation to retail investors will be made on the basis of objective and quantitative allocation criteria, i.e. the number of shares for which applications are submitted by retail investors. Therefore, retail investors may receive fewer Offer Shares than they subscribed for.  **Offer Price and number of Offer Shares**  The aggregate number of Offer Shares may, pursuant to the Increase Option, be increased by up to 25% of the aggregate number of Offer Shares initially offered. Any decision to exercise the Increase Option will be communicated, at the latest, on the date of the announcement of the Offer Price. |
|  | There is no minimum size of the Offering. The Selling Shareholders reserve the right to reduce the maximum number of Offer Shares at any time prior to the allocation of the Offer Shares. The Offering will be withdrawn in the event no underwriting agreement is executed or in the event the underwriting agreement is executed but subsequently is terminated. Any withdrawal of the Offering or reduction of the maximum amount of Offer Shares will be announced by means of a Company press release through electronic information services such as Reuters or Bloomberg and in a supplement to the Prospectus. If the Offering is withdrawn, the bank accounts of the retail investors having submitted purchase orders will not be debited. Any changes to the maximum number of Offer Shares will not void purchase orders that have already been submitted. |
|  | The Offer Price will be determined on the basis of a bookbuilding process in which only institutional investors can participate, taking into account various relevant qualitative and quantitative elements, including but not limited to the number of Offer Shares requested, the size of purchase orders received, the quality of the investors submitting such purchase orders and the prices at which the purchase orders were made, as well as market conditions at that time. If the Price Range is modified, the change will be published by means of a Company press release, but the Offer Price but will not exceed the higher end of the Price Range. Any changes to narrow the Price Range will not void purchase orders that have already been submitted. |
|  | The Offering Period will begin on 12 October 2017 and is expected to close no later than 1 p.m. on 25 October 2017, subject to the possibility of an early closing, provided that the Offering Period will in any event be open for at least three business days from the availability of this Prospectus. The Prospectus will be made available as of the first day of the Offering Period. The Offering Period can be closed, at the earliest, three business days after the start of the Offering Period and, hence, prospective investors can submit their orders at least during three business days after the start of the Offering Period. However, and without prejudice to the foregoing, in accordance with the possibility provided for in art. 3, § 2 of the Royal Decree of 17 May 2007 on primary market practices, the Selling Shareholders expect the subscription period for the retail offering to end no later than 4 p.m. CET on 24 October 2017, the day before the end of the institutional bookbuilding period, due to the timing and logistical constraints associated with the centralization of the subscriptions placed by retail investors with the Underwriters and with other financial institutions. |
|  | Any early closing of the Offering Period will be announced by means of a Company press release, and the dates for each of pricing, allocation, publication of the Offer Price and the results of the Offering and closing of the Offering will in such case be adjusted accordingly. The Offering Period can only be closed earlier in case of a coordinated action between the Underwriters. Prospective investors can submit their purchase orders during the Offering Period. Taking into account the fact that the Offering Period may be closed early, investors are invited to submit their applications as promptly as possible. |
|  | If an important new factor, material mistake or inaccuracy relating to information contained in the Prospectus, which could influence the investors’ evaluation of the securities, occurs before the end of the Offering Period, a supplement to the Prospectus shall be published in accordance with article 34 of the Prospectus Law. |
|  | A supplement to this Prospectus will be published in accordance with article 34 of the Prospectus Law in the event (i) the Offering Period is extended, (ii) the lower limit of the Price Range is decreased or the Offer Price is set below the lower end of the Price Range, or (iii) the maximum number of Offer Shares is reduced, including due to an early closing of the Offering Period without placement of the total number of Offer Shares (excluding the Increase Option), or (iv) the underwriting agreement is not executed or is executed but subsequently terminated and the Offering is withdrawn. |
|  | If such supplement to the Prospectus is published, investors will have the right to withdraw their orders made prior to the publication of the supplement. Such withdrawal must be done within the time period set forth in the supplement (which shall not be shorter than two business days after publication of the supplement).  **Over-allotment Option** |
|  | The Selling Shareholders are expected to grant to KBC Securities, as Stabilization Manager, on behalf of itself and the Underwriters, an Over-allotment Option, i.e., an option to purchase additional Shares in an aggregate amount equal to up to 15% of the aggregate number of subscribed Offer Shares (including the Offer Shares sold pursuant to the effective exercise of the Increase Option) to cover over-allotments or short positions, if any, at the Offer Price. The Over-allotment Option may be exercised for a period of 30 days following the Pricing Date. |
|  | **Payment and Taxes**  The Offer Price must be paid by the investors in full, in Euro, together with any applicable stock exchange taxes and costs.  The Offer Price must be paid by investors by authorizing their financial institutions to debit their bank accounts with such amount for value on the Closing Date, unless the Offering has been withdrawn.  **Form of the Offer Shares and Delivery**  The Offer Shares will have the same rights and benefits as the Shares, including the right to receive dividends for the financial year ending 31 December 2017 and future years.  All Offer Shares will be delivered in book-entry form only, and will be credited on or around the Closing Date to investors’ securities accounts via Euroclear Belgium, the Belgian central securities depository, Koning Albert II laan 1, B-1210 Brussels, Belgium.  Investors who, after delivery, wish to have their shares registered, should request that the Company record the Shares in the Company’s share register.  Holders of registered shares may request that their registered shares be converted into dematerialized shares and vice versa. Any costs incurred in connection with the conversion of Shares into another form will be borne by such shareholders. |
| **E.4** | **Material interests to the Offering** |
|  | Assuming placement of the maximum number of Offer Shares (including the full exercise of the Increase Option), that the Offer Price is at the mid-point of the Price Range and that the Over-allotment Option is exercised in full, the underwriting fees will be € 13,430,898.36. This does not include any incentive fees which may be paid at the discretion of the Selling Shareholders. The underwriting fees of 3.50% of the gross proceeds of the Offering, plus any discretionary incentive fees up to 0.50% of the gross proceeds of the Offering, will be paid by the Selling Shareholders. The Selling Shareholders have also agreed to reimburse the Underwriters for certain expenses incurred by them in connection with the Offering. |
|  | Certain of the Underwriters and/or their respective affiliates have engaged or may in the future, from time to time, engage in commercial banking (including loans and credit facilities), investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company or any parties related to it, in respect of which they have received or may in the future receive customary fees and commissions. Such agreements include the following: (i) in June 2017, September 2016 and November 2013, KBC Securities acted as lead manager and bookrunner with respect to the public offering of bonds issued by the Company; (ii) in March 2017, KBC Bank NV acted as sole manager and bookrunner for the private placement of bonds issued by the Company, and (iii) the Company entered into an interest rate swap with KBC Bank NV, for a notional amount of € 75 million during the first half of 2015. This interest rate swap will start in December 2018 and will run until December 2023. The interest rate swap is intended to cover future, expected floating interest rate exposures. The interest rate which has been fixed is 0.965% per annum. |
|  |
|  | Except as disclosed above, no other party has a material interest in the Offering other than the Selling Shareholders and the Company. |
|  | All fees and expenses related to the Offering will be borne by the Selling Shareholders. |
| **E.5** | **Selling Shareholders and Lock-ups** |
|  | The Company is expected to agree pursuant to the Underwriting Agreement (which is expected to be entered into on or about 25 October 2017) that it will not, and will procure that none of its subsidiaries will, for a period of 180 days from the Closing Date, without the prior written consent of the Joint Global Coordinators, acting on behalf of the Underwriters (subject to certain limited exceptions): (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company, or file any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise; or (iii) publicly announce such an intention to effect any such transaction. The foregoing shall not apply to: (i) any corporate action in connection with a takeover offer, capital reorganization, legal merger, split up or similar transaction or process, in each case to the extent involving the Company; (ii) the issuance of any non-convertible bonds or other financial instruments by the Company for the purposes of financing or refinancing its outstanding obligations, (iii) the granting of awards in options or Shares by the Company or the issuance of Shares upon exercise of options granted by the Company pursuant to employee incentive schemes, or (iv) the disposal of any Shares by the Associate. |
|  | In addition, the Selling Shareholders are expected to agree pursuant to the Underwriting Agreement (which is expected to be entered into on or about 25 October 2017) that for a period of 180 days from the Closing Date, they will not, without the prior written consent of the Joint Global Coordinators, acting on behalf of the Underwriters (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company, or request or demand that the Company file any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise; or (iii) publicly announce such an intention to effect any such transaction. The restrictions to which the Selling Shareholders are subject shall not prohibit any Selling Shareholder or its relevant shareholders from (i) disposing or lending of Shares for the purposes of the Offering; (ii) accepting a general offer for all of the ordinary share capital of the Company, giving an irrevocable commitment to accept such an offer, or disposing of shares to an offeror or potential offeror during the period of such an offer; (iii) any disposal required by law, regulation or a court of competent jurisdiction; (iv) transferring Shares intra-group or intra-family provided that the transferees or recipients of such Shares agree to enter into an equivalent lock-up agreement for the remainder of the lock-up period; (v) transferring Shares to managers pursuant to management incentive schemes established prior to the Closing of the Offering, and (vi) any transaction entered into by Little Rock SA to the extent such transaction does not lead to the shareholding of Jan Van Geet, directly or indirectly, in the Company to drop below 25% of the outstanding share capital of the Company and provided that the transferees or recipients of such Shares agree to enter into an equivalent lock-up agreement for the remainder of the lock-up period. |
|  |  |
| **E.6** | **Dilution resulting from the Offering** |
|  | Not applicable, no new shares will be issued in connection with the Offering. |
| **E.7** | **Estimated expenses charged to the investor by the Company or the Selling Shareholder** |
|  | Not applicable. No fees or expenses in connection with the Offering will be charged to the investors by the Company or the Selling Shareholders. There is however a tax on stock exchange transactions that is levied at a rate of 0.27% of the purchase price, capped at € 1,600 per transaction and per party. Investors should request details of the costs and fees (including custody fees), if any, which financial intermediaries may charge, which investors will have to pay themselves. |

RISK FACTORS

*The Offering and an investment in the Offer Shares involve a substantial degree of risk. You should carefully consider the risks and uncertainties described below, together with other information described elsewhere in this Prospectus, including VGP’s consolidated financial statements and the related notes contained elsewhere in this Prospectus, before you decide to purchase the Offer Shares. If any of the following risks or uncertainties actually occurs, VGP’s business, financial condition and results of operations could be materially adversely affected. Consequently, the price of the Offer Shares could decline and you could lose all or part of your investment in the Offer Shares. Although the Company believes that the risks and uncertainties described below are the most material risks and uncertainties facing VGP’s business and the Offer Shares, they are not the only ones relating to VGP and the Offer Shares. Additional risks and uncertainties could also have a material adverse effect on VGP’s business, financial condition, results of operations or prospects, and could negatively affect the price of the Offer Shares.*

*You should read and carefully review the entire Prospectus and should reach your own views before making an investment decision with respect to any Offer Shares. Furthermore, before making an investment decision with respect to any Offer Shares, you should consult your own stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with an investment in the Offer Shares and consider such an investment decision in light of your personal circumstances.*

**Risks related to the Group’s industry, properties and operations**

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

The Joint Venture has an exclusive right of first refusal (in accordance with the conditions as set forth in the JVA) in relation to acquiring the Czech, German, Hungarian and Slovak income generating assets of the Group. The Joint Venture does not have any contractual or legal obligation to acquire the income generating assets proposed by VGP. There is therefore a risk that the Joint Venture would discontinue acquiring the completed assets from the Group. In such an event, VGP is entitled under the terms of the JVA to dispose of such income-generating assets itself. Any delay in the disposal of such income-generating 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 Prospectus 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. As at 31 December 2016 the € 16.8 million total gross rental income (€ 17.1 million as at 31 December 2015) was made up of € 10.2 million gross rental income generated by the sold portfolios to the Joint Venture in the First JV Closing and in the Second JV Closing and € 6.6 million from gross rental income generated by the remaining VGP portfolio (€ 4.4 million as at 31 December 2015). 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.

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

The Group acts as development manager vis-à-vis the Joint Venture and in such capacity, the Group is responsible for ensuring that any development is being made within the initially agreed construction price/budget. In case the actual construction cost would be higher than the initial construction budget, any top-up payment to which VGP would be entitled under the terms of its agreements with the Joint Venture and Allianz will be adversely affected. In case the actual construction costs would be higher than the market value of the completed building, then such difference would need to be fully borne by the Group (provided this was due to the Group), which could have a material adverse effect on the Group’s business, financial condition and results of operations.

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

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

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

If at any time during the term of the Joint Venture Agreement, the participation that Jan Van Geet, directly or indirectly, holds in the Company falls below 25% of the total outstanding Shares (other than due to the dilution of his participation as a result of capital increases or similar transactions at the level of the Company in which he would not participate), then Allianz is entitled to terminate all the management agreements with immediate effect and to terminate the Joint Venture Agreement. The occurrence of such aforementioned event might materially impact VGP’s ability to generate sufficient dividend income out of the Joint Venture and/or to retain joint control over the Joint Venture and in turn could have a material adverse effect on the Group’s business, financial condition and results of operations.

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

For further details on the Joint Venture please see section “*Business –* *The Joint Venture with Allianz*”.

***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 € 105.6 million as at 30 June 2017 (of which € 89.4 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 2016, the Group’s total gross rental income of € 16.8 million included the gross rental income of the portfolio sold to the Joint Venture in the First JV Closing and of the portfolio sold to the Joint Venture in the Second JV Closing, for an aggregate amount of € 10.2 million. As at 30 June 2017, the Group’s total gross rental income of € 9.1 million included the gross rental income of portfolio sold to the Joint Venture in the Third JV Closing 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:

* changes in the general economic conditions, or the local property markets;
* local conditions, such as an oversupply of logistic property or a reduction in demand for such property;
* the Group’s ability to provide adequate maintenance of the buildings;
* impact of environmental protection, planning and health and safety laws;
* changes in tax, real estate and planning laws and regulations;
* the Group’s ability to achieve optimal rental growth and control operating costs;
* the Group’s ability to obtain project financing on economically viable terms;
* the Group’s ability to timely obtain all necessary permits and consents;
* inherent risks in respect of ownership title in certain jurisdictions;
* currency exchange rate fluctuations;
* construction delays and construction budget overruns;
* contamination of sites and soil pollution;
* opposition from civic or environmental groups;
* defects in or damages to buildings under construction or income-generating assets;
* tenant claims;
* natural disasters or catastrophic property damage (e.g. caused by fire);
* potential compulsory purchase or expropriation of one or more property by government agencies; and
* 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 provided internally as well as externally 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 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 30 June 2017, the Group had 126 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 Subsidiaries 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, the Selling Shareholders have put a long-term incentive plan in place through a separate vehicle, VGP Misv. Comm. VA (see section “*Business –* *Snow Crystal S.à r.l., SUN S.à r.l. and VGP MISV Comm. VA*”).

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 Prospectus, 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 12.2% of the Annualised Committed Leases (excluding Estonia) as at 30 June 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:

* limit its ability to fund its strategic capital expenditure program;
* limit its ability to obtain additional financing;
* limit its flexibility in planning for, or reacting to, changes in the markets in which it competes;
* place it at a competitive disadvantage relative to its competitors with less indebtedness;
* render it more vulnerable to general adverse economic and industry conditions; and
* 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 2014, 2015 and 2016, 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 30 June 2017 the Consolidated Gearing stood at 34.9% compared to 39.4% [[1]](#footnote-1) as at 31 December 2016. The Interest Cover Ratio was 60.8 as at 30 June 2017 compared to 5.47 as at 31 December 2016 and finally the Debt Service Cover Ratio was 29.2 as at 30 June 2017 compared to 3.36 as at 31 December 2016. This Gearing Ratio would increase to 40.3%, once all the proceeds of the 2024 Bond are invested, i.e. in repayment of all outstanding debt under the 2017 Bond, and all current cash balances having been applied towards the financing of the development pipeline.

The change of the shareholder structure of the Company following the Offering will not qualify as a change of control as defined in the terms and conditions of the 2018 Bond, the 2023 Bond, the 2024 Bond and the 2025 Bond, entitling the holders of such bonds to request redemption of their bonds.

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 30 June 2017 (first testing date for this credit facility), the Loan to Value stood at 33.1% and the Debt Service Cover Ratio stood at 1.91.

As at 31 December 2016 there were credit facilities outstanding with Swedbank (Estonia) for a maximum drawdown amount of € 19.5 million and Unicredit Bank (Czech Republic) for a maximum drawdown amount of € 3.0 million which were prepaid during 2017. As at 31 December 2016 VGP was 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.

Most of the credit facilities of the Group were repaid upon the First JV Closing and the subsequent closings with the Joint Venture. As at 30 June 2017 the Group had € 34.9 million committed credit facilities in place with an average maturity of 1.7 years and which were drawn for 90%.

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 30 June 2017, 96.1% of the financial debt was at a fixed interest rate (compared to 95.2% as at 31 December 2016). Following the repayment of the Swedbank credit facility on 14 September 2017, all financial debt is fixed.

***The Group is exposed to interest rate and 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.

As at 30 June 2017 the Group had a net currency payable exposure of CZK 200.0 million (€ 7.6 million equivalent) and a net currency payable of RON 0.6 million (€ 0.1 million equivalent), compared to a net currency receivable exposure of CZK 131.7 million (€ 4.9 million equivalent), RON 4.7 million (€ 1.0 million equivalent) as at 31 December 2016.

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.

***The Group is subject to risks relating to related-party transactions***

The Group has maintained, and continues to maintain, relationships with related parties. Historically, these relationships have mainly consisted of:

* providing management services to the Company by Little Rock SA;
* asset-, property- and development advisory and management services by the Group to the Joint Venture’s property portfolio;
* other ordinary course related-party transactions, such as leasing of offices from VGP’s reference shareholders, cash advances made to cover representation costs and real estate support services provided by Jan Van Geet s.r.o. a company controlled by Jan Van Geet.

The following related-party transactions have been entered into by the Group in the past:

* *Hybrid securities:* Following the completion of the acquisition of the initial Seed Portfolio by the Joint Venture at the end of May 2016, 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.
* *Lease activities:* Drylock Technologies s.r.o, a company controlled by Bart Van Malderen, leases a warehouse from the Joint Venture under a long term lease contract. This lease contract was entered into during the month of May 2012. The rent received over the first half of the year 2017 amounts to € 1,047,000 (compared to € 1,039,000 for the first half of the year 2016 of which € 865,000 was received directly by VGP and € 174,000 received directly by the Joint Venture) and for the entire year 2016, € 2,1 million of which € 0.9 million was received by VGP and € 1.2 million by the Joint Venture (compared to € 2.0 million for the year 2015, all received by VGP). The warehouse was included in the sale of the Seed Portfolio to the Joint Venture at the end of May 2016. VGP leased a small office from VM Invest NV in Belgium for which it paid € 4,000 per annum (same level as in 2015). The lease was terminated at the end of June 2017 following the move of the head office to the Machelen (Diegem) offices. Jan Van Geet s.r.o. leases out office spaces to the Group in the Czech Republic used by VGP’s operational team. The leases run until 2018 and 2021 respectively. During the first half of year 2017 the aggregate amount paid under these leases was € 55,000 (€ 46,000 for the first half of the year 2016) and for the entire year 2016 the aggregate amount paid under these leases was € 98,000 compared to € 90,000 in 2015. All lease agreements have been concluded on an arm’s length basis.
* *Other services:* as at 30 June 2017, the Company had an outstanding payable balance with Jan Van Geet s.r.o. amounting to € 46,000 relating to unsettled invoices. VGP also provides real estate support services (mainly maintenance work) to Jan Van Geet s.r.o. During the first half of the year 2017 VGP recorded a € 11,000 revenue for these activities (€ 11,000 for the first half of the year 2016). For the entire year 2016 the revenue of these services was € 18,000 (which was the same amount as in 2015).
* *Management services:* Both Jan Van Geet (as permanent representative of Jan Van Geet s.r.o.) and Bart Van Malderen (as permanent representative of VM Invest NV) hold a director mandate in the Company. Jan Van Geet (as permanent representative of Jan Van Geet s.r.o.), as CEO, is moreover a member of executive management. In this capacity, these major shareholders receive remuneration from the Company. In April 2015, the Board of Directors approved a new management agreement with Little Rock SA, a company controlled by Jan Van Geet, relating to the services rendered by some of VGP’s key managers. Following such decision, Little Rock SA became responsible for the Group’s daily management, financial management and commercial management.

The Group believes that the terms and conditions of the transactions with related parties are on arm’s length basis. However, there can be no assurance that if such transactions had been concluded between or with third parties, such parties would have negotiated or entered into the agreements or carried out the transactions under the same or substantially similar terms and conditions. For more detail on related party transactions, see “*Major Shareholders and Related Party Transactions – Related Party Transactions*”.

**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 secured land bank as at 30 June 2017 owned by the Group amounted to 3,512,636 m² of which 2,770,995 m² (79%) was in full ownership (including Estonia) and 741,641 m² (21%) 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.

**Risks Relating to the Shares and the Offering**

***The Shares may experience (increased) price and volume fluctuations***

At the date of this Prospectus, the trading volumes of the Shares and the volatility of the trading price of the Shares have been affected by the relatively low percentage of free float: since the trading volumes are limited, there is limited volatility in the trading price of the Shares. As a result of the Offering, the free float is expected to increase from 10.14% to 34.49%. Such increase in free float is likely to result in increased volatility in the trading price of the Shares.

There can be no assurance that an active trading market for the Shares will be developed, can be sustained or will become more liquid following the closing of the Offering. Furthermore, the Offer Price is not necessarily indicative of the prices at which the Shares will subsequently trade on the stock exchange. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected.

***The Shares may experience material adverse price fluctuations pursuant to the completion of the Offering***

The successful completion of the Offering entails that the shareholding of an historical reference shareholder of VGP would be materially reduced. This might have a material adverse impact on the market sentiment in relation to the Shares which in turn might lead to an increased disposal by shareholders of VGP of Shares which subsequently might result in a material negative impact on the stock price of the Shares.

***The non-execution or termination of the Underwriting Agreement and/or the withdrawal of the Offering could have a material adverse effect on the trading price and underlying value of the Shares***

The Underwriting Agreement has not yet been executed and is, upon execution, expected to provide that the Joint Global Coordinators will, on behalf of the Underwriters, have the right to terminate, on behalf of the Underwriters, the Underwriting Agreement and their obligation thereunder to purchase and deliver the Offer Shares under certain circumstances, including if there is a material adverse effect, which is defined in the Underwriting Agreement as (i) any material adverse effect in or any development likely to result in a material adverse effect in the value, state or condition (financial or otherwise) of the shareholders’ equity or in the properties, assets, rights, business, management, prospects (business or financial), earnings, sales, net worth or results of operations of the Group (as a whole), whether or not arising in the ordinary course of business; or (ii) any adverse effect which negatively and significantly affects, or could reasonably be expected so to affect, the market for or the value of the Shares; or (iii) any material adverse effect on the Company’s ability to perform its obligations under the Underwriting Agreement or to consummate the Offering; or (iv) any material adverse effect in in the financial markets in the Unites States, Belgium or the EEA (see section “*Plan of distribution*”), it being understood that a material adverse effect shall be deemed to have occurred in all cases where isolated events would not have such an effect, but where two or more of such events would have in the aggregate such effect. If the Underwriting Agreement is not executed or is executed but subsequently terminated, a supplement to the Prospectus to this effect will be published. If a supplement to the Prospectus is published, investors will have the right to withdraw their orders made prior to the publication of the supplement (see section “*The Offering – Supplement-Right to Withdraw Order*”).

The non-execution or termination of the Underwriting Agreement, the circumstances giving right to such termination, the publication of a supplement to the Prospectus, and/or the withdrawal of the Offering could have a material adverse effect on the trading price and the underlying value of the Shares, regardless of the Group’s actual results of operations and financial condition.

***Future sales of substantial amounts of the Shares, or the perception that such sales could occur, could adversely affect the market value of the Shares***

The Company and the Selling Shareholders are expected to agree pursuant to the Underwriting Agreement (which is expected to be entered into on or 25 October 2017) that, subject to certain exceptions, they will not, without the prior written consent of the Joint Global Coordinators, issue, offer or sell any ordinary shares of the Company or securities convertible or exchangeable into ordinary shares of the Company for a period of 180 days following the Closing Date, as described in section “*Plan of Distribution*.” Following the expiration of these lock-up provisions, future sales of the Shares could be made by the Company or the Selling Shareholders. If the Company were to raise funds through additional equity offerings, this could cause dilution for its shareholders to the extent they do not participate. Moreover, sales of a substantial number of Shares by any party or parties to the Underwriting Agreement, or the perception that such sales could occur, could adversely affect the market price of the Shares.

***The Company may not be able to pay dividends in accordance with its stated dividend policy***

Subject to (i) the availability of sufficient distributable reserves, (ii) available cash generated from distributions by the Joint Venture, (iii) free cash generated from the divestment cycles of income generating assets to the Joint Venture, and (iv) shareholder approval, the Company intends, as from 2018 onwards, to gradually increase the distribution of dividends over the next 3 years and to target an annual distribution between 40% and 60% of its net profit for the year based on its consolidated IFRS financial statements. There can be no assurance, however, that the Company will make dividend payments in the future. The payment of dividends will depend on factors such as the Company’s business prospects, cash requirements, including related to any material external growth opportunities, and financial performance, the condition of the market and the general economic climate, and other factors, including tax and other regulatory considerations. Furthermore, as the Company itself is a holding company and does not perform any operating activities, its ability to pay dividends and the level of any dividends is subject to the extent to which it receives funds, directly or indirectly, from the Subsidiaries and the Joint Venture.

As a consequence of these factors, there can be no assurance as to whether dividends or similar payments will be paid out in the future or, if they are paid, what their amount will be.

***Investors may not be able to recover in civil proceedings for U.S. securities law violations***

All of the Group’s directors and members of its management committees live outside the United States, therefore all of the Group’s assets and all or a substantial part of the assets of these individuals are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon these individuals or the Group or to enforce against them judgments obtained in the United States based on the civil liability provisions of the U.S. securities laws. In addition, there is uncertainty as to the enforceability in Belgium of original actions or actions for enforcement of judgments of U.S. courts of civil liabilities predicated solely upon the federal securities laws of the United States.

***Investors may suffer dilution if they are unable to participate in future preferential subscription rights offerings***

Under Belgian law, shareholders have a waivable and cancellable preferential subscription right to subscribe pro rata to their existing shareholdings to the issuance, against a contribution in cash, of new shares or other securities entitling the holder thereof to new shares. The shareholders or, in the framework of the authorized capital, the Board of Directors, may suppress such preferential subscription rights in future equity offerings, while no preferential subscription rights apply to capital increases through contributions in kind. In addition, the exercise of preferential subscription rights by certain shareholders not residing in Belgium may be restricted by applicable law, practice or other considerations, and such shareholders may not be entitled to exercise such rights. In particular, there can be no assurance that the Group will be able to establish an exemption from registration under the U.S. Securities Act, and the Group is under no obligation to file a registration statement with respect to any such preferential subscription rights or underlying securities or to endeavor to have a registration statement declared effective under the U.S. Securities Act. Shareholders who are not able or not permitted to exercise their preferential subscription rights in the event of a future preferential subscription rights offering may suffer dilution of their shareholdings.

***Investors with a reference currency other than Euros will become subject to foreign exchange rate risk when investing in the Shares***

The Shares are, and any dividends to be announced in respect of the Shares will be, denominated in Euro. An investment in the Shares by an investor whose principal currency is not the Euro exposes the investor to currency exchange rate risk that may impact the value of the investment in the Shares or any dividends.

***Any sale, purchase or exchange of Shares may become subject to the Financial Transaction Tax***

On 14 February 2013, the EU Commission adopted a proposal for a Council Directive (the “Draft Directive”) on a common financial transaction tax (“FTT”). The intention is for the FTT to be implemented via an enhanced cooperation procedure in 11 EU member states (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia). In December 2015, Estonia withdrew from the group of states willing to introduce the FTT (the “Participating Member States”).

Pursuant to the Draft Directive, the FTT will be payable on financial transactions provided at least one party to the financial transaction is established or deemed established in a Participating Member State and there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. The FTT shall, however, not apply to (inter alia) primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT shall be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives shall amount to at least 0.1% of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer. The FTT shall be payable by each financial institution established or deemed established in a Participating Member State which is either a party to the financial transaction, or acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to a financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due.

Investors should therefore note, in particular, that any sale, purchase or exchange of Shares will be subject to the FTT at a minimum rate of 0.1% provided the above-mentioned prerequisites are met. The investor may be liable to pay this charge or reimburse a financial institution for the charge, and/or the charge may affect the value of the Shares. The issuance of new Shares should not be subject to the FTT.

The Draft Directive is still subject to negotiation among the Participating Member States and therefore may be changed at any time. Moreover, once the Draft Directive has been adopted (the “Directive”), it will need to be implemented into the respective domestic laws of the Participating Member States and the domestic provisions implementing the Directive might deviate from the Directive itself.

Investors should consult their own tax advisors in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Shares.

***Certain provisions of the Belgian Companies Code and the Articles of Association may affect potential takeover attempts and may affect the market price of the Shares***

There are several provisions of Belgian company law, certain other provisions of Belgian law and the Articles of Association, such as those relating to the obligation to disclose significant shareholdings, merger control and authorized capital, that may apply and may make it more difficult for an unsolicited tender offer to succeed. See section “*Description of share capital and Articles of Association*”. These provisions could discourage potential takeover attempts that other shareholders may consider to be in their best interest and could adversely affect the market price of the Shares. These provisions may also have the effect of depriving the shareholders of the opportunity to sell their Shares at a premium.

***Certain major shareholders of the Company may be able to control the Company, including the outcome of shareholder votes, and may use their significant interest to take actions not supported by the Company or its other shareholders***

Following the closing of the Offering, the Company will continue to have a number of major shareholders, including the Selling Shareholders. For an overview of the Company’s current major shareholders, see section “*Major shareholders and related party transactions*”.

These major shareholders could, alone or together, have the ability to elect or dismiss directors, and, depending on how broadly the other Shares are held, have a significant influence on the outcome of corporate actions requiring shareholder approval, including dividend policy, mergers, share capital increases, going private transactions and other extraordinary items. Some of these major shareholders could, alone or together, constitute a blocking minority. Such blocking minority could have a deterrent effect on potential take-over bids over the Company, and could be in a position to block resolutions of the general meeting of shareholders of the Company. See section “*Description of share capital and articles of association*” for further information in this respect.

The interests and time horizons of any such major shareholder may differ from those of the Company and its other shareholders. As a result of its influence on the Group’s business, the major shareholders could prevent the Group from making certain decisions or taking certain actions that would protect the interests of the Company’s other shareholders. For example, this concentration of ownership may delay or prevent a change of control of the Company in the event that this change of control may benefit other shareholders generally. Similarly, the major shareholders could prevent the Company from taking certain actions that would dilute its percentage interest in the Shares, even if such actions would generally be beneficial to the Group and/or to other shareholders. These and other factors related to the major shareholders’ holding of significant interests in the Shares may reduce the liquidity of the Shares and their attractiveness to investors.

***The market price of the Shares may fluctuate widely in response to various factors***

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the results of operation or the financial condition of the companies that have issued them. In addition, the market price of the shares may prove to be highly volatile and may fluctuate significantly in response to a number of factors, many of which are beyond the Group’s control, including:

* market expectations for the Group’s financial performance;
* actual or anticipated fluctuations in the Group’s business, results of operations and financial condition;
* changes in the estimates of the Group’s results of operations by securities analysts;
* investor perception of the impact of the Offering on the Group and its shareholders;
* potential or actual sales of blocks of shares in the market or short selling of shares;
* the entrance of new competitors or new products in the markets in which the Group operates;
* volatility in the market as a whole or investor perception of the Group’s industries and competitors;
* changes in market valuation of similar companies;
* announcements by the Group or its competitors of significant contracts;
* acquisitions, strategic alliances, joint ventures, capital commitments or new products or services;
* loss of major customers;
* additions or departures of key personnel;
* any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts;
* future issues or sales of ordinary shares;
* stock market price and volume fluctuations;
* new government regulation;
* general economic, financial and political conditions, in particular as to the markets in which the Group operates; and
* any of the risks mentioned above.

The market price of the Shares may be adversely affected by most of the preceding or other factors regardless of the Group’s actual results of operations and financial condition.

Important Information

Responsibility Statement

In accordance with article 61, §1 and §2 of the Prospectus Law, the Company, represented by its Board of Directors, assumes responsibility for the completeness and accuracy of all of the contents of this Prospectus. Certain sections of this Prospectus relating to (i) the description of the Selling Shareholders and their shareholding in the Company on page 124; and (ii) the description of the Over-allotment Option granted by the Selling Shareholders on page 146 have been drafted on the basis of the information provided by the Selling Shareholders. The Selling Shareholders assume responsibility for these (and only these) sections of the Prospectus.

Having taken all reasonable care to ensure that such is the case, each of the Company (for the entirety of this Prospectus) and the Selling Shareholders (only with respect to the sections for which they assume responsibility) attests that the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

None of J.P. Morgan Securities plc (“J.P. Morgan”), KBC Securities NV (“KBC Securities”), Belfius Bank NV (“Belfius”) or ING Belgium SA/NV (“ING”) (altogether, the “Underwriters”) makes any representation or warranty, express or implied, as to, or assume any responsibility for, the accuracy or completeness or verification of the information in this Prospectus, and nothing in this Prospectus is, or shall be relied upon as, a promise or representation by the Underwriters, whether as to the past or the future. Accordingly, the Underwriters disclaim, to the fullest extent permitted by applicable law, any and all liability, whether arising in tort, contract or otherwise, in respect of this Prospectus or any such statement.

**Prospectus Approval**

The FSMA approved the English version of this Prospectus dated 11 October 2017 in accordance with article 23 of the Prospectus Law. The FSMA’s approval does not imply any opinion by the FSMA on the suitability and quality of the Offering or on the status of the Company. This Prospectus has been prepared in English and translated into Dutch. The Summary of the Prospectus has also been translated into French. The Selling Shareholders and the Company are responsible for the consistency between the Dutch, (French) and English versions of (the Summary of) the Prospectus. In case of discrepancies between the different versions of this Prospectus, the English version will prevail. However, the translations may be referred to by investors in transactions with the Company or the Selling Shareholders.

**Supplement to the Prospectus**

The information in this Prospectus is as of the date printed on the front cover, unless expressly stated otherwise. The delivery of this Prospectus at any time does not imply that there has been no change in the Company’s business or affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof. In accordance with article 34 of the Prospectus Law, in the event of a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offer Shares during the period from the date of approval of the Prospectus to the Closing Date, a supplement to this Prospectus shall be published. Any supplement is subject to approval by the FSMA in the same manner as this Prospectus and must be made public in the same manner as this Prospectus.

If a supplement to the Prospectus is published, investors will have the right to withdraw their orders made prior to the publication of the supplement. Such withdrawal must be done within the time period set forth in the supplement (which shall not be shorter than two business days after publication of the supplement).

**Stabilization**

In connection with the Offering, KBC Securities or its affiliates will act as Stabilization Manager on behalf of itself and the Underwriters and may engage in transactions that stabilize, maintain or otherwise affect the price of the Shares or any options, warrants or rights with respect to, or other interest in, the Shares or other securities of the Company for up to 30 days from the Pricing Date (the “Stabilization Period”). These activities may support the market price of the Shares at a level higher than that which might otherwise prevail. Stabilization will not be executed above the Offer Price. The Stabilization Manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the Stabilization Manager or its agents may discontinue any of these activities at any time and they must terminate at the end of the 30-day period mentioned above.

Within five business days of the end of the Stabilization Period, the following information will be made public in accordance with article 5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse, article 6.3 of the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilization measures and article 5 of the Royal Decree of 17 May 2007 on primary markets: (i) whether or not stabilization was undertaken; (ii) the date on which stabilization started; (iii) the date on which stabilization last occurred; (iv) the price range within which stabilization was carried out, for each of the dates on which stabilization transactions were carried out; (v) the final size of the Offering, including the result of the Stabilization and the exercise of the Over-allotment Option and the Increase Option, if any; and (vi) the trading venue on which the stabilization transactions were carried out, where applicable.

**Availability of the Prospectus**

This Prospectus is available to retail investors in Belgium in English and Dutch. The Summary of the Prospectus will be made available in French. The Prospectus will be made available to investors at no cost at the Company’s registered office, located at Leonardo Da Vincilaan 19A bus 6, 1831 Machelen (Diegem), Belgium, and can be obtained by retail investors in Belgium on request from 12 October 2017.

Subject to selling and transfer restrictions, the Prospectus is also available to investors in Belgium in English and Dutch, and the Summary of the Prospectus is also available in French, on the following websites: ([*www.vgpparks.eu*](http://www.vgpparks.eu)), ([*www.kbc.be/vgp*](http://www.kbc.be/vgp)*)*,([*www.kbcsecurities.com*](http://www.kbcsecurities.com/)*)*, *(*[*www.bolero.be/nl/vgp*](http://www.bolero.be/nl/vgp)*)*, *(*[*www.bolero.be/fr/vgp*](http://www.bolero.be/fr/vgp)*), (www.bolero.be)*, *(*[*www.belfius.be/vgp*](http://www.belfius.be/vgp)*)*, *(*[*www.ing.be/transactionsdactions*](http://www.ing.be/transactionsdactions)*)*, *(*[*www.ing.be/aandelentransacties*](http://www.ing.be/aandelentransacties)*)*, and([*www.ing.be*](http://www.ing.be/)*/equitytransactions*).

The posting of the Prospectus on the Internet does not constitute an offer to sell or a solicitation of an offer to buy any of the Shares to or from any person in any jurisdiction in which it is unlawful to make such offer or solicitation to such person. The electronic version may not be copied, made available or printed for distribution. Information on the Company’s websites or any other website does not form part of the Prospectus.

**Other Company Information and Documentation**

The Company’s deed of incorporation is filed and the Company has filed its coordinated Articles of Association and all other deeds that are to be published in the annexes to the Belgian State Gazette with the clerk’s office of the commercial court of Brussels, where they are available to the public. VGP NV is registered with the register of legal entities (Brussels) under enterprise number 0887.216.042. A copy of the Company’s most recent Articles of Association is also available on its website.

In accordance with Belgian law, the Company prepares audited annual statutory and consolidated financial statements. The annual statutory financial statements, together with the report of the Board of Directors and the audit report of the statutory auditor, as well as the consolidated financial statements, together with the report of the Board of Directors and the audit report of the statutory auditor thereon, have been filed with the National Bank of Belgium, where they are available to the public. Furthermore, as a listed company, the Company publishes an annual financial report (comprised of the financial information which is filed with the National Bank of Belgium and a responsibility statement) and a semi-annual financial report (comprised of condensed financial statements, the report of the statutory auditor, if audited or reviewed, and a responsibility statement). These reports are made publicly available on the Company’s website.

All regulated information on the Company is available on STORI, the Belgian central storage mechanism, which is operated by the FSMA and can be accessed via *stori.fsma.be* or *www.fsma.be*. As a listed company, the Company also discloses “inside information,” information about its shareholder structure and certain other information to the public. In accordance with the Belgian Royal Decree of 14 November 2007 relating to the obligations of companies of financial instruments admitted to trading on a Belgian regulated market (“*Koninklijk besluit betreffende de verplichtingen van emittenten van financiële instrumenten die zijn toegelaten tot de verhandeling op een gereglementeerde markt” / “Arrêté royal relatif aux obligations des émetteurs d’instruments financiers admis aux négociations sur un marché réglementé”*), Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse and the Commission Implementing Regulation (EU) 2016/1055 of 29 June 2016 laying down implementing technical standards with regard to the technical means for appropriate public disclosure of inside information and for delaying the public disclosure of inside information, such information and documentation is made available through the Company’s website, press releases, the communication channels of Euronext Brussels, on STORI or a combination of these means. All press releases published by the Company are available on its website.

During the twelve months following the date of this Prospectus, all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at our request any part of which is included or referred to in this Prospectus, if any, can be obtained free of charge, by electronic means, on the Company’s website.

The Company has agreed that, for so long as any of the Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Company will, during any period in which the Company is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934 (the “U.S. Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, on the request of such holder, beneficial owner or prospective purchaser, the information required to be provided to such persons pursuant to Rule 144A(d)(4) under the U.S. Securities Act. The Company is not currently subject to the periodic reporting requirements of the U.S. Exchange Act.

**NOTICE TO INVESTORS**

In making an investment decision, investors must rely on their own assessment, examination, analysis and enquiry of the Company, the terms of the Offering and the contents of this Prospectus, including the merits and risks involved. Any purchase of the Offer Shares should be based on the assessments that an investor may deem necessary, including the legal basis and consequences of the Offering, and including possible tax consequences that may apply, before deciding whether or not to invest in the Offer Shares. In addition to their own assessment of the Company and the terms of the Offering, investors should rely only on the information contained in this Prospectus, including the risk factors described herein.

Investors must also acknowledge that: (i) they have not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this Prospectus; and (ii) they have relied only on the information contained in this Prospectus, and that no person has been authorized to give any information or to make any representation concerning the Company or its subsidiaries or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company, the Selling Shareholders or the Underwriters.

None of the Company, the Selling Shareholders or the Underwriters, or any of their respective representatives, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

No person has been authorized to give any information or to make any representation in connection with the Offering other than those contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized. Without prejudice to the Company’s obligation to publish supplements to the Prospectus when legally required (as described below), neither the delivery of this Prospectus nor any sale made at any time after the date hereof shall, under any circumstances, create any implication that there has been no change in the Company’s affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date.

The Underwriters are acting exclusively for the Selling Shareholders and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Selling Shareholders for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

The distribution of this Prospectus and the Offering may, in certain jurisdictions, be restricted by law, and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. This Prospectus does not constitute an offer to sell, or an invitation of an offer to purchase, any Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. The Company, the Selling Shareholders and the Underwriters require persons into whose possession this Prospectus comes to inform themselves of and observe all such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. None of the Company, the Selling Shareholders or the Underwriters accepts any legal responsibility for any violation by any person, whether or not a prospective purchaser of Shares, of any such restrictions. The Company, the Selling Shareholders and the Underwriters reserve the right in their own absolute discretion to reject any offer to purchase Shares that the Company, the Selling Shareholders, the Underwriters or their respective agents believe may give rise to a breach or violation of any laws, rules or regulations.

**NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES**

The Offer Shares have not been and will not be registered under the U.S. Securities Act and are being offered and sold: (i) in the United States only to persons who are reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from or transaction not subject to the registration requirements under the U.S. Securities Act; and (ii) outside the United States in compliance with Regulation S. Prospective investors are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. For certain restrictions on the transfer of the Offer Shares, see “*Transfer Restrictions*.”

The Offer Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offense in the United States.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Prospectus has been provided by the Company and other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Underwriters or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without the Company’s prior written consent, is prohibited. Any reproduction or distribution of this Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Offer Shares.

**NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA**

An offer to the public of any Offer Shares may not be made in any Member State of the European Economic Area (“EEA”) other than an offer to the public in Belgium unless the Prospectus has been (i) approved by the competent authority in such Member State or passported and (ii) published in accordance with the Prospectus Directive as implemented in such Member State. This Prospectus has been prepared on the basis that all offers of Offer Shares, other than the offers contemplated in Belgium, will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the EEA, from the requirement to produce a prospectus for offers of Offer Shares. Accordingly, any person making or intending to make any offer within the EEA of Offer Shares which are the subject of the placement contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholders or the Joint Global Coordinators to produce a prospectus for such offer. Neither the Company, the Selling Shareholders nor the Joint Global Coordinators have authorized, nor do the Company, the Selling Shareholders or the Joint Global Coordinators authorize, the making of any offer of Offer Shares through any financial intermediary, other than offers made by the Joint Global Coordinators which constitute the final placement of Offer Shares contemplated in this Prospectus.

The Offer Shares have not been, and will not be, offered to the public in any Member State of the EEA, except for Belgium (a “Relevant Member State”). Notwithstanding the foregoing, an offering of the Offer Shares may be made in a Relevant Member State:

* to any legal entity that is a qualified investor as defined in the Prospectus Directive;
* to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
* in any other circumstances falling within Article 3(2) of the Prospectus Directive, if applicable.

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company, the Selling Shareholders or the Joint Global Coordinators of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression “offer to the public” in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase Offer Shares, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

**NOTICE TO INVESTORS IN THE UNITED KINGDOM**

Offers of the Offer Shares pursuant to the Offering are only being made to persons in the United Kingdom who are “qualified investors” or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the U.K. Financial Services and Markets Act 2000, as amended.

Any investment or investment activity to which the Prospectus relates is available only to, and will be engaged in only with, persons who (i) are investment professionals falling within Article 19(5) or (ii) fall within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, “relevant persons”). Persons who are not relevant persons should not take any action on the basis of the Prospectus and should not act or rely on it.

Presentation of Financial and Other Information

The audited consolidated financial statements of VGP NV as of and for the years ended 31 December 2016, 2015 and 2014 (together, the "Annual Financial Statements") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), as well as in accordance with legal and regulatory requirements applicable in Belgium, and were audited by DELOITTE Bedrijfsrevisoren/Reviseurs d’Entreprises BV o.v.v.e. CVBA. The unaudited consolidated financial statements of VGP NV and its subsidiaries as of and for the six months ended 30 June 2017 and 30 June 2016 (together the “Interim Financial Statements”) have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union and has been reviewed by DELOITTE Bedrijfsrevisoren/Reviseurs d’Entreprises BV o.v.v.e. CVBA in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of interim financial information performed by the independent auditor of the entity".

Rounding adjustments have been made in calculating some of the financial information included in this Prospectus. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them. No facts have been omitted from the aforementioned information which would render the reproduced information inaccurate or misleading.

Unless otherwise indicated in this Prospectus, financial information included herein has not been audited by the Company’s auditor or any third party.

**Non-IFRS Financial Measures**

This Prospectus contains non-IFRS measures and ratios, including:

* “Total Net Debt” is calculated as total gross financial debt less capitalised finance costs, cash and cash equivalents;
* “Gross Rental Income” means cash rental income for a period including the respective accrued rent free periods for that period;
* “Net Rental Income” is calculated as the gross rental income, including service charges, less direct property expenses for maintaining and owning the property;
* “Gearing Ratio” is calculated as net financial debt divided by total equity and liabilities, expressed as a percentage;
* “EBITDA” is calculated as revenue plus net financial result, less taxes, depreciation and amortisation;
* “EBIT” is calculated as revenue plus net financial result, less taxes; and
* “Recurrent Net Income” is calculated as reported profit for the period plus deferred taxes, other non-current financial income and expenses and net valuation gains (losses) for the Group's assets in Romania, Estonia, Latvia and Spain,

which are not defined in and, thus, not calculated in accordance with, IFRS.

The Company presents non-IFRS measures because it believes that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance, indebtedness and liquidity. The non-IFRS measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company’s operating results as reported under IFRS. Non-IFRS measures such as Gross Rental Income (whether or not taking into account VGP’s share in the Joint Venture), Recurrent Net Income, EBITDA, EBIT and Net Rental Income (whether or not taking into account VGP’s share in the Joint Venture) are not measurements of performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider these non-IFRS measures as an alternative to: (i) revenue, operating profit or profit for the period (as determined in accordance with IFRS) as a measure of the Company’s operating performance or (ii) any other measures of performance under generally accepted accounting principles. Some of the limitations of the non-IFRS measures are:

* they do not reflect the Company’s cash expenditures or future requirements for capital expenditure or contractual commitments;
* they do not reflect changes in, or cash requirements for, the Company’s working capital needs; and
* they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on the Company’s debts.

Where reference is made to the size of a property, it is stated at 100% of the space, regardless of whether the property is wholly-owned or held in a joint venture.

**Material Contracts**

Certain material contracts of the Group are described in the section “*Operating and Financial Review—Liquidity and Capital Resources*”, the section “*Business – the Joint Venture with Allianz*” and the section “*Major Shareholders* *and* *Related Party Transactions – Related Party Transactions.*” Other than the contracts described in these sections and the agreement made for the sale of VGP Park Nehatu in Estonia, there are no material contracts, other than contracts entered into in the ordinary course of business, to which the Group is a party, for the periods under review.

**Other Information**

In this Prospectus, references to the “Company” are to VGP NV, and references to “VGP,” “VGP Group”, “Group”, “we,” “us” or “our” are to the Company and its Subsidiaries.

References to “Euros,” “Euro,” “EUR” or “€” are to the common currency of the member states of the EU that are part of the Eurozone. References to the “United States” or the “U.S.” are to the United States of America and references to “U.S. dollars,” “$” or “USD” are to the lawful currency of the United States. References to “RON” are to the lawful currency of Romania. References to “CZK” are to the lawful currency of the Czech Republic.

INDUSTRY AND MARKET DATA

The Prospectus includes market share, economic and industry data, which were obtained by the Company from industry publications and surveys, industry reports prepared by consultants, internal surveys and customer feedback. The market and industry data have primarily been derived and extrapolated from reports provided by Jones Lang Lasalle, KPMG, Prologis, Cushman & Wakefield, Colliers, the European Commission, Eurostat, BNP Paribas Real Estate, wirtschaftswoche.de, dc-am.co.uk, IHS Global Insight, Euromonitor, Statista, E-Commerce Database, Latvian Information Agency and retailresearch.org.

The third party sources the Company has used generally state that the information they contain has been obtained from sources believed to be reliable. These third-party sources also state, however, that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As the Company does not have access to the facts and assumptions underlying such market data, or statistical information and economic indicators contained in these third-party sources, the Company is unable to verify such information. Thus while the information has been accurately reproduced with no omissions that would render it misleading, and the Company believes it to be reliable, the Company cannot guarantee its overall accuracy or completeness.

In addition, certain information in this Prospectus is not based on published data obtained from independent third parties or extrapolations therefrom, but rather is based upon the Company’s best estimates, which are in turn based upon information obtained from trade and business organizations and associations, consultants and other contacts within the industries in which the Company competes, information published by competitors, and the Company’s own experience and knowledge of conditions and trends in the markets in which the it operates.

The Company cannot assure you that any of the assumptions that it has made while compiling this data from third party sources are accurate or correctly reflect the Company’s position in the industry and none of our internal estimates have been verified by any independent sources. None of the Company, the Selling Shareholders or the Underwriters makes any representation or warrants as to the accuracy or completeness of this information sourced from third parties. None of the Company, the Selling Shareholders or the Underwriters has independently verified this information sourced from third parties and, while the Company believes it to be reliable, none of the Company, the Selling Shareholders or the Underwriters can guarantee its accuracy. The Company confirms that all third-party data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

All data relating to macroeconomic performance and country growth perspectives has been derived from analysis provided by the European Commission (via Eurostat), unless otherwise noted.

The Company may refer to certain geographic regions using diverging definitions from those heretofore mentioned. See section “*Certain Definitions.*”

Enforcement of Civil Liabilities

The Company is a public limited liability company incorporated under the laws of Belgium. All of its directors and members of its executive management live outside the United States and all of the Company’s assets and all or a substantial part of the assets of these individuals are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon these individuals or the Company or to enforce against them judgments obtained in the United States based on the civil liability provisions of the U.S. securities laws. There is uncertainty as to the enforceability in Belgium of original actions or actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

FORWARD-LOOKING STATEMENTS

This Prospectus may contain “forward-looking statements” within the meaning of the securities laws of certain jurisdictions. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, “plans”, “continue”, “on-going”, “potential”, “predict”, “project”, “target”, “seek” or “should” or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. Forward-looking statements include statements regarding intentions, beliefs or current expectations concerning, among other things, results of operations, prospects, growth, strategies and dividend policy and the industry in which the Company operates.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements. Any forward-looking statements are made only as of the date of this Prospectus, and the Company does not intend, and does not assume any obligation, to update forward-looking statements set forth in this Prospectus.

Many factors may cause the Company’s results of operations, financial condition, liquidity and the development of the industries in which the Company competes to differ materially from those expressed or implied by the forward-looking statements contained in this Prospectus.

These statements are further qualified by the risk factors disclosed in this Prospectus that could cause actual results to differ materially from those in the forward-looking statements. See “*Risk Factors*” for further details.

EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, certain information regarding the daily reference exchange rate published by the European Central Bank for U.S. dollars, expressed in U.S. dollars per Euro, rounded to the nearest four decimal places (the “ECB Daily Reference Rate”). No representation is made that U.S. dollar amounts have been, could have been or could be converted into Euro, or vice versa, at such exchange rates or at any other exchange rate.

|  | **U.S. dollars per one Euro** | | | |
| --- | --- | --- | --- | --- |
|  | **Period End(1)** | **Average(2)** | **High** | **Low** |
| **Year** |  |  |  |  |
| 2012 | 1.3194 | 1.2848 | 1.3454 | 1.2089 |
| 2013 | 1.3791 | 1.3281 | 1.3814 | 1.2768 |
| 2014 | 1.2141 | 1.3285 | 1.3953 | 1.2141 |
| 2015 | 1.0887 | 1.1095 | 1.2043 | 1.0552 |
| 2016 | 1.0541 | 1.1069 | 1.1569 | 1.0364 |
| 2017 (through 6 October 2017) | 1.1707 | 1.1156 | 1.2060 | 1.0385 |
|  |  |  |  |  |
| **Month** |  |  |  |  |
| January 2017 | 1.0755 | 1.0614 | 1.0755 | 1.0385 |
| February 2017 | 1.0597 | 1.0643 | 1.0808 | 1.0513 |
| March 2017 | 1.0691 | 1.0685 | 1.0889 | 1.0514 |
| April 2017 | 1.093 | 1.0723 | 1.093 | 1.0578 |
| May 2017 | 1.1221 | 1.1058 | 1.1243 | 1.086 |
| June 2017 | 1.1412 | 1.1229 | 1.1413 | 1.1147 |
| July 2017 | 1.1727 | 1.1511 | 1.1729 | 1.1329 |
| August 2017 | 1.1825 | 1.1807 | 1.2048 | 1.1697 |
| September 2017 | 1.1806 | 1.1915 | 1.2060 | 1.1741 |
| October 2017 | 1.1707 | 1.1747 | 1.1787 | 1.1707 |

(1) Represents the exchange rate on the last business day of the applicable period.

(2) Represents the average of the ECB Daily Reference Rates on the last business day of each month during the relevant one-year and interim periods and, with respect to monthly information, the average of the ECB Daily Reference Rates on each business day for the relevant period.

Use of Proceeds AND RATIONALE OF THE OFFERING

**Use of Proceeds**

Based on expected gross proceeds of approximately € 266,949,571, the Selling Shareholders will receive an estimated net proceeds from the Offering of approximately € 255,057,827.45, following the deduction of underwriting commissions (including discretionary incentive fees, if any) in the amount of approximately € 10,807,374.03 and expenses in the amount of approximately € 1,084,369.52. Assuming a full placement of the Offer Shares (including the full exercise of the Increase Option), and that the Offer Price is at the mid-point of the Price Range, the Selling Shareholders will pay approximately € 11,891,743.55 in expenses and commissions.

All fees and expenses related to the Offering will be borne by the Selling Shareholders.

The Company is not selling any Offer Shares in the Offering and will not receive any of the proceeds of the Offering.

**Rationale of the Offering**

The Selling Shareholders Bart Van Malderen and VM Invest NV are historic investors and shareholders of the Company who have provided the Company with the relevant funds during the initial start-up phase of the Company. Since these Selling Shareholders believe that the Group is now sufficiently mature and has the capabilities to finance its obligations and activities on a stand-alone basis, these Selling Shareholders wish to decrease their participation in the Company and redeploy their initial investment in the Group into their other businesses and activities.

The Selling Shareholder Little Rock SA, controlled by Jan Van Geet, wishes to remain an important shareholder of the Company and Jan Van Geet wishes to remain CEO of the Group. Accordingly, this Selling Shareholder only wishes to divest a small part of the Shares it currently holds in order to support the Offering and the additional liquidity of the Shares on the trading market it believes the Offering will realize.

**Benefits of the Offering for the Company**

The Company will not receive any proceeds from the Offering. The Company believes the Offering is in its interest. Among the benefits for the Company to be expected as a result of the Offering are the following:

* increase of the free float (from current 10.14% of outstanding shares to 34.49%) without additional shareholder dilution should enable the Company to reach more market standard trading volumes;
* increase of visibility of the Company on the equity markets;
* potential for inclusion/eligibility to be included in European Public Real Estate Association (EPRA) indices and hence further potential to increase visibility. The Company intends to enter into the EPRA by September / October 2018 and therefore has to comply with the standard development ratios (75% located in Western Europe) as defined by EPRA; and
* following the expiration of the lock-up provisions entered into by the Selling Shareholders and the Company (as described in section “*Plan of Distribution*”), the Company could start using more equity financing as a financial instrument to finance future growth.

Dividends and Dividend Policy

**Dividends**

The Offer Shares carry the right to participate in dividends declared after the Closing Date, in respect of the financial year ending 31 December 2017 and future years. All Shares participate equally in the Company’s profits, if any. In general, the Company may only pay dividends with the approval of the shareholders’ meeting of the Company, although pursuant to the Articles of Association, the Board of Directors may declare interim dividends without shareholder approval. The right to pay such interim dividends is, however, subject to certain legal restrictions.

The maximum amount of dividend that can be paid is determined by reference to the Company’s stand-alone statutory accounts prepared in accordance with Belgian GAAP.

In addition, under Belgian law and the Articles of Association, before it can pay dividends, the Company must allocate an amount of 5% of its Belgian GAAP annual net profit (“*nettowinst” / “bénéfices nets”*) to a legal reserve in its stand-alone statutory accounts until the reserve equals 10% of the Company’s share capital. The Company currently has an aggregate legal reserve of 8.57% of the Company’s share capital. Accordingly, 5% of the Company’s Belgian GAAP annual net profit during certain future years will need to be allocated to the legal reserve, limiting the Company’s ability to pay out dividends to its shareholders.

**Dividend Policy**

The Company has prior to the Offering completed capital decreases and has paid dividends on an ad-hoc basis. In view of the successful and sustainable evolution of the Group’s results, the Board of Directors adopted a formal dividend policy at the end of August 2017. As a result, as from 2018 (with respect to the results from the financial year 2017) onwards and subject to (i) the availability of sufficient distributable reserves; (ii) available cash generated from distributions by the JV; (iii) free cash generated from the divestment cycles of income generating assets to the Joint Venture; and (iv) shareholder approval, the Company intends to gradually increase the distribution of dividends over the next 3 years to target an annual distribution between 40% and 60% of its net profit for the year based on its consolidated IFRS financial statements.

The amount of any dividends and the determination of whether to pay dividends in any year may be affected by a number of factors, including the Company’s business prospects, cash requirements, including related to any material external growth opportunities, and financial performance, the condition of the market and the general economic climate and other factors, including tax and other regulatory considerations. See section “*Risk Factors –* *The Company may not be able to pay dividends in accordance with its stated dividend policy.*”As a consequence of these factors, there can be no assurance as to whether dividends or similar payments will be paid in the future or, if they are paid, their amount.

No dividends have been declared or distributed by the Company for the financial years ending 31 December 2014, 31 December 2015 and 31 December 2016. In August 2017, however, the Company distributed an amount of € 20,069,694.00 to its shareholders (i.e., an equivalent of € 1.08 per share) following a capital decrease approved by the shareholders’ meeting in May 2017.

Capitalization and Indebtedness

*The following table sets forth the cash and cash equivalents, the capitalization and the indebtedness of VGP as of 30 June 2017 and as of 26 September 2017.*

*This table should be read in conjunction with the section “Selected Consolidated Financial Information” and the section “Operating and Financial Review” and the Annual Financial Statements and Interim Financial Statements included elsewhere in this Prospectus.*

Capitalisation

|  |  |  |
| --- | --- | --- |
| **(€ thousands)** | **Actual as of 30-Jun-2017** | **Actual as of 26-Sep-2017**⁴ |
|  |  |  |
| **Current debt** | **109,194** | **4,527** |
| Guaranteed |  |  |
| Secured | 18,751¹ | **-** |
| Unsecured² | 90,443 | 4,527 |
|  |  |  |
| **Non-Current debt** | **389,321** | - |
| Guaranteed |  |  |
| Secured | 12,522 | 12,532 |
| Unsecured | 376,799 | 449,552 |
|  |  |  |
| **Total indebtedness**³ | **498,515** | **466,611** |
|  |  |  |
| Share capital and share premium | 62,251 | 62,251 |
| Retained earnings and other reserves | 370,441 | 370,441 |
| **Total shareholders’ equity** | **432,692** | **432,692** |
| Non-controlling interest | 0 | 0 |
| **Total equity** | **432,692** | **432,692** |
|  |  |  |
| **Capitalisation** | **931,207** | **899,303** |

¹ Includes the € 18.7 million Swedbank loan classified as held for sale in the consolidated balance sheet as of 30 June 2017.

² Includes accrued interest on issued bonds of € 13.3 million as at 30 June 2017.

³ The carrying amount of the debt was, as at 30 June 2017, equal to € 498.5 million. This corresponds to a debt before capitalisation fees of € 503.5 million when excluding capitalised financing fees of € 5.0 million. The carrying amount of the debt as at 26 September 2017 was equal to € 466.6 million. This corresponds to a debt before capitalised financing fees of € 472.2 million when excluding capitalised financing fees of € 5.5 million.

⁴ Total equity stated as at 30 June 2017 as no consolidated financial information is available as of 26 September 2017.

Net Indebtedness

|  |  |  |
| --- | --- | --- |
| **(€ thousands)** | **Actual as of 30-Jun-2017** | **Actual as of 26-Sep-2017** |
|  |  |  |
| Cash and cash equivalents | 142,144 | 109,410 |
| **Liquidity** | **142,144** | **109,410** |
|  |  |  |
| Current bank debt | 18,751 | **-** |
| Current portion of non-current debt | 750 | 750 |
| Bonds issued | 74,984 | **-** |
| Accrued interest on issued Bonds and bank debt | 13,349 | 4,527 |
| Other current financial liabilities¹ | 2,110 | **-** |
| **Current financial debt** | **109,944** | **5,277** |
|  |  |  |
| **Net current financial indebtedness** | **(32,200)** | **(104,132)** |
|  |  |  |
| Non-current bank loans | 11,772 | 11,782 |
| Bonds issued | 375,110 | 449,552 |
| Other non-current financial liabilities¹ | 1,689 | **-** |
| **Non-current financial indebtedness** | **388,571** | **461,333** |
|  |  |  |
| **Net financial indebtedness** | **356,371** | **357,201** |

¹ Other current and non-current financial liabilities relate to the mark-to-market of outstanding interest rate swaps.

Working Capital Statement

In the Company’s opinion, the working capital is sufficient for the Company’s present requirements, that is, for at least the next twelve months from the date of the publication of this Prospectus.

Selected Consolidated Financial Information

*The Group's consolidated financial information as of and for the six months ended 30 June 2017 and 2016 have been extracted from the Interim Financial Statements (as defined below), and the Group's consolidated financial information as of and for the years ended 31 December 2016, 2015 and 2014 has been extracted from the Annual Financial Statements (as defined below), which in each case are included elsewhere in this Prospectus. The selected consolidated financial information presented below should be read in conjunction with “Operating and Financial Review” and the Interim Financial Statements and Annual Financial Statements included elsewhere in this Prospectus.*

*The audited consolidated financial statements of VGP NV as of and for the years ended 31 December 2016, 2015 and 2014 (together, the "Annual Financial Statements") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), as well as in accordance with legal and regulatory requirements applicable in Belgium, and were audited by DELOITTE Bedrijfsrevisoren/Reviseurs d’Entreprises BV o.v.v.e. CVBA. The unaudited condensed consolidated interim financial statements of VGP NV and its subsidiaries as of and for the six months ended 30 June 2017 and 2016 (together the “Interim Financial Statements”) have been prepared in accordance with IAS 34* *Interim Financial Reporting” as adopted by the European Union and has been reviewed by DELOITTE Bedrijfsrevisoren/Reviseurs d’Entreprises BV o.v.v.e. CVBA in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of interim financial information performed by the independent auditor of the entity".*

**Consolidated Income Statement Information**

|  | **For the six months ended 30-Jun** | | | **For the year ended 31-Dec** | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2017** | **2016** | | **2016** | **2015** | **2014** | |
|  | *(€ thousands)* | | | | | | |
| Revenue | 14,296 | 17,004 | | 24,739 | 23,118 | 15,113 | |
| Gross rental income | 9,111 | 13,085 | | 16,806 | 17,073 | 9,596 | |
| Service charge income | 1,409 | 3,042 | | 4,108 | 3,498 | 2,110 | |
| Service charge expenses | (1,267) | (2,447) | | (3,073) | (3,076) | (1,679) | |
| Property operating expenses | (655) | (1,099) | | (1,703) | (972) | (1,513) | |
| **Net rental income** | **8,598** | **12,581** | | **16,138** | **16,523** | **8,514** | |
| Property and development management income | 3,495 | 638 | | 3,141 | 1,433 | 2,175 | |
| Facility management income | 281 | 239 | | 684 | 1,114 | 1,233 | |
| Net valuation gains/(losses) on investment properties | 59,864 | 65,127 | | 118,900 | 103,981 | 53,920 | |
| Administration expenses | (9,660) | (4,904) | | (15,446) | (13,451) | (6,556) | |
| Other income | 370 | 233 | | 483 | 487 | 348 | |
| Other expenses | (439) | (587) | | (1,815) | (1,034) | (881) | |
| Share in result of joint venture and associates | 15,167 | (3,279) | | 7,897 | 191 | 14,473 | |
| **Operating profit** | **77,676** | **70,048** | | **129,982** | **109,244** | **73,225** | |
| Financial income | 4,208 | 558 | | 2,814 | 466 | 2,880 | |
| Financial expenses | (9,184) | (15,156) | | (19,720) | (10,620) | (10,555) | |
| **Net financial result** | **(4,976)** | **(14,598)** | | **(16,906)** | **(10,154)** | **(7,675)** | |
| **Profit before taxes** | **72,700** | **55,450** | | **113,076** | **99,090** | **65,550** | |
| Taxes | (10,243) | (12,712) | | (21,790) | (12,529) | (16,191) | |
| **Profit for the period** | **62,457** | **42,738** | | **91,286** | **86,561** | **49,359** | |
| *Attributable to:* |  |  | |  | | |  |
| Shareholders of VGP NV | 62,457 | 42,738 | | 91,286 | 86,561 | 49,359 | |
| Non-controlling interests | — | — | | — | — |  | |
| **Profit for the Year** | **62,457** | **42,738** | | **91,286** | **86,561** | **49,359** | |
| 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** | **62,457** | **42,738** | | **91,286** | **86,561** | **49,359** | |
| *Attributable to:* | — | — |  | |  | |  |
| Shareholders of VGP NV | **62,457** | **42,738** | | 91,286 | 86,561 | 49,359 | |
| Non-controlling interests | — | — | | — | — | — | |

**Consolidated Balance Sheet Information**

|  | **As of 30-Jun** | **As of 31-Dec** | | |
| --- | --- | --- | --- | --- |
|  | **2017** | **2016** | **2015** | **2014** |
|  | *(€ thousands)* | | | |
| *Assets:* |  | | | |
| Goodwill | — | — | 631 | 631 |
| Intangible assets | 30 | 14 | 12 | 57 |
| Investment properties | 500,186 | 550,262 | 173,972 | 416,089 |
| Property, plant and equipment | 530 | 517 | 378 | 370 |
| Non-current financial assets | 782 | 5 | 216 | — |
| Investments in joint venture and associates | 130,254 | 89,194 | (103) | 17 |
| Other non-current receivables | 16,232 | 8,315 | — | — |
| Deferred tax assets | 440 | 3 | 89 | 258 |
| **Total non-current assets** | **648,454** | **648,310** | **175,195** | **417,422** |
| Trade and other receivables | 42,209 | 19,426 | 4,927 | 6,822 |
| Cash and cash equivalents | 141,545 | 71,595 | 9,825 | 43,595 |
| Disposal group held for sale | 190,227 | 132,263 | 527,361 | — |
| **Total current assets** | **373,981** | **223,284** | **542,113** | **50,417** |
| **Total assets** | **1,022,435** | **871,594** | **717,308** | **467,839** |
| *Shareholders' equity and liabilities:* |  | | | |
| Share capital | 62,251 | 62,251 | 62,251 | 62,251 |
| Retained Earnings | 370,372 | 327,985 | 239,658 | 153,097 |
| Other reserves | 69 | 69 | 69 | 69 |
| Other equity | — | — | 60,000 | — |
| **Shareholders' equity** | **432,692** | **390,305** | **361,978** | **215,417** |
| Non-current financial debt | 386,882 | 327,923 | 170,800 | 193,034 |
| Other non-current financial liabilities | 1,689 | 5,348 | 967 | 1,656 |
| Other non-current liabilities | 2,534 | 2,432 | 405 | 1,122 |
| Deferred tax liabilities | 19,927 | 20,012 | 8,247 | 27,329 |
| **Total non-current liabilities** | **411,032** | **355,715** | **180,419** | **223,141** |
| Current financial debt | 89,087 | 81,674 | 3,522 | 5,722 |
| Other current financial liabilities | 2,110 | - | - | - |
| Trade debts and other current liabilities | 58,862 | 35,496 | 10,342 | 23,559 |
| Liabilities related to disposal group held for sale | 28,652 | 8,404 | 161,047 | — |
| **Total current liabilities** | **178,711** | **125,574** | **174,911** | **29,281** |
| **Total liabilities** | **589,743** | **481,289** | **355,330** | **252,422** |
| **Total shareholders' equity and liabilities** | **1,022,435** | **871,594** | **717,308** | **467,839** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |

**Consolidated Statement of Cash Flow Information**

|  | **For the six months ended 30-Jun** | | **For the year ended 31-Dec** | | |
| --- | --- | --- | --- | --- | --- |
|  | **2017** | **2016** | **2016** | **2015** | **2014[[2]](#footnote-2)** |
|  | *(€ thousands)* | | | | |
| *Cash flows from operating activities*: |  |  |  |  |  |
| Profit before taxes | 72,700 | 55,450 | 113,076 | 99,090 | 65,550 |
| *Adjustments for:* |  |  |  |  |  |
| Depreciation | 89 | 258 | 897 | 734 | 178 |
| Unrealised (gains) / losses on investment properties | (59,522) | (42,997) | (97,696) | (103,975) | (58,160) |
| Realised (gains) losses on disposal of subsidiaries and investment properties | (342) | (22,131) | (21,204) | (6) | 4,241 |
| Unrealised (Gains) / losses on financial instruments and foreign exchange | (1,998) | 6,462 | 4,723 | 245 | 1,407 |
| Interest (received) | (2,134) | (516) | (2,636) | (21) | (2,880) |
| Interest paid | 9,108 | 8,653 | 14,820 | 10,194 | 9,093 |
| Share in result of associates | (15,167) | 3,279 | (7,897) | (191) | (9,248) |
| **Operating profit before changes in working capital and provisions** | **2,734** | **8,458** | **4,083** | **6,070** | **10,181** |
| Decrease / (increase) in trade and other receivables | (722) | (4,324) | (14,505) | (8,555) | 7,561 |
| (Decrease) / increase in trade and other payables | 4,333 | 18,794 | 28,681 | 413 | (12,654) |
| **Cash generated from the operations** | **6,345** | **22,928** | **18,259** | **(2,072)** | **5,088** |
| Interest received | 21 | 516 | 157 | 21 | 2,880 |
| Interest (paid) | (596) | (8,653) | (10,684) | (10,194) | (9,093) |
| Income taxes paid | (259) | (225) | (939) | (364) | (417) |
| **Net cash used in operating activities** | **5,511** | **14,566** | **6,793** | **(12,609)** | **(1,542)** |
| *Cash flows from Investing Activities* |  |  |  |  |  |
| Proceeds from disposal of subsidiaries | — | — | — | 311 | — |
| Proceeds from disposal of tangible assets | 2 | 36 | 46 | 26 | 3,324 |
| Acquisition of subsidiaries | — | (148) | — | (224) | (406) |
| Disposal of subsidiaries and investment properties to VGP European Logistics Joint Venture | 90,794 | 155,911 | 236,060 | — | — |
| Distribution by / (investment in) VGP European Logistics Joint Venture | — | — | 4,678 | — | — |
| (Loans provided to) / loans repaid by joint venture and associates | (36,794) | — | (28,546) | — | 49,812 |
| Investment property and investment property under construction | (68,829) | (84,279) | (336,654) | (147,490) | (112,221) |
| **Net cash used in investing activities** | **(14,827)** | **71,520** | **(124,416)** | **(147,377)** | **(59,491)** |
| *Cash flows from Financing Activities* |  |  |  | |  |
| Gross dividends paid | — | — | — | — | — |
| Net proceeds / (cash out) from the issue / (repayment) hybrid instruments | — | (62,960) | (62,960) | 60,000 | — |
| Proceeds from loans and bonds | 79,568 | 50,009 | 283,367 | 83,967 | 26,862 |
| Loan and bond repayments | (4,131) | (50,714) | (51,536) | (3,914) | (1,612) |
| **Net cash used in financing activities** | **75,437** | **(63,665)** | **168,871** | **140,053** | **25,250** |
| **Net increase / (decrease) in cash and cash equivalents** | **66,121** | **22,421** | **51,248** | **(19,933)** | **(35,783)** |
| Cash and cash equivalents at the beginning of the period | 71,595 | 9,825 | 9,825 | 43,595 | 79,226 |
| Effect of exchange rate fluctuations | 412 | 176 | 234 | 347 | 152 |
| Reclassification to (-) / from held for sale | 3,417 | 19,329 | 10,288 | (14,184) | — |
| **Cash and cash equivalents at the end of the period** | **141,545** | **51,751** | **71,595** | **9,825** | **43,595** |

**Non-IFRS Financial Data**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **For the six months ended 30-Jun** | | **For the year ended 31-Dec** | | |
|  | **2017** | **2016** | **2016** | **2015(1)** | **2014** |
|  | *(€ thousands, except as otherwise noted)* | | | | |
| Total Net Debt | 356,371 | 184,905 | 343,350 | 257,972 | 156,817 |
| Gearing Ratio | 34.9% | 23.5% | 39.4% | 36.0% | 33.5% |

Gearing Ratio and Total Net Debt

The following table sets forth a reconciliation of Total Net Debt and Gearing Ratio for the period indicated[[3]](#footnote-3):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **As at 30 June** | **As at 31 December** | **As at 31 December** | **As at 31 December** |
|  | **2017** | **2016** | **2015** | **2014** |
|  | *(in thousands of* €) | | | |
| Non-Current Financial Debt | 386,882 | 327,923 | 269,904 | 193,034 |
| Other Non-Current Financial Liabilities | 1,689 | 5,348 | 2,191 | 1,656 |
| Current Financial Debt | 89,087 | 81,674 | 9,886 | 5,722 |
| Other Current Financial Liabilities | 2,110 | - | - | - |
| Financial Debt classified under Liabilities related to Disposal Group held for sale | 18,747 | - | - | - |
| **Total Financial Debt** | **498,515** | **414,945** | **281,981** | **200,412** |
| Cash and Cash Equivalents | (141,545) | (71,595) | (24,009) | (43,595) |
| Cash and Cash Equivalents Classified as Disposal Group held for sale | (599) | - | - | - |
| **Total Net Debt** | **356,371** | **343,350** | **257,972** | **156,817** |
| **Total Shareholders’ Equity and Liabilities** | **1,022,435** | **871,594** | **717,308** | **467,839** |
| **Gearing Ratio** | **34.9%** | **39.4%** | **36.0%** | **33.5%** |

Proportional consolidated measures

The Group on the one hand owns property assets of which it holds 100% and, on the other hand, assets which it holds through the Joint Venture. In the Group’s IFRS financial statements, joint ventures are accounted for on an equity basis (included as a single profit figure in the IFRS income statement and as a single investment figure on the IFRS balance sheet). In operational terms, the Group manages joint venture assets in substantially the same way as it manages its wholly owned assets. In light of this, VGP manages the performance of the Group on the basis of various measures to take into account the performance of both wholly owned and Joint Venture assets.

Proportional consolidated (non-IFRS) financial measures that have been presented in this document include Gross Rental Income taking into account VGP’s share in the Joint Venture and Net Rental Income taking into account VGP’s share in the Joint Venture.

The rental income figures on a proportional consolidated basis include the Group’s IFRS gross rental income (rental income from wholly owned properties) as well as the Group’s Gross Rental Income taking into account VGP’ share in the Joint Venture, which is otherwise included within the line item.

The following table sets forth a reconciliation of IFRS proportional consolidated rental income:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| *In thousands of €* | **As at 30-Jun** | | |  | **As at 31-Dec** |  |
|  | **2017** |  | **2016** |  | **2016** |  |
|  |  |  |  |  |  |  |
| IFRS gross rental income | 9,111 |  | 13,085 |  | 16,806 |  |
| Gross rental income JV (at share) | 8,543 |  | 1,183 |  | 8,976 |  |
| Gross rental income taking into account VGP’s share in the Joint Venture | 17,654 |  | 14,268 |  | 25,782 |  |
|  |  |  |  |  |  |  |
| IFRS net rental income | 8,598 |  | 12,581 |  | 16,138 |  |
| Net rental income JV (at share) | 7,538 |  | 920 |  | 8,017 |  |
| Net rental income taking into account VGP’ share in the Joint Venture | 16,136 |  | 13,501 |  | 24,155 |  |

The following table sets out a reconciliation of IFRS share in results of associates and joint ventures to the Joint Venture rental income at share:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| *In thousands of €* | **As at 30-Jun** | | |  | **As at 31-Dec** |  |
|  | **2017** |  | **2016** |  | **2016** |  |
|  |  |  |  |  |  |  |
| IFRS Share in results of associates and joint ventures | 15,167 |  | (3,279) |  | 7,897 |  |
| Taxes | 3,330 |  | (431) |  | 2,078 |  |
| Net financial result | 2,041 |  | 3,339 |  | 3,970 |  |
| Other income / (expenses) | 497 |  | (5) |  | 250 |  |
| Administrative expenses | 312 |  | 71 |  | 829 |  |
| Net valuation gains / (losses) on investment properties | (13,809) |  | 1,224 |  | (7,008) |  |
| **Net rental income JV at share** | **7,538** |  | **920** |  | **8,017** |  |
| Property operating expenses | 1,005 |  | 263 |  | 959 |  |
| **Gross rental income JV at share** | **8,543** |  | **1,183** |  | **8,976** |  |

Business Lines

For management purpose, the Group also presents financial information according to management breakdowns, based on the functional allocation of revenues and costs. These amounts are based on a number of assumptions, and accordingly are not prepared in accordance with IFRS and do not necessarily align with similarly entitled items in the Annual Financial Statements and the Interim Financial Statements.

*Rental business*

The Group's 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:

|  |  |  | |  |
| --- | --- | --- | --- | --- |
| *In thousands of €* |  |  | **2015** | | | **2016** | **1H2017** |
|  |  |  |  | | |  |  |
| Rental business - EBITDA |  |  | 17,091 | | | 23,987 | 15,808 |
| % EBITDA margin (excl. JV share) |  |  | 97% | | | 97% | 99% |
|  |  |  |  | | |  |  |
| Property development - EBITDA |  |  | 85,301 | | | 96,522 | 39,641 |
| % EBITDA margin |  |  | 88% | | | 87% | 81% |
|  |  |  |  | | |  |  |
| Property and asset management - EBITDA |  |  | 903 | | | 1,511 | 2,890 |
| % EBITDA margin |  |  | 35% | | | 39% | 77% |

Breakdown details of the business lines:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *In thousands of €* | **For the six months ended 30-Jun-2017** | | | |
|  | **Rent**  **EBITDA** | **Development**  **EBITDA** | **Property and asset management EBITDA** | **Total** |
|  |  |  |  |  |
| Revenue | - | - | - | 14,296 |
| Gross rental income | 9,111 | - | - | 9,111 |
| Service charge income | 1,409 | - | - | 1,409 |
| Service charge expenses | (1,267) | - | - | (1,267) |
| Property operating expenses | (66) | (590) | - | (655) |
| **Net rental income** | **9,188** | **(590)** | **-** | **8,598** |
| Property and development management income | - | - | 3,495 | 3,495 |
| Facility management income | - | - | 281 | 281 |
| Net valuation gains/(losses) on investment properties | - | 48,875 | - | 48,875 |
| Administration expenses | (259) | (8,645) | (667) | (9,571) |
| Other income | 370 | - | - | 370 |
| Other expenses | (220) | - | (219) | (439) |
| Share in result of joint venture and associates | 6,729 | - | - | 6,729 |
| **EBITDA** | **15,808** | **39,641** | **2,890** | **58,338** |
|  |  |  |  |  |
| Depreciation and amortization |  |  |  | (89) |
| **EBIT** |  |  |  | **58,249** |
| Financial income - Own |  |  |  | 2,134 |
| Financial expense- Own |  |  |  | (8,255) |
| Financial expense - JV |  |  |  | 1,101 |
| Financial income - JV |  |  |  | (2,229) |
| **PBT** |  |  |  | **51,000** |
| Current income taxes - Own |  |  |  | (259) |
| Current income taxes - JV |  |  |  | (57) |
| **Recurrent net income** |  |  |  | **50,685** |
| Net valuation gains / (losses) Romania, Estonia, Latvia and Spain |  |  |  | 10,989 |
| Net valuation gains / (losses) JV (at share) |  |  |  | 13,809 |
| Other non-current financial income |  |  |  | 2,074 |
| Other non-current financial expenses |  |  |  | (929) |
| Other non-current financial expenses JV (at share) |  |  |  | (913) |
| Deferred taxes - Own |  |  |  | (9,984) |
| Deferred taxes - JV |  |  |  | (3,273) |
| **Reported profit for the period** |  |  |  | **62,457** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *In thousands of €* | **For the year ended 31-Dec-2016** | | | |
|  | **Rent**  **EBITDA** | **Development**  **EBITDA** | **Property and asset management EBITDA** | **Total** |
|  |  |  |  |  |
| Revenue | - | - | - | 24,739 |
| Gross rental income | 16,806 | - | - | 16,806 |
| Service charge income | 4,108 | - | - | 4,108 |
| Service charge expenses | (3,073) | - | - | (3,073) |
| Property operating expenses | (170) | (1,533) | - | (1,703) |
| **Net rental income** | **17,671** | **(1,533)** | **-** | **16,138** |
| Property and development management income | - | - | 3,141 | 3,141 |
| Facility management income | - | - | 684 | 684 |
| Net valuation gains/(losses) on investment properties | - | 111,123 | - | 111,123 |
| Administration expenses | (279) | (13,069) | (1,325) | (14,673) |
| Other income | 483 | - | - | 483 |
| Other expenses | (825) | - | (990) | (1,815) |
| Share in result of joint venture and associates | 6,938 | - | - | 6,938 |
| **EBITDA** | **23,987** | **96,522** | **1,511** | **122,020** |
|  |  |  |  |  |
| Depreciation and amortization |  |  |  | (773) |
| **EBIT** |  |  |  | **121,246** |
| Financial income - Own |  |  |  | 2,480 |
| Financial expense- Own |  |  |  | (11,595) |
| Financial expense - JV |  |  |  | 100 |
| Financial income - JV |  |  |  | (3,423) |
| **PBT** |  |  |  | **108,808** |
| Current income taxes - Own |  |  |  | (939) |
| Current income taxes - JV |  |  |  | (156) |
| **Recurrent net income** |  |  |  | **107,714** |
| Net valuation gains / (losses) Romania, Estonia, Latvia and Spain |  |  |  | 7,777 |
| Net valuation gains / (losses) JV (at share) |  |  |  | 7,008 |
| Other non-current financial income |  |  |  | 334 |
| Other non-current financial expenses |  |  |  | (8,125) |
| Other non-current financial expenses JV (at share) |  |  |  | (647) |
| Deferred taxes - Own |  |  |  | (20,851) |
| Deferred taxes - JV |  |  |  | (1,922) |
| **Reported profit for the period** |  |  |  | **91,286** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *In thousands of €* | **For the year ended 31-Dec-2015** | | | |
|  | **Rent**  **EBITDA** | **Development**  **EBITDA** | **Property and asset management EBITDA** | **Total** |
|  |  |  |  |  |
| Revenue | - | - | - | 23,118 |
| Gross rental income | 17,073 | - | - | 17,073 |
| Service charge income | 3,498 | - | - | 3,498 |
| Service charge expenses | (3,076) | - | - | (3,076) |
| Property operating expenses | (97) | (875) | - | (972) |
| **Net rental income** | **17,398** | **(875)** | **-** | **16,523** |
| Property and development management income | - | - | 1,433 | 1,433 |
| Facility management income | - | - | 1,114 | 1,114 |
| Net valuation gains/(losses) on investment properties | - | 97,298 | - | 97,298 |
| Administration expenses | (229) | (11,122) | (1,366) | (12,717) |
| Other income | 487 | - | - | 487 |
| Other expenses | (756) | - | (278) | (1,034) |
| Share in result of joint venture and associates | 191 | - | - | 191 |
| **EBITDA** | **17,091** | **85,301** | **903** | **103,295** |
|  |  |  |  |  |
| Depreciation and amortization |  |  |  | (734) |
| **EBIT** |  |  |  | **102,561** |
| Financial income - Own |  |  |  | 19 |
| Financial expense- Own |  |  |  | (7,820) |
| Financial expense - JV |  |  |  | 0 |
| Financial income - JV |  |  |  | 0 |
| **PBT** |  |  |  | **94,760** |
| Current income taxes - Own |  |  |  | (383) |
| Current income taxes - JV |  |  |  | 0 |
| **Recurrent net income** |  |  |  | **94,377** |
| Net valuation gains / (losses) Romania, Estonia, Latvia and Spain |  |  |  | 6,683 |
| Net valuation gains / (losses) JV (at share) |  |  |  | 0 |
| Other non-current financial income |  |  |  | 447 |
| Other non-current financial expenses |  |  |  | (2,800) |
| Other non-current financial expenses JV (at share) |  |  |  | 0 |
| Deferred taxes - Own |  |  |  | (12,146) |
| Deferred taxes - JV |  |  |  | 0 |
| **Reported profit for the period** |  |  |  | **86,561** |

The following table sets out a reconciliation of the calculation by business line of the Group’s (i) IFRS net valuation gains/losses on investment properties; (ii) IFRS administration expenses; (iii) IFRS Net financial result; (iv) IFRS taxes; (v) IFRS share in result of joint venture and associates at share; and (vi) IFRS operating profit, all as set out in the Annual Financial Statements and the Interim Financial Statements.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **As at 30-Jun** |  | **As at 31-Dec** | | | |  | |
| *In thousands of €* | **2017** |  | **2016** |  | **2015** |  | |
|  |  |  |  |  |  |  | |
| Net valuation gains/(losses) on investment properties | 48,875 |  | 111,123 |  | 97,298 |  | |
| Net valuation gains / (losses) Romania, Estonia, Latvia and Spain | 10,989 |  | 7,777 |  | 6,683 |  | |
| **IFRS Net valuation gains / (losses) on investment properties** | **59,864** |  | **118,900** |  | **103,981** |  | |
|  |  |  |  |  |  |  | |
| Administration expenses | (9,571) |  | (14,673) |  | (12,717) |  | |
| Depreciation and amortisation | (89) |  | (773) |  | (734) |  | |
| **IFRS Administration expenses** | **(9,660)** |  | **(15,446)** |  | **(13,451)** |  | |
|  |  |  |  |  |  |  | |
| Financial income - Own | 2,134 |  | 2,480 |  | 19 |  | |
| Financial expense- Own | (8,255) |  | (11,595) |  | (7,820) |  | |
| Other non-current financial income | 2,074 |  | 334 |  | 447 |  | |
| Other non-current financial expenses | (929) |  | (8,125) |  | (2,800) |  | |
| **IFRS Net financial result** | **(4,976)** |  | **(16,906)** |  | **(10,154)** |  | |
|  |  |  |  |  |  |  | |
| Current income taxes - Own | (259) |  | (939) |  | (383) |  | |
| Deferred taxes - Own | (9,984) |  | (20,851) |  | (12,146) |  | |
| **IFRS Taxes** | **(10,243)** |  | **(21,790)** |  | **(12,529)** |  | |
|  |  |  |  |  |  |  | |
| Share in result of joint venture and associates | 6,729 |  | 6,938 |  | 191 |  | |
| Financial expense - JV | 1,101 |  | 100 |  | **-** |  | |
| Financial income - JV | (2,229) |  | (3,423) |  | **-** |  | |
| Current income taxes - JV | (57) |  | (156) |  | **-** |  | |
| Net valuation gains / (losses) JV (at share) | 13,809 |  | 7,008 |  | **-** |  | |
| Other non-current financial expenses JV (at share) | (913) |  | (647) |  | **-** |  | |
| Deferred taxes - JV | (3,273) |  | (1,922) |  | **-** |  | |
| **IFRS Share in result of joint ventures and associates** | **15,167** |  | **7,897** |  | **191** |  | |
|  |  |  |  |  |  |  | |
| Reported profit for the period | 62,457 |  | 91,286 |  | 86,561 |  | |
| IFRS Taxes | 10,243 |  | 21,790 |  | 12,529 |  | |
| IFRS Net financial result | 4,976 |  | 16,906 |  | 10,154 |  | |
| **IFRS Operating profit** | **77,676** |  | **129,982** |  | **109,244** |  | |

Operating and Financial Review

*The following section should be read in conjunction with sections “Presentation of Financial and Other Information” “Selected Consolidated Financial Information”, and “Industry and Business” included in this Prospectus. Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this section “Operating and Financial Review” is extracted from the Annual Financial Statements and Interim Financial Statements included elsewhere in this Prospectus.*

*The following discussion of the Group’s results of operations and financial conditions contains forward-looking statements. The Group’s actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under sections “Risk Factors” and “Presentation of Financial and Other Information”.*

**Overview**

VGP is a pure-play logistics real-estate group focused on Western, Central and Eastern Europe, and is specialised in the acquisition, development, and management of logistic real estate, i.e. buildings suitable for logistical purposes and light industrial activities. In March 2016, VGP entered into a 50:50 joint venture with Allianz, 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. The Group develops and constructs high-end logistic real estate and ancillary offices for its own account and for the account of the Joint Venture, which primarily has a hold strategy and to which certain new developments carried out by VGP are contributed. The Group focuses on strategically located plots of land in Germany, some Central European countries, Spain and the Baltic countries, 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. The Group has an in-house team of 126 people (as at 30 June 2017) which manages all the activities of the fully integrated business model: from the identification and acquisition of the land, to the conceptualisation and design of the project, the supervision of the construction works, the contacts with potential tenants and the facility management of its own real estate portfolio. Over the last 10 years, the Group developed more than 2.2 million m² of lettable area. On the basis of the experience, knowledge and team developed over its history, VGP was able to develop 438,511 m² of lettable area (including Estonia) since the start of 2016. As at 30 June 2017 a further 527,876 m² of lettable area was under construction (including Estonia and the developments of assets under construction to be offered to the Joint Venture).

**Factors affecting results of operations**

The Group’s results of operations have been, and will continue to be, affected by a number of factors, many of which are beyond the Group’s control. See also Section “*Risk Factors*”. There are several key items that the Group believes have impacted its results of operations during the period under review and will continue to impact its results of operations in future periods.

***Land and development pipeline***

The Group purchases and develops land. The Group seeks to identify sites for development on strategic locations, such as in proximity of/with connection to highways and ring roads, in the vicinity of important towns and/or production centers, assuring the availability of a workforce for future tenants and focusing on other criteria such as direct connection to existing infrastructure. The Group generally acquires land only once planning permissions have been obtained. The Group builds its facilities to meet the Group’s building standards, which are applied consistently to all of the Group’s facilities in order to ensure the possibility of release. The facilities are constructed in close co-operation with future tenants and partly at own risk. The buildings are finished taking into account the future tenants' requirements and specifications but always in accordance with the Group’s prevailing technical and quality standards. In order to limit execution risk, VGP retains management responsibility for the construction and development process. Customer-specific requirements are paid for by the future tenants either through a one-off lump sum payment or recovered through increased rent during the initial lease period.

The rate at which the Group starts-up and completes new constructions impacts the unrealized valuation gain on investment properties as both assets under construction and completed assets are stated at their fair value. The Group generally seeks to ensure that only a limited number of assets are developed at its own risk. The Group adjusts its rate of completion or start-up of new constructions in order to optimize the internal allocation of its own equity and to anticipate tenants' future demands in parks or regions where the Group is recording strong interests for lettable space. As at 30 June 2017 the Group had 21 buildings under construction which represent 527,876 m² of future lettable area of which 73% is already pre-let. Of these buildings under construction 199,743 m² are to be offered to the Joint Venture when completed.

***Contracted income***

The Group’s net rental income is based predominantly on contracts with tenants who rent space in the Group’s facilities. Lease tenures reflect customary terms in the markets in which the Group operates, usually range from five to ten years and typically include an automatic extension clause. Generally, the lessee cannot cancel the lease contract until the first break option date. The Group seeks to conclude longer-term leases, where possible from eight to ten years, though in certain jurisdictions such as Hungary and Romania market practice is for leases of five years or less. The Group will always strive at concluding institutional acceptable lease terms of minimum 3 years. Shorter term leases might occasionally be entered into in case an anchor tenant has an extension option or if a tenant is waiting to enter into a new building for which a long-term lease has already been signed.

The rents are effectively “triple net rents”, as the Group seeks to recharge all property operating costs to tenants. The VGP property management team assumes the responsibility of the property management services for which it receives an administration fee that ranges between 1.5% and 3.0% of the monthly rent to cover its administration expenses. Substantially all of the Group's lease contracts that are denominated in Euros, and 95% of all lease agreements, are subject to annual indexation based on the HICP EU index or a local index as appropriate or a contractual fixed annual indexation.

The Group’s net rental income depends on its ability to maintain its occupancy rates through the prompt execution of leases with new tenants and the renewal of leases with existing tenants. Due to the strategy of concentrating its facilities in high-quality locations and operating high-quality space, the average occupancy rate of the Group’s properties has been consistently high during the periods under review. The following table sets forth the Group’s total lettable area (including Estonia) and Occupancy Rates for continuing operations at the end of the periods indicated.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **As at 30-Jun** | | |  | **As at 31-Dec** | | | | |
|  | **2017** |  | **2016** |  | **2016** |  | **2015** |  | **2014** |
| **INVESTMENT PROPERTY** |  |  |  |  |  |  |  |  |  |
| Total lettable area (m²) | 353,088¹ |  | 130,321³ |  | 416,158⁵ |  | 548,838 |  | 268,232⁸ |
| Occupancy rate (%) | 100.0%² |  | 97.8%⁴ |  | 98.8%⁶ |  | 97.3% |  | 94.0%⁹ |

¹ During the first half of 2017 VGP sold 11 buildings, spread over 7 parks, to the Joint Venture. As at 30 June 2017 the Joint Venture’s property portfolio represented 809,022 m² of completed buildings, which are under VGP’s management. Excluding Estonia, the lettable area would be 287,463m².

² Includes the respective Occupancy Rates of the Joint Venture as at 30 June 2017.

³ During the first half of 2016, VGP sold 28 buildings, spread over 15 parks, to the Joint Venture. As at 30 June 2016 the Joint Venture’s property portfolio represented 508,822 m², which are under VGP’s management.

⁴ Includes the respective Occupancy Rates of the Joint Venture as at 30 June 2016. Excluding the Joint Venture, the Occupancy Rate would be 91.8% as at 30 June 2016.

⁵ During second half of 2016 VGP sold 5 buildings to the Joint Venture. As at 31 December 2016 the Joint Venture’s property portfolio represented 593,454 m², which are under VGP’s management.

⁶ Includes the respective Occupancy Rates of the Joint Venture as at 31 December 2016. Excluding the Joint Venture, the Occupancy Rate would be 97.0% as at 31 December 2016.

⁷ As at 22 October 2014 the associated companies Snow Crystal S.à r.l. and SUN S.à r.l., in which the Group held 20%, sold their respective property portfolios which represented 627,523 m² of lettable area which were under VGP’s management (627,527 m² of assets under management as at 31 December 2013).

⁸ Excludes the effects of the portfolio sold by Snow Crystal S.à r.l. and SUN S.à r.l. in 2014. The year 2013 includes the respective Occupancy Rates of Snow Crystal S.à r.l. and SUN S.à r.l. Excluding Snow Crystal S.à r.l. and SUN S.à r.l., the Occupancy Rate would be 96.9% as at 31 December 2013.

The following table sets forth the share of the Group's future lease income on an annualised basis by remaining maturity as of 30 June 2017 and 31 December 2016:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **As at 30-Jun** | | **As at 31-Dec** | | | |
|  | **2017** | | | **2016** | | |
|  | *(in thousands of* €) | *%* | | *(in thousands of* €) | *%* | |
| Less than one year | 26,582 | 7% | 25,340 | | 7% |
| Between one and five years | 98,658 | 26% | 94,376 | | 26% |
| More than five years | 251,905 | 67% | 242,916 | | 67% |
| **Total** | **377,145** | **100%** | **362,632** | | **100%** |

***Portfolio valuation***

*Group portfolio*

The Group’s investment property is initially carried at cost plus transaction cost. It is subsequently measured at fair value and is valued at least once per year. In view of the rapid growth of the portfolio the Group has in recent years opted to perform the valuations twice per year i.e. as at 30 June and 31 December. Valuations are performed by independent external property appraisers. The Group ordinarily uses Jones Lang LaSalle as the Group’s valuator. From time to time, at the discretion of the Company, a small part of the portfolio may be valued by another external independent valuator, as was for example in the case of Spain in December 2016. For the 30 June 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 Group’s own investment properties and the Joint Venture’s investment properties were most recently valued at 30 June 2017 by Jones Lang LaSalle. The valuations are prepared in accordance with the RICS Valuation - Professional Standards (incorporating the International Valuation Standards) Global edition January 2014 (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 30 June 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 30 June 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 initial yield approach ("IYA") was utilized for the building under construction in VGP Park San Fernando de Henares (Madrid). IYA calculates the gross market value by applying a capitalisation rate (initial 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.

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.

The following tables set forth the value of the Group’s own portfolio value as at the dates indicated:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Portfolio Value** | |
| *As at 30 June 2017* | **Completed**  *(in thousands of €)* | **Under Construction**  *(in thousands of €)* | **Development Land**  *(in thousands of €)* | (*in thousands of €)* | **%** |
|  |  |  |  |  |
|  |  | | | |  |
| Czech Republic | 12,000 | 69,730 | 16,920 | 98,650 | 17.9% |
| Germany | 0 | 95,690 | 51,934 | 147,624 | 26.8% |
| Spain | 126,240 | 14,050 | 65,236 | 205,526 | 37.3% |
| Other countries | 83,202 | 11,233 | 4,086 | 98,521 | 17.9% |
| **Total Portfolio (including Estonia) (1)** | **221,442** | **190,703** | **138,176** | **550,321** | **100.0%** |
| **Estonia[[4]](#footnote-4) (2)** | **45,602** | **4,533** |  | **50,135** |  |
| **Total Portfolio (excluding Estonia) ((1) – (2))** | **175,840** | **186,170** | **138,176** | **500,186** |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Portfolio Value** | |
| *As at 31 December 2016* | **Completed**  *(in thousands of € )* | **Under Construction**  *(in thousands of €)* | **Development Land**  *(in thousands of €)* | (*in thousands of €****)*** | **%** |
|  | | | |  |
| Czech Republic | 30,080 | 25,620 | 34,316 | 90,016 | 16.4% |
| Germany | 30,360 | 93,169 | 50,475 | 174,004 | 31.6% |
| Spain | 126,173 | 0 | 69,670 | 195,843 | 35.6% |
| Other countries (Estonia included) | 79,200 | 7,200 | 3,999 | 90,399 | 16.4% |
| **Total Portfolio** | **265,813** | **125,989** | **158,460** | **550,262** | **100.0%** |

The following table sets forth the net valuation results for the Group’s Portfolio as at the dates indicated:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **As at 30-Jun** | **As at 31-Dec** | | |
|  | **2017** | **2016** | **2015** | **2014** |
|  | (*in thousands of €)* | | | |
| Czech Republic | 25,925 | 21,879 | 25,052 | 11,028 |
| Germany | 19,141 | 87,133 | 58,453 | 28,914 |
| Spain | 9,196 |  |  |  |
| Other countries (including Estonia) | 5,602 | 9,888 | 20,476 | 13,978 |
| **Total net valuation gain / (losses)** | **59,864** | **118,900** | **103,981** | **53,920** |

The Group’s property portfolio, excluding development land, has been valued by a valuation expert at 30 June 2017 based on a weighted average yield of 6.48% (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 Group’s portfolio value of € 6.5 million and € 6.9 million for the periods ended 30 June 2017 and 31 December 2016 respectively.

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 € 4.3 million and € 4.6 million (all variables remaining constant) for the period ended 30 June 2017 and the year ended 31 December 2016, respectively. The effect of a rise (fall) in the weighted average yield of 25 basis points results in a fall (rise) in the fair value of the portfolio of approximately € 15.9 million and 16.9 million (all variables remaining constant) for the periods ended 30 June 2017 and 31 December 2016, respectively.

***Joint Venture with Allianz***

In March 2016, the Group entered into the Joint Venture with Allianz, in order to strengthen the Group's balance sheet and to give the Group additional financial flexibility by enabling the Group to redeploy its invested equity in order to support its strong growth plans, while limiting the need for new equity or additional debt. Pursuant to the Joint Venture agreement, the Group sells income-generating assets to the Joint Venture at market price. The Group provides certain services to the Joint Venture, including asset and property management services as well as development advisory; the Group receives in this respect fees from the Joint Venture. These services are provided at arm’s length and do not give VGP any control over the Joint Venture or any of its subsidiaries, or any unilateral material decision making rights. Significant transactions and decisions within the Joint Venture require full approval by the board of directors or shareholders of the Joint Venture, in accordance with the terms of the Joint Venture Agreement. See section “*Business – the Joint Venture with Allianz – Joint Venture Agreement (JVA)*”.

The Joint Venture operates through VGP European Logistics, as a holding company for the Joint Venture. The Company holds a 50% interest in VGP European Logistics, with the remaining 50% held by Allianz. The Company also holds a direct 5.1% interest in certain German subsidiaries of the Joint Venture (i.e., the holding companies for the German assets), with the remaining 94.9% held by the Joint Venture. The Group has made shareholder loans available to the Joint Venture, in the aggregate amount of € 105.6 million and € 89.9 million as at 30 June 2017 and 31 December 2016, respectively. These amounts are accounted for as ‘*Other non-current receivables*’ for € 16.2 million and € 8.3 million as at 30 June 2017 and 31 December 2016, respectively. The remaining balance related to the financing of developments and constructions amounting to € 89.4 million and € 81.6 million as at 30 June 2017 and 31 December 2016 are classified under ‘*Disposal group held for sale*’. The Group does not have any direct liability for the Joint Venture’s bank financing arrangements.

The First JV Closing occurred in May 2016, comprising 15 parks with 28 buildings, and the Second JV Closing, comprising five buildings occurred at the end of October 2016. At the end of May 2017 the Third JV Closing occurred, comprising 11 buildings. These transactions have in aggregate resulted in net cash inflow to the Group of € 236.1 million in 2016, and a further € 121.8 million in 2017. The Group expects to have a fourth closing with the Joint Venture around February 2018.

The Joint Venture has an exclusive right of first refusal in relation to acquiring the income generating assets developed by the Group in Germany, the Czech Republic, Slovakia and Hungary. The development risk of the assets is borne by VGP and once completed in accordance with pre-agreed completion and lease parameters, such assets are offered to the Joint Venture for acquisition against payment. These assets are classified as investment properties associated with *Disposal Group Held for Sale* in the Annual Financial Statements and the Interim Financial Statements, and amounted to € 138.5 million and € 132.3 million as at 30 June 2017 and 31 December 2016, respectively. This balance includes the interest bearing development and construction loans granted by VGP to the Joint Venture to finance the development pipeline of the Joint Venture.

As part of its asset management functions, the Group provides asset management services to the Joint Venture. These services include giving advice and recommendations to the Joint Venture on asset management and strategy, tenant mix, execution and leasing strategy in order to align cash flows with portfolio needs, and to manage capital and operating expenses.

The following table sets forth the summary of income statement information of the Joint Venture, as reflected in the Group's consolidated financial statements:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Income Statement** | **For the period ended 30-Jun-2017** | **For the period ended 30-Jun-2017** | **For the period ended 30-Jun-2017** | **For the period ended 30-Jun-2017** | **For the period ended** | |
|  | **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%** | **30-Jun**  **2017** | **30-Jun**  **2016** |
|  |  | (*in thousands of €*) |  |  |  |
|  |  |  |  |  |  |  |
| Gross rental income | 16,134 | 9,337 | 476 | 8,067 | 8,543 | 1,183 |
| Property operating expenses |  |  |  |  |  |  |
| * Service charge income / (expenses)(net) | 407 | 323 | 16 | 204 | 220 | 16 |
| * Underlying property operating expenses | (999) | (672) | (34) | (500) | (534) | (186) |
| * Property management fees | (1,305) | (763) | (39) | (653) | (691) | (92) |
| **Net rental income** | **14,237** | **8,225** | **419** | **7,119** | **7,538** | **920** |
| Net valuation gains / (losses) on investment properties | 25,585 | 19,933 | 1,017 | 12,793 | 13,809 | (1,224) |
| Administration expenses | (600) | (243) | (12) | (300) | (312) | (71) |
| Other income / (expenses) (net) | (995) | 36 | 1 | (498) | (497) | (5) |
| **Operating profit / (loss)** | **38,227** | **27,951** | **1,425** | **19,114** | **20,538** | **(370)** |
| Financial income | 2,235 | (343) | (16) | 1,118 | 1,101 | 80 |
| Financial expenses | (5,948) | (3,295) | (168) | (2,974) | (3,142) | (3,420) |
| **Net financial result** | **(3,713)** | **(3,638)** | **(185)** | **(1,857)** | **(2,041)** | **(3,339)** |
| **Profit before taxes** | **34,514** | **24,313** | **1,240** | **17,257** | **18,497** | **(3,709)** |
| Taxes | (6,277) | (3,754) | (191) | (3,139) | (3,330) | 431 |
| **Profit for the year** | **28,237** | **20,559** | **1,049** | **14,119** | **15,167** | **(3,279)** |

The following table sets forth the balance sheet information of the Joint Venture as at the dates indicated:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Balance sheet** | **30-Jun-2017** | **30-Jun-2017** | **30-Jun-2017** | **30-Jun-2017** | **30-Jun-2017** | **31-Dec-2016** |
|  | **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%** | **VGP European Logistics JV at 50%** | **VGP European Logistics JV at 50%** |
|  |  | (*in thousands of Euros*) |  |  |  |
| Investment properties | 767,045 | 549,151 | 28,008 | 383,524 | 411,531 | 307,053 |
| Other assets | 729 | (425) | (22) | 364 | 343 | 96 |
| **Total non-current assets** | **767,774** | **548,726** | **27,986** | **383,888** | **411,874** | **307,149** |
| Trade and other receivables | 10,896 | 7,866 | 401 | 5,449 | 5,850 | 4,523 |
| Cash and cash equivalents | 29,389 | 21,452 | 1,094 | 14,694 | 15,789 | 9,256 |
| **Total current assets** | **40,285** | **29,318** | **1,495** | **20,143** | **21,639** | **13,779** |
| **Total assets** | **808,059** | **578,044** | **29,481** | **404,031** | **433,513** | **320,928** |
| Non-current financial debt | 487,744 | 363,034 | 18,515 | 243,872 | 262,387 | 201,616 |
| Other non-current financial liabilities | 0 | 0 | 0 | 0 | 0 | 538 |
| Other non-current liabilities | 5,030 | 3,602 | 184 | 2,515 | 2,699 | 721 |
| Deferred tax liabilities | 48,078 | 32,241 | 1,644 | 24,038 | 25,682 | 17,448 |
| **Total non-current liabilities** | **540,852** | **398,877** | **20,343** | **270,425** | **290,768** | **220,323** |
| Current financial debt | 10,606 | 7,888 | 402 | 5,303 | 5,705 | 4,368 |
| Trade debts and other current liabilities | 12,687 | 8,676 | 442 | 6,343 | 6,786 | 6,940 |
| **Total current liabilities** | **23,292** | **16,564** | **845** | **11,646** | **12,491** | **11,308** |
| **Total liabilities** | **564,145** | **415,441** | **21,187** | **282,071** | **303,259** | **231,631** |
| **Adjustment disposal of associates** |  |  |  |  |  | 103 |
| **Net assets** | **243,914** | **162,603** | **8,294** | **121,960** | **130,254** | **89,194** |

*Joint Venture Portfolio*

The Joint Venture portfolio is valued in the same way as the Group’s own portfolio i.e. twice per annum using the same valuation methodology and using the same external valuator (Jones Lang LaSalle).

The following tables set forth the property value of the Joint Venture’s global portfolio as at 30 June 2017 and 31 December 2016 respectively:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *As at 30 June 2017* |  |  |  | **Portfolio Value¹** | |
|  | **Completed**  (*in thousands of €)* | **Under Construction**  (*in thousands of €)* | **Development Land**  (*in thousands of €)* | *(in thousands of €)* | **%** |
|  |  |  |  |  |
| Czech Republic | 146,711 | 5,622 | 3,175 | **155,508** | 18.4% |
| Germany | 476,912 | 101,647 | 6,691 | **585,250** | 69.3% |
| Hungary | 44,290 | 5,170 | 1,029 | **50,489** | 6.0% |
| Slovakia | 42,630 | 9,209 | 1,061 | **52,900** | 6.3% |
| **Total Joint Venture portfolio** | **710,543** | **121,648** | **11,956** | **844,147** | 100.0% |

¹ As per the valuation report of Jones Lang LaSalle of 30 June 2017.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Portfolio Value** | |
| *As at 31 December 2016* | **Completed**  *(in thousands of €)* | **Under Construction**  *(in thousands of €)* | **Development Land**  *(in thousands of €)* | (*in thousands of €)* | **%** |
|  |  |  |  |  |
| Czech Republic | 104,600 | 3,019 | 2,642 | **110,261** | 18.6% |
| Germany | 324,595 | 61,376 | 4,372 | **390,343** | 65.7% |
| Hungary | 44,140 | - | 1,758 | **45,898** | 8.0% |
| Slovakia | 42,610 | 4,771 | 315 | **47,696** | 7.7% |
| **Total Joint Venture portfolio** | **515,945** | **69,166** | **9,087** | **594,198** | 100.0% |

The following table sets forth the net valuation results for the Joint Venture’s portfolio for the periods indicated:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (*in thousands of €)* | **For the period ended 30-Jun** | **For the period ended 31-Dec** | | |
|  | **2017[[5]](#footnote-5)** | **2016** | **2015** | **2014** |
|  |  |  |  |  |
| Czech Republic | 6,235 | 6,655 | n.a. | n.a. |
| Germany | 19,924 | 6,197 | n.a. | n.a. |
| Slovakia | (385) | 742 | n.a. | n.a. |
| Hungary | (189) | (209) | n.a. | n.a. |
| **Total net valuation gain / (losses)** | **25,585** | **13,385** | **n.a.** | **n.a.** |

The Joint Venture’s property portfolio, excluding development land, has been valued by a valuation expert at 30 June 2017 based on a weighted average yield of 5.92% (compared to 6.08% 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 Joint Venture’s portfolio value of € 14.7 million and € 10.9 million for the period ended 30 June 2017 and the year ended 31 December 2016 respectively (at 100% share).

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 €8.9 million and € 6.7 million (all variables remaining constant) for the period ended 30 June 2017 and 31 December 2016 respectively (at 100% share). The effect of a rise (fall) in the weighted average yield of 25 basis points results in a fall (rise) in the fair value of the portfolio of approximately € 35.8 million and € 26.5 million (all variables remaining constant) for the period ended 30 June 2017 and the year ended 31 December 2016 respectively (at 100% share).

The following table sets forth the share of the Joint Venture’s future lease income (at 100% share) on an annualised basis by remaining maturity as of 30 June 2017 and the year ended 31 December 2016:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **As at 30-Jun\*** | | **As at 31-Dec** | | |
|  | **2017** | | | **2016** | |
|  | *(in thousands of €)* | *%* | | *(in thousands of €)* | *%* |
| Less than one year | 50,382 | 12% | 37,367 | | 12% |
| Between one and five years | 175,937 | 42% | 128,873 | | 43% |
| More than five years | 188,067 | 45% | 136,072 | | 45% |
| **Total** | **414,386** | **100%** | **302,312** | | **100%** |

\* Including Estonia (held for sale).

***Development portfolio and land***

The Group's results of operations depend on a process of developing and completing assets and purchasing a sufficiently large land bank to support the Group's future development activities (i.e. the development of future assets). These projects, when complete, contribute to the Group’s results of operations by increasing the lettable area of the Group’s portfolio and, in turn, increasing the Group’s net rental income generated from the properties. The future costs of developing these projects represent, when committed, a liability for the Group, which the Group expects to fund through its own resources, i.e. initially through the proceeds of the long-term bonds which the Company has issued over the past few years. Once assets are completed in Germany, the Czech Republic, Slovakia and Hungary these assets are sold to the Joint Venture thereby freeing up the invested own equity which can then be (partially) redeployed to finance the development of new projects or acquisition of new land plots. Because the development of new projects do not generate income until they become operational, the development activities tend to reduce the Group’s cash flows until such projects are completed. Therefore, the Group carefully manages its development activities and seeks to ensure that once a new project is started up it has sufficient funds available or has access to adequate financing to finance the full cycle of the development of such project. The Group has certain investment criteria which it considers in determining whether the Group should go ahead with the development of particular projects. The Group selects projects to be developed on the basis of cost and expected net initial development yield. See “*Business—Development Pipeline*”.

As of 30 June 2017, the Group had committed to capital expenditures of € 114.1 million (including Estonia) related to remaining construction costs of projects currently under construction. These commitments are expected to be funded from cash from operations and available liquidity of the Group.

All costs associated directly with the purchasing and construction of a property and all subsequent capital expenditure qualifying as acquisition costs are capitalized. Interest and other financial expenses directly attributable to the acquisition, construction or development of projects, that are incurred until the asset is put in use, are capitalised.

To the extent the Group acquires development land or develops new projects, the Group’s expenses would increase without a parallel growth in rental income until the project reaches an operational phase which may take a certain period. Subject to market conditions, purchased development land will usually start to be developed within 12 months after its acquisition by the Group. Depending on the surface area that is being developed, a new project generally takes between 6 to 12 months to complete and to start generating rental income.

**Recent Developments and Trends**

The Group has continued to experience contraction in yields which continued throughout the summer months of 2017. Key developments in the Group's business are set out below.

* € 3.3 million of additional new leases signed bringing the Annualised Committed Leases as per the end of September 2017 to € 77.2 million (an increase of € 17.1 million compared to 31 December 2016) with several new leases in advanced / final phase(s) of negotiations.
* 328,246 m² of new land plots acquired adding 159,208 m² of additional development lettable area potential.
* 660,000 m² of new land plots occupied which brings the total land bank under option to 1,300,000 m² having a development potential of circa 600,000 m² of future lettable area;
* Completion of the sale of VGP Park Nehatu (Estonia) which represented 77,000 m² of lettable area (5 buildings) and € 4.2 million of Annualised Committed Leases). Net proceeds of the sale of circa € 34.5 million are to be re-applied towards the further expansion of the development activities in the core markets.
* Development of 6 new projects started up totalling 46,536 m² of future lettable area increasing the current buildings under construction to 563,198 m² of future lettable area. These buildings under construction on which 76% pre-leases have already been signed, represent a total estimated Annualised Rent Income of € 26.9 million (assuming full occupancy and current market rental conditions).
* The completed buildings (of both the own and Joint Venture portfolios) remain 100% let.
* The Group is in ongoing negotiations for the acquisition of 4 separate locations in a new European market. The exact location of the new market will be announced as soon as the negotiations are finalized and all permits have been obtained, after which it is expected that shortly thereafter the first development will be started up. Given this and the Group’s historical construction rate, the Group believes a construction rate of circa 400,000 m² per year in the immediately foreseeable future should be realistic.
* On 6 July 2017, the Group issued the 2024 Bond.
* The bank loan with Swedbank amounting to € 18.6 million was repaid on 14 September 2017 (See “*Operating and Financial Review - Liquidity and Capital resources—Indebtedness*”).
* At the end of September 2017, VGP had 1.1 million m² completed GLA, 0.6 million m² GLA under construction, and 1.6 million m² GLA remaining potential for development.

VGP also noted a number of key accomplishments in its core geographic markets during the third quarter of 2017, including:

* *Germany*. During the third quarter through 27 September 2017, VGP acquired 253,511 m² of new land plots to develop 2 new parks. In Halle an der Saale (region of Leipzig) a new land plot of 16.6 hectare was acquired on which VGP intends to develop the new VGP Park Halle. This park will provide for the development of 3 buildings totalling approximately 78,000 m² of future lettable area. VGP was able to immediately secure the first tenant with the lease out of 10,000 m² under a 10-year lease contract. Construction is expected to commence in October 2017. In Wustermark, in the German state of Brandenburg, VGP acquired 8.8 hectare of land and expects to hand over 2 properties to customers in early 2018. These 2 buildings, one for 12,000 m² and the other for 6,000 m², have each been leased out under 10-year lease contracts.
* *Spain.*Following the start-up of the development of the first building in VGP Park San Fernando de Henares (Madrid) in June 2017, the first lease agreement was signed with the elevator company ThyssenKrupp for a lettable area of circa 6,700 m² under a 7-year lease agreement. In VGP Park Mango several negotiations are currently under way. In view of the recorded demand for lettable space in this park and the shortage of grade A logistic buildings in the Barcelona region, VGP is planning to commence the construction of a multi-tenant warehouse in November of 2017.
* *Czech Republic.*VGP is currently developing 155,000 m² of new lettable area in which more than 77% are pre-let. In addition, the last remaining land plot (of 75,000 m²) of VGP Park Olomouc was acquired in the third quarter of 2017 having a development potential of 33,000 m² of future lettable area. The total park consists of 479,753 m² of land on which 206,000 m² of lettable area can be developed. Two buildings (totalling 34,486 m² lettable area) have been completed and fully let, and 3 further buildings are being constructed of which 2 buildings (totalling 16,786 m² of future lettable area) are fully pre-let and for the last building (10,476 m² of future lettable area) negotiations are on-going with potential tenants.

Except as stated above in this section “*Recent Developments and Trends*”, there has been no material adverse change in the prospects of the Group since 30 June 2017, except for those circumstances or events elsewhere stated or referred to in this Prospectus.

Except as stated above in this section “*Recent Developments and Trends*”, there has been no significant change in the financial or trading position of the Company or the Group since 30 June 2017.

**Results of Operations**

***Results of operations for the six months ended 30 June 2017 and 2016***

The following table sets forth the condensed consolidated income statements of the Group for the six months ended 30 June 2017 and 2016:

|  |  |  |
| --- | --- | --- |
|  | **For the period ended 30-Jun** | |
|  | **2017** | **2016** |
| (*in thousands of €*) | |
|  |  |  |
| **Revenue** | **14,296** | **17,004** |
| Gross rental income. … | 9,111 | 13,085 |
| Service charge income | 1,409 | 3,042 |
| Service charge expenses | (1,267) | (2,447) |
| Property operating expenses | (655) | (1,099) |
| **Net rental income** | **8,598** | **12,581** |
| Property and development management income | 3,495 | 638 |
| Facility management income | 281 | 239 |
| Net valuation gains / (losses) on investment properties | 59,864 | 65,127 |
| Administration expenses | (9,660) | (4,904) |
| Other income | 370 | 233 |
| Other expenses | (439) | (587) |
| Share in result of associates | 15,167 | (3,279) |
| **Operating profit / (loss)** | **77,676** | **70,048** |
| Financial income | 4,208 | 558 |
| Financial expenses | (9,184) | (15,156) |
| **Net financial result** | **(4,976)** | **(14,598)** |
| **Profit before taxes** | **72,700** | **55,450** |
| Taxes | (10,243) | (12,712) |
| Profit for the period | **62,457** | **42,738** |

*Revenue*

Revenue decreased by € 2.7 million or 16%, to € 14.3 million for the period ended 30 June 2017 from € 17.0 million for the period ended 30 June 2016.

*Gross rental income*

Gross rental income, which is the revenue generated by the Group on the operating leases associated with its properties, forms the largest component of the Group's revenue. These operating leases are generally for terms of more than five years.

Gross rental income decreased by € 4.0 million, or 30%, to € 9.1 million for the period ended 30 June 2017 from € 13.1 million for the period ended 30 June 2016. This decrease reflected primarily the impact of the income generating assets delivered by the Group during first half of 2017, the deconsolidation of VGP European Logistics assets from the Group's portfolio in May 2016 and the Third JV Closing in May 2017, as a result of which assets that were owned directly by the Group were transferred to the Joint Venture. Gross rental income in 2017 attributable to the portfolio sold in the third close in May 2017 for the period prior to its sale (for 1 January 2017 to 31 May 2017) was € 1.7 million.

Following the entering into the Joint Venture, the Group believes that the analysis of the gross rental income on a ‘look-through’ basis (with the Joint Venture included at share) provides a more meaningful analysis of the net rent evolution. Taking into account VGP’s share of the Joint Venture, Gross Rental Income in total has increased by € 3.4 million, or 23.7% compared to the same period in 2016 (See also note 1 of the supplementary notes accompanying the Interim Financial Statements).

As at 30 June 2017, the Group, together with the Joint Venture (at 100%), had Annualised Committed Leases of € 78.2 million[[6]](#footnote-6) calculated as annualised rental income generated or to be generated by executed leases and future lease agreements, an increase from € 64.3 million[[7]](#footnote-7) as at 31 December 2016. The increase reflected the underlying growth of lettable area in the portfolio.

*Service charge income and expense, net*

Service charge income and expense is presented on a net basis. The Group generally seeks to recharge amounts it pays for services such as energy, maintenance, cleaning, security, garbage management and usage of infrastructure at its properties to its tenants. Service charge income decreased by € 0.5 million or 76%, to € 0.1 million for the period ended 30 June 2017 from € 0.6 million for the period ended 30 June 2016. The net decrease in service charge income reflected the decrease in rental income mainly attributable to the sale of the Seed Portfolio in May 2016.

*Property operating expenses*

Property operating expenses decreased by € 0.4 million or 40%, to € 0.7 million for the period ended 30 June 2017 from € 1.1 million for the period ended 30 June 2016, reflecting increases in repair and maintenance, fees paid to real estate agents, property taxes and others.

*Net rental income*

Net rental income decreased by € 4.0 million, or 32%, to €8.6 million for the period ended 30 June 2017 from € 12.6 million for the period ended 30 June 2016. Taking into account VGP’s share of the Joint Venture, Net Rental Income in total has increased by € 2.6 million, or 20% compared to the same period in 2016.

*Property and development management income*

Property and development management income increased by € 2.9 million, or 448%, to € 3.5 million for the period ended 30 June 2017 from € 0.6 million for the period ended 30 June 2016 due to the services provided to the Joint Venture.

*Facility management income*

Facility management income remained virtually unchanged and amounted to € 281,000 for the period ended 30 June 2017 compared to € 239,000 for the period ended 30 June 2016.

*Net valuation gains/(losses) on investment properties*

Net valuation gains/(losses) on investment properties decreased by € 5.3 million or 8%, to € 59.9 million for the period ended 30 June 2017 from € 65.1 million for the period ended 30 June 2016. The net valuation gains on investment properties is composed of (i) unrealized valuation gain on the own portfolio, (ii) unrealized valuation gain on the assets under construction for the Joint Venture, and (iii) realized valuation gain on disposal group held for sale.

The unrealized valuation gain on the own portfolio increased by € 11.2 million or 44%, to € 36.8 million for the period ended 30 June 2017 from € 25.5 million for the period ended 30 June 2016. This increase resulted primarily from the revaluation of new projects the construction of which started during the first half of 2017. The valuation of the own property portfolio, excluding land, remained fairly stable and was valued by valuation experts at 30 June 2017 based on a weighted average yield of 6.48%, compared to 6.49% as at 31 December 2016.

Unrealized valuation gains on the assets under construction to be offered to the Joint Venture increased by € 5.3 million or 30%, to € 22.7 million for the period ended 30 June 2017 from € 17.5 million for the period ended 30 June 2016. The valuation of the Joint Venture portfolio, excluding land, was based on a weighted average yield of 5.92%, as at 30 June 2017 applied to contractual rents increased by the estimated rental value on unlet space compared to 6.08% as at 31 December 2016. Finally, the realized valuation gains on the disposal group held for sale i.e. on the assets to be sold (as per 30 June 2017) to the Joint Venture, decreased by € 21.8 million or 98%, to € 0.3 million for the period ended 30 June 2017 from € 22.1 million for the period ended 30 June 2016. The decrease in valuation gains reflects the decreased portfolio size following the sale of the Seed Portfolio to the JV in May 2016.

*Administration expenses*

Administration expenses consist of the Group's expenses for wages and salaries, audit, legal and other advisors, other expenses and depreciation. Administration expenses increased by € 4.8 million to € 9.7 million for the period ended 30 June 2017 from € 4.9 million for the period ended 30 June 2016 primarily due to a € 3.5 million increase in wages and salaries following the strong growth of the VGP team and variable remuneration as approved by the remuneration committee and an additional accrual of € 2.0 million of profit sharing of Little Rock SA. See “*Major Shareholders and Related Party Transaction – Related Party Transactions – Shareholders – Management Services Agreement*”.

*Other income / Other expenses (net)*

Other expenses (net) decreased by € 0.3 million or 81%, to € 0.1 million for the period ended 30 June 2017 from € 0.4 million for the period ended 30 June 2016.

*Share in result of Joint Venture and associates*

Share in result of Joint Venture and associates increased by € 18.4 million, to € 15.2 million for the period ended 30 June 2017 from a loss of € 3.3 million for the period ended 30 June 2016. This increase reflects the participation of the Group in the Joint Venture, which was established during the first quarter of 2016. The increase is mainly driven by the result of the Joint Venture for the period ended 30 June 2017 which reached € 15.2 million (at share), in accordance with the increased scale of its operations.

*Operating profit*

Operating profit increased by € 7.6 million or 11%, to € 77.7 million for the period ended 30 June 2017 from € 70.0 million for the period ended 30 June 2016.

*Net financial result*

The Group's net financial result was an expense of € 5.0 million and € 14.6 million for the periods ended 30 June 2017 and 30 June 2016, respectively.

Financial income increased by € 3.7 million or 654%, to € 4.2 million for the period ended 30 June 2017 from € 0.6 million for the period ended 30 June 2016. This increase primarily reflected increased interest income on loans granted to the Joint Venture during the year. As at 30 June 2017, these loans amounted to € 105.6 million (compared to € 107.5 million as at 30 June 2016). These loans were granted on 31 May 2016 in connection with the First JV Closing and accordingly had only a limited contribution to the interest income for the period ended 30 June 2016.

Financial expenses increased by € 6.0 million or 39%, to € 9.2 million for the period ended 30 June 2017 from € 15.2 million for the period ended 30 June 2016, primarily reflecting increased interest expense on the Group's bonds following issuance of € 225 million in aggregate principal amount of new bonds in September 2016 and € 80 million in aggregate principal amount of new bonds in March 2017.

*Profit before taxes*

Profit before taxes increased by € 17.3 million or 31%, to € 72.7 million for the period ended 30 June 2017 from € 55.5 million for the period ended 30 June 2016.

*Taxes*

Taxes decreased by € 2.5 million or 19%, to € 10.2 million for the period ended 30 June 2017 from € 12.7 million for the period ended 30 June 2016. The decrease was mainly due to a decrease in deferred taxes following a € 3.9 million reversal of deferred taxes as at 30 June 2017 in respect of the disposal of VGP Estonia (VGP Park Nehatu (Estonia)) for which no deferred tax will apply upon completion of the transaction. Current tax remained virtually unchanged at € 0.3 million. The Group's effective tax rate was 17.8% and 24.4% for the periods ended 30 June 2017 and 30 June 2016, respectively.

*Profit for the period*

Profit for the period increased by € 19.7 million or 46%, to € 62.5 million for the period ended 30 June 2017 from € 42.7 million for the period ended 30 June 2016.

***Results of operations for the years ended 31 December 2016, 2015 and 2014***

The following table sets forth the consolidated income statements of the group for the years ended 31 December 2016, 2015 and 2014 (for comparative reasons the 2014 property and facility management income was restated as property and development management income and the 2014 development income was restated as facility management income):

|  |  |  |  |
| --- | --- | --- | --- |
|  | **For the year ended 31-Dec** | | |
|  | **2016** | **2015** | **2014** |
|  | (*in thousands of €*) |  |
| **Revenue** | **24,739** | **23,118** | **15,114** |
| Gross rental income … | 16,806 | 17,073 | 9,596 |
| Service charge income | 4,108 | 3,498 | 2,110 |
| Service charge expenses | (3,073) | (3,076) | (1,679) |
| Property operating expenses | (1,703) | (972) | (1,513) |
| **Net rental income** | **16,138** | **16,523** | **8,514** |
| Property and development management income | 3,141 | 1,433 | 2,175 |
| Facility management income | 684 | 1,114 | 1,233 |
| Net valuation gains / (losses) on investment properties | 118,900 | 103,981 | 53,920 |
| Administration expenses | (15,446) | (13,451) | (6,556) |
| Other income | 483 | 487 | 348 |
| Other expenses | (1,815) | (1,034) | (881) |
| Share in result of associates | 7,897 | 191 | 14,473 |
| **Operating profit / (loss)** | **129,982** | **109,244** | **73,225** |
| Financial income | 2,814 | 466 | 2,880 |
| Financial expenses | (19,720) | (10,620) | (10,555) |
| **Net financial result** | **(16,906)** | **(10,154)** | **(7,675)** |
| **Profit before taxes** | **113,076** | **99,090** | **65,550** |
| Taxes | (21,790) | (12,529) | (16,191) |
| Profit for the year | **91,286** | **86,561** | **49,359** |

*Revenue*

Revenue increased by € 1.6 million or 7%, to € 24.7 million in 2016 from € 23.1 million in 2015, and by €8.0 million, or 53%, from € 15.1 million in 2014.

*Gross rental income*

Gross rental income, which is the revenue generated by the Group on the operating leases associated with its properties, forms the largest component of the Group's revenue. These operating leases are generally for terms of more than five years.

Gross rental income decreased by € 0.3 million or 2%, to € 16.8 million in 2016 from € 17.1 million in 2015. This decrease reflected primarily the impact of the income generating assets delivered by the Group during 2016 and the sale of the Seed Portfolio to the Joint Venture with effect from 31 May 2016. Gross rental income in 2016 attributable to the Seed Portfolio for the period prior to its sale (for 1 January 2016 to 31 May 2016) was € 10.2 million.

Following entering into the Joint Venture, the Group believes that the analysis of the gross 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, gross rental income in total increased by € 3.4 million, or 24% compared to the same period in 2016.

At the end of 2016, the Group, together with the Joint Venture, had an Annualised Rent Income of € 64.3 million[[8]](#footnote-8) calculated as annualised rental income generated or to be generated by executed leases and future lease agreements, an increase from € 38.0 million as at 31 December 2015. The increase reflected the underlying growth of the portfolio.

Gross rental income increased by € 7.5 million, or 78%, to € 17.1 million in 2015 from € 9.6 million in 2014. This increase primarily reflected the full impact of the income generating assets delivered by the Group during 2015. At the end of 2015 the Group had Annualised Rent Income of € 38.0 million, an increase from € 22.6 million as at 31 December 2014. The increase reflected the underlying growth of the portfolio.

*Service charge income and expense, net*

Service charge income and expense is presented on a net basis. The Group generally seeks to recharge amounts it pays for services such as energy, maintenance, cleaning, security, garbage management and usage of infrastructure at its properties to its tenants.

Service charge income increased by € 0.6 million or 17%, to € 4.1 million in 2016 from € 3.5 million in 2015, which in turn was an increase of € 1.4 million or 66%, from € 2.1 million in 2014. The increase in service charge income have been driven primarily by an increase in increased income receivable from tenants for energy, maintenance, cleaning, security, garbage management and usage of infrastructure, in connection with the growth of the portfolio.

Service charges expenses remained unchanged in 2016 as compared to 2015, at € 3.1 million. In 2015, service charge expenses increased by € 1.4 million or 83%, to € 3.1 million in 2015 from € 1.7 million in 2014. The service charges stabilised in 2016 due to the sale of the Seed Portfolio at the end of May 2016, reducing the asset lease.

*Property operating expenses*

Property operating expenses increased by € 0.7 million or 75%, to € 1.7 million in 2016 from € 1.0 million in 2015, reflecting increases in repair and maintenance, fees paid to real estate agents and others. These increases were mainly driven by the increase of real estate agents expenses by € 0.5 million, in connection with the signing of new leases. In 2015, property operating expenses decreased € 0.5 million or 36%, to € 1.0 million in 2015 from € 1.5 million in 2014. This decrease reflected principally decreased costs of real estate agents and other property operating expenses.

*Net rental income*

Net rental income slightly decreased by € 0.4 million or 2%, to € 16.1 million in 2016 from € 16.5 million in 2015. In contrast, net rental income increased by € 8.0 million or 94%, to € 16.5 million in 2015 from € 8.5 million in 2014. Taking into account VGP’s share of the Joint Venture, Net Rental Income in total increased by € 7.6 million, or 46% to € 24.2 million in 2016 from € 16.5 million in 2016.

*Property and development management income*

Property and development management income increased by € 1.7 million or 119%, to € 3.1 million in 2016 from € 1.4 million in 2015. This increase was driven largely by property and asset management fees received from the Joint Venture following the sale of the Seed Portfolio in May 2016 and the subsequent Second JV Closing at the end of October 2016. Property and development management income decreased by € 0.7 million or 34%, to € 1.4 million in 2015 from € 2.2 million in 2014. The main reason for this decrease was the receipt of a one off development fee from P3 following the completion of a building which was part of the sale of the VGP CZ I and VGP CZ II portfolios.

*Facility management income*

Facility management income decreased by € 0.4 million or 39%, to € 0.7 million in 2016 from € 1.1 million in 2015, and from € 1.2 million in 2014. These decreases were mainly driven by the termination of the facility management services provided by the Group to P3 following the sale of the VGP CZ I and VGP CZ II portfolios to P3 in 2014. All management services provided by the Group to P3 were terminated as from October 2015.

*Net valuation gains/(losses) on investment properties*

Net valuation gains/(losses) on investment properties increased by € 14.9 million or 14%, to € 118.9 million in 2016 from € 104.0 million in 2015. This increase resulted primarily from the revaluation at 31 December 2016 based on a weighted average yield of 6.49%, compared to 7.02% as at 31 December 2015 applied to contractual rents increased by the estimated rental value on unlet space.

Net valuation gains/(losses) on investment properties had a considerable increase of € 50.1 million, or 93%, to € 103.9 million from € 53.9 million in 2014, driven by the fact that the valuation on the total property portfolio, excluding property land, was valued by the valuation expert at 31 December 2015 based on a weighted average yield of 7.02%, compared to 7.81% as at 31 December 2014, applied to the contractual rents increased by the estimated rental value on unlet space. The decrease in weighted average yield was primarily driven by the contraction of the yields across the markets where VGP is active. The contraction of the yields were supported by the decreasing interest rates and the attractiveness of the logistic asset class to investors.

*Administration expenses*

Administration expenses consist of the Group's expenses for wages and salaries, audit, legal and other advisors, other expenses and depreciation. Administration expenses increased by € 1.9 million or 15%, to € 15.4 million in 2016 from € 13.5 million in 2015, reflecting the expansion of the VGP team and the growth of the development activities in Germany. Administration expenses increased by € 6.8 million, or 105%, to € 13.4 million in 2015 from € 6.5 million in 2014, primarily due to new management agreement with Little Rock SA. Based on the performance of the Group, Little Rock was entitled to a mid-term variable remuneration of € 5.2 million, which was fully provided for in 2015.

*Other income / Other expenses (net)*

Other expenses (net) remained constant in 2015 and 2014, at € 0.5 million, and increased by € 0.8 million or 144% to € 1.3 million in 2016 from € 0.5 million in 2015. The increase reflected the impairment of goodwill. During 2016, VGP decided to scale down all services provided by SUTA to third parties and to concentrate solely on the Group’s and the Joint Venture’s portfolio going forward. As a result, a goodwill impairment of € 0.6 million was recognised in 2016.

*Share in result of joint venture and associates*

Share in result of joint venture and associates increased by € 7.7 million to € 7.9 million in 2016 from € 0.2 million in 2015. This increase reflects the participation of the Group in the Joint Venture, which was established during the first quarter of 2016. The share in result of associates decreased by € 14.3 million or 99%, to € 0.2 million in 2015 from € 14.5 million in 2014, reflecting the sale of VGP and Tristan Capital Partners their respective stakes in the VGP CZ I and VGP CZ II portfolios in the Czech Republic to PointPark Properties (P3), which was completed on 22 October 2014. Accordingly, these portfolios did not contribute to the operating results of 2015.

*Operating profit*

Operating profit increased by € 20.7 million or 19%, to € 130.0 million in 2016 from € 109.2 million in 2015, which was an increase of € 36.0 million or 49%, from € 73.2 million in 2014.

*Net financial result*

The Group's net financial result was an expense of € 16.9 million, € 10.2 million and € 7.7 million in 2016, 2015 and 2014, respectively.

Financial income as at 31 December 2016, consisted out of interest income on loans to the Joint Venture and associates (€ 2.4 million), unrealized gains on interest rate derivatives (€ 0.2 million) and other financial income (€ 0.2 million), for a total of € 2.8 million in 2016 which was an increase from € 0.5 million in 2015. This increase primarily reflected the increased interest income on loans to the Joint Venture and associates due to the loans granted to the Joint Venture during the year. As at 31 December 2016, these loans amounted to € 89.9 million. Financial income decreased by € 2.4 million or 84%, to € 0.5 million in 2015 from € 2.9 million in 2014, mainly because no interest income from loans to associates was recorded due to the repayment of all shareholder loans from the associates in October 2014 following the sale of the VGP CZ I and VGP CZ II portfolios in the Czech Republic to PointPark Properties (P3).

Financial expenses increased by € 9.1 million or 86%, to € 19.7 million in 2016 from € 10.6 million in 2015, reflecting primarily increased interest expense on the Group's bonds following issuance of € 225 million in aggregate principal amount of new bonds in September 2016.

Financial expenses slightly increased by € 0.1 million or 1%, to € 10.6 million in 2015 from € 10.5 million in 2014. The financial expenses of 2015 were mainly made up of € 10.3 million interest expenses related to financial debt (€ 9.1 million in 2014), € 0.4 million unrealized losses on interest rate derivatives (€ 1.5 million in 2014), € 2.4 million other financial expenses (€ 0.9 million in 2014) mainly relating to the amortisation of the transactions costs of the two bonds issued during 2013 and a positive impact of € 2.4 million (€ 1.0 million in 2014) related to capitalised interests.

*Profit before taxes*

Profit before taxes increased by € 14.0 million or 14%, to € 113.1 million in 2016 from € 99.1 million in 2015, which was an increase of € 33.5 million or 51%, from € 65.6 million in 2014.

*Taxes*

Taxes increased by € 9.3 million or 74%, to € 21.8 million in 2016 from € 12.6 million in 2015, driven primarily by an increase in deferred tax expense to € 20.9 million from € 12.1 million in connection with the increase of the net valuation gains on investment properties and the change of applicable tax rate for the German assets in 2015. Tax decreased by € 3.7 million or 23%, to € 12.5 million in 2015 from € 16.2 million in 2014, reflecting primarily decreased deferred tax expense in connection with the German assets. In view of the change of place of management of the German assets to Luxembourg the tax rate applied for Germany for 2015 was the corporate income tax rate of 15.825% excluding the trade tax rate of circa 15%. For 2014 the tax rate of Germany included the trade tax rate.

Current tax expense was € 0.9 million, € 0.4 million and € 0.7 million in 2016, 2015 and 2014, respectively. The Group's effective tax rate was 15.8%, 15.8% and 30.8% in 2016, 2015 and 2014, respectively.

*Profit for the year*

Profit for the year increased by € 4.7 million or 5%, to € 91.3 million in 2016 from € 86.6 million in 2015, which was an increase of € 37.2 million or 75% from € 49.4 million in 2014.

**Segmentation**

The Group manages its business based on its geographic regions of operations, divided into the individual countries in which it operates and reflecting the similar nature of activities and economic characteristics of its customers within those segments.

Business decisions are taken at the geographic segment level, and a number of key performance indicators, including rental income, activity, occupancy and development yields are monitored at the geographic segment level.

The following table summarizes the Group's results of operations by segment:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Income Statement | **For the period ended 30-Jun-2017** | | | | |
|  | **Czech Republic** | **Germany** | **Other Countries** | **Unallocated** | **Total** |
| (*in thousands of €*) | | | | |
| Gross rental income | 1,144 | 1,115 | 6,852 | - | 9,111 |
| Service charge income / (expenses) | 96 | (39) | 85 | - | 142 |
| Property operating expenses | (163) | (340) | (152) | - | (655) |
| **Net rental and related income** | **1,077** | **736** | **6,785** | **-** | **8,598** |
| Property and development management fee income | 628 | 1,882 | 984 | - | 3,494 |
| Facility management income | 281 | - | - | - | 281 |
| Net valuation gains / (losses) | 28,780 | 2,511 | 10,988 | 17,585 | 59,864 |
| Other income / (expenses) - incl. Administrative costs | (1,541) | (2,115) | (1,950) | (4,122) | (9,728) |
| Share in the result of joint venture and associates | - | - | - | 15,167 | 15,167 |
| **Operating profit / (loss)** | **29,225** | **3,014** | **16,807** | **28,630** | **77,676** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Income Statement | **For the period ended 30-Jun-2016** | | | | |
|  | **Czech Republic** | **Germany** | **Other Countries** | **Unallocated** | **Total** |
| (*in thousands of €*) | | | | |
| Gross rental income | 3,271 | 5,574 | 4,240 | - | 13,085 |
| Service charge income / (expenses) | 124 | 251 | 220 | - | 595 |
| Property operating expenses | (159) | (639) | (301) | - | (1,099) |
| **Net rental and related income** | **3,236** | **5,186** | **4,159** | **-** | **12,581** |
| Property and development management fee income | 230 | 271 | 137 | - | 638 |
| Facility management income | 239 | - | - | - | 239 |
| Net valuation gains / (losses) | 11,032 | 13,814 | 1,178 | 39,103 | 65,127 |
| Other income / (expenses) - incl. Administrative costs | (1,053) | (1,713) | (1,562) | (930) | (5,258) |
| Share in the result of joint venture and associates | - | - | - | (3,279) | (3,279) |
| **Operating profit / (loss)** | **13,684** | **17,558** | **3,912** | **34,894** | **70,048** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Income Statement** | **For the year ended 31-Dec-2016** | | | | |
|  | **Czech Republic** | **Germany** | **Other Countries** | **Unallocated** | **Total** |
| (*in thousands of €*) | | | | |
| Gross rental income | 3,986 | 5,733 | 7,087 | - | 16,806 |
| Service charge income / (expenses) | 177 | 183 | 675 | - | 1,035 |
| Property operating expenses | (151) | (765) | (787) | - | (1,703) |
| **Net rental and related income** | **4,012** | **5,151** | **6,975** | **-** | **16,138** |
| Property and development management fee income | 894 | 1,314 | 933 | - | 3,141 |
| Facility management income | 684 | - | - | - | 684 |
| Net valuation gains / (losses) | 17,337 | 41,504 | 7,777 | 52,282 | 118,900 |
| Other income / (expenses) - incl. Administrative costs | (2,570) | (3,314) | (2,397) | (8,497) | (16,778) |
| Share in the result of joint venture and associates | - | - | - | 7,897 | 7,897 |
| **Operating profit / (loss)** | **20,357** | **44,655** | **13,288** | **51,682** | **129,982** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Income Statement** | **For the year ended 31-Dec-2015** | | | | |
|  | **Czech Republic** | **Germany** | **Other Countries** | **Unallocated** | **Total** |
| (*in thousands of €*) | | | | |
| Gross rental income | 4,663 | 5,740 | 6,670 | - | 17,073 |
| Service charge income / (expenses) | 42 | 29 | 351 | - | 422 |
| Property operating expenses | (284) | (429) | (259) | - | (972) |
| **Net rental and related income** | **4,421** | **5,340** | **6,762** | **-** | **16,523** |
| Property and development management fee income | 1,324 | 94 | 15 | - | 1,433 |
| Facility management income | 1,114 | - | - | - | 1,114 |
| Net valuation gains / (losses) incl. administrative costs | 25,059 | 58,447 | 20,475 | - | 103,981 |
| Other income / (expenses) - | (3,616) | (981) | (513) | (8,887) | (13,997) |
| Share in the result of joint venture and associates | - | - | - | 191 | 191 |
| **Operating profit / (loss)** | **28,302** | **62,900** | **26,739** | **(8,696)** | **109,244** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Income Statement** | **For the year ended 31-Dec-2014** | | | | |
|  | **Czech Republic** | **Germany** | **Other Countries** | **Unallocated** | **Total** |
| (*in thousands of €*) | | | | |
| Gross rental income | 3,091 | 2,177 | 4,328 | - | 9,596 |
| Service charge income / (expenses) | 50 | 6 | 375 | - | 431 |
| Property operating expenses | (658) | (311) | (544) | - | (1,513) |
| **Net rental and related income** | **2,483** | **1,872** | **4,159** | **-** | **8,514** |
| Property and development management fee income | 2,712 | 2 | 447 | - | 3,161 |
| Facility management income | 246 | - | - | - | 246 |
| Net valuation gains / (losses) incl. administrative costs | 11,028 | 28,914 | 13,978 | - | 53,920 |
| Other income / (expenses) - | (3,722) | (647) | (575) | (2,145) | (7,089) |
| Share in the result of joint venture and associates | **-** | **-** | **-** | 14,473 | 14,473 |
| **Operating profit / (loss)** | **12,747** | **30,141** | **18,009** | **12,328** | **73,225** |

**Cash flows**

The following table sets out the Group’s consolidated cash flows for the periods indicated below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **For the period ended 30-Jun** | **For the period ended 30-Jun** | **For the year ended 31-Dec** | | |
| (*in thousands of €*) | **2017** | **2016** | **2016** | **2015** | **2014** |
|  | |  | | |
| **Cash flows from operating activities** |  | |  |  |  |
| **Operating profit before changes in working capital and provisions** | **2,734** | **8,458** | **4,083** | **6,070** | **10,181** |
| Decrease / (increase) in trade and other receivables | (722) | (4,324) | (14,505) | (8,555) | 7,561 |
| (Decrease) / increase in trade and other payables | 4,333 | 18,794 | 28,681 | 416 | (12,654) |
| **Cash generated from the operations** | **6,345** | **22,928** | **18,259** | **(2,072)** | **5,088** |
| Interest received | 21 | 516 | 157 | 21 | 2,880 |
| Interest (paid) | (596) | (8,653) | (10,684) | (10,194) | (9,093) |
| Income taxes paid | (259) | (225) | (939) | (364) | (417) |
| **Net cash from operating activities** | **5,511** | **14,566** | **6,793** | **(12,609)** | **(1,542)** |
| **Cash flows from investing activities** |  |  |  |  |  |
| Proceeds from disposal of subsidiaries | 2 | 36 | **\_** | **\_** | \_ |
| Proceeds from disposal of tangible assets and other | \_ | | 46 | 337 | 3,324 |
| Acquisition of subsidiaries | (148) | | **\_** | (224) | (406) |
| Investment property and investment property under construction | (68,829) | (84,279) | (336,654) | (147,490) | (112,221) |
| Disposal of subsidiaries and investment properties to VGP European logistics joint venture | 90,794 | 155,911 | 236,060 | **\_** | **-\_** |
| Distribution by/(investment in) VGP European logistics joint venture | \_ |  | 4,678 | -\_ | -\_ |
| (Loans provided to)/loans repaid by joint venture and associates | (36,794) |  | (28,546) | -\_ | 49,812 |
| **Net cash generated from (used in) investing activities** | **(14,827)** | **71,520** | **(124,416)** | **(147,377)** | **(59,491)** |
| **Cash flows from financing activities** |  | |  |  |  |
| Gross dividends paid | **\_** | | **\_** | **\_** | \_ |
| Net proceeds / (cash out) from the issue / (repayment) hybrid instruments | (62,959) | | (62,960) | 60,000 | \_ |
| Proceeds from loans and bonds | 79,568 | 50,009 | 283,367 | 83,967 | 26,862 |
| Loan repayments | (4,131) | (50,571) | (51,536) | (3,914) | (1,612) |
| **Net cash generated from (used in) financing activities** | **75,437** | **(63,665)** | **168,871** | **140,053** | **25,250** |
| **Net increase / (decrease) in cash and cash equivalents** | **66,121** | **22,421** | **51,248** | **(19,934)** | **(35,783)** |
| Cash and cash equivalents at the beginning of the period | 71,595 | 9,825 | 9,825 | 43,595 | 79,226 |
| Effect of exchange rate fluctuations | 412 | 176 | 234 | 347 | 152 |
| Reclassification to (-) / from held for sale | 3,417 | 19,329 | 10,288 | (14,184) | \_ |
| **Cash and cash equivalents at the end of the period/year** | **141,545** | **51,751** | **71,595** | **9,825** | **43,595** |

***Cash flow generated from (used in) operating activities***

Cash flow from operating activities decreased by € 9.0 million or 62% to € 5.5 million in the period ended 30 June 2017 from € 14.5 million in the period ended 30 June 2016. This decrease was mainly due to changes in working capital which, saw a net decrease of € 10.6 million mainly due to the increase in trade receivables resulting from the € 31.0 million unpaid amount of Allianz related to the Third JV Closing and the increase in trade payables resulting from the € 20.1 million unpaid capital distribution.

Cash flow from operating activities resulted in a release of cash of € 6.8 million in 2016, as compared to a use of cash of € 12.6 million in 2015. Cash flow from operating activities increased by € 19.4 million, mainly due to changes in working capital which were mainly driven by the divestment of the Seed Portfolio (including the respective working capital) at the end of May 2016.

Cash flow from operating activities was a use of cash of € 12.6 million in 2015, as compared to a use of cash of € 1.5 million in 2014. The greater use of cash was mainly due to the impact of the disposal of the VGP CZ I and VGP CZ II portfolios during 2014. During 2014 the VGP CZ I and VGP CZ II portfolios had a € 9.3 million positive effect on the 2014 operating cash flow.

***Cash flow generated from (used in) investing activities***

The Group's cash flow from investing activities decreased by € 86.4 million from an inflow of € 71.2 million in the period ended in 30 June 2016 to an outflow of € 14.8 million in the period ended in 30 June 2017. The inflow in the first half of 2016 was mainly due to the € 155.9 million inflow following the sale of the Seed Portfolio to VGP European Logistics joint venture which more than offset the € 82.3 million of capital expedintures outflow. The outflow in the first half of 2017 was driven by capital expenditures outflow (€ 68.9 million) and shareholder loans granted to the Joint Venture (€ 36.7 million) and offset by an inflow of € 90.8 million from the Third JV Closing.

The Group's cash flow from investing activities decreased by € 23.0 million or 15.6%, to € 124.4 million in 2016 from € 147.4 million in 2015. These changes reflected primarily expenditure of € 336.7 million in connection with the development activities and land acquisition, including the Mango building in Spain; € 236.1 million cash proceeds from the sale of the Seed Portfolio and subsequent closings during the year to the Joint Venture; € 4.7 million cash proceeds from the repayment of equity from the Joint Venture; and € 28.5 million shareholder loans (net) granted to the Joint Venture.

Cash flow from investing activities increased by € 87.9 million or 148%, to € 147.4 million in 2015 from € 59.5 million in 2014. The increase reflected increased capital expenditure incurred for the development activities and land acquisition which increased from € 112.2 million as at 2014 to € 147.5 million as at 31 December 2015. The cash flow from investing activities also benefited from the € 49.8 million repayment of shareholder loans granted to Snow Crystal S.à r.l. and SUN S.à r.l. which were repaid in October 2014.

***Cash flow generated from (used in) financing activities***

Cash flow generated from financing activities increased by € 139.1 million, from an outflow of € 63.6 million in the period ended in 30 June 2016 mainly due to the repayment of the € 63.0 million of hybrid instruments compared to an inflow of € 75.4 million for the period ended 30 June 2017 mainly due to the issuance of a new € 80 million bond.

Cash flow generated from financing activities increased by € 28.8 million or 21%, to € 168.9 million in 2016 from € 140.1 million in 2015, which was an increase of € 114.8 million from 2014 mainly due to the increase in bank borrowings and the € 60 million hybrid instruments which were subscribed by certain shareholders.

**Liquidity and capital resources**

During the period under review, the Group's primary capital requirements have been to finance the purchase of development land and the financing for its development activities and financing of a new logistics building in Spain. The primary sources of liquidity of the Group have been bond financings, as well as bank lending and, to a lesser extent the rental income from its operating activities. In addition, since the establishment of the Joint Venture, the Group has been and expects to continue generating property management fee income through the Joint Venture, and use this as add-on source of cash. The Group expects to continue to rely on rental income, management fee income and bond financings, as well as, increasingly, sales of assets to the Joint Venture. The Group expects that its next sale of assets to the Joint Venture will be completed in February 2018.

The Group seeks to optimise its capital structure so as to maximise shareholder value while keeping flexibility to support its growth. The Group targets a maximum gearing ratio of consolidated total net debt divided by the sum of shareholders' equity and total liabilities of 55%.

***Capital expenditures***

The Group's principal capital expenditures, defined as additions to investment properties during the period under review have been for purchases of land and construction of warehouse facilities.

As at 30 June 2017, the Group had concluded a number of contracts relating to future purchases of land, in the amount of € 32.3 million, and had paid deposits of € 0.6 million. As at 31 December 2016, the Group had concluded a number of contracts relating to future purchases of land, in the amount of € 16.2 million, and had paid deposits of € 0.6 million.

As at 30 June 2017 and 31 December 2016 the Group had contractual obligations to develop new projects for a total amount of € 114.1 million and € 80.3 million, respectively. These commitments are short-term in nature; the land is expected to be acquired partly during the course of 2017 and partly during the course of 2018, and the construction obligations relate to new buildings or buildings under construction that will be delivered or started-up during 2017 for both the own and Joint Venture portfolios.

***Indebtedness***

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 ratios (each as defined in the relevant bond or credit facility agreement). All of the Group's bank loans and all of its bonds, are denominated in euro. The Company does not have available committed bank credit facilities. Depending on the pace of development and acquisition of new development land the Group may arrange additional bank debt to bridge the period up to the next closing with the Joint Venture foreseen during the first quarter. Should this occur the bank debt will be of a short-term nature and it is currently foreseen that it would not exceed an amount of € 50 million.

The following table sets forth the contractual maturities of the Group's interest bearing loans and borrowings as at the dates indicated:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **As at 30-Jun** | | | |
|  | **2017** | | | |
| **Less than one year** | **From one to five years** | **More than five years** | **Total** |
|  | (*thousands of €*) | | | |
|  |  |  |  |  |
| Accrued Interest | 13,349 | - | - | 13,349 |
| Non-Current Bank Borrowings | 750 | 11,772 | - | 12,522 |
| Current Bank Borrowings | 18,751 | - | - | 18,751 |
| 5.15% Bonds Jul-17 | 74,984 | - | - | 74,984 |
| 5.10% Bonds Dec-18 | - | 74,539 | - | 74,539 |
| 3.90% Bonds Sep-23 | - | - | 220,989 | 220,989 |
| 3.35% Bonds Mar-25 | - | - | 79,582 | 79,582 |
|  |  |  |  |  |
| **Total loans and borrowings** | **107,834** | **86,311** | **300,571** | **494,716** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **As at 31-Dec** | | | |
|  | **2016** | | | |
| **Less than one year** | **From one to five years** | **More than five years** | **Total** |
|  | (*thousands of €*) | | | |
|  |  |  |  |  |
| Accrued Interest | 4,510 | - | - | 4,510 |
| Non-Current Bank Borrowings | 2,417 | 32,873 | - | 35,290 |
| 5.15% Bonds Jul-17 | 74,747 | - | - | 74,747 |
| 5.10% Bonds Dec-18 | - | 74,380 | - | 74,380 |
| 3.90% Bonds Sep-23 | - | - | 220,670 | 220,670 |
|  |  | 74,380 | 220,670 | 295,050 |
| **Total loans and borrowings** | **81,674** | **107,253** | **220,670** | **409,597** |

On 6 July 2017, the Group issued the 2024 Bond. The bank loan with Swedbank amounting to € 18.6 million was repaid on 14 September 2017.

The balances as at 30 June 2017 include capitalised finance costs on bank borrowings of € 114,000 (€ 228,000 as at 31 December 2016) and capitalised finance costs on bonds of € 4,906,000 (€ 5,023,000 as at 31 December 2016).

*Bank borrowings*

As at 30 June 2017, the Company's subsidiaries had committed credit facilities of € 34.9 million, of which € 31.4 million was drawn. As at 31 December 2016, the Company's subsidiaries had committed credit facilities of € 39.0 million, of which € 35.5 million was drawn. These loans were granted by Raifeissen Bank – Romania and Swedbank – Estonia and a residual loan (€ 4,000) from another financial institution, due in 2018 and 2019. Substantially all of these loans are denominated in euro. The Swedbank loan was repaid on 14 September 2017 following the closing of the sale of the VGP Park Nehatu.

The security for the Raiffeisen loan can be summarized as follows:

* Mortgage agreement over the existing properties of the borrower;
* Pledge on all existing and future receivables of the borrower;
* Pledge over the shares of the borrower owned by VGP NV whereby VGP NV as the pledgor and the security agent as the pledgee entered into a share pledge agreement. All shares issued by the borrower and owned by VGP NV are pledged in favour of the security agent;
* Pledge over shareholder loans granted by VGP NV to the borrower;
* Pledge of bank accounts receivables of the borrower.

This loan is also subject to a number of covenants, including:

* Loan to value ratio for investment loan tranches equal or less than 65%
* Debt service cover ratio equal or higher than 1.2

These loans are at floating rates, but the Group has entered into hedging contracts in order to manage its interest rate risk. See section “*Operating and financial Review – Quantitative and qualitative disclosures about market risk – Interest rate risk*”.

*Bonds*

The Group has issued the following bonds:

|  |
| --- |
| * the € 75 million fixed rate bond which matured and was repaid on 12 July 2017 and which carried a coupon of 5.15% per annum and as was listed on the regulated market of Euronext Brussels (the “2017 Bond”); |
| * the € 75 million fixed rate bond maturing on 6 December 2018 which carries a coupon of 5.10% per annum and as listed on the regulated market of Euronext Brussels (the “2018 Bond”); |
| * the € 225 million fixed rate bond maturing on 21 September 2023 which carries a coupon of 3.90% per annum and as listed on the regulated market of Euronext Brussels (the “2023 Bond”); |
| * the € 75 million fixed rated bond maturing on 6 July 2024 which carries a coupon of 3.25% per annum and as listed on the regulated market of Euronext Brussels (the “2024 Bond”); |
| * the € 80 million fixed rate bond maturing on 30 March 2025 which carries a coupon of 3.35% per annum (unlisted) (the “2025 Bond”). |

The bonds carry covenants requiring that the Group maintain consolidated gearing equal to or below 55% for the 2018 Bond and 65% for the remaining bonds and interest cover ratio equal to or above 1.2; and a debt service cover ratio equal to or above 1.2.

***Joint Venture funding***

The primary sources of financing of the Joint Venture have been, and are expected to be, bank financing and shareholder loans.

*Bank financing*

The Joint Venture's principal credit facilities are set out below.

* A € 368.2 million credit facility arranged by Aareal Bank AG, as agent, arranger and sole lending bank, entered into on 24 May 2016. The outstanding amount drawn under the credit facility as at 30 June 2017 was € 266.5 million (€ 189.0 million as at 31 December 2016). The maturity date of this credit facility is 31 May 2026.
* A 146.4 million credit facility arranged by Československá obchodní banka (“CSOB”), as agent, arranger and sole lending bank of the credit facility, entered into on 26 May 2016. The outstanding amount drawn under the credit facility as at 30 June 2017 was € 107.1 million (€ 87.7 million as at 31 December 2016). The maturity date of the credit facility is 26 May 2026.
* A € 35.1 million credit facility arranged by UniCredit Bank Hungary, as agent, arranger and sole lending bank of the credit facility, entered into or 26 May 2016. The outstanding amount under the credit facility as at 30 June 2017 was € 25.8 million (€ 26.5 million as at 31 December 2016). The maturity date of the credit facility is 26 May 2026.

These credit facilities are secured by means of (i) a mortgage on the property, (ii) a pledge or assignment of receivables (including receivables arising under leases, bank accounts and insurances), (iii) a pledge over the shares of the respective project companies and (iv) subordination of shareholder loans. In addition, each of the credit facilities is subject to covenants, including with respect to the debt service coverage ratio and loan to value ratio associated with the relevant assets. Distributions from the project companies under these credit facilities are also limited to principal and interest under shareholder loans; management fees payable to the Group; and certain dividends to the Joint Venture.

As at 30 June 2017 and 31 December 2016, investment properties (comprising the completed projects, projects under construction and development land) with a carrying value of € 710.5 million and € 574.3 million, respectively, were pledged to lenders.

The Joint Venture has a gearing ratio calculated as the Joint Venture's net debt divided by the total assets, of 58.1% as of 30 June 2017or 54.4% excluding shareholder loans.

***Shareholder loans***

VGP and Allianz have provided shareholder loans in proportion to their aggregate interest in the Joint Venture. For project companies holding German assets, in accordance with the JVA, VGP is required to provide 52.55% of the total shareholder loans and Allianz is required to grant 47.45%; for all other project companies, VGP and Allianz provide shareholder loans in equal proportion. VGP also provides 100% of the development and construction loans to the Joint Venture.

As at 30 June 2017 and 31 December 2016, the outstanding shareholder loans provided by VGP to the Joint Venture were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **In thousands of €** |  | **As at 30-Jun-2017** | **As at 31-Dec-2016** |
| VGP European Logistics S.à r.l. | Holding | 14,757 | 7,506 |
| VGP Park Rodgau GmbH | German portfolio | 201 | 196 |
| VGP Park Berlin GmbH | German portfolio | 18 | 18 |
| VGP Park Hamburg GmbH | German portfolio | 263 | 257 |
| VGP Park Höchstadt GmbH | German portfolio | 100 | 98 |
| VGP Park Leipzig S.à r.l. | German portfolio | 106 | 104 |
| VGP Park Frankenthal S.à r.l. | German portfolio | 138 | 136 |
| VGP Park Leipzig GmbH | German portfolio | 73 | - |
| VGP Park Hamburg 3 S.à r.l. | German portfolio | - | - |
| VGP DEU 3 S.à r.l. | German portfolio | 429 | - |
| VGP Park Cesky Ujezd | Czech Portfolio | 147 |  |
| **Shareholder loans** |  | **16,232** | **8,315** |
|  |  |  |  |
| VGP CZ V a.s. | Czech portfolio | 0 | 3,059 |
| VGP CZ VI a.s. | Czech portfolio | 2,856 | 2,681 |
| VGP Park Cesky Ujezd | Czech portfolio | 1,384 |  |
| VGP Park Malacky a.s. | Slovakian portfolio | 5,073 | 4,674 |
| VGP Park Rodgau GmbH | German portfolio | 0 | - |
| VGP Park Hamburg GmbH | German portfolio | 2,226 | 2,182 |
| VGP Park Hamburg 2 S.à r.l. | German portfolio | 3,513 | 23,603 |
| VGP Park Frankenthal S.à r.l. | German portfolio | 69,131 | 43,561 |
| VGP Park Leipzig GmbH | German portfolio | 2,334 | - |
| VGP Park Györ Kft | Hungarian portfolio | 1,840 | 937 |
| VGP Park Alsonemedi Kft | Hungarian portfolio | 1,030 | 863 |
| **Total development and construction loans** | | **89,387** | **81,560** |
|  |  |  |  |
| **TOTAL** |  | **105,619** | **89,875** |

The shareholder loans have a term of 120 months and can be prepaid at first demand. The development and construction loans can only be prepaid at the moment of delivery of the completed building financed by such loan.

The interest rates applied on the shareholder loans are between 3.875% and 4.000% annually. All shareholder loans are unsecured and subordinated to the bank debt.

**Commitments and contingencies**

The Group has concluded a number of contracts concerning the future purchase of land. As at 30 June 2017, the Group had made commitments of € 32.3 million for purchases of land (totalling 742,000 m²), for which it had paid deposits of € 0.6 million. As at 31 December 2016, the Group had made commitments of € 16.2 million for purchases of land (totalling 417,000 m²), for which it had paid deposits of € 0.6 million. As at 31 December 2016 the Group had contractual obligations to develop new projects for a total amount of € 80.3 million. As at 30 June 2017, the Group had contractual obligations to develop new projects for a total amount of € 114.1 million. All commitments are of a short-term nature. The secured land is expected to be acquired during the course of 2017, and the contractual construction obligations relate to new buildings or buildings under construction which will be delivered or started-up during the course of 2017 for the own and Joint Venture portfolio.

The Group does not have any other material off balance sheet liabilities or commitments except for one interest rate swap. The Group entered into an interest rate swap, for a notional amount of € 75 million during the first half of 2015. This interest rate swap will start in December 2018 and will run until December 2023. The interest rate swap is intended to cover future, expected floating interest rate exposures. The interest rate which has been fixed is 0.965% per annum.

**Quantitative and qualitative disclosures about market risk**

The Group considers foreign currency risk, interest rate risk, credit risk and liquidity risk as financial risks arising in the ordinary course of the Group's business. The Group analyses and reviews each of these risks and defines strategies to manage the economic impact on the Group's performance. The results of the risk management strategies include the use of derivative financial instruments, primarily forward exchange contracts and interest rate swaps. The Group does not hold derivative instruments, and does not issue any, for speculative purposes.

***Foreign currency risk***

The Group is exposed to foreign currency risk in connection with its capital expenditure as well as some of its borrowings and net interest expense/income. The Group generally seeks to hedge its capital expenditure as soon as a firm commitment arises, to the extent that the cost to hedge outweighs the benefit. As at 30 June 2017 the Group had entered into forward foreign exchange transactions for a nominal amount of CZK 1,342 million (€ 51.3 million equivalent) for a period up to 12 months and with a view to economically hedge the anticipated capex to be incurred in the Czech Republic over the next 12 months.

***Interest rate risk***

The Group incurs interest rate risk principally in connection with its borrowings that have floating interest rates. In order to mitigate its future interest rate risk, the Group entered into an interest rate swap, for a notional amount of € 75 million during the first half of 2015. This interest rate swaps will start in December 2018 respectively and will run until December 2023. The interest rate swap is intended to cover future, expected floating interest rate exposures. The interest rate which has been fixed is 0.965% per annum. As at 30 June 2017, 96.1% of the financial debt was at a fixed interest rate (compared to 95.2% as at 31 December 2016). Following the repayment of the Swedbank credit facility on 14 September 2017, all financial debt is fixed. As at 31 December 2016, the Group had a total of € 150 million in interest rate swaps outstanding, in connection with its floating rate borrowings. As at 31 December 2016, an increase or decrease of 100 basis points in interest rates would have resulted a reduction or increase of € 190,000 in profit before tax.

***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 Group generally seeks to maintain diversified exposure to counterparties. As at 30 June 2017 and 31 December 2016, the Group had identified a significant exposure of credit risk in connection with its lease concluded with Punto Fa in Spain, and which represents an annual rent of € 7.5 million. VGP has a bank guarantee for the 3 years rent which is aligned with Punto Fa's bank covenants and which can reduce to a minimum of equivalent of 12 months' rent guarantee in case future bank covenants complied with. As at 30 June 2017, the top 10 tenants represented 51.2% of the total Annualised Committed Leases of the Group and the Joint Venture jointly.

***Liquidity risk***

The following table sets forth the contractual maturities of the Group's 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 €* | **For the period ended 31-Dec-2016** | | | | | |
|  | **Carrying Amount** | **Contractual Cash Flow** | **< 1 year** | **1-2 years** | **2-5 years** | **> 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)** | |

**Basis of Presentation**

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 at the date on which the relevant consolidated financial statements were prepared.

The accounting policies adopted for the half year 2017 are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016 except for the new standards, amendments to standards and interpretations which became effective during 2017 and which are set out in note 1 to the Interim Financial Statements 2017.

In respect of the new standards IFRS 9, IFRS 15 and IFRS 16 which are not yet effective during the first half of 2017, the Company has currently made following analysis:

* 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, a right-of-use asset and related liability will be recognised on the consolidated balance sheet.

Finally, in respect of the Joint Venture and the Associate, the Company has adopted following in respect of the Joint Venture:

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 holding company does not recognise 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 the Joint Venture or the Associate in full in profit or loss, consistent with the applicable guidance in IFRS10. In respect of the treatment of revenues derived from transactions with the Joint Venture and the Associate (such as for example sales services and 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 the 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”.

**Critical accounting judgments and estimates**

In connection with the preparation of the Annual Financial Statements, the Group makes certain judgments and estimations.

The following are the critical judgments made by management, apart from those involving estimations, 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. Management concluded that it has joint control over the Joint Venture and hence this joint venture and the related associates are accounted for using the equity method.
* The Group has elected 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 only recognises its proportional profit or loss in its consolidated financial information, and does not recognise a higher profit or loss than its share accounted for under “results in joint ventures and associates”.

The following are the key estimates made by the Group in connection with preparation of the Annual Financial Statements and that could have a significant impact on the Annual Financial Statements:

* The Group'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 financial information.
* The Group’s derivative financial instruments are assessed at the moment of transaction whether such instruments qualify for hedge accounting. The Group has no hedging instruments which qualify for hedge accounting and as a result the changes in fair value of the hedging instruments are recognised through profit and loss.
* Deferred tax assets are recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. In making its judgment, management takes into account elements such as long-term business strategy and tax planning opportunities.

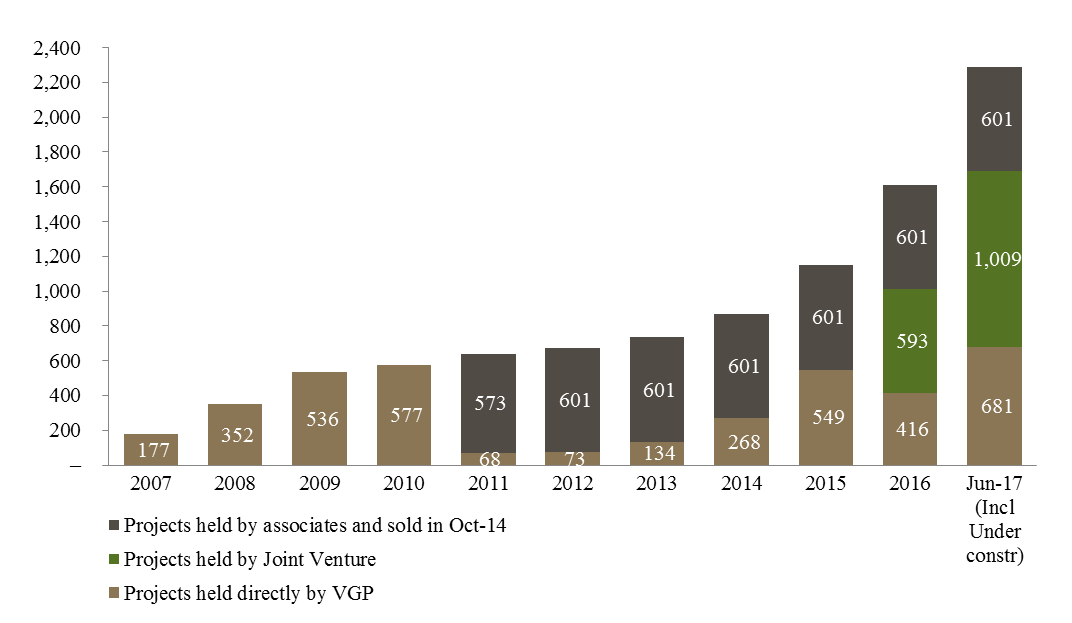
For a description of the Group's principal accounting policies, see note 2 to the Annual Financial Statements.

BUSINESS

General description of the Company and the Group

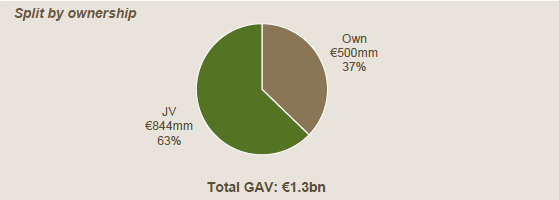
VGP is a pure-play logistics real-estate group focused on Western, Central and Eastern Europe, and is specialised in the acquisition, development, and management of logistic real estate, i.e. buildings suitable for logistical purposes and light industrial activities. In March 2016, VGP entered into a 50:50 joint venture with Allianz, 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. The Group develops and constructs high-end logistic real estate and ancillary offices for its own account and for the account of the Joint Venture, which primarily has a hold strategy and to which certain new developments carried out by VGP are contributed. The Group focuses on strategically located plots of land in Germany, some Central European countries, Spain and the Baltic countries, 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. The Group had an in-house team of 126 people as at 30 June 2017 which manages all the activities of the fully integrated business model: from the identification and acquisition of the land, to the conceptualisation and design of the project, the supervision of the construction works, the contacts with potential tenants and the facility management of its own real estate portfolio. Over the last 10 years, the Group developed more than 2.2 million m² of lettable area. On the basis of the experience and knowledge developed over its history, VGP was able to develop 438,511 m² of lettable area since the start of 2016. As at 30 June 2017 a further 527,876 m² of lettable area was under construction (including Estonia and the development assets under construction to be offered to the Joint Venture).

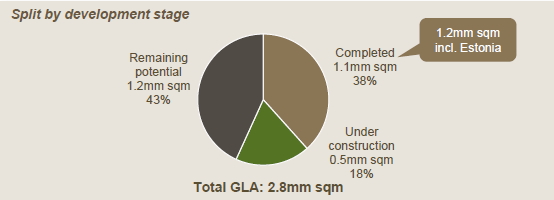
**Total developed lettable area by the Group since 2007 (in thousands of m²):**

****

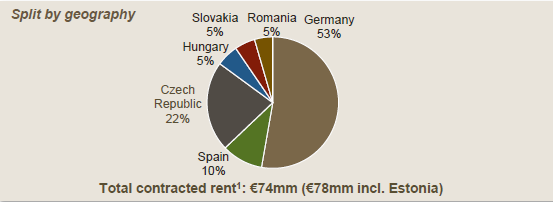
**Note**: The chart shows the total lettable area developed by the Group since 2007. While some of such areas have been sold in 2014 (and previously transferred to Snow Crystal S.à r.l. or SUN S.à r.l.) and the Group does not retain any ownership to such areas, the Company considers that the chart shows a true picture of the actual development activity of the Group over the relevant period. For the avoidance of doubt, the areas shown in dark grey colour are, as of the date of this Prospectus, no longer owned in any way by the Group. Similarly, the areas shown in green colour are owned by the Joint Venture and thus indirectly and partially by the Group. The graph showing the situation as per June 2017 (including under construction) includes the Group’s own and the Joint Venture’s (at 100%) land under full ownership and under option; including Estonia (held for sale as per 30 June 2017).

**Portfolio breakdown (excluding Estonia):**





Note: Both charts above reflect the situation as per 30 June 2017, excluding however Estonia. As publicly announced, the park in Estonia (which was agreed to be sold in June 2017 and whereby closing occurred in September 2017) was as per 30 June 2017 held as asset for disposal on the balance sheet and is therefore not considered as part of the portfolio.



Note: the chart above reflects the situation as per 30 June 2017.

High quality projects are developed on the basis of VGP’s building standards, with adaptations to meet specific requirements of future tenants while ensuring multiple purpose use, maximising the ability to lease out assets to a wide range of tenants. The constructions, which respond to the latest modern quality standards, are leased under long term lease agreements to tenants which are active in the logistics sector, including storing but also assembling, re-conditioning, final treatment of the goods prior to transport to industrial clients or retailers.

The Group aims at securing long term leases. As at 30 June 2017, the portfolio of annual committed leases consisted of the following long term and short term leases:



Note: The charts above include Estonia (held for sale as at 30 June 2017 and effectively sold in the course of September 2017).

In addition to striving for as much committed long term leases as possible, the Group aims at maximizing the occupancy rate of its available rental portfolio. Since 2007, the Group (as well as, where relevant, the Joint Venture, Snow Crystal S.à r.l. or SUN S.à r.l.) has never fallen below an occupancy rate of 90%.

The following graph shows the historical occupancy rates of the Group’s, Joint Venture’s and the Associate’s portfolios as at 31 December in each year and as at 30 June 2017:

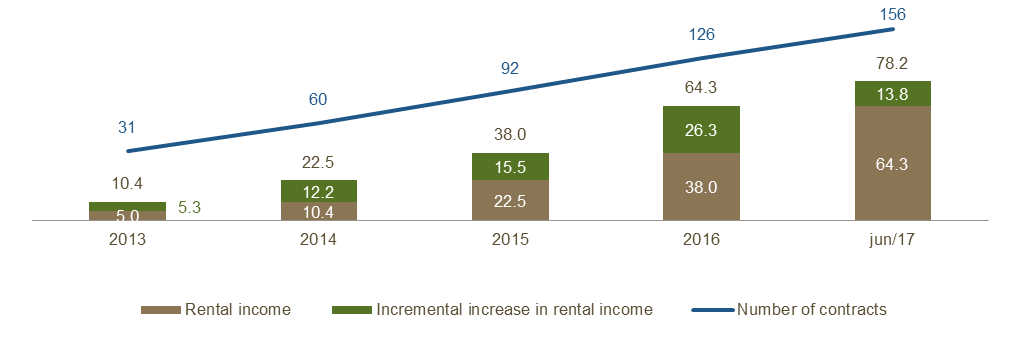
Note: Associates portfolio is mainly comprised of the associates Snow Crystal S.à.r.l. (VGP CZ I and VGP CZ IV portfolio) and Sun S.à.r.l. (VGP CZ II portfolio).

Greenfield developments are the core activity of the VGP Group. However, respecting current trends, the Group expects that the so far relatively negligible share of the brownfield developments will increase in the future. 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 management of VGP believes 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 following graph shows the total land acquired by VGP (whether in full ownership or still under option) in million m² since 2013[[9]](#footnote-9):

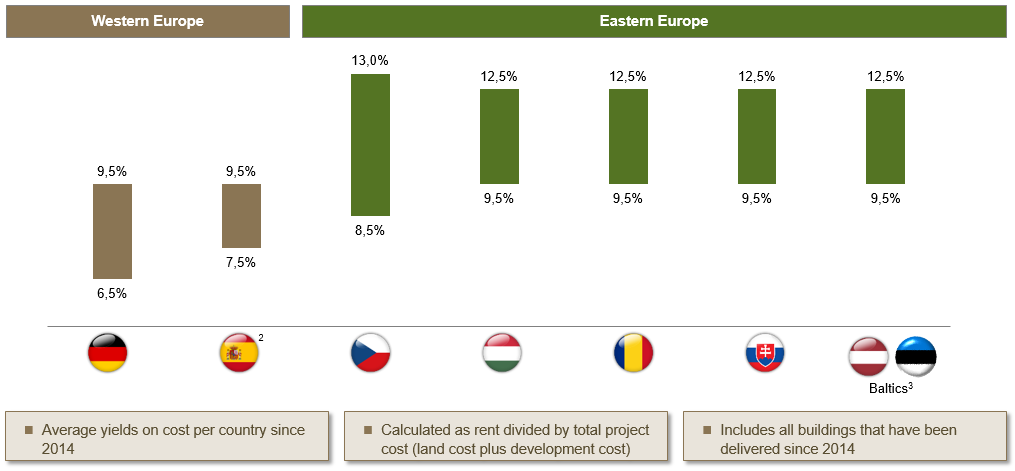
The following graph shows the completed gross leasable area (in thousand m²)[[10]](#footnote-10):

The following graph shows the Annualised Committed Leases (in million €)[[11]](#footnote-11) (including € 51.3 million of the JV at 100%):



CAGR ’13-’17: 78.7% of total Annualised Committed Leases

The following graph shows the average yields on costs per country since 2014 to 30 June 2017 (excluding the JV), whereby the ranges displayed correspond to approximately rounded percentages of yield on costs observed from 2014 to 2017 (excluding Spain, for which country the ranges presented correspond to target yields). Yields on cost are calculated as annualised rent divided by total project cost (including land acquisition costs and project development costs).



2 Targeted development yield.

3 Including Estonia (assets held for sale as at 30 June 2017).

Strategy

The aim of the Group is to become a leading specialised developer and owner of high-quality logistic property for the mid-European region (whereby the Group’s current focus is on Latvia, the Czech Republic, Slovakia, Hungary and Romania), Germany, Spain and possibly other countries, depending on market demand and perceived trends. The Group’s target is to access a new country approximately every two years.

Since 2010, the Group has changed its business model and strategy from a strict develop and hold strategy towards a strategy with an increased focus on development and more pro-active approach in respect of potential disposal of the income generating assets, as a result of which the Group could (partially) realise valuation gains and generate additional fee income from Facility Management services. This change in strategy has been reinforced with the entering into a 50:50 joint venture with Allianz in the first quarter of 2016. This Joint Venture confirms the long-term strategy of the Group of realising valuation gains and is expected over time to have a significant impact on the fee income generating capabilities of the Group as VGP benefits from fee income generated from asset management, property management and development management services. Although this strategy has a negative impact on the recurrent rent income for the Group as the income generating assets are sold to realize capital gains, such rent income would grow again in the short and medium term once new developments are constructed on the land bank that has been acquired, among others, with proceeds from these transactions and that will subsequently be let to tenants and which are not transferred to the Joint Venture. In addition, the Group indirectly benefits from the underlying increase in rent income of the Joint Venture as it is entitled to 50% of its profits.

The Joint Venture’s objective 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. The Joint Venture’s strategy is therefore primarily a hold strategy and its territorial scope can be expanded in order to include other countries, subject to a mutual agreement thereto between VGP and Allianz.

The Group’s investment strategy is based on the following principles:

* strategically located plots of land;
* focus on business parks with a view to realising economies of scale;
* high quality standardised logistic real estate;
* in-house competences enabling a fully integrated business model; and
* Primary focus on development activities and asset- and property management activities.

Business overview

Activities - fully integrated business model

Land

Concept &

Design

Construction

Rent

Portfolio

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

Land plots

The first phase of the business model is the identification of top locations for logistic projects. The Group focuses on the acquisition of land plots with a size between 15 and 25 hectares, which are zoned for logistic or light industrial use. Larger land plots enable creation of VGP parks, thus providing economies of scale and also more flexibility in case of future vacancies. For particular projects, smaller land plots (ca. 5 hectares) can be also interesting, and in good locations, the Group is ready to acquire also significantly larger plots.

The Group seeks to ensure that all land plots are in accordance with its investment criteria (e.g. proximity to highways and ring roads, important logistic access, the vicinity of important city centres with living concentration and production hubs, public transportation, etc.). For this activity, the Group works in close cooperation with several local real estate brokers, some of which have an exclusive agreement with the Group. Moreover, the Group has a core team which has an intensive proprietary prospection function. Generally, the Group communicates with local authorities and seeks to ensure that its projects are supported by the relevant communities. As a result, members of the management team are regularly in contact with the municipalities and are aware of the local sensitivities, which are key to successful permitting.

The management and the team gather on a regular basis to evaluate potential projects. Once a project is approved, a technical due diligence is performed. As a general rule, any acquisition of land is subject to first obtaining the zoning and/or building permit for logistic activities and the absence of any other obstacles such as environmental issues, infrastructure works, etc. Each decision to acquire new land plot is subject to CEO approval.

For legal assistance, drafting of contracts as well as legal due diligence of acquisition targets, the Group relies on reputable local or international law firms, as well as on its in-house legal counsel.

The Group’s policy is to acquire plots of land which are directly connectable to existing infrastructure. Within the boundaries of the land plots, VGP undertakes infrastructure works if necessary. This infrastructure work is directly linked to the developed properties.

As an example of the type of land plots acquired by the Group, the key data for VGP Park Rodgau is as follows:

* Acquisition date: December 2013;
* Land cost: c. € 13.0 million;
* Seller type: more than 90 private owners;
* Land area: 212,740 m²;
* Gross lettable area: 103,699 m² with Annualised Committed Leases of € 6.1 million;
* Location: Rodgau (Germany), close to the Frankfurt airport;
* Location specifics: greenfield, next to highway 45;
* Permitting: took VGP from 2011 to 2013 to obtain the necessary permits;
* Total development cost: c. € 66.5 million (including land).

Concept and design

VGP applies strict guidelines to the design of its buildings. The Group uses a document describing in detail the minimum requirements the building should meet. This design ensures multi-purpose utilisation throughout the life cycle of the building.

For architectural and design matters, the Group works with its internal team supported where necessary by a limited number of several dedicated external offices of architects and designers.

In addition to the Group’s standard building requirements, some adaptation (such as lay-out and finishing) can be done according to the tenants’ requirements. The design, as well as the technical description, of the necessary infrastructure for the tenants’ operations are generally made by VGP itself, in close co-operation with the tenant’s technical advisers, ensuring a thorough understanding of the customers’ needs.

Construction

High quality logistic projects are constructed mainly on a pre-let basis and to a lesser extent at own risk. In a number of cases the Group starts constructions without the buildings being pre-let: usually, the Group will then start up a new building in a new park (on a speculative basis) taking into consideration which buildings are at such moment already pre-let on a portfolio basis, with a view to limiting the overall exposure on speculative constructions. However, in a lot of cases pre-let agreements with future tenants are in place before starting construction. For pre-let buildings the projects will be developed in close co-operation with future tenants. It is the Group’s experience that projects being constructed at own risk will usually be for a majority or totally let during the construction period. As soon as a tenant signs a lease agreement on a speculative project the further stages of development of the building will be made in close co-operation with the respective future tenant(s). The buildings are finished taking into account the future tenants’ requirements and specifications but always in accordance with the Group’s prevailing technical and quality standards.

The Group centralizes the purchase of materials and construction components for its buildings at each of its local offices, which the Group believes enhances its negotiation power and allows to realise economies of scale. In Germany, the Czech Republic and Slovakia, the Group often acts as a general contractor and organizes the construction by directly engaging particular contractors for specific parts of each building, thus avoiding the need to have a general contractor. VGP is acting as general contractor of c. 89% of the portfolio under construction. In other countries, the Group cooperates with local general contractors for the coordination of the individual building sites. The Group’s cost controllers are responsible for the follow up of the actual costs versus the budgeted costs of the respective projects. The Group aims to minimize the development risk: as at 30 June 2017, for example, of more than 500,000 m² assets that were under construction, more than 73% was pre-let (including Estonia, by excluding Estonia the pre-let figure would be 71%).

The following table contains an overview of projects under construction for the Group and the Joint Venture jointly as at 30 June 2017 (excluding Estonia):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Gross lettable area**  **(in m²)** | **Pre-let** | **As of total** | **General contracting** |
| **Germany** | 299,859 | 82% | 58.1% | VGP |
| **Spain** | 22,980 | - | 4.4% | External |
| **Czech Republic** | 143,096 | 75% | 27.7% | VGP |
| **Hungary** | 12,212 | 100% | 2.4% | External |
| **Latvia** | 20,152 | - | 3.9% | External |
| **Slovakia** | 18,162 | 51% | 3.5% | VGP |
| **Total** | **516,461** | **71%** | **100.0%** |  |

Rent out and marketing

The buildings are generally leased under long term lease agreements to tenants which are active in the logistics sector, e-commerce and/or light manufacturing sector, such as assembling, re-conditioning and final treatment of the goods prior to transport to industrial clients or retailers. The lease agreements typically range between five and ten years, all designed as “triple net leases”, i.e. the tenant being responsible for reimbursement of all maintenance, insurance as well as tax costs related to the ownership of the property. The leases are drafted in accordance with local laws securing that the rights and obligations of the parties are well suited to the character of the logistic properties held by the Group. The Group requires specific guarantees securing the obligations of the tenants, generally in the form of a deposit or a bank guarantee. Specific regulations are agreed for adaptation of the space for tenants’ needs, in particular, where the tenants’ operations require special permits or changes to the structure of the building. Costs of such adaptation are generally borne by the tenant. For more detail on the lease agreements, see “*Operating and Financial Review – Factors affecting results of operations – Contracted Income*”.

The Group attaches great importance to its direct client relations. The Group's commercial officers are responsible for the contacts with the existing and potential tenants, the proposals and monitoring of the tenants’ requirements during the building process until the handover of the premises. Generally, the Group engages with clients via local real estate brokers (who are the primary source of sales leads), internal VGP sales team, at trade fairs and through various advertisement channels (the Group launches awareness campaigns through offline and online advertising and press coverage).

The Group believes that it enjoys a strong recognition in the vast majority of the markets in which it operates. The Group markets all parks, including those that are owned by the Joint Venture, under one brand umbrella, “VGP Parks”.

The Group’s target is to attain a healthy mix of end users and logistics companies as tenants. Key considerations for the prioritisation of tenants are their creditworthiness, the lease term and lettable area, with a focus on repeat tenants and cross-border clients.

In Germany, where VGP became one of top tier developers in 2015, the Group as of 30 June 2017, had several repeat tenants with more than one rent contract (including in other countries), such as Lidl (2 lease agreements), Benteler Automotive (2 lease agreements), Rhenus Logistics (2 lease agreements), Volkswagen (3 lease agreements), Geis Global Logistics (2 lease agreements), Cargo-Partner (2 lease agreements), Hartmann (2 lease agreements) and Lekkerland (2 lease agreements).

The following graph gives an overview of the Group’s top 10 tenants, based on gross lettable area as at 30 June 2017:

Key tenants of the Group include: Faiveley Transport, Benteler Automotive, Fromm Packaging Systems, Audi, Skiny, Gebrüder Weiss, DHL, PTG Unionpack, Geodis, Dana, Mango, Rossmann, Syncreon, Hartmann, Amazon, C&A, Knorr-Bremse, Nagel-Group, CF&S, Lekkerland, Custom Chrome, SSI, Rhenus Logistics, Caamaño CZ, Assa Abloy, Volkswagen, Drylock, Taigo and Ikea.

Portfolio: ancillary services provided

*Property Management and Asset Management services*

Property Management services are exclusively provided by the Group in connection to its own portfolio and the Joint Venture’s portfolio whereby the respective Group property management company is responsible for managing the proper and undisturbed operation of the buildings. In addition, the property manager identifies, supervises and manages, on behalf of the Group or the Joint Venture, the relationship with third party suppliers.

As part of its offered services the VGP property management companies also provides 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 (such as the supervision and coordination of the contractors for design, advising on obtaining permits, advising on the works and any tenders relating thereto).

As part of the property management services VGP also provides leasing services. The Group's commercial department is responsible for all aspects of the performance and enforcement of the leases and the lease agreements, also on behalf of the Joint Venture and its subsidiaries, as well as for day-to-day co-operation with the tenants.

The asset management function was created in 2016 as part of the services rendered to the Joint Venture and entails giving advice and recommendations to the Joint Venture and its subsidiaries on the Joint Venture’s asset management and strategy. Further advice and recommendations are given by the asset manager in respect of an appropriate tenant mix, and the execution of a leasing strategy that aligns cash flows with portfolio needs and management of both capital and operating expenses. As part of the provided services, VGP is responsible for standard corporate administration of financing, business planning, reporting, budgeting, management of tax and legal affairs, controlling, etc. The asset management services are provided by the subsidiary VGP Asset Management S.à r.l. which operates from Luxembourg. As a consideration for the asset management services, VGP is entitled to an asset management fee, the calculation of which is based on invested equity in the JV, adjusted for any future capital contribution / distribution.

*Facility Management services*

Facility Management services are carried out in the Czech Republic by SUTA s.r.o. (“SUTA”) and are focused on providing facility management services which include various actions such as general maintenance, maintenance of gas and electricity utilities, readings of measuring devices, defect reporting, supervision of cleaning works etc. 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 other countries where no local facility management team is in place, the Group uses third party facility management services companies to perform these activities.

**Operating portfolio**

The aggregate value of Annualised Committed Leases of the Group’s own portfolio and the Joint Venture portfolio (at 100%) as of 30 of June 2017 was € 78.2 million including Estonia (by excluding Estonia the Annualised Committed Leases figure would be € 73.9 million) generated from a total of 1,564,320 m² of lettable area including Estonia (by excluding Estonia, this figure would be 1,487,280 m²). Of this total space, 573,433 m² belong to the Group’s own portfolio and 990,888 m² to the Joint Venture.

The weighted average term of the Annualised Committed Leases of the own and Joint Venture portfolios combined stood at 10.2 years at the end of June 2017 including Estonia (by excluding Estonia this figure would be 10.3 years). The own portfolio reached an average Annualised Committed Lease period of 14. years as at 30 June 2017 including Estonia (by excluding Estonia this figure would be 15.1 years), while the Joint Venture portfolio reached 8.1 years.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **For the Group and the Joint Venture (at 100%)** | **Germany** | **Spain** | **Czech Republic** | **Hungary** | **Latvia** | **Romania** | **Slovakia** | **Total** |
| **Occupancy**  **(in %)** | 100 | 100 | 100 | 100 | n.a. | 100 | 100 | **100** |
| **Weighted average lease term**  **(in years)** | 8.8 | 29.5[[12]](#footnote-12) | 7.8 | 7.3 | n.a. | 2.9 | 6.4 | **10.2** |

Based on a valuation by Jones Lang LaSalle, as of 30 June 2017, the Group’s property portfolio (including the own property portfolio and the Joint Venture property portfolio (at 100%)) had a gross asset value of (rounded) € 1.4 billion (€ 550 million (rounded) for the own portfolio and € 844 million (rounded) for the JV portfolio), with a completed gross lettable area of 1.2 million m², 0.5 million m² gross lettable area under construction and 1.2 million m² gross lettable area of remaining potential. The Group’s property portfolio, including the own and Joint Venture property portfolios, both had an occupancy rate of 100.0% at the end of June 2017.

***Group’s own portfolio***

As of 30 June 2017, the Group's own investment property portfolio consisted of 13 completed buildings, representing 353,088 m² of lettable area 16 buildings were under construction, i.e. in the Czech Republic: 3 buildings in VGP Park Olomouc, 4 buildings in VGP Park Jenec and 1 building in VGP Park Chomutov. In Germany: 3 buildings in VGP Park Berlin, 1 building in VGP Park Ginsheim and 1 building in VGP Park Wetzlar. In other countries: 1 building VGP Park San Fernando de Henares (Spain), 1 building in VGP Park Nehatu (Estonia) (held for sale as at 30 June 2017) and 1 building in VGP Park Kekava (Latvia).

The new buildings under construction (on which 65% pre-leases were already signed as at 30 June 2017), represent a total future lettable area of 328,033 m² which corresponds to an estimated annualised rent income of € 13.1 million (assuming full occupancy and current market conditions).

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **LETTABLE AREA (m²)** | |  |  |  |
| **VGP PARK[[13]](#footnote-13)** | **Owner** | **Land area**  **in m²** | **Completed**  **in m²** | **Under Construction**  **in m²** | **Potential**  **in m²** | **Total**  **in m²** | **Annualised Committed Leases**  **(in million €)** |
| **Germany** |  |  |  |  |  |  |  |
| VGP Park Hamburg | VGP | 87,952 | - | - | 30,148 | 30,148 | - |
| VGP Park Berlin | VGP | 188,455 |  | 89,739 | - | 89,739 | 2.4 |
| VGP Park Ginsheim | VGP | 59,845 | - | 35,337 | - | 35,337 | 2.1 |
| 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 | - | - | 40,148 | 40,148 | - |
| VGP Park Wustermark | VGP | 134,845 | - | - | 71,503 | 71,503 | - |
|  |  | **1,156,522** | **-** | **143,461** | **404,488** | **547,949** | **4.9** |
| **Czech Republic** |  |  |  |  |  |  |  |
| VGP Park Ústí nad Labem | VGP | 141,968 | 19,727 | - | 21,112 | 40,839 | 1.9 |
| VGP Park Olomouc | VGP | 350,344 | 14,627 | 27,262 | 111,130 | 153,019 | 1.6 |
| VGP Park Jenec | VGP | 173,859 | - | 69,734 | - | 69,734 | 2.8 |
| VGP Park Chomutov | VGP | 95,057 | - | 33,029 | 16,779 | 49,808 | 0.6 |
|  |  | **761,228** | **34,354** | **130,025** | **149,021** | **313,400** | **6.9** |
| **Other Countries** |  |  |  |  |  |  |  |
| VGP Park Bratislava (Slovakia) | VGP | 419,316 | - | - | 205,384 | 205,384 | - |
| VGP Park Timisoara (Romania) | VGP | 279,291 | 71,644 | - | 51,160 | 122,804 | 3.3 |
| VGP Park Sibiu (Romania) | VGP | 97,036 | - | - | 46,166 | 46,166 | - |
| VGP Park Nehatu (Estonia)\* | VGP | 155,450 | 65,625 | 11,415 | - | 77,040 | 4.2 |
| VGP Park Kekava (Latvia) | VGP | 146,873 | - | 20,152 | 40,320 | 60,472 | - |
| VGP Park San Fernando (Spain) | VGP | 222,666 | - | 22,980 | 111,784 | 134,764 |  |
| VGP Park Mango (Spain) | VGP | 274,255 | 181,465 | - | 133,934 | 315,399 | 7.5 |
|  |  | **1,594,886** | **318,735** | **54,547** | **588,748** | **962,029** | **15.1** |
|  |  |  |  |  |  |  |  |
| **Total Own portfolio** |  | **3,512,636** | **353,088** | **328,033** | **1,142,257** | **1,823,378** | **26.9** |

\* Subsequently sold, see section “*Operating and Financial Review - Recent Developments and Trends*”.

***JV portfolio***

As of 30 June 2017, the Joint Venture property portfolio consisted of 44 completed buildings, representing 809,022 m² of lettable area. VGP is currently constructing 5 buildings to be offered to the Joint Venture which should in principle be acquired by the Joint Venture upon completion, subject to and in accordance with the terms of the Joint Venture Agreement. In Germany: 1 building in VGP Park Hamburg and 1 building in VGP Park Frankenthal. In the other countries: 1 building in VGP Park Cesky Ujezd (Czech Republic), 1 building in VGP Park Malacky (Slovakia) and 1 building in VGP Park Gyor (Hungary).

The new buildings under construction (on which 90%[[14]](#footnote-14) pre-leases were already signed as at 30 June 2017), represent a total future lettable area of 199,843 m², which corresponds to an estimated annualised rent income of € 10.3 million (assuming full occupancy and current market conditions).

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **LETTABLE AREA (m²)** | |  |  |  |
| **VGP PARK[[15]](#footnote-15)** | **Owner**  **in m²** | **Land area**  **in m²** | **Completed**  **in m²** | **Under Construction**  **in m²** | **Potential**  **in m²** | **Total**  **in m²** | **Annualised Committed Leases**  **(in million €)** |
| **Germany** |  |  |  |  |  |  |  |
| VGP Park Bingen | JV | 15,000 | 6,400 | - | - | 6,400 | 0.4 |
| VGP Park Hamburg | JV | 537,112 | 226,667 | 9,376 | 11,652 | 247,694 | 11.9 |
| VGP Park Soltau | JV | 119,868 | 55,811 | - | - | 55,811 | 1.9 |
| VGP Park Rodgau | JV | 212,740 | 103,699 | - | - | 103,699 | 6.1 |
| VGP Park Höchstadt | JV | 45,680 | 15,001 | - | - | 15,001 | 0.9 |
| VGP Park Berlin | JV | 46,540 | 23,850 | - | - | 23,850 | 1.1 |
| VGP Park Frankenthal | JV | 174,832 | - | 147,022 | - | 147,022 | 7.7 |
| VGP Park Bobenheim-Roxheim | JV | 56,655 | 23,270 | - | - | 23,270 | 1.7 |
| VGP Park Borna | JV | 42,533 | 13,617 | - | - | 13,617 | 0.8 |
| VGP Park Schwalbach | JV | 19,587 | 8,386 | - | - | 8,386 | 0.5 |
| VGP Park Leipzig | JV | 105,885 | 24,469 | - | 19,836 | 44,305 | 1.2 |
|  |  | **1,376,432** | **501,168** | **156,398** | **31,488** | **689,054** | **34.1** |
| **Czech Republic** |  |  |  |  |  |  |  |
| VGP Park Tuchoměřice | JV | 58,701 | 25,013 | - | - | 25,013 | 1.1 |
| VGP Park BRNO | JV | 63,974 | 34,520 | - | - | 34,520 | 1.8 |
| VGP Park Hrádek nad Nisou | JV | 180,638 | 40,361 | - | 36,519 | 76,880 | 2.2 |
| VGP Park Olomouc | JV | 54,674 | 19,859 | - | - | 19,859 | 1.0 |
| VGP Park Pilsen | JV | 92,354 | 44,256 | - | - | 44,256 | 2.2 |
| VGP Park Cesky Ujezd | JV | 45,383 | 2,753 | 13,071 | - | 15,824 | 0.5 |
| VGP Park Liberec | JV | 36,062 | 11,436 | - | 2,304 | 13,740 | 0.6 |
|  |  | **531,786** | **178,198** | **13,071** | **38,823** | **230,091** | **9.5** |
| **Other Countries** |  |  |  |  |  |  |  |
| VGP Park Malacky (Slovakia) | JV | 220,492 | 68,566 | 18,162 | 9,880 | 96,608 | 3.7 |
| VGP Park Győr (Hungary) | JV | 121,798 | 38,183 | 12,212 | - | 50,395 | 2.6 |
| VGP Park Alsónémedi (Hungary) | JV | 85,349 | 22,905 | 0 | 12,000 | 34,905 | 1.4 |
|  |  | **427,639** | **129,654** | **30,374** | **21,880** | **181,908** | **7.7** |
|  |  |  |  |  |  |  |  |
| **Total Joint Venture portfolio** |  | **2,335,858** | **809,020** | **199,843** | **92,190** | **1,101,053** | **51.3** |

Development pipeline

During the period as from January 2013 until December 2016, the Group has acquired, on average, 950,000 m² land per year. During the period as from 1 January 2016 until 30 June 2017, the Group completed c. 438,000 m² gross lettable area (excluding the Mango building), with another 528,000 m² of gross lettable area to be delivered in the period as from 1 July 2017 until 30 June 2018. The Group has identified approximately 2.1 million m² of additional land plots across Europe which could lead to an expansion of the land bank (representing approximately 1.2 million m² of gross lettable area to be added to the development pipeline).

Own portfolio

As at 30 June the total secured land bank owned by the Group amounted to 3,512,636 m² of which 2,770,995 m² (79%) was in full ownership and 741,641 m² (21%) 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.

The secured land bank allows VGP, in addition to the current completed projects and projects under construction, to develop an additional 1,142,000 m² of lettable area (778,000 m² on fully owned land and 364,000 m² on land which are subject to future purchase agreements, excluding Estonia as there was no further development land or future purchase agreements for land acquisition in place as per 30 June 2017)), of which 405,000 m² is located in Germany, 149,000 m² in the Czech Republic, 245,000 m² in Spain, 206,000 m² in Slovakia, 97,000 m² in Romania and 40,000 m² in Latvia.

The following charts contain a summary of the development potential of the Group’s secured land bank as at 30 June 2017. The assessment of the development potential is based on the development of similar projects.







As at 30 June 2017 the secured land was located in (i) Germany: 135,000 m² of land on which 72,000 m² can be potentially developed; in Slovakia: 419,000 m² of land on which 205,000 m² can be potentially developed; and finally (iii) Romania: 188,000 m² of land on which 87,000 m² can be potentially developed.

The following table gives an overview of the Group’s own on balance sheet opportunities with clear rental income conversion (as at 30 June 2017):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Under construction** | **Germany** | **Spain** | **Czech Republic** | **Latvia** | **Total / weighted average** |
| **Land area**  **(in m²)** | 281,968 | 39,638 | 340,373 | 48,510 | 710,488 |
| **Gross lettable area**  **(in m²)** | 143,461 | 22,980 | 130,025 | 20,152 | 316,618 |
| **Pre-leased**  **(in million €)** | 4.9 | - | 4.9 | - | 9.8 |
| **Vacant potential**  **(in million €)** | 2.2 | 1.3 | 1.5 | 0.9 | 5.9 |
| **Total potential**  **(in million €)** | 7.2 | 1.3 | 6.4 | 0.9 | 15.8 |
| **Pre-let** | 64% | - | 77% | n.a. | 62% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Remaining potential** | **Germany** | **Spain** | **Czech Republic** | **Latvia** | **Romania** | **Slovakia** | **Total** |
| **Land area**  **(in m²)** | 874,554 | 359,579 | 346,839 | 98,363 | 208,122 | 419,316 | 2,306,773 |
| **Gross lettable area**  **(in m²)** | 404,488 | 245,718 | 149,021 | 40,320 | 97,326 | 205,384 | 1,142,257 |

The following table gives an overview of the Group’s (excluding Estonia) and the Joint Venture’s remaining potential in terms of annual rent per m²:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Germany** | **Spain** | **Czech Republic** | **Latvia** | **Hungary** | **Romania** | **Slovakia** |
| **Annual rent / m² for warehouses**  **(in €)** | 3.50-5.00 | 3.50-4.75 | 3.75-4.25 | 3.75-4.25 | 3.90-4.70 | 3.70-4.25 | 3.85-4.25 |
| **Annual rent / m² for offices**  **(in €)** | 7.00-8.50 | 7.50-9.00 | 7.50-8.50 | 7.50-8.00 | 7.00-8.00 | 7.50-8.50 | 7.50-8.50 |

JV portfolio

As at 30 June 2017 the Joint Venture had a remaining development land bank of 229,703 m² (fully owned) on which a total of 92,190 m² of new lettable space can be developed.

The following chart contains a summary of the total development potential of the JV’s land bank as at 30 June 2017. The assessment of the development potential is based on the development of similar projects.







The following table gives an overview of the Joint Venture’s on balance sheet opportunities with clear rental income conversion (as at 30 June 2017):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Under construction** | **Germany** | **Spain** | **Czech Republic** | **Latvia** | **Total / weighted average** |
| **Land area**  **(in m²)** | 195,518 | 38,279 | 26,639 | 44,998 | 305,435 |
| **Gross lettable area**  **(in m²)** | 156,398 | 13,071 | 12,212 | 18,162 | 199,843 |
| **Pre-leased**  **(in million €)** | 8.0 | 0.3 | 0.4 | 0.6 | 9.4 |
| **Vacant potential**  **(in million €)** | 0.2 | 0.3 | 0.5 | - | 0.9 |
| **Total potential**  **(in million €)** | 8.2 | 0.6 | 0.9 | 0.6 | 10.3 |
| **Pre-let** | 98% | 58% | 100% | 51% | 91% |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Remaining potential** | **Germany** | **Czech Republic** | **Latvia** | **Slovakia** | **Total** |
| **Land area**  **(in m²)** | 79,579 | 97,202 | 29,353 | 23,569 | 229,703 |
| **Gross lettable area**  **(in m²)** | 31,488 | 38,823 | 12,000 | 9,880 | 92,191 |

Property valuation techniques and related quantitative information

Valuation process

The Group’s own investment properties and the Joint Venture’s investment properties were valued at 30 June 2017 by Jones Lang LaSalle. The valuations were prepared in accordance with the RICS Valuation - Professional Standards (incorporating the International Valuation Standards) Global edition January 2014. 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 valuation process used by Jones Lang LaSalle. the Discounted Cash Flow (“DCF”) valuation approach except for the Spanish property portfolio which was valued using the Net Present Value (“NPV”) valuation and initial yield approach.

The NPV approach was utilized 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 (i.e., annualized effective compounded return rate or rate of return that sets the net present value of all cash flows (both positive and negative) from the investment equal to zero) 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 a 30-year lease.

The initial yield approach was utilized for the building under construction in VGP Park San Fernando de Henares (Madrid). The initial yield approach calculates the gross market value by applying a capitalisation rate (initial 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.

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. In these tables, following abbreviations have the following meanings:

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

For the Group’s own portfolio (as at 30 June 2017):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Region** | **Segment** | **Fair value**  **30 Jun-17**  **(in thousands of €)** | **Valuation technique** | **Level 3**  **Unobservable inputs** | **Range** |
| **Czech Republic** | IP | 12,000 | Discounted cash flow | Annual rent per m² | 55-84 |
|  |  |  |  | Discount rate | 6.50%-6.65% |
|  |  |  |  | Exit yield | 6.25% |
|  |  |  |  | Weighted average yield\* | 6.71% |
|  |  |  |  | Cost to completion (in € '000) | - |
|  | IPUC | 69,730 | Discounted cash flow | Annual rent per m² | 34-96 |
|  |  |  |  | Discount rate | 6.25%-10.00% |
|  |  |  |  | Exit yield | 6.00%-6.50% |
|  |  |  |  | Weighted average yield | 6.66% |
|  |  |  |  | Cost to completion (in € '000) | 34,975 |
|  | DL | 16,920 | Sales comparison | Price per m² | - |
|  |  |  |  |  |  |
| **Germany** | IPUC | 95,690 | Discounted cash flow | Annual rent per m² | 45-60 |
|  |  |  |  | Discount rate | 5.90%-8.00% |
|  |  |  |  | Exit yield | 5.15%-5.30% |
|  |  |  |  | Weighted average yield | 5.78% |
|  |  |  |  | Cost to completion (in € '000) | 21,108 |
|  | DL | 51,934 | Sales comparison | Price per m² | - |
|  |  |  |  |  |  |
| **Spain** | IP | 126,240 | Net Present Value | Annual rent per m² | 41 |
|  |  |  |  | IRR | 5.50% |
|  |  |  |  | Weighted average yield | 6.14% |
|  |  |  |  | Cost to completion (in € '000) | - |
|  | IPUC | 14,050 | Initial Yield | Annual rent per m² | 56 |
|  |  |  |  | Initial yield | 5.50% |
|  |  |  |  | Weighted average yield | 5.68% |
|  |  |  |  | Cost to completion (in € '000) | 8,464 |
|  | DL | 65,236 | Sales comparison | Price per m² |  |
|  |  |  |  |  |  |
| **Other countries\*\*** | IP | 83,202 | Discounted cash flow | Annual rent per m² | 41-62 |
|  |  |  |  | Discount rate | 9.50% |
|  |  |  |  | Exit yield | 9.00% |
|  |  |  |  | Weighted average yield | 8.94% / 7.75% |
|  |  |  |  | Cost to completion (in € '000) | 980 |
|  | IPUC | 11,233 | Discounted cash flow | Annual rent per m² | 50 / 46 |
|  |  |  |  | Discount rate | 10.00% |
|  |  |  |  | Exit yield | 8.25% |
|  |  |  |  | Weighted average yield | 7.75% / 10.03% |
|  |  |  |  | Cost to completion (in € '000) | 5,400 |
|  | DL | 4,086 | Sales comparison | Price per m² | - |
|  |  |  |  |  |  |
| **Total** |  | **550,321** |  |  |  |

\* Weighted average yield calculated as estimated rental value (sum of contracted rent and estimated rental value for vacant area) divided by the sum of market value of the portfolio and remaining construction costs per country.

\*\* Includes Estonia (assets held for sale as at 30 June 2017).

For the Joint Venture’s portfolio (as at 30 June 2017):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Region** | **Segment** | **Fair value**  **30 Jun-17**  **(in thousands of €)** | **Valuation technique** | **Level 3**  **Unobservable inputs** | **Range** |
| **Czech Republic** | IP | 146,700 | Discounted cash flow | Annual rent per m² | 44-68 |
|  |  |  |  | Discount rate | 6.25%-7.75% |
|  |  |  |  | Exit yield | 6.00%-6.25% |
|  |  |  |  | Weighted average yield\* | 6.26% |
|  |  |  |  | Cost to completion (in € '000) | 769,000 |
|  | IPUC | 5,600 | Discounted cash flow | Annual rent per m² | 47 |
|  |  |  |  | Discount rate | 7.75% |
|  |  |  |  | Exit yield | 6.25% |
|  |  |  |  | Weighted average yield | 6.79% |
|  |  |  |  | Cost to completion (in € '000) | 3,400 |
|  | DL | 3,200 | Sales comparison | Price per m² | - |
|  |  |  |  |  |  |
| **Germany** | IP | 476,900 | Discounted cash flow | Annual rent per m² | 33-86 |
|  |  |  |  | Discount rate | 6.15%-7.15% |
|  |  |  |  | Exit yield | 5.15%-6.15% |
|  |  |  |  | Weighted average yield | 5.51% |
|  |  |  |  | Cost to completion (in € '000) | 0.900 |
|  |  |  |  |  |  |
|  | IPUC | 101,600 | Discounted cash flow | Annual rent per m² | 52-53 |
|  |  |  |  | Discount rate | 5.90%-7.50% |
|  |  |  |  | Exit yield | 5.15%-5.30% |
|  |  |  |  | Weighted average yield | 5.62% |
|  |  |  |  | Cost to completion (in € '000) | 38,300 |
|  | DL | 6,700 | Sales comparison | Price per m² | - |
|  |  |  |  |  |  |
| **Hungary** | IP | 44,300 | Discounted cash flow | Annual rent per m² | 45-60 |
|  |  |  |  | Discount rate | 8.00% |
|  |  |  |  | Exit yield | 7.75% |
|  |  |  |  | Weighted average yield | 7.64% |
|  |  |  |  | Cost to completion (in € '000) | 2,300 |
|  | IPUC | 5,200 | Discounted cash flow | Annual rent per m² | 49 |
|  |  |  |  | Discount rate | 8.00% |
|  |  |  |  | Exit yield | 8.00% |
|  |  |  |  | Weighted average yield | 8.15% |
|  |  |  |  | Cost to completion (in € '000) | - |
|  | DL | 1,000 | Sales comparison | Price per m² |  |
|  |  |  |  |  |  |
| **Slovakia** | IP | 42,600 | Discounted cash flow | Annual rent per m² | 48-63 |
|  |  |  |  | Discount rate | 7.75%-8.50% |
|  |  |  |  | Exit yield | 7.75% |
|  |  |  |  | Weighted average yield | 8.06% |
|  |  |  |  | Cost to completion (in € '000) | - |
|  | IPUC | 9,200 | Discounted cash flow | Annual rent per m² | 49 |
|  |  |  |  | Discount rate | 9.00% |
|  |  |  |  | Exit yield | 7.75% |
|  |  |  |  | Weighted average yield | 8.49% |
|  |  |  |  | Cost to completion (in€ '000) | 1,300 |
|  | DL | 1,100 | Sales comparison | Price per m² | - |
|  |  |  |  |  |  |
| **Total** |  | **844,100** |  |  |  |

\* Weighted average yield calculated as estimated rental value (sum of contracted rent and estimated rental value for vacant area) divided by the sum of market value of the portfolio and remaining construction costs per country.

The Joint Venture with Allianz

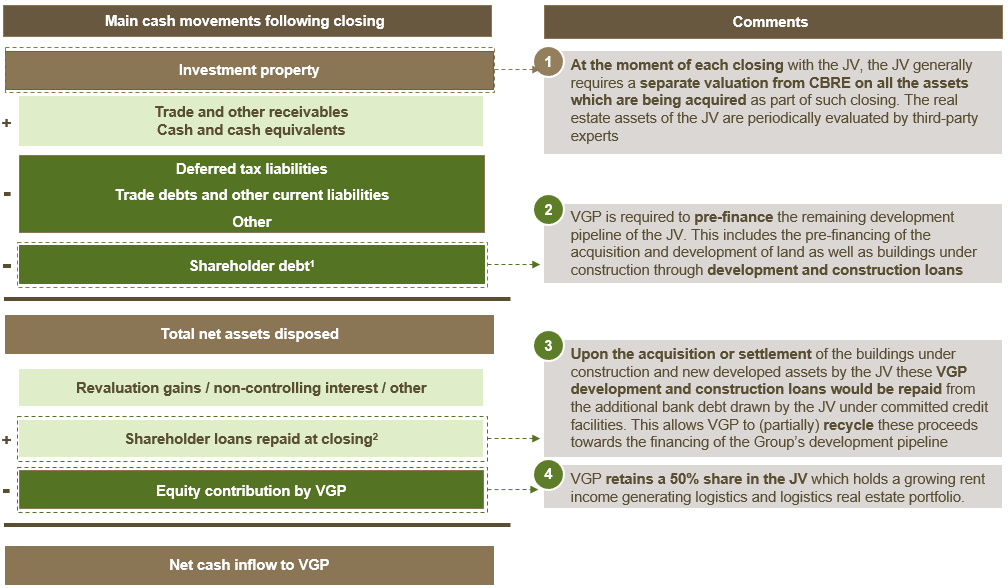
VGP’s management performed a strategic exercise reviewing different alternatives in order to enable the Group to continue to invest in its development pipeline whilst at the same time being adequately financed. During this period the Group came to a view that entering into a joint venture with a long term partner would represent the best alternative to achieve the aforementioned objectives and at the same time maximise shareholder value.

As a result, VGP entered into a 50:50 joint venture with Allianz during the first quarter of 2016. The Joint Venture’s objective 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. The Joint Venture’s strategy is therefore primarily a hold strategy and its territorial scope can be expanded in order to include other countries, subject to a mutual agreement thereto between VGP and Allianz. The Joint Venture was created pursuant to a share purchase agreement entered into by the Company as seller and Allianz as purchaser relating to the acquisition of 50% of the shares in VGP European Logistics S.à r.l. (which in turn hold a participation in the Group’s subsidiaries VGP Hungary Kft, VGP Park Györ Kft (owner of the VGP Park Györ) and VGP Park Alsonemedi Kft (owner of the VGP Park Alsonemedi)) (the “Company SPA”).

The joint venture structure allows VGP to (partially) recycle its initial invested capital when completed projects are acquired by the Joint Venture and allows VGP to re-invest these monies 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.

The Joint Venture has the exclusive right of first refusal (in accordance with the conditions as set forth in the JVA) in relation to acquiring the income generating assets located in Germany, the Czech Republic, Slovakia and Hungary.

The following chart gives an overview of a typical cash flow profile for VGP after the closing of a sale to the JV:



Note: "Shareholder debt” refers to the shareholder loans that remain in place after the closing to the Joint Venture (including development and construction loans) and “Shareholder loans repaid at closing” refers to the portion of the previously existing shareholder loans that is repaid to VGP by the respective subsidiaries or sold to the Joint Venture on closing.

On 31 May 2016, the then newly established Joint Venture completed its first closing (the “First JV Closing”) with the acquisition of the first 15 parks (the “Seed Portfolio”) of VGP via execution of a share purchase agreement between the Joint Venture as purchaser and the Company as seller (the “Seed Portfolio SPA”).

The Seed Portfolio comprised 8 parks located in Germany: VGP Park Bingen, VGP Park Bobenheim-Roxheim, VGP Park Frankenthal, VGP Park Rodgau, VGP Park Hamburg, VGP Park Berlin, VGP Park Höchstadt and VGP Park Borna; 4 parks in the Czech Republic: VGP Park Brno, VGP Park Pilsen, VGP Park Hrádek nad Nisou, VGP Park Olomouc (first phase); 1 park located in Slovakia: VGP Park Malacky and 2 parks located in Hungary: VGP Park Győr and VGP Park Alsónémedi. As at the First JV Closing these parks included 28[[16]](#footnote-16) completed buildings totalling circa 509,647[[17]](#footnote-17) m², 8 buildings under construction totalling circa 161,073[[18]](#footnote-18) m² and some remaining development land which allows some limited additional developments.

The completed buildings, which, for the majority have been built over the last two years, are of high quality. At the time of closing, the completed buildings were 100%[[19]](#footnote-19) occupied with a diversified tenant base of over 55 tenants representing Annualised Committed Leases of € 30.4 million.

A second closing (the “Second JV Closing”) occurred at the end of October 2016 in which the Joint Venture acquired a further 5 newly completed buildings from VGP. These buildings represented a total lettable area of 82,210 m² occupied by 10 different tenants and representing Annualised Committed Leases totalling € 4.9 million.

At the end of May 2017, a third closing (the “Third JV Closing”) occurred with the Joint Venture in which the Joint Venture acquired 6 new parks (7 buildings) and another 4 newly completed buildings (in parks which were previously transferred to the Joint Venture).

The aggregate proceeds received from the sale of First JV Closing and the Second JV Closing can be summarized as follows:

|  |  |
| --- | --- |
| ***In thousands of €*** | **2016** |
| Investment property | 534,035 |
| Trade and other receivables | 7,613 |
| Cash and cash equivalents | 10,288 |
| Non-current financial debt | (128,678) |
| Shareholder Debt\* | (222,572) |
| Other non-current financial liabilities | (888) |
| Deferred tax liabilities | (32,064) |
| Trade debts and other current liabilities | (11,782) |
| **Total net assets disposed** | **155,952** |
| Realised valuation gain on sale | 21,184 |
| Total non-controlling interest retained by VGP | (4,940) |
| Shareholder loans repaid at closing\*\* | 150,612 |
| Equity contribution | (76,460) |
| **Consideration paid in cash** | **246,348** |
| Cash disposed | (10,288) |
| **Net cash inflow from sale of VGP European Logistics portfolio** | **236,060** |

\* “Shareholder Debt” refers to the shareholder loans prior to the First JV Closing and the Second JV Closing refinancing.

\*\* “Shareholder loans repaid at closing” refers to the portion of the previously existing shareholder loans granted by VGP and repaid to VGP on the respective closing.

The proceeds received from the Third JV Closing as at 30 June 2017 can be summarized as follows:

|  |  |
| --- | --- |
| ***In thousands of €*** | **30-Jun-2017** |
| Investment property | 173,913 |
| Trade and other receivables | 7,056 |
| Cash and cash equivalents | 3,417 |
| Non-current financial debt | - |
| Shareholder Debt\* | (112,737) |
| Other non-current financial liabilities | - |
| Deferred tax liabilities | (7,993) |
| Trade debts and other current liabilities | (13,578) |
| **Total net assets disposed** | **50,078** |
| Total non-controlling interest retained by VGP | (1,884) |
| Shareholder loans repaid at closing\*\* | 100,909 |
| Equity contribution | (23,903) |
| **Total consideration** | **125,200** |
| Consideration to be received – third closing | (30,989) |
| **Consideration paid in cash** | **94,211** |
| Cash disposed | (3,417) |
| **Net cash inflow from Joint Venture closing(s)** | **90,794** |

\* “Shareholder Debt” refers to the shareholder loans before the Third JV Closing refinancing.

\*\* “Shareholder loans repaid at closing” refers to the portion of the previously existing shareholder loans granted by VGP and repaid to VGP on the Third JV Closing.

The two tables above reflect only the net sales proceeds of the completed assets included in the First JV Closing and the Second JV Closing on the one hand and the Third JV Closing on the other hand. VGP is required to pre-finance the remaining development pipeline of the Joint Venture. This includes the pre-financing of the acquisition and development of land as well as buildings under construction through development and construction loans. Upon the closing of the transaction whereby the buildings under construction and new developed assets are acquired by the Joint Venture, these VGP development and construction loans will generally be repaid from additional bank debt drawn by the Joint Venture under committed credit facilities allowing VGP to (partially) recycle these proceeds towards the financing of the Group’s development pipeline. VGP is entitled to an additional top-up payment corresponding to the difference between the agreed market value at completion of these buildings under construction or new developed buildings and the respective repaid development or construction loan.

The Joint Venture is a 50:50 partnership whereby the Group, in addition to being a co-owner, provides development management services and acts as asset manager, property manager and is also responsible for Facility Management and leasing services in respect of the portfolios. The Joint Venture is entered into for a period of ten years with two possible one-year extensions. The JVA provides for the relevant mechanisms for an organised exit should the Joint Venture not be extended: the assets of the Joint Venture would be sold via an auction sale.

VGP and Allianz have contractually agreed to share control of the Joint Venture. Decisions require the unanimous consent of both parties (it being understood that Allianz, at its own discretion, is entitled to decide whether the Joint Venture will acquire new assets pursuant to the right of first refusal). The transactions contemplated by the Company SPA and the Seed Portfolio SPA, were completed on 31 May 2016. The Allianz entities that are the shareholders of the Joint Venture belong to the well-known Allianz SE Group, a worldwide leading insurance group, which applies a strong corporate governance policy towards the management of the Joint Venture.

With Allianz, VGP has attracted a long-term investor in logistic real estate that looks beyond the economic cycles and has the necessary financial resources to co-invest in the expansion of the logistic real estate portfolio and which significantly mitigates the liquidity risk for VGP.

The real estate assets of the Joint Venture are periodically evaluated by third-party experts. This has included, among other things, semi-annual valuations of the assets of the Joint Venture by the independent valuator Jones Lang LaSalle. In addition thereto, at the time of each closing with the Joint Venture, the Joint Venture generally requires a separate valuation from an external valuation expert on all the assets which are being acquired as part of such closing. In respect of each closing with the Joint Venture which includes German assets, one of the financing banks of the Joint Venture, i.e. Aareal Bank, requires a valuation report from Knight Frank of such German assets.

***Share purchase agreements***

Each of the Company SPA and the Seed Portfolio SPA as well as the share purchase agreement entered into between the Company and the Joint Venture in respect of the Third JV Closing (the "Spring Portfolio SPA") contains a set of representations and warranties which were granted by the Company to Allianz and the JV respectively, and which were in accordance with market practice. The maximum liability of the Company for breaches of the representations and warranties granted in the share purchase agreements amounts to approximately € 18.1 million in respect of the Company SPA, to € 195 million in respect of the Seed Portfolio SPA and to € 40.3 million in respect of the Spring Portfolio SPA. As at the date of this Prospectus, the Company has not received any claims under either of these share purchase agreements.

***Joint Venture Agreement (JVA)***

Under the JVA, the Company and Allianz each have the right to appoint two representatives in the management body of the Joint Venture (whereby the chairman of the board (who does not have a casting vote) is appointed on a rotating basis – the first chairman being appointed by Allianz) and one or two representatives in the management and supervisory bodies of the Joint Venture’s subsidiaries, depending on the applicable local regulations. The directors appointed by VGP and by Allianz have to act jointly, whereas reserved matters require prior consent by both shareholder parties. These matters include (i) commencing the winding-up or liquidation of the Joint Venture or any of its subsidiaries or the filing by any of these companies for bankruptcy (except if otherwise provided under mandatory legal provisions), (ii) initiating capital calls to the shareholders of the Joint Venture, which are not contemplated by the business plan, (iii) sale or disposition of any properties of project companies, (iv) making any distributions to the shareholders of the Joint Venture that are not in proportion to their shareholdings in the Joint Venture, (v) any amendment to the articles of association of the Joint Venture or any of its subsidiaries not in line with the Joint Venture Agreement, (vi) the acquisition of additional immovable properties or formation of a subsidiary by the Joint Venture or any of its subsidiaries, and (vii) the entering into any joint venture, partnership or similar agreement by the Joint Venture or any of its subsidiaries.

The Joint Venture has an exclusive right of first refusal (in accordance with the conditions set forth in the JVA) in relation to acquiring the Czech, German, Hungarian and Slovak income generating assets of the Group. The Joint Venture does not have a 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 (see section “*Risk Factors –* *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”*). This risk is, however, mitigated by the fact that specific investment criteria have been agreed for an investment period of five years as from the closing date of the Joint Venture, which ensure that when such criteria are met the Joint Venture is in principle required to acquire the proposed income generating assets. In case the Joint Venture does not acquire the assets (including the still to be developed land under the Seed Portfolio, whereas the to be completed buildings under construction under the Seed Portfolio need in any event to be acquired by the Joint Venture upon completion thereof), a number of chronological actions have been agreed between the Joint Venture partners, which ultimately allow VGP to market the proposed assets on the open market (provided a discount of not more than 5% below the fair market value of the assets is granted), allowing it to generate sales proceeds from another source than the Joint Venture. The Company believes that it is in a strong position to continue selling those assets to the Joint Venture due to its strong historic track record in developing high-end logistic buildings and leasing out these buildings at attractive rent rates and the fact that the Company has a good negotiating position as the operator and manager of the portfolio. The Joint Venture may lose its right of first refusal if, for three consecutive times, it has not exercised such right of first refusal to acquire assets that comply with the investment criteria agreed in the Joint Venture Agreement as long as the non-exercise of the right of first refusal is not due to culpable action of the Group. It should however be noted in this respect 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 might negatively impact the short-term cash position of the Group. The change of the shareholder structure of the Company following the Offering will not affect the terms and conditions as set forth in the Joint Venture Agreement.

The main potential liability that the Group has towards the Joint Venture relates to the development management activities undertaken by the Group for and on behalf of the Joint Venture. VGP is required to pre-finance the remaining development pipeline of the Joint Venture. This includes the pre-financing of the acquisition and development of land as well as buildings under construction through development and construction loans. Upon the acquisition of the developed assets by the Joint Venture these VGP loans will be repaid, generally from the additional bank debt drawn by the Joint Venture allowing VGP to (partially) recycle and apply these proceeds towards the financing of the development pipeline. Besides the proceeds from the repayment of the respective development and construction loans, VGP is entitled to a top-up payment corresponding to the agreed market value of the acquired assets by the Joint Venture at completion less the respective repaid development or construction loan. The Joint Venture has sufficient available cash resources for the next 12 months to fund the acquisition of the respective assets.

As the Group acts as development manager vis-à-vis the Joint Venture’s portfolio, the Group is responsible for ensuring that the development of projects within the initially agreed construction price/budget. In case the actual construction cost would be higher than the initial construction budget, the aforementioned top-up payment will be adversely affected and 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). As at the date of this Prospectus, the Company is not aware of any outstanding quantifiable potential liability in this respect.

The initial transaction value of the sale of the Seed Portfolio to the Joint Venture, i.e. the aggregate value at which the transaction was concluded, comprising the value of the completed properties, of the properties under construction and of the remaining land for future development, was in excess of € 500 million. After adjusting for bank loans, construction and development loans, balance sheet adjustments and VGP contributions to the Joint Venture, this resulted in net cash proceeds of € 176.4 million for VGP. The net cash proceeds from the sale of the initial Seed Portfolio allowed the Group to deleverage itself with the repayment of € 50 million in bank debt and optimise its capital structure with the repayment of € 63 million (including accrued interest) of hybrid instruments. The remaining amount was applied towards the financing of the development pipeline, i.e. the acquisition of new development land in Germany, Spain, the Czech Republic and Slovakia and the further financing of the then current buildings under construction. The Second JV Closing occurred at the end of October 2016 in which VGP sold completed assets to the Joint Venture for an aggregate transaction value in excess of € 80 million. After adjustment for bank loans, construction and development loans, balance sheet adjustments and VGP contributions to the Joint Venture, this second closing resulted in net cash proceeds of € 59.7 million for VGP.

At the end of May 2017, the Joint Venture acquired in the Third JV Closing 11 newly completed buildings from the Group. This acquisition was financed by the Joint Venture by making drawings under its existing credit facilities for an aggregate amount of € 102 million and the remaining balance was financed with shareholder equity (€ 47.8 million of which € 23.9 million from VGP) and shareholder loans (€ 14.2 million of which € 7.1 million from VGP). Following the Third JV Closing, the Joint Venture had available committed credit facilities totalling € 138.1 million. The total outstanding development and construction loans made by VGP to the Joint Venture immediately following the Third JV Closing (i.e., at the end of May 2017) amounted to € 83.4 million compared to € 81.6 million as at 31 December 2016 and € 92.7 million as at the time of the First JV Closing (i.e. the acquisition of the Seed Portfolio). As at the end of May 2017, VGP had contractual obligations to develop new projects to be offered to the Joint Venture for a total amount of € 65.6 million. The total remaining investment cost to complete the development line of the Joint Venture and for which at the date of this Prospectus no contractual commitments have been taken, is estimated to amount to € 39.3 million, subject to further specifications and requirements from future tenants. Given the strong growth of the Joint Venture, the Group and the Joint Venture aim to realize two closings per year through the term of the Joint Venture and in this respect new negotiations are expected to be started up during the second half of 2017 by the Joint Venture with its financial institutions who currently provide the committed credit facilities in order to increase the existing credit facilities with an amount between € 300 million and € 400 million to cover the future anticipated closings during the period 2018 to 2021.

Under the JVA, both parties agreed to significant limitations on their ability to transfer the shares in the Joint Venture to third parties. In case a shareholder wishes to transfer its shares, the other shareholder has a pre-emption right to purchase such shares under the JVA against the terms offered by the candidate transferee. The Joint Venture Agreement also provides for a lock-up period of five years as from the closing date on which the JV was entered into, during which VGP is not allowed to transfer its shares in the Joint Venture other than to one of its affiliates (in which case the pre-emption right does not apply). The JVA further contains elaborate provisions on transfers of shares, which may lead to the transfer by VGP and by Allianz of all of their shares to a third party. The JVA applies the principle of market price value ensuring that if any party wants to dispose of part or all of its shares, such disposal is made at prevailing market conditions provided the disposal is not triggered by an event of default under the JVA which has not been cured within the agreed cure period.

Although the Joint Venture is structured as joint venture under IFRS 11 (and not as a joint operation), the Joint Venture Agreement caters for situations where the joint control may come to an end, such as for example as a penalty in case of a failure to fund by VGP or in case of a change in rules or regulations.

If the Company fails to provide funds to the Joint Venture that were committed under the terms of the Joint Venture Agreement towards Allianz (i.e. for financing its relevant portion of funds needed for the payment by the Joint Venture of the top-up payment (if any) to the Group, the repayment by the Joint Venture 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), then Allianz is entitled to either exclusively subscribe to three times the number of shares that represent 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 would be entitled to subscribe for and acquire, following payment therefore in cash, thirty (three times ten) newly issued shares of the Joint Venture, which is equal to three times 2% of the outstanding shares of the Joint Venture on a pre-dilution basis.

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, it has been agreed under the Joint Venture Agreement that Allianz has the right to replace the existing debt financing in the Joint Venture by equity, which would possibly result in a dilution of the Company if the Company is unable to fund its commensurate part of the equity. 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.

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 (this would, however, not apply in the event Jan Van Geet would cease to control directly or indirectly 25% of the shares or the voting rights issued by the Company 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). 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. See “*Risk Factors – 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*”.

Since VGP acts as exclusive asset manager, development manager, as well as property and leasing manager of the Joint Venture, these activities generate recurrent income for VGP. Should a member of the Group materially breach its obligations under a management agreement which is not remedied within a certain period of 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 (see section “*Risk Factors –* *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”*). Pursuant to the Joint Venture Agreement, in consideration of VGP acting as exclusive asset manager, development manager and property and leasing manager to the Joint Venture, VGP shall not during the term of the Joint Venture Agreement enter into a similar and competing joint venture comparable to the Joint Venture and/or competing with the Joint Venture in any country where the Joint Venture or any of the Joint Venture’s affiliates is active.

Prospective investors should furthermore note that the Joint Venture Agreement between the Company and Allianz may be subject to further amendments, or may be terminated. This may have a negative impact on the Company’s financial position and income (see section “*Risk Factors –* *Risks related to the Group’s industry, properties and operation - The Group’s business, operations and financial conditions are significantly affected by the Joint Venture”*).

***Promote***

VGP will be entitled to a one-time promote payment upon expiry of the Joint Venture. This promote is based on all the pre-tax cash flows received from the Joint Venture between the date on which the Joint Venture was entered into and the expiry of a 10-year term as from the date on which the Joint Venture was entered into. The method for calculating the promote fee is agreed among the parties in the Joint Venture Agreement, which the Company believe is structured in a similar way that is usually applicable for similar transactions in the market.

***Asset management agreements***

VGP acts as the exclusive asset manager of the Joint Venture and its respective subsidiaries. As part of these services, VGP is responsible for standard corporate administration, administration of financing, business planning, reporting, budgeting, management of tax and legal affairs, controlling, etc. VGP is entitled to an asset management fee the calculation of which is based on the invested equity in the Joint Venture, adjusted for any future capital contribution / distribution. The asset management services are delivered by a subsidiary of VGP, VGP Asset Management S.à r.l., which operates from Luxembourg.

***Development management agreements***

It has been agreed by VGP and Allianz that the Joint Venture will appoint VGP as an advisor to provide development management services in respect of specific development projects and on specific terms. VGP as advisor has accepted to perform the services and carry out the works as described in the development management agreement according to the applicable law, the generally accepted rules of technology and with all due care, attention and diligence as is expected of a competent advisor experienced in carrying out services and works similar to the services and works on projects of size, scope, type and complexity comparable with the development project. The services performed by VGP include any and all services and actions (excluding however in any event performing itself the works) required to procure the design, building of and completion of the development project, even if such services or actions are not expressly mentioned in the development agreements.

The advisor shall use its reasonable best efforts to procure that the development project completion is achieved by the estimated project completion date.

In consideration of the advisor providing the services pursuant to the development agreement, the owner shall pay to the advisor a development management fee which will be based on an agreed arm’s length hourly rate.

***Property management agreements***

The property management agreements that have been entered into with respect to the Joint Venture’s subsidiaries detail the services to be provided by VGP in respect of Facility Management services, Project Management services (which covers additional smaller building improvements to existing buildings), lease management services, budgeting, accounting and reporting.

The fees received for VGP’s services are composed of a property management fee, which corresponds to the administration fee included in each respective lease contract and varies between 0%-3% of the monthly rent. The Project Management fee is based on the respective improvement costs to the building and consists of a scaling fee structure with a maximum fee of 4% for smaller improvements going down to 2% for larger improvements. Finally, VGP is entitled to a leasing fee for each new / renewed lease contract which is the result of the direct marketing of VGP. The leasing fee is based on what a third party real estate broker would usually receive, i.e. between 12.5% and 25% of the annual rent of the respective lease contract. VGP will only be liable for the qualitative performance of its services and no specific quantifiable liability clause has been included in these agreements.

***Constructive Obligation***

The Board of Directors have taken a conservative view in respect of the financial support of the Company towards the Joint Venture. Although the Company does not have any other contractual obligations other than as set forth in the JVA, the Company SPA, the Seed Portfolio SPA, the Spring Portfolio SPA, the asset management agreements, development management agreements and the property management agreements, the Board of Directors has taken a conservative approach vis-à-vis the Joint Venture and has therefore recognised that the Company has a de facto constructive obligation towards the Joint Venture since the proper functioning of the Joint Venture is material for the Group in realizing its expected capital gains. Given the importance of the Joint Venture’s portfolio, VGP will always seek to ensure that Joint Venture and its subsidiaries will be in a position to fulfil all their obligations. 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. As at 30 June 2017 the “Investments in joint ventures and associates” showed a positive balance of € 130.3 million compared to € 89.2 million as at 31 December 2016 and compared to a negative balance of € 103,000 as at 31 December 2015 which was a reflection of the costs incurred by Snow Crystal S.à r.l. and SUN S.à r.l. from the liquidation process that both companies were subject to. VGP has transferred in the course of 2016 its 20% participation in the share capital of Snow Crystal S.à r.l. and SUN S.à r.l. to the majority shareholders of these companies as part of the liquidation process of these companies.

**Brief History of VGP**

|  |  |
| --- | --- |
| **Period** | **Description** |
| 1998 | * Start-up of the Group. * Start of the coordination and construction of commercial and logistic buildings on behalf of third parties. |
| 2002 | * Start of the development of a proprietary portfolio with first developments Blue Park, Green Park and Green Tower. |
| 2005-2006 | * Acquisition of a large plot of land in Prague (Horní Počernice - 73ha). |
| 2006 | * Start of the construction of VGP Park Horní Počernice. * Regional expansion in the Czech Republic with the acquisition of several other strategic plots of land in Olomouc, Nýřany, Lovosice, Hradec Králové, Liberec and Turnov. |
| 2007 | * Expansion throughout the mid-European region with the acquisition of plots of land in Latvia (Riga), Slovakia (Bratislava) and Hungary (Györ). * Incorporation of the Company and Initial Public Offering. * Listing on the regulated markets of Euronext Brussels and Main Market in Prague (Czech Republic). |
| 2009 | * First realisations outside the Czech Republic with construction works started in Slovakia, Hungary and Estonia. |
| 2011 | * VGP steps into a 20:80 joint venture (Snow Crystal S.à.r.l.) with EPISO fund (AEW) on its VGP CZ I portfolio. * VGP steps into a 20:80 joint venture (SUN S.à.r.l.) with CCP III fund (Tristan Capital Partners) on its VGP CZ II portfolio. |
| 2012 | * VGP steps into a 20:80 joint venture with EPISO fund (AEW) on its VGP CZ IV portfolio. * VGP sells the Estonian assets of VGP Estonia to East Capital Baltic Property Fund II (East Capital). |
| 2012-2013 | * Expansion of land bank in the Czech Republic and securing substantial land positions in Germany. |
| 2013 | * First lease contract and development in Germany and acquisition of >500,000 m² land plot in Hamburg (Germany). * Issuance by VGP NV of bonds with a 4 year maturity, listed on the regulated market of Euronext Brussels, for a total nominal amount of € 75 million. * Issuance by VGP NV of bonds with a 5 year maturity, listed on the regulated market of Euronext Brussels, for a total nominal amount of € 75 million. * Decrease of VGP NV’s capital in an amount equal to € 7,619,050.50, without cancelling any shares, as a result of which the Company’s registered capital is equal to € 112,736,509. |
| 2014 | * Sale of the remaining 20% interest in the VGP CZ I, VGP CZ II and VGP CZ IV portfolios, termination of the joint venture with AEW and Tristan. |
| 2015 | * Establishment of presence in Spanish market and securing of the first plot in Madrid (San Fernando) * VGP becomes one of top tier developers in Germany |
| 2016 | * Entry into a joint venture with Allianz and completion of the acquisition of the initial Seed Portfolio (consisting of 15 VGP Parks) for a transaction value > € 500 million. * Second JV Closing whereby 5 newly completed buildings (4 buildings in Germany and 1 in Slovakia) were transferred by VGP to the Joint Venture on 31 October 2016, the net proceeds of which amounted to € 59.7 million. * Acquisition of a landmark logistics property in Barcelona (Spain) from Mango group. * Issuance by VGP NV of bonds with a 7 year maturity, listed on the regulated market of Euronext Brussels, for a total nominal amount of € 225 million. |
| 2017 | * Issuance by VGP NV of bonds with an 8 year maturity, to institutional investors (private placement), for a total nominal amount of € 80 million. * Approval in May 2017 to decrease of VGP NV’s capital in an amount equal to € 20,069,694.00, without cancelling any shares, as a result of which the Company’s registered capital is equal to € 92,666,815.00. * Issuance by VGP NV of bonds with a 7 year maturity, listed on the regulated market of Euronext Brussels, for a total nominal amount of € 75 million. * Third JV Closing whereby 6 new parks (7 buildings) and another 4 newly completed buildings (in parks which were previously transferred to the Joint Venture) were transferred by VGP to the Joint Venture on 31 May 2017, the net proceeds of which amounted to € 125.2 million. * Sale of VGP Park Nehatu located in Tallinn (Estonia) for € 54 million (being gross proceeds). |

**Competitive strengths**

***Fully integrated business model combining a unique expertise as a developer, asset manager and owner of high-quality logistic assets in Europe***

VGP has a unique business model based on a develop, hold and sell strategy, allowing to maximize shareholder value and optimize capital allocation.

The business model is fully integrated and managed with in-house capabilities. The vertical integration increases the operational efficiency and creates a flexible and scalable platform: the Company maximises the value creation by developing assets itself and rapidly converting assets under construction into rental income (as evidenced by the more than 73% of the current pipeline (including Estonia, by excluding Estonia the pre-let figure would be 71%) that was already pre-let as at 30 June 2017). The Group believes that its construction and project management expertise provides it with an advantage over its competitors. Before transforming itself into a development company, VGP started as a construction firm. As a result, the Group is able to avoid the need to appoint a general contractor for significant number of its projects in the key geographies, which has been instrumental in its success.

The logistic assets are all meeting the strict investment criteria of VGP (e.g. proximity to highways and ring roads, important logistic access, the vicinity of important city centres, etc.) and are built to high standards (and if needed customized to the tenant’s need). In addition to that, the focus of VGP is on developing and managing business parks as the Group believes they offer several advantages over assets not located in such parks: project management is more efficient, the commercial value is higher, contractors price better, there are synergies due to outsourcing, the realisation of economies of scale and administration becomes easier.

This strategy enhances scale, ensures healthy developer margins and enables VGP to realise attractive net valuation gains at the moment of delivery, while capturing rental income and fee income after delivery as long-term investor, entering early in the development process, coupled with collaboration of local municipalities and city councils.

***Value creation crystallisation through strategic partnership with Allianz allowing for capital recycling for new projects***

In 2016, a strategic partnership was set up in the form of a 50:50 joint venture with Allianz for a term of 10 years. With the Joint Venture, VGP believes that it has attracted a long-term capital buyer at market value, allowing it to (partially) recycle capital: as at the date of this Prospectus, three closings have taken place for a total gross asset value of € 735 million (representing net cash proceeds of € 361 million for VGP). The Joint Venture also creates a recurring income stream from Joint Venture fees as VGP continues to service the Joint Venture as asset, property and development manager - securing the necessary financial resources to expand and allowing the Company to focus on its core development business.

The Joint Venture is a platform of new, grade A logistics and industrial properties developed by VGP. Allianz holds the exclusive right of first refusal to acquire the income generating assets developed by the Group in Germany, Czech Republic, Hungary and Slovakia. The goal is to grow the portfolio of the Joint Venture to ca. € 1.7 billion, implying a targeted annual contracted rent of € 100 million that would represent a stable income-driven return with potential for capital appreciation.

***Strong diversified presence in attractive growth markets***

VGP has built up its presence in strategically chosen markets with strong macro-economic fundamentals and demand dynamics. Over 50% of the current contractual rent stems from assets in Germany[[20]](#footnote-20), one of economic drivers of the European Union, where the company has built a very strong position strengthened by the partnership with Allianz. In all the other countries where VGP and the Joint Venture are present, there is an expected GDP growth for the period 2017 – 2020 of at least 2%, which indicates markets are expected to grow on strong fundamentals (*Source: IHS Global Insight, Euromonitor, Statista, E-Commerce database*).

Furthermore, the markets where the Group and the Joint Venture are currently active are expected to be supported by a continued growth. E-commerce which is expected to be an important driver of the real estate logistics market in Europe, with an estimated growth per annum of over 7% for the period 2017 – 2020 (*Source: Statista, E-Commerce database*).

***Well-leased portfolio with a blue chip customer base***

VGP has been able to attract a diversified reputable and loyal customer base (e.g. Amazon, Mango Group, DHL, Rossmann, Lekkerland, VW Groep, Rhenus Logistics, Ikea, etc.), with several multi-location projects. The customers represent a healthy mix of logistic tenants and end users. The top 10 tenants (by GLA) are all blue chip clients and take up approximately 51.2% of the total (own and Joint Venture) portfolio. As at 30 June 2017, the top five tenants in the total (own and joint venture) portfolio accounted for 12.2%, 9.9%, 6.8%. 4.9% and 4.3%, respectively.

Over the years and by offering top quality logistics real estate, the Company was able to develop healthy business relationships with its clients, as evidenced by the long-term leases (committed lease maturity for own portfolio stood as at 30 June 2017 at 14.1 years on average[[21]](#footnote-21) and for the JV at 8.1 years[[22]](#footnote-22)on average) and the rental portfolio that continuously evolved near maximum capacity (with an optimal occupancy rate of 100% of the portfolio as per 30 June 2017).

***Clear avenues of growth in strategic European markets***

As at 30 June 2017, VGP has a secured land bank of 3,512,636 m² of which 2,770,995 m² (79%) is in full ownership and 741,641 m² (21%) is 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 the VGP and the respective sellers whereby the effective purchase is always triggered once the necessary permits have been obtained.

This land bank will allow VGP to develop, besides the current completed projects and projects under construction, approximately 1,142,000 m² of new lettable area. This gives the Company a clear path for growth in the near future, with high visibility on how the portfolio and earnings are expected to evolve in the next years.

In addition thereto, VGP has already been working extensively on identifying new land banks which meet VGP’s strict investment criteria (e.g. adjacent to highways, living concentration, good public transport, etc.). This dynamic exercise has led to an identified pipeline (i.e. under option or negotiations) of ca. 1.2 million m² of GLA, mainly situated in Germany, Czech Republic and Slovakia.

The Company also aims to enter a new geography every two years, which is expected to increase its options to find suitable land and further support its growth path.

***Experienced and highly committed management team with proven track record***

The Company has a multi-disciplined and experienced management team in place with a long-standing European real estate expertise. Jan Van Geet, CEO and reference shareholder of the Company, founded VGP NV in 1998 and has been since then fully devoted to translating the Company’s strategy into reality, enabling VGP to become a leading specialised developer and owner of high-quality logistic real estate in Europe. The CEO is supported by a top management team that has been working for VGP for many years with a high level of commitment, as reflected by the fact that no key-executive has ever left the company. Also, all members of top the management team have built up significant experience at large enterprises before joining the Company (e.g. Ontex, Associated Weavers, Theobald…).

The Group had, as of 30 June 2017, in aggregate 126 employees, most of them highly experienced professionals. The staff is composed according to the expertise required for each particular segment of the Group’s operations, with strong emphasis on personal competency and seniority. Thanks to the comprehensive team structure, the Group is able to internally control significant parts of its value creation chain, effectively maintaining costs and increasing operational flexibility.

The overall management structure is relatively flat, which enables flexible decision-making, fast information flow and strong personal engagement. A matrix organizational structure is in place, where particular business segments are at the same time controlled by a functional manager as well as a manager responsible for the particular country (or countries).

Litigation

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had, a significant effect on the Company’s and/or the Group’s financial position or profitability.

Insurance

The Group cooperates with international insurance broker, currently AON, to purchase coverage. The Group maintains insurance of various types, including property all-risk insurance providing also business interruption coverage, standard third party liability insurance as well as insurance of liability that could arise from the Group providing professional services to third parties, in particular the Joint Venture. In addition, for construction projects where no general contractor is appointed, the Group purchases construction all-risk insurance to complement the insurance policies taken out by the particular contractors hired by the Group. Tenants are required to take out their own insurance for their property located in the buildings as well as for potential damages caused by them on the Group's or other tenants' property.

The Group considers its insurance coverage to be adequate and in accordance with customary industry practice in the markets in which the Group operates.

Environmental matters

The Group’s operations are subject to a variety of environmental laws and regulations. These regulations impose liability on property owners and operators for costs and damages related to soil and water contaminations from hazardous or toxic substances, among other things, and often impose liability whether or not the owner or operator knew of, or was responsible for, the presence or release of such hazardous or toxic substances. See “*Risk Factors – Risks related to the Group’s industry, properties and operations - The Group may be liable for environmental remediation or may be exposed to environmental claims*”. The Group continuously monitors and manages any exposure to environmental liability.

Furthermore, prior to acquiring land the Group generally conducts, in addition to technical, financial and legal due diligence, an environmental assessment (typically through independent third party consultants) for purposes of ensuring compliance with all applicable regulations.

As at the date of this Prospectus, the Company is not aware of any environmental issues that may affect the Group’s utilisation of its assets.

Licenses, regulatory approvals and compliance

The Group operates primarily in the real estate development market, which is generally free from direct government regulation of operators, the focus of the regulation being instead on the town planning. Each of the projects requires specific approvals and the Group has a special function focused on compliance with all the relevant permitting procedures.

The Group is required to carry real estate licenses for some of the property management services that it provides internally as well as to the Joint Venture.

The Group is not subject to regulation relating to fund management or the provision of investment or financial services.

IndustRY

*The information presented in this section is taken or derived from the sources identified in section “Industry and Market Data”*. *In addition, certain statements below are based on the Company’s own proprietary information, insights, opinions or estimates, and not on any third party or independent source; these statements contain words such as ‘the Group believes’, ‘the Group expects’, ‘the Group sees’, and as such do not purport to cite, refer to or summarise any third party or independent source and should not be so read.*

**European macro-economic environment**

Despite some continuing challenges, the overall European economy is performing well as supported by flexible macroeconomic policies, robust job creation, strong consumer confidence, a gradual improvement in world trade, and the euro’s relatively low exchange rate. Economic expansion has continued into 2017, thereby completing four years of moderate, uninterrupted GDP economic growth. Real GDP growth in Western Europe[[23]](#footnote-23) is expected to continue to grow at a CAGR of 1.6% between 2017 and 2020, and at a solid annual rate of 3.2% in Eastern Europe[[24]](#footnote-24) *(Source: European commission, Spring 2017, IHS Global Insight).*

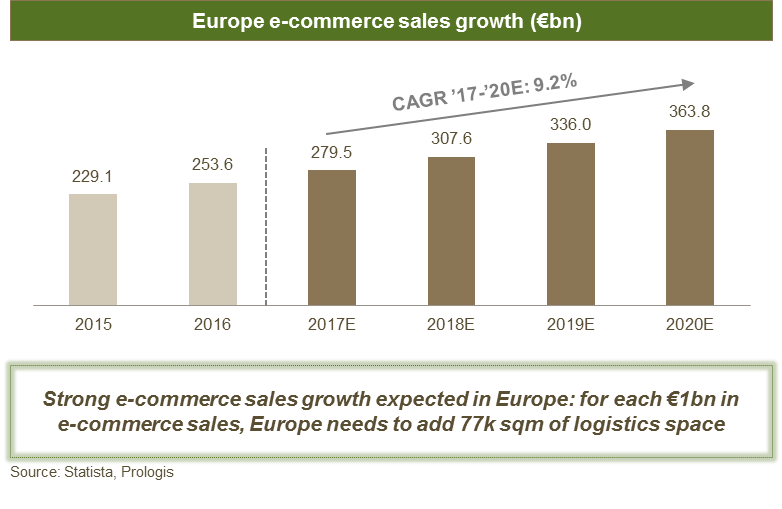
Private consumption has been the main growth driver over the past few years, being at its 10-year high in 2016. In recent months, continued improvements in the labour market situation have fuelled consumer confidence, suggesting that the short-term outlook remains favourable. Employment in the euro area grew by 1.4% in 2016, its best performance over the past eight years. During 2017 and 2018, employment creation is expected to continue benefitting from growing domestic demand, relatively moderate wage growth, as well as past structural reforms and favourable policy measures in certain countries. With job creation significantly outpacing labour force growth, unemployment rates in both the euro area and the EU are set to continue declining. In 2018, the unemployment rate is expected to fall to its lowest level since 2008 in both the euro area and the EU, although still remaining above pre-crisis levels *(Source: European commission, Spring 2017).*





**E-commerce trends globally and in Europe**

E-commerce is the fastest growing retail market in Europe and North America. The e-tailing revolution has only just begun with online retail sales growth strongly outweighing in-store retail sales growth. During 2015-2016, the online retail sector in the main Western European markets such as the UK, Germany, France and Spain have achieved growth rates of 12.6%, 18.3%, 16.7% and 18.8%, respectively. In contrast, annual growth rates for overall retailing across Europe (also including stores and online) ranged between an average of 1.5% and 3.5% pa. during the last years *(Source:* [*http://www.retailresearch.org/onlineretailing.php*](http://www.retailresearch.org/onlineretailing.php)*)*. Similarly, global e-commerce retail sales are also expected to show the same trend, growing at an expected strong CAGR of 20.1% between 2017 and 2020.



One of the key characteristics of the e-commerce business model is to enhance product availability by streamlining the supply chain through multiple retail / storage points. An efficient footprint of logistic premises, as well as technological developments and innovations in logistics, is one of the factors underpinning the success of leading e-commerce operators such as Amazon and Vente-privée. This is creating strong demand for warehousing space and distribution networks. Therefore, opportunities abound for investment in and development of warehouses to service the changing needs of Europe’s e-commerce sector *(Source: KPMG)*

For each € 1 billion in e-commerce sales, it is estimated that Europe needs to add 77,000 m² of logistics space (*Source: Prologis)*. The all-pervasive rise of online retail is having a big impact on the volume of space being taken by tenants. Not only do those companies need about three times more space than traditional warehouse tenants per € 1 million of revenues, but also the total number of tenants is still rising *(Source: http://dc-am.co.uk/e-commerce-drives-value-and-opportunities-in-logistics-across-europe/).*

It is expected that e-commerce growth could require an additional 15 million m² of logistics space in Europe in the next 5 years. Combining Prologis’ multiplier of logistics demand (77,000 m² /€ 1 billion) with an estimated growth of the e-commerce market in Europe (c. € 200 billion over five years) translates into a potential incremental demand – either new requirements or expansion needs for additional space – amounting to c.15 million m² across Europe. However, factors such as lack of availability and omni-channel strategies could affect this estimate. In the past three years, e-commerce leases accounted for 15% of the total take-up. With anticipated sales growth projections, this ratio could rise further as more firms invest in e-fulfilment.

Most of the growth is expected to occur in Europe’s three largest e-commerce markets (U.K., Germany and France), which could account for approximately 10 million m² alone (*Source: Prologis)*.

**European logistics real estate market**

Logistics real estate is an important element of the modern supply chain process and includes the value stream of raw materials and finished goods from suppliers, the storage and handling of products, distribution to industrial and trade customers, and associated services, e.g. picking, return management, packaging and commercial activities. As a result of globalisation, supply chain processes have become more complex and, due to customer requirements, even faster. Supply chain modernization is an important driver in mature economies, especially in Europe and Japan *(Source: Prologis)*. Mega-trends such as ‘Big Data’ and the ‘Internet of Things’ is expected to impact logistics real estate and result in demand for flexible, modern appointed ‘networked’ and modular spaces continuing to grow.

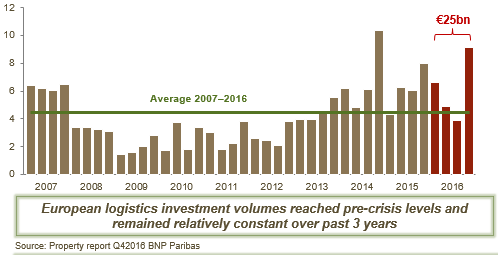
Despite a sluggish economic growth in the region, the European logistics real estate markets have experienced high occupier demand over the past five years. This is an indication that structural changes in the supply chain such as the growth of online retail are important drivers of demand. Last year, several countries in Europe recorded historic rises in logistics space take-up. Germany for example, reported a new record take-up of around 6.7 million m², over 30% of the total take-up across Europe.

Consumption is the main driver of demand for logistics real estate, and is outperforming overall economic growth. E-commerce, which is showing rapid growth, strong real estate use and space demand, and the increasing need for location within and adjacent to major population centers, is causing a shift in how goods are distributed and augments this demand trend *(Source: Prologis)*.

**European logistics investment volumes**

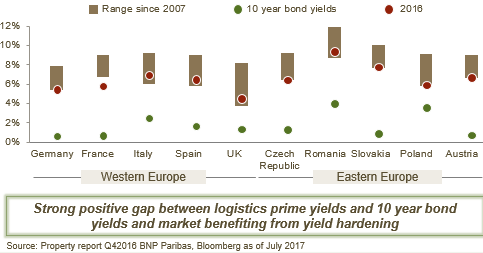
Investment volumes in industrial and logistics premises reached pre-crises levels in 2016 (€ 25 billion) and remained relatively constant over the past three years. The fourth quarter of 2016 alone reached the second highest quarterly volume ever recorded, with more than € 9 billion of investment. Financial liquidities remain abundant and, besides pure players, the logistics market is now also attracting investors who start considering logistics assets to broaden their portfolio offer *(Source: BNP Paribas Real Estate Q4 2016).*

A similar trend followed in 2017, with investor volumes up by 18% year-on-year during the first quarter. International capital flow was one of the main growth drivers. Purchases involving international capital rose by nearly 60% year-on-year in the first quarter while investment from purely European investors remained unchanged. Large-size portfolio and platform deals remained highly sought after in Q1 2017 – total portfolio deals were up 9% year-on-year in value terms, whilst the volume of portfolio transactions exceeding € 100 million nearly doubled over the same period *(Source: JLL Q1 2017).*



**Effective prime yields**

Logistics prime yields reached their lowest level in most countries but are still well above the 10-year government bond yields which bottomed out to historical lows in 2016. Logistics prime yields remain attractive compared to other assets. The gap between offices and logistics yields exceeds 150 basis points in a number of countries including Spain, France, Sweden and Germany, with room for compression for large warehousing units located near large consumption areas *(Source: BNP Paribas Real Estate Q4 2016).*



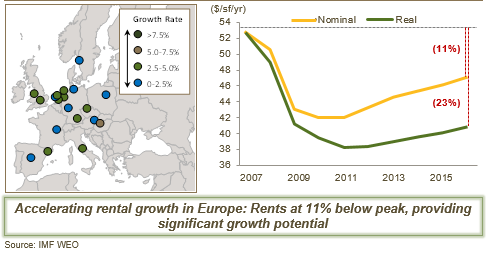
**Effective logistics market rents**

Effective logistics rents grew by 3% in Europe during 2016. The highest levels of rental growth occurred in Budapest, followed by Barcelona and Prague. The outperformance of market rental growth was mostly concentrated around the major population centres (*Source: Prologis rent index report*).

A similar trend was followed in the first quarter of 2017, during which occupier demand in the European logistics market remained strong. Take-up in the first quarter of 2017 was at 5% year-on-year. Additionally, available supply remains limited. At the end of the first quarter of 2017, immediately available space equated to just 9 months’ supply compared with 2016 take-up rates. These strong fundamentals drive continued rental improvements.

Market vacancies are at or near historic lows in most markets around the world and customer demand is healthy. In many of the leading markets, replacement costs are rising quickly and changing the development cost equation. In turn, rising replacement costs further support market rents. Setting aside the potential for negative economic surprises, scarcity of available space creates the potential for strong rental growth as customers continue to compete for space (*source: Prologis rent index report*).

Market rental growth in 2016 was steady in Europe, and its growth pace might surpass growth in the US during the next years. The principal driver of market rental recovery is the unwinding of lease concessions. The operating environment for logistics real estate experienced a steady improvement during the last several years. Furthermore, the vacancy rate is at the lowest level on record, amounting to less than 6 percent. Net absorption reached its strongest level since 2007 and more markets experienced increases in net effective rents in 2016 versus prior years. Broadly, net effective rents remain however below prior cycle peaks providing significant growth potential (*source: Prologis rent index report*).



**Markets where VGP is active**

VGP has operations in seven countries in total. Its key markets include Germany and Spain in Western Europe, and Czech Republic in Central Europe. In addition, VGP also has operations in Slovakia, Hungary, Romania and Latvia. Of those seven countries, four are in the Joint-Venture’s scope: Germany, Czech Republic, Hungary and Slovakia. In 2017, VGP concluded an agreement for the sale of VGP Park Nehatu in Estonia. Pursuant to the completion of the sale in September 2017, VGP, as at the date of this Prospectus, has no further operations in Estonia.

**The logistics property market in Germany**

Germany’s economy is performing well with 0.6% year-on-year growth in GDP in Q1 2017 and a buoyant sentiment among German businesses in Q2 2017. Moreover, the ifo business climate index[[25]](#footnote-25) hit a new record at the end of June 2017 with companies expecting business to improve further. Industrial output has increased during the second quarter and from January to May, international trade was stronger compared to the same period in 2016. Solid private consumption and growth in e-commerce are supporting the industrial sector. The occupational sectors report robust activity and investment activity is outperforming (*Source: Cushman & Wakefield*).

During 2016, Germany saw the highest ever volume of space taken up in the markets for warehouse and logistic space. Around 6.7 million m² (owner-occupiers and lettings) was taken-up across Germany, 8% more than in 2015 which was also a record year and exceeding the 5-year average by 22%. Letting take-up increased by 10% year-on-year, exceeding the 4 million m² mark for the first time with 4.33 million m². Take-up by owner-occupiers increased by 5% to 2.70 million m² compared to the previous year, the second highest ever volume registered since 2014 (*Source: Jones Lang LaSalle*). Also in the first three months of 2017, take-up volume (owner-occupiers and lettings) for warehousing and logistic space reached a high level of around 1.48 million m² which exceeded the 10-year average by 20%. Due to the sustained demand for space and positive economic forecasts, it is expected that take-up will significantly exceed the 6 million m² mark similar to 2016 (*Source: Jones Lang LaSalle*).

Demand for industrial space remains at a high level in Q2 2017, both from owner occupiers and tenants. As a number of speculative construction projects have been completed or are ongoing, supply of modern space improved, however, not every individual large-area requirement can be fulfilled and the majority of take-up is still via pre-lets and building for owner occupation. Availability of land for logistics purpose remains very limited and land prices are increasing. New large-scale distribution centres have to be located outside the main economic hubs whereas older stock and light industrial buildings close to or in the economic hubs attract occupiers requiring smaller warehouse and distribution spaces to ensure same-day delivery (*Source: Cushman & Wakefield*).

Q2 2017 saw the largest-ever industrial transaction in Germany with Blackstone exiting from its Logicor platform whereby 74 light-industrial assets in Germany were sold to China Investment Corporation for almost € 2 billion. Two other large-scale portfolios changed hands with an aggregated value of € 900 million reflecting the strong interest of investors in industrial assets. Yields compressed further (range from 4.95% to 6.05% in Q2 2017 vs 5.10% to 6.05% in Q1 2017) and are expected to remain under pressure over the remainder of 2017, as demand is strong (*Source: Cushman & Wakefield*).

Industrial production and international trade are expected to keep their strong level in the second half of 2017 and e-commerce will maintain its strong upward trend pushing retailers and online traders to optimize their distribution networks. This will also offer opportunities for investors.

Traditionally, three business sectors dominate the letting market for warehouse and logistics space exceeding space of more than 5,000 m²: retail, distribution/logistics and manufacturing. In 2016, these accounted for 96% of total take-up: retail and distribution / logistics each accounted for 36%, and manufacturing for 24%. In 2016 alone, e -commerce companies secured around 560,000 m², a substantial increase compared to 2015 (447,000 m²) and 43% higher than the 5-year average.

In the ‘Big 5’ conurbations (Berlin, Düsseldorf, Frankfurt, Hamburg and Munich), the 421,400 m²of space taken up in the first quarter of 2017 was 13% lower compared to the first quarter of the previous year. Although it was 6% down on the 5-year average, the 10-year average was exceeded by 4%. Most space in the ‘Big 5’ was taken up in the Hamburg region with 158,000 m², an increase of 13% year-on-year. This was followed by Frankfurt with 103,000 m², although the year-on-year comparison is negative (-43%). Around 850,000 m² of warehousing space is currently under construction in the ‘Big 5’, but just 19% of this is still available on the market. (*Source: Jones Lang LaSalle*).

Outside the ‘Big 5’ conurbations, the 1 million m² mark was exceeded once again in the first quarter of 2017. With a space take-up of 1.05 million m², this was the third best start to the year of the past ten years (first quarter take-up was higher in just 2016 and 2013). The current result is 10% lower year-on-year, but matches the 5-year average and even exceeds the 10-year average for first quarters by 27%. Around 57% of the take-up was generated by lettings, 5% more than twelve months ago, whilst take-up by owner occupiers fell by 25% (*Source: Jones Lang LaSalle*)

Prime rents for warehouses of ≥ 5,000 m² remained stable in all regions during the first three months of 2017. At € 6.75/ m²/month, the highest rents were paid in Munich. This was followed by the Frankfurt (€ 6.00/ m²/month), Hamburg (€ 5.60/ m²/month), Düsseldorf (€ 5.40/ m²/month) and Berlin (€ 5.00/ m²/month) regions (*Source: Jones Lang LaSalle*). Prime rents for large logistics assets are expected to hold firm across the key German hubs whereas rents for smaller distribution centres close to the cities will increase (*Source: Cushman & Wakefield*).

**The logistics property market in the Czech Republic**

The Czech economy continues to display strong performance in Q2 2017, placing its industrial, as well as other markets, in a superior position compared to its competitors. This performance of the Czech economy is expected to continue backed by prospects of GDP growth of 2.81% for the period 2017 – 2020 *(Source: IHS Global Insight)*. Its central geographical location allows the Czech Republic to attract more investment. Currently, the demand for industrial space exceeds available supply. (*Source: Cushman & Wakefield*).

The Industrial market in the Czech Republic is characterized by low vacancy rates, which influence rental levels and incentive packages offered to tenants. Pre-lease agreements remain popular due to the lack of available space. Speculative construction is slowly increasing and in the fourth quarter of 2016 the share of speculative construction represented approximately 40% of newly completed projects. The e-commerce and distribution sectors were the key drivers of take-up in 2016, and are expected to continue being so throughout 2017.

By the end of 2016, the total industrial warehouse stock in the Czech Republic was more than 6 million m² with new supply of almost 500,000 m² being delivered during the year. Annual industrial investment volume in the Czech Republic totalled almost € 850 million in 2016, making it a record year for the sector. The most significant deal was concluded in the fourth quarter with the acquisition of P3 by the GIC investment fund. Demand from both local and foreign investors is expected to remain strong in 2017, however there are very few opportunities in the sector at present. This situation will change in the coming years with new supply set to increase in response to demand.

The industrial sector saw rental increases during the first quarter of 2017 across all regions of the country, with further rises expected in the coming quarters. Prime industrial yields also strengthened but are now expected to stabilize. The positive economic situation in the Czech Republic has contributed significantly to development in the sector.

Vacancy rates in the Czech Industrial market remain low which is putting positive pressure on rents. Market conditions favour landlords especially those with assets in prime locations. Rental growth is expected to continue during 2017. The most popular locations are Prague, Brno and Pilsen, as well as cities located close to major borders (e.g. Germany). Proximity to transport hubs is still the dominant factor in terms of industrial demand. New supply for 2017 is expected to be focused on meeting current demand with no surplus expected. Due to the limited space available to lease at present, pre-leases are expected to constitute the major share of the industrial pipeline.

Prime yields are stable at 6.00% in Prague in the second quarter of 2017, with yields in Brno hardening to 6.25%. Yields in secondary locations continue their convergence to prime rates. In Q2 2017, Logicor Prague Airport and Prologis Park Ostrava were the largest transactions *(Source: Cushman & Wakefield)*.

**The logistics property market in Spain**

In Spain, annual GDP growth in 2016 was close to 3%, in line with the previous year. Consumer confidence reflects domestic demand that now also includes appetite for house purchasing as well as mortgages applications. This is expected to support growth in 2017, with an expansion of total output of around 2% to 3% and occupier markets catching up with capital markets.

Logistics space has been intensively sought during 2016, resulting in take-up growth compared to 2015. With a regular pace on the demand side, supply is gently reacting. Logistics schemes under construction in Spain will bring in 2017 and 2018 a desired wave of quality space, with approximately 500,000 m² expected for Madrid and Barcelona. With vacancy rates in Madrid and Barcelona close to the equilibrium (7%), further rental increases are foreseen, resulting in prime rents increases by some 5% and 8% in Madrid and Barcelona, respectively.

Demand is propelled by local industrial and retail activity that are performing particularly well in Catalonia. A bulky share of the space transacted last year (30%) was done under the shape of built-to-suit projects, given the scarcity of modern warehouses fitted to e-commerce as well as fashion distribution. The general trait of the market is of scant supply especially in locations close to both the port and the city of Barcelona. The impact on rents is direct and resulted in prime rents increasing by 9% throughout 2016.

In Madrid, 2016 witnessed the highest logistics space take-up since a couple of years, driven by improving retail sales and private consumption. Logistics providers are targeting high-quality warehouses that are progressively less available, due to the preference of demand and the low level of construction and deliveries over the last five years. As a result, there are a number of new schemes to be delivered in 2017, where it can be expected that demand will swiftly absorb this future supply. As a result, rents are forecast to grow over the next 12 months *(Source: Cushman & Wakefield)*.

Economic drivers of industrial and logistics space markets continue to drive growth. Retail sales and industrial production increased in the first half of 2017, impelling the distribution business sector and its real estate component *(Source: Cushman & Wakefield)*.

Logistics operators keep active in their search of space in Madrid and Barcelona. Both cities registered in the first quarter of 2017 space take-up levels ahead of the average of the 2009-2016 period. A few large transactions helped gross absorption to position well in Q2 2017 compared to quarterly data of the last three years. The largest transaction in both cities represented more than one third of the surface transacted in the quarter: In the case of Barcelona, ID logistics, on behalf of the French fashion retailer Kiabi, let 50,000 m² and in Madrid, the logistics provider XPO took up some 48,000 m². The second largest transaction in both cases was of 15,000 m², in line with the average deal size of those markets *(Source: Cushman & Wakefield)*.

Rising investor appetite against a lack of supply is seeing yields compress as competition increases. Prime yields compressed in Madrid to just below 6% in Q2 2017, while yields remained unchanged in Barcelona at 6%. (*Source: Cushman & Wakefield*).

**The logistics property markets in the Central European countries[[26]](#footnote-26)**

In addition to Czech Republic, the Central European property markets in which the Group invests are Slovakia, Hungary, Romania and Latvia. These have all experienced a significant increase of investment activity over the last decade. A climate of falling interest rates, strong economic growth and increasing exchange rate stability has also fed through the logistic market segment in these countries. In general, the logistics segment to date has proven to be less responsive to the current changing economic environment, both in terms of supply generation as well as quality of the assets, and as a result attracting developers and investors. The liquidity of the logistics market segment is gradually catching up with the other real estate market segments that gained interest of investors and developers much earlier.

***The logistics property market in Slovakia***

Due to positive economic trends in both Slovakia and the wider Eurozone, the Slovak industrial market continues to expand. GDP growth of 3.3% in 2016 was amongst the strongest in the Eurozone. GDP growth is expected to continue its robust trend and reach 3.0% in 2017. *(Source: Cushman & Wakefield)*

Prime industrial rents and prime yields were stable over Q2 2017 (prime yields in Bratislava at 7.50%). Investor appetite for prime products has compressed yields to record levels in the last few months. Ongoing interest in acquiring long leased logistics schemes suggests that investors now consider the Slovak industrial market as an integral part of the wider (CEE) region. The stable economic performance in Slovakia continues to underpin healthy industrial activity. (*Source: Cushman & Wakefield*)

The main driver of the industrial market remains the flourishing automotive sector in addition to the retail segment which is also growing strongly. The Bratislava region shows highest activity, but demand in the neighbouring regions is also strong and has started to outstrip supply in some locations. Pre-lets continue to be popular and the majority of properties in the pipeline are already committed to future occupiers. Jaguar Land Rover continues to have a significant influence on the market. The Nitra region in particular is expected to develop over the course of 2017, with surrounding regions also likely to see a rise in demand for both land and developed premises.

Demand from occupiers is strong with new supply being quickly absorbed by the market. Most ongoing developments are already subject to pre-leases. Investment activity, which has been limited by a lack of products in 2016, is likely to strengthen during 2017. Occupiers continue to search for new opportunities with the preference to be linked to the D1 and R1 highways. In addition to new market entrants, there is a general trend of growth within existing premises. Most occupiers are focused on the expanding automotive sector or on e-commerce. Increased consumer spending has boosted the retail sector which is turn is stimulating demand from more distribution spaces in new and existing facilities.

There is strong activity in the Slovak market in line with the general development in the Central and Eastern Europe region as a whole. In the second quarter of 2017, the sale of Prologis Park Nove Město nad Vahom in the Trenčiansky region was the largest transaction. There are a number of ongoing deals which are showing the market has demand from both domestic and international investors. As a result, further yield compression is expected going forward. *(Source: Cushman & Wakefield)*

**The logistics property market in Hungary**

The Hungarian industrial market closed a particularly strong quarter in Q2 2017 with record high demand and falling availability. The overall vacancy rate stood at 5.5% at the end of the quarter, which is the lowest level ever registered on the Budapest market. After a strong first quarter in 2017, robust GDP growth of 3.6% is forecasted for 2017. GDP growth, together with continued monetary easing, is expected to further strengthen the positive business sentiment. Labour shortages, however are putting pressure on the Budapest market in particular *(Source: Cushman & Wakefield)*

As in previous quarters, the automotive sector, along with occupiers from the logistics and the dynamically expanding e-commerce segments, were the main drivers of demand in Q1 2017. Low vacancy rates and increasing construction costs have started increasing upwards pressure on rents; however, rental levels remained stable in the first quarter.

Total leasing activity in Q2 2017 reached a record high of 212,800 m². However, the underlying lack of available relocation options, due to the absence of new speculative supply, has seen renewals account for 75% of the occupational activity. In fact, the largest transaction was a renewal with Waberer’s committing for a new term on their 95,000 m²facility at BILK. Supply, cannot accommodate the requirements of new entrants and expansions. The lack of available warehouse space around Budapest and the current strong demand trends are strengthening landlords’ negotiating positions. *(Source: Cushman & Wakefield)*

The industrial investment market recorded healthy activity levels in Q2 2017 with yields that remained stable over the quarter. A yield hardening is expected as 2017 progresses due to increased competition for the best assets, which are scarce. This may force investors to divert their attention to stable countryside projects.

There is around 80,000 m² of new space scheduled to enter the market by the end of this year, which should bring some temporary relief to the occupier market. *(Source: Cushman & Wakefield)*

Limited available warehouse space is putting upwards pressure on prime rents (4.3% growth in Budapest). Prime yields remained unchanged in Q2 2017, ranging between 8.00%-9.75%. (*Source: Cushman & Wakefield*)

**The logistics property market in Romania**

According to Eurostat, Romania recorded in Q2 2017 the largest industrial sector growth across the European Union countries (14.6% year-on-year). Demand for industrial and logistics spaces was higher by ~47% compared with the same period last year. Throughout the second quarter, approximately 50,000 m² of industrial and logistics spaces were delivered. However, for the second half of the year, new supply is expected to reach record highs. Rental levels remained stable, with prime headline rents around € 4.25 / m²/ month.

In Q2 2017, demand for industrial and logistics spaces in Romania was of approximately 195,000 m². Net take-up represented around 65%, with 125,000 m² transacted. Companies active in the logistics and distribution sectors were the most active tenants. Bucharest, the largest industrial and logistics market in the country, attracted 45% of the net take-up, followed by regional markets such as Pitesti and Timisoara, with a share of 26% and 10% of the net take-up respectively. Developers’ confidence is reflected in the large volume of new supply expected to be delivered. *(Source: Cushman & Wakefield)*

The largest transaction was the purchase of Blackstone’s Logicor portfolio by China Investment Corporation, comprising four projects across Romania, with a total GLA of ~100,000 m².

In the second quarter of 2017, prime industrial yields remained stable, varying between 8.75%-9.50% across cities.. Given the economic growth is based on private consumption and investments, the industrial market in Romania is expected to continue witnessing the same upward trend. Considering the high level of demand, more than 400,000 m² of new industrial and logistics spaces are expected to be delivered in the following year *(Source: Cushman & Wakefield)*

**The logistics property market in Latvia**

Latvia’s economy grew as the second fastest in the EU, with GDP growing at 4.8% in Q2 2017 (vs. Q2 2016). Despite modest completion of volumes in 2016, development activity continued with projects under active construction and even more in the planning pipeline. Stable demand for modern and end-user oriented premises encouraged developers to engage in speculative development even without pre-lease agreements. During 2016, the market saw a gradual shift of professional industrial property rent rates towards a differentiation between Riga and the Riga Region. Due to new project commissioning and a series of tenant activities, the market experienced an increase in vacancy, although a shortage of larger premises was observed. *(Source: Latvian Information Agency)*

By the end of 2016, total professional leasable industrial space, including all modern warehouse, logistic and industrial buildings in Riga and the Riga Region, amounted to approximately 944,100 m², consisting of 638,200 m² of speculative premises and 305,900 m² of built-to-suit premises. Around 42% of total professional space is located within Riga city limits. The other 58% is located around the Riga Ring Road (near Kekava, Olaine, Marupe, Salaspils and Jelgava).

2016 was marked by active demand for industrial premises, which resulted in total take up of 61,100 m², with the typical average leased area of 1,500 – 2,000 m². During 2016, tenants seeking individual solutions were moving to new properties, while tenants with expiring rent agreements were looking for relocation at the same price to new properties or staying in their current location at a lower price.

In line with the general e-commerce market development, the Latvian industrial real estate market has seen increasing activity from parcel delivery/distribution companies seeking professional premises matching their specific requirements.

New properties offer tailor made solutions for market rent rates, which means that older warehouse rent rates might decrease. In the second half of 2017, vacancy is expected to increase on rent rates for existing warehouses. Despite the high vacancy rate in 2016, Riga still experienced a shortage of premises within the 1,000 – 2,000 m² range.

During 2017, total professional leasable industrial space is anticipated to be supplemented by an additional 59,700 m² and start of construction work on even more projects is expected in the coming year. Logistic and distribution companies are expected to remain the main demand drivers. Prime yields compressed to 8.25% by the end of 2016. *(Source: Colliers)*

**Competition**

The markets in which the Group operates are exposed to local and international competition. Basically, there are 4 types of competitors i.e. small local players, large established real estate players, occasional new real estate players, and lease companies.

In Germany and the countries in which VGP operates, ProLogis, Segro, Goodman and Pannatoni are some of the largest market players. None of the above-mentioned developers, however, occupies a dominant position in Germany or in Central Europe as a whole. In Germany, a number of regional local developers are also active, typically developing in their respective Länder (i.e. German federal states).

The competition in the Czech Republic comes mainly from large established real estate developers. These developers have land bank positions and established projects and business parks in the Czech Republic. The biggest competitors amongst them are: CTP Invest, P3, ProLogis, Goodman and Pannatoni. Besides these there are a number of investment funds who have bought existing stock from developers which may from time to time lose a tenant and promote the resulting vacancy in the market. The biggest competitors amongst them are Segro and Heitman.

The different real estate companies usually have different business models. Whereas the large real estate players will usually concentrate on “big box” logistic warehouses i.e. large buildings >50,000 m², VGP operates in a niche market concentrating on smaller buildings 5,000 m² - 20,000 m² (up to around 50,000 m² in Germany) which attract more interest from end users. VGP experienced this model to be more resilient to the economic downturn of the past few years.

Management and Corporate Governance

**Board of Directors**

***Role and powers of the Board of Directors***

As provided by article 521 of the Belgian Company Code, the Company is headed by a board of directors acting as a collegial body (the “Board of Directors” or the “Board”).

The Board of Directors manages the Company with a view to the growth of turnover and productivity by providing entrepreneurial leadership and enabling risks to be assessed and managed. The Board of Directors is accountable to the shareholders' meeting.

As provided for by article 522 of the Belgian Company Code the Board of Directors is empowered to perform all actions that are considered necessary or useful to achieve the Company’s purpose, except with respect to such areas which are reserved to the shareholders' meeting by law or by the Articles of Association.

In this light, the main tasks of the Board of Directors include:

* deciding on the executive management structure and determine the powers and duties entrusted to the executive management;
* deciding on the Company’s strategy (as recommended by the CEO) and growth areas, the Company's main policy lines, its willingness to take risks and its values;
* deciding on and monitoring the budget;
* being responsible for the Company’s corporate governance structure and the compliance with the provisions of the Corporate Governance Code;
* the appointment and dismissal of the CEO and the senior management;
* deciding on the Company’s remuneration policy as regards the CEO and the senior management (on the recommendation of the Remuneration Committee);
* the appointment and dismissal of the members of the board committees;
* the appointment and dismissal of the Company secretary;
* reviewing and approving, after consultation of the Audit Committee, the annual and periodical financial statements;
* taking all necessary and useful measures for effective and efficient execution of the Belgian rules on market abuse, preparing and evaluating the Company’s dealing code;
* convening the shareholders' meetings and submitting resolutions for approval; and
* designing and reviewing a disclosure and communication policy promoting an effective dialogue with the Company’s shareholders and potential shareholders and in general supervising the compliance with the obligations of the Company vis-à-vis its shareholders. In this regard the board shall endeavour to have the controlling shareholder(s) make a considered use of its/their position and respect the rights the interests of the minority stakeholders, whereby the board shall encourage the controlling shareholders to respect the Corporate Governance Code.

With respect to its monitoring responsibilities the Board of Directors shall:

* monitor and review the effectiveness of the Audit Committee and the Remuneration Committee;
* approve a clear and well-defined framework of internal control and risk management set up by the executive management;
* review the implementation of this framework, taking into account the review made by the Audit Committee;
* describe the main features of the Company's internal control and risk management systems, to be disclosed in the VGP Charter;
* take all necessary measures to ensure the integrity and timely disclosure of the Company’s financial statements and other material financial and non-financial information disclosed to the shareholders and potential shareholders;
* review executive management performance and the realisation of the Company’s strategy;
* supervise the performance of the statutory auditor and supervise the internal audit function, taking into account the review made by the Audit Committee.

***Individual Requirements of the Directors***

The directors shall be specifically chosen for their particular professional experience, knowledge and skills. Any proposal for the appointment of a director by the shareholders' meeting shall be accompanied by a recommendation from the Board of Directors.

Directors undertake that they have sufficient time to exercise their duties, taking into consideration the number and importance of their other commitments. They shall not hold more than five (5) directorships in listed companies, including the directorship in the Company, provided that the Board of Directors can advise the shareholders to deviate from this rule. Changes in the directorships held by the directors shall immediately be reported to the chairman of the Board of Directors.

***Composition of the Board of Directors***

In accordance with article 15 of the Articles of Association and paragraph 2 of annex 1 to the VGP Charter, the Board of Directors is composed of at least three (3) members, who need not be shareholders. The actual number of directors may vary depending on the needs of the Company. At least half of the directors must be non-executive directors and at least three of them must be independent based on the criteria of independence drawn up by the Board of Directors and set forth in paragraph 3 of annex 1 to the VGP Charter.

The directors are appointed for a term of no more than four years by the shareholders’ meeting, and may be re-elected.

The Board of Directors must draw up nomination procedures and selection criteria for board members, including specific rules for executive and non-executive directors where appropriate. Based on these nomination procedures and the selection criteria, the Board of Directors recommends one or more candidates for nomination, taking into account the needs of the Company.

Any proposal for the appointment of a director by the shareholders' meeting is accompanied by a recommendation from the Board of Directors.

Whenever a legal entity is appointed as a director, it must specifically appoint an individual as its permanent representative, chosen from among its shareholders, managers, directors or employees, and who will carry out the office of director in the name and on behalf of such legal entity. The legal entity may not revoke its permanent representative without simultaneously appointing a successor. The appointment and termination of the office of the permanent representative are governed by the same disclosure rules as if he/she were exercising the office on his/her own behalf.

The directors may be re-elected for a new term subject to the provisions regarding independent directors. The duties of directors who are not appointed for a new term terminate immediately after the shareholders’ meeting which decided on any re-election.

Gender diversity and diversity in general, as well as complementary skills, experience and knowledge must be given due consideration in the composition of the Board of Directors. In accordance with article 518bis of the Belgian Companies Code, the Company intends to comply with the gender diversity rules as set forth in such article by 2019. Following the outcome of the Offering, the composition of the Board of Directors may be changed, in the framework of which changes the Company may include female members in its Board.

Adequacy of size and composition will be regularly assessed by the Board of Directors upon the initiative of the chairman.

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

***Current Composition of the Board of Directors***

The Company’s Board of Directors is currently composed of the following 5 members:

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Position** | **Director since** | **Mandate expires** |
| Marek Šebest’ák | Chairman and non-executive independent director | 2007 | 2019 |
| Jan Van Geet(1) | CEO, executive director and reference shareholder | 2007 | 2021 |
| Bart Van Malderen(2) | Non-executive director and reference shareholder | 2007 | 2021 |
| Alexander Saverys | Non-executive independent director | 2007 | 2019 |
| Jos Thys(3) | Non-executive independent director | 2007 | 2019 |

(1) As permanent representative of Jan Van Geet s.r.o.

(2) As permanent representative of VM Invest NV.

(3) As permanent representative of Rijo Advies BVBA.

**Marek Šebest’ák** (b. 1954), is founder and former Chairman of BBDO-Czech Republic, one of the leading international advertising and communication agencies.

**Jan Van Geet** (b. 1971), 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** (b. 1966). Mr Bart Van Malderen founded Drylock Technologies in 2012. Drylock Technologies is a new hygienic disposable products manufacturer which introduced the revolutionary fluff-less 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** (b. 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** (b. 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 investment banking with BNP Paribas, Artesia and Dexia.

The business address for all of the directors is Leonardo Da Vincilaan 19A, bus 6, 1831 Machelen (Diegem).

***Share Ownership of the Directors***

As the date of this Prospectus, the following directors (directly and/or indirectly) own shares in the Company:

|  |  |  |
| --- | --- | --- |
| **Director** | **Number of shares** | **% of shares issued** |
| VM Invest NV | 4,451,668 | 23.96% |
| Bart Van Malderen | 3,545,250 | 19.08% |
| VGP MISV Comm. VA | 929,153 | 5.00% |
| **Total Bart Van Malderen Group** | ***8,926,071*** | **48.03%** |
| Little Rock SA | 4,707,752 | 25.33% |
| Alsgard SA | 2,409,914 | 12.97% |
| **Total Jan Van Geet Group** | ***7,117,666*** | **38.30%** |
| **Jos Thys** | 1,965 | 0,01% |
| **Marek Šebest’ák** | 1,922 | 0,01% |

None of the directors own share options.

As set out in the section *“Offering”*, VM Invest NV, Bart Van Malderen and Little Rock SA offer to sell (a number of) their shares in the Company in the framework of the Offering. No other members of the Board of Directors intend to participate in the Offering as purchaser of any Offer Shares.

***General Information on the Directors***

In relation to each of the directors, there have been no (i) convictions in relation to fraudulent offenses during the previous five years; (ii) bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships” or senior management positions during the previous five years; or (iii) official public incrimination and/or sanctions of such members by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an Company or from acting in the management or conduct of the affairs of any Company during the previous five years.

None of the directors has a potential conflict of interest between his/her duties to the Company and his/her private interests and/or any other duties he or she may have, except for the (potential) conflicts of interest set out in this Section (under “*Conflict of Interest*”) or under section “*Major Shareholders and Related Party Transactions*”.

No director has a family relationship with any other director or member of executive management, except for CEO Jan Van Geet and Chief Commercial Officer Tomas Van Geet (who are related to each other as brothers).

In the five years preceding the date of this Prospectus, the directors or their permanent representatives have held the following directorships or memberships of administrative, management or supervisory bodies and/or partnerships apart from mandates in the Company or its subsidiaries:

|  |  |  |
| --- | --- | --- |
| **Name** | **Current** | **Past** |
| Marek Šebest’ák | none | none |
| Jan Van Geet(1) | Director Little Rock SA, Director Alsgard SA | Director VGP MISV Comm. VA, VGP FM Services Plus Comm. VA, Director Little Rock SA, and Director Drylock Technologies s.r.o. |
| Bart Van Malderen(2) | Director Bart Van Malderen BVBA, VGP MISV Comm. VA, Drylock Technologies NV, Vynka Plus Comm. VA, Vynka Plus Ru Comm. VA, Vadebo France NV, PVM Invest Lux SA, VM Invest Arras S. à r.l., VM Invest Peninsular SL, VM Invest CZ s.r.o., Hastal Apartments s.r.o., Lillydoo GmbH, managing director VM Invest NV, deputy chairman Family PVM VZW | Director Bart Van Malderen BVBA, VGP MISV Comm. VA, Drylock Technologies NV, Vynka Plus Comm. VA, Vynka Plus Ru Comm. VA, Vadebo France NV, PVM Invest Lux SA, VM Invest Arras S. à r.l., VM Invest Peninsular SL, VM Invest CZ s.r.o., Hastal Apartments s.r.o., Lillydoo GmbH, VM Invest Gayrimenkul AS, Cobehold SA, managing director VM Invest NV, deputy chairman Family PVM VZW |
| Alexander Saverys | Managing director CMB NV, Delphis NV, Team Lines Benelux NV; director Bocimar NV, Bocimar Hunter NV, CMB Technologies BVBA, De NIeuwe Karpel BVBA, Gantoise Dunant BVBA, Hamburg Maritime NV, Hof ter Polder BVBA, Koninklijke Belgische Redersvereniging VZW, Maritime Partners BVBA, Saverco NV, Vivier du Chevalier BVBA, Walbos BVBA | Managing director CMB NV, Delphis NV, Team Lines Benelux NV; director Bocimar NV, Bocimar Hunter NV, CMB Technologies BVBA, De NIeuwe Karpel BVBA, Gantoise Dunant BVBA, Hamburg Maritime NV, Hof ter Polder BVBA, Koninklijke Belgische Redersvereniging VZW, Maritime Partners BVBA, Saverco NV, Vivier du Chevalier BVBA, Walbos BVBA |
| Jos Thys(3) | Managing director Thijs Invest NV; Director Remant NV, Director Merlaux SA | Managing director Thijs Invest NV; Director Remant NV, Vlaamse Volksbeweging VZW, Director Merlaux SA |

(1) Either directly or as permanent representative of Jan Van Geet s.r.o.

(2) Either directly or as permanent representative of VM Invest NV.

(3) Either directly or as permanent representative of Rijo Advies BVBA.

***Board Committees***

*Audit Committee*

The audit committee of the Company (the “Audit Committee”) supervises the integrity of the financial information provided by the Company, and is more in particular responsible for, as set forth in paragraph 2 of annex 3 to the VGP Charter:

* ensuring that financial reporting gives a truthful, honest and clear picture of the situation and prospects of the Company, on both an individual and a consolidated basis, as the case may be;
* checking the accuracy, completeness and consistency of financial information, including the verification of the periodical information before it is announced;
* assessing the relevance and consistency of the Accounting Standards.

The composition of the Audit Committee is determined by paragraph 3 of annex 3 of the VGP Charter. The members of the Audit Committee are appointed by the Board of Directors. They may be dismissed by the Board of Directors at any time.

The Audit Committee consists out of at least three directors. The members of the Audit Committee must be non-executive directors, with a majority of independent directors. At least one of them must have accounting and auditing experience.

The members of the Audit Committee have sufficient relevant expertise, especially in accounting, auditing and financial matters, to effectively perform their functions.

The duration of the appointment of a member of the Audit Committee may not exceed the duration of his/her directorship.

The Audit Committee is currently composed as follows:

|  |  |
| --- | --- |
| **Name** | **Expiration of mandate** |
| Marek Šebest’ák | 2019 |
| Bart Van Malderen(1) | 2021 |
| Jos Thys(2) (*Chairman)* | 2019 |

(1) As permanent representative of VM Invest NV.

(2) As permanent representative of Rijo Advies BVBA.

In accordance with paragraph 5 of annex 3 to the VGP Charter, 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.

Given the size of the Group no internal audit function has currently been created.

The Statutory Auditor has direct and unlimited access to the chairman of the Audit Committee and the chairman of the Board of Directors.

The Chief Executive Officer and the Chief Financial Officer attend all the meetings.

The Audit Committee can, at its discretion, request any of the Company’s executives, employees, external legal advisors, or the Statutory Auditor, the CEO or the head of internal audit of the Company (if and when appointed) to attend a meeting of the Audit Committee or request such persons to confer with the members or advisors of the Audit Committee.

*Remuneration Committee*

In accordance with paragraph 2 of annex 2 to the VGP Charter, the remuneration committee of the Company (the “Remuneration Committee”) is responsible for the following tasks with respect to the remuneration:

* drawing up and evaluating proposals to the Board of Directors concerning the remuneration policy to be pursued for directors, members of the management committee, other leaders (“*andere leiders”* / ”*autres dirigeants”*) and the executive managers and, where appropriate, on the resulting proposals to be submitted by the Board to the general shareholders’ meeting;
* drawing up and evaluating proposals to the Board regarding the individual remuneration of directors, members of the management committee, other leaders (“*andere leiders”* / “*autres dirigeants”*) and the executive managers, including variable remuneration and long-term incentives, whether or not stock-related, in the form of stock options or other financial instruments, and regarding the arrangements on early termination, and where applicable, on the resulting proposals to be submitted by the Board to the general shareholders’ meeting;
* drawing up and submitting of a remuneration report to the Board of Directors, to be included in the corporate governance statement of the annual report;
* explaining the remuneration report at the general shareholders’ meeting;
* giving a motivated advice to the Board of Directors, every time when a severance payment equal to or in excess of 18 months is proposed in an agreement with an executive director, a member of the management committee, another leader (“*andere leider* “/ ”*autre dirigeant”*) or an executive manager.

The Remuneration Committee comprises at least three directors, in accordance with paragraph 3 of annex 2 to the VGP Charter. All members of the Remuneration Committee must be non-executive directors, a majority of whom are independent.

The members of the Remuneration Committee are appointed and may be dismissed at any time by the Board of Directors. The duration of the appointment of a member of the Remuneration Committee must not exceed the duration of his/her directorship.

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.

The Remuneration Committee is currently composed as follows:

|  |  |
| --- | --- |
| **Name** | **Expiration of mandate** |
| Bart Van Malderen (*Chairman*) (1) | 2021 |
| Alexander Saverys | 2019 |
| Jos Thys(2) | 2019 |

(1) As permanent representative of VM Invest NV.

(2) As permanent representative of Rijo Advies BVBA.

*Nomination Committee*

The Company has not set up a nomination committee. By doing so the Company deviates from the recommendation in provision 5.3 of the Corporate Governance Code. The deviation is justified considering the smaller size of the Company.

***Executive Management***

*Management Committee*

Since no management committee in the meaning of article 524bis et seq of the Belgian Company 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, as set forth in paragraph 19 of annex 1 to the VGP Charter. By doing so, the Company as a smaller listed company deviates from the recommendation in provision 6.1 of the Corporate Governance Code.

*Executive Management*

The executive management is composed of the following members:

|  |  |
| --- | --- |
| **Name** | **Position** |
| Jan Van Geet(1) | Chief Executive Officer |
| Jan Procházka | Chief Operating Officer |
| Dirk Stoop(2) | Chief Financial Officer |
| Tomas Van Geet(3) | Chief Commercial Officer |
| Jan Papoušek(4) | Chief Operating Officer (outside CZ) |

(1) As permanent representative of Jan Van Geet s.r.o.

(2) As permanent representative of Dirk Stoop BVBA.

(3) As permanent representative of Tomas Van Geet s.r.o.

(4) As permanent representative of Jan Papoušek s.r.o.

The curriculum vitae of the members of the executive management (except for the CEO – cf. *supra*) may be summarised as follows:

**Jan Procházka** (b. 1964), 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 realised under his management are the airport terminal Sever 1 in Prague, the cargo terminal, as well as the headquarters of Česká Spořitelna.

**Dirk Stoop** (b. 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 Stoop holds a Masters Degree in Financial and Commercial Sciences from VLEKHO (HUB) in Belgium.

**Tomas Van Geet** (b. 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.

**Jan Papoušek** (b. 1974) is a 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 Theobald, a UK based well known cost controlling company with international activities, where he occupied the function of cost and project manager.

***Share Ownership of Executive Management***

On the date of this Prospectus, the following members of Executive Management (other than the CEO – cf. *supra*) directly and/or indirectly own shares in the Company:

|  |  |  |
| --- | --- | --- |
| **Director** | **Number of shares** | **% of shares issued** |
| Tomas Van Geet | 6,557 | 0.035% |

None of the members of Executive Management own share options.

As set out in the section “Offering”, VM Invest NV, Bart Van Malderen and Little Rock SA offer to sell (a number of) their shares in the Company in the framework of the Offering. No members of Executive Management intend to participate in the Offering as purchaser of any Offer Shares.

***General Information on the Members of Executive Management***

In relation to each of the members of executive management, there have been no (i) convictions in relation to fraudulent offenses during the previous five years; (ii) bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships, or senior management positions during the previous five years; or (iii) official public incrimination and/or sanctions of such members by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an Company or from acting in the management or conduct of the affairs of any Company during the previous five years.

None of the members of executive management has a potential conflict of interests between his/her duties to the Company and his/her private interests and/or any other duties he or she may have, except for any matters in relation to his/her management or employment agreement with the Company or any of the Subsidiaries (if any) or with any (indirect) shareholder of the Company (and, with respect to the CEO, except as set out *supra*, under “*General Information on the Directors*”).

No member of executive management has a family relationship with any director or other member of executive management, except as set out *supra*, under “*General Information on the Directors*”.

In the five years preceding the date of this Prospectus, the members of executive management have held the following directorships or memberships of administrative, management or supervisory bodies and/or partnerships apart from mandates in the Company or its subsidiaries:

|  |  |  |
| --- | --- | --- |
| **Name** | **Current** | **Past** |
| Jan Van Geet(1) | Director Alsgard SA, Director Little Rock SA | Director VGP MISV Comm. VA, VGP FM Services Plus Comm. VA, Director Little Rock SA, and Director Drylock Technologies s.r.o. |
| Jan Procházka | none | none |
| Dirk Stoop(2) | Director Dirk Stoop BVBA | Director Dirk Stoop BVBA |
| Tomas Van Geet(3) | Director Tomas Van Geet s.r.o. | Director Tomas Van Geet s.r.o. |
| Jan Papoušek(4) | none | none |

(1) Either directly or as permanent representative of Jan Van Geet s.r.o.

(2) Either directly or as permanent representative of Dirk Stoop BVBA.

(3) Either directly or as permanent representative of Tomas Van Geet s.r.o.

(4) Either directly or as permanent representative of Jan Papoušek s.r.o.

**Evaluation of the Board of Directors and its Committees**

In accordance with its rules of procedure as set forth in paragraph 6 of annex 1 to the VGP Charter, the Board of Directors assesses its performance every three years as well as the operation of the Audit Committee and the Remuneration Committee.

The Board of Directors and its committees will carry out a new self-assessment in the course of 2017.

**Remuneration**

***Remuneration for Directors and non-executive Directors in financial year 2016***

The Directors received an annual fixed remuneration of € 10,000 (the chairman received a fixed annual remuneration of € 20,000). The Directors also received an attendance fee of € 1,000 for each meeting of the Board of Directors (the chairman received an attendance fee of € 2,000) and € 500 for each meeting of the Audit Committee or the Remuneration Committee they attended.

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 did not receive any remuneration linked to performance or results.

The remuneration of the members of the Board of Directors for the financial year ended 31 December 2016 is reflected in the table below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name**  *Amounts in EUR* | **Fixed remuneration** | **Variable board attendance** | **Variable committee attendance** | **Total** |
| **Chairman** | 20,000 | 10,000 | 1,500 | 31,500 |
| Marek Šebest’ák |  |  |  |  |
| **Directors** |  |  |  |  |
| Jan Van Geet(1) | 10,000 | 6,000 | - | 16,000 |
| Bart Van Malderen(2) | 10,000 | 6,000 | 3,000 | 19,000 |
| Alexander Saverys | 10,000 | 5,000 | 1,000 | 16,000 |
| Jos Thys(3) | 10,000 | 6,000 | 3,000 | 19,000 |

(1) As permanent representative of Jan Van Geet s.r.o.

(2) As permanent representative of VM .Invest NV.

(3) As permanent representative of Rijo Advies BVBA.

***Remuneration for Executive Management in financial year 2016***

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.

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 maximization 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 2016 of the CEO*

* fixed remuneration of € 300,000 and a total directorship remuneration of € 16,000
* short term variable remuneration: € 0
* contribution of retirement benefits: € 0
* other components of the remuneration: € 35,160 (includes company car and related expenses)

*Total remuneration 2016 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 2016 is set forth below on a global basis.

* fixed remuneration of € 565,632
* short term variable remuneration: € 700,000
* contribution of retirement benefits of € 35,963
* other components of the remuneration: € 71,161 (company car and related expenses)

*Mid-term variable remuneration Little Rock SA*

Little Rock SA entered in the course of April 2015 into a service agreement with the Company pursuant to which Little Rock SA is responsible for the Group’s daily management, financial management and commercial management and whereby Little Rock SA, in consultation with the Company, needs to appoint the physical persons (acting as independent agents) who will be responsible for the daily management, financial management and commercial management. Little Rock SA has appointed in this respect and is represented for this purpose by the CEO (Mr Jan Van Geet[[27]](#footnote-27)), CFO (Mr Dirk Stoop[[28]](#footnote-28)) and CCO (Mr Tomas Van Geet[[29]](#footnote-29)) 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 midterm 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). There are no arrangements in place between the CEO, CFO and CCO in relation to the division between them of any variable fees Little Rock SA receives in connection with such management agreement.

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 2016 amounts to € 5,951,356 and has been fully provided for in the 2016 consolidated accounts. This amount will be paid out over the next three years at a rate of 1/3 per annum. The aggregate amount which will therefore be paid out in 2017 covering the periods 2015 (1/3) and 2016 (1/3) amounts to € 3,722,209.

For 2016 no post-employment benefits nor share based payment benefits were granted.

***Pension, retirement or similar benefits***

There are no amounts set aside or accrued by the Company or its subsidiaries to provide pension, retirement or similar benefits to directors or executive management.

**Termination Provisions**

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.

**Statutory Auditor**

The Company’s Statutory Auditor is DELOITTE Bedrijfsrevisoren BV o.v.v.e. CVBA, with registered office at Gateway Building, Luchthaven Nationaal 1 J, 1930 Zaventem, Belgium, represented by Mr Rik Neckebroeck. The Statutory Auditor is registered with the Belgian *Instituut van de Bedrijfsrevisoren*.

It has been re-appointed at the general meeting of shareholders on 12 May 2017 for a period of three years.

The audit fees at the consolidated level have been set at € 123,500 per year by the general meeting of shareholders. This fee will be subject to an annual review reflecting the changes in audit scope which might be required in order to ensure that such audit scope is kept in line with the evolution of the Group.

**Corporate Governance**

The Company has adopted the principles of corporate governance contained Belgian Code on Corporate Governance published on 12 March 2009 (the “Corporate Governance Code”) which can be consulted on http://www.corporategovernancecommittee.be/en/2009\_code/latest\_edition

In accordance with the recommendations set out by the Corporate Governance Code, the Board of Directors adopted a corporate governance charter (the VGP Charter) which is available on the Company’s website: http://www.vgpparks.eu/investors/images/download/Corporate\_Governance\_Charter\_-\_EN\_-\_.pdf

Except as stated otherwise in this section “Management and Corporate Governance”, the Company complies with the obligations of the Corporate Governance Code.

**Conflicts of Interest**

In accordance with article 523 of the Belgian Company Code, a member of the Board of Directors should give the other members prior notice of any agenda item in respect of which he has a direct or indirect conflict of interest of a financial nature with the Company and may not participate in the deliberation or vote on such agenda item.

***One conflict of interest have arisen in 2014***

During 2014 the following conflict of interest arose:

Excerpt from the minutes of the Board of Directors meeting of 4 April 2014

*“The agenda calls for a discussion and approval to enter into a rental agreement between, on the one hand VM Invest NV as lessor, and on the other hand VGP as lessee. The board of directors takes note of the declaration of Mr. Bart Van Malderen (acting as permanent representative of VM Invest NV.) that it has an interest of a financial nature which could conflict with the decision and transactions deliberated upon and contained in the agenda of this meeting, as VM Invest NV is the owner of the office space which is the subject of the rental agreement and that it is at the same time a director and shareholder of VGP. After deliberating the board of directors of VGP decides to enter into the rental agreement.”*

***Three conflicts of interest have arisen in 2015***

During 2015 the following three conflicts of interest arose:

Excerpt from the minutes of the Board of Directors meeting of 3 April 2015

*“The agenda calls for a discussion and approval to (i) end the existing management agreements between, on the one hand Jan Van Geet s.r.o., Dirk Stoop BVBA, Tomas Van Geet, and on the other hand VGP (ii) to enter into new management agreements relating to the services rendered by some of VGP’s key managers. The board of directors takes note of the declaration of Mr. Jan Van Geet (acting as permanent representative of Jan Van Geet s.r.o.) that he has an interest of a financial nature which could conflict with the decision and transactions deliberated upon and contained in the agenda of this meeting, as Jan Van Geet s.r.o. will be appointed by Little Rock SA as a consultant responsible for the Group’s daily management and that he is at the same time the controlling shareholder of Little Rock SA. As a result he will not participate in the discussion and deliberation nor will he participate in the voting on these agenda points. After deliberating the board of directors decides (i) to end the existing management agreements between, on the one hand Jan Van Geet s.r.o., Dirk Stoop BVBA, Tomas Van Geet, and on the other hand VGP; (ii) to enter into new management agreements relating to the services rendered by some of VGP’s key managers.”*

Another conflict of interest arose in respect of the issuing of a hybrid form of security instrument.

Excerpt from the minutes of the Board of Directors meeting of 7 July 2015

*“The agenda calls for a discussion and approval to issue a hybrid form of security instrument. The Securities will be offered to certain investors and/or main shareholders and have the following main characteristics: (a) the Securities will be debt instruments under Belgian GAAP, but for IAS/IFRS purposes, they will qualify as equity; (b) the Securities will be perpetual debt instruments, i.e. debt instruments without a fixed maturity date. They may be redeemed at the option of the Company at any time. The Securities holders do not have a right to demand redemption of the Securities by the Company; (c) the Securities will entitle the holders to interests, which shall at the sole discretion of the Company, either: (i) be payable annually in cash on the interest payment date; or (ii) be compounded in respect of each Security with the principal amount of such Security and shall be deemed to form part of the principal amount of such Security and generate interest as from the first day of the next interest period (to the extent permitted by and in accordance with article 1154 of the Belgian Civil Code). The Securities bear interest of 7.00% p.a. for the first 5 years after which the interest rate will increase with 1.00% per annum on each subsequent third anniversary. After deliberation the Board of Directors approves the terms of the Transaction Documents (substantially in the form attached to these minutes) and the Transaction contemplated thereby, as well as the execution and performance by the Company of the Transaction Documents, including: (i) the draft Terms and Conditions of the Securities; and (ii) the draft Subscription Agreement.”*

Excerpt from the minutes of a second Board of Directors meeting of 7 July 2015

*“4. Conflict of interest*

*4.1 Declaration of the conflict of interest*

*The board of directors takes note of the declaration of Jan Van Geet s.r.o. (represented by Mr Jan Van Geet) that it has an indirect conflict of interest of a patrimonial nature with respect to the agenda point (d) of the agenda of the meeting, as Jan Van Geet is also direct shareholder of Little Rock SA.*

*The conflict of interest lies in the fact that if the board decides to grant a variable remuneration to Little Rock SA that Jan Van Geet s.r.o. will have a conflict of patrimonial nature. The patrimonial consequences for the Company will be that it will be deliberating to grant a € 550k variable remuneration to Little Rock SA.*

*Therefore, Jan Van Geet s.r.o. will, in accordance with article 523 of the Belgian Companies Code and article 16 of the articles of association of the Company not participate in the deliberations and decisions on this item on the agenda.*

*4.2 Justification*

*Considering the current evolution of the VGP business and the fact that Little Rock is significantly contributing to the growth of the Group and its geographical expansion, the board of directors considers that the proposed € 550k bonus allocation to Little Rock SA by the remuneration committee is justified.*

*[…]*

*5.4 Allocation of variable remuneration to VGP key team members*

*The meeting takes note of the advice of the remuneration committee of today, to grant a variable remuneration to the VGP key team members.*

*After further deliberation, the board of directors, unanimously and by applying the procedure described in Article 523 of the companies code and article 16 of the articles of association, approves a € 1.1 million bonus envelope to be allocated as follows:*

* *€ 550k to Little Rock SA;*
* *€ 550k to be allocated over other key team members by the CEO.”*

The complete minutes of these meetings of the Board of Directors concerning the new management agreements with Little Rock SA and the issuance of the hybrid securities are included in the Board of Director’s report attached to the 31 December 2015 statutory accounts.

***One conflict of interest has arisen in 2016***

During 2016, one conflict of interest has arisen:

Excerpt from the minutes of the Board of Directors meeting of 30 May 2016.

“*Agenda*

*1. Conditional decision to redeem the Securities; and*

*2. The granting of special powers of attorney.*

*1 Introduction*

*1.1 Description of the Transaction*

*The Company has issued a hybrid form of security instruments (that qualify as debt instruments under Belgian GAAP, but for IAS/IFRS purposes, as equity) on 29 July 2015, 16 September 2015 and 25 November 2015 (a “Security” or the “Securities”), as follows:*

*(i) 45 Securities were issued to VM Invest NV, of which 15 on 29 July 2015, 20 on 16 September 2015 and 10 on 25 November 2015; and*

*(ii) 15 Securities were issued to Little Rock SA, of which 5 on 29 July 2015, 5 on 16 September 2015 and 5 on 25 November 2015.*

*Pursuant to Article 5 “Redemption” of the Terms and Conditions of the Securities, the Company wishes to redeem all Securities against a price equal to the issue price plus the interest accrued from the issue date of each Security until the date of actual payment to the Securities Holder, such redemption being subject to the closing of the transaction entered into with Allianz, being the sale of 50% of the shares in the joint-venture vehicle VGP European Logistics S.à.r.l. by the Company to Allianz Finance VII Luxembourg S.A., SAS Allianz Logistique S.A.S.U. and Allianz Benelux S.A. (the “Closing”) in accordance with the terms of the SPA signed on 14 March 2016 (the “Transaction”).*

*1.2 Conflicts of interest*

*1.2.1 Declaration of the conflict of interest*

*Jan Van Geet s.r.o. and VM Invest NV have notified the board of directors that they have a conflict of interest of a patrimonial nature with respect to the decision to approve the Transaction, because they (or persons affiliated with them) are Securities Holders. The conflicted directors have indicated that their conflict of interest lies in the fact that if and when the board decides to redeem the Securities, they have a conflict of patrimonial nature, because they could, given the interest payments due in respect of the Securities compared to the current market interest rate, have an interest not to approve the redemption of the Securities. Therefore, Jan Van Geet s.r.o. and VM Invest NV will, in accordance with article 523 of the Belgian Company Code and article 16 of the articles of association of the Company, not participate in the deliberations and decisions of the board of directors on these items on the agenda.*

*1.2.2 Justification*

*The board of directors is of the opinion that the redemption of the Securities is desirable as the Company will have sufficient cash resources available at Closing to allow the redemption of the Securities to take place. Taking into account these new cash resources and the strengthened equity base of the Company as a result thereof, it is no longer necessary to further maintain an alternative funding resource such as the Securities.*

*2 Resolutions*

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

*DECIDES to approve the Transaction.*

*DECIDES to appoint Mr Jan Van Geet and Mr Dirk Stoop as its special attorney(s), (acting alone or jointly and with the right of substitution), with the power to in general, do all that is necessary or useful to implement the resolutions adopted during this meeting and to realise the Transaction within a period of 12 months as from the date hereof, including the negotiation, amending and execution of all documents connected to the Transaction.*

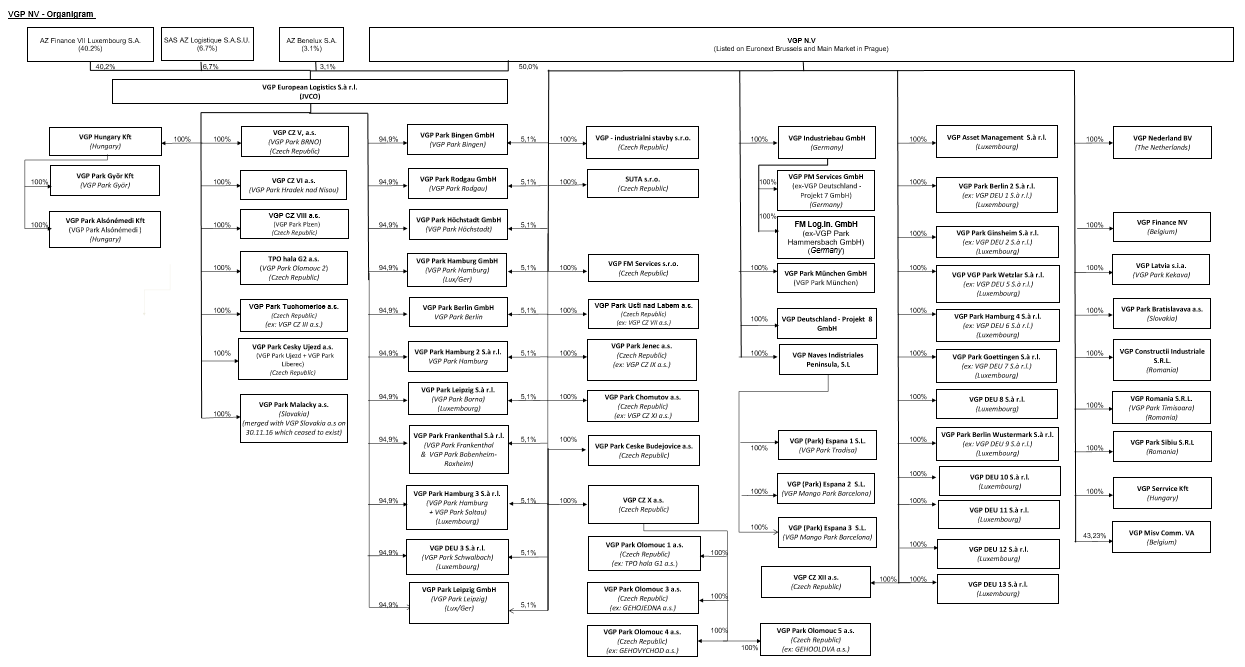
*Since there are no further items on the agenda, the meeting is adjourned*.”

GROUP STRUCTURE

**Group Structure**

The following chart is a structure chart of the Group.

The entities included in the Group structure below, with the exception of (i) VGP European Logistics S.à r.l. and its respective subsidiaries, (ii) VGP MISV Comm. VA and (iii) the Company, are the Company’s Subsidiaries. VGP European Logistics S.à r.l. and its respective subsidiaries, i.e. the entities in which the Company (directly or indirectly) holds a 50% participation (52.55% participation for German asset companies) are the Joint Venture and the Joint Venture’s subsidiaries. VGP MISV Comm. VA in which the Company holds 43.23% is the Associate.



MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

**Major Shareholders**

The Company’s shares are listed on the regulated market of Euronext Brussels and on the Main Market of the Prague Stock Exchange. Pursuant to article 6 of the Law of 2 May 2007 on the disclosure of important participations in listed companies and article 14 of the Articles of Association, the identity of the shareholders acquiring a participation of 3%, 5% or a multiple of 5% in the Company has to be made public.

The Company is not controlled in the sense of article 5 of the Belgian Company Code. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

As the date of this Prospectus, the share capital of the Company is represented by 18,583,050 shares.

The table below sets out the ownership of the Company’s shares prior to the Offering:

|  |  |  |
| --- | --- | --- |
| **Shareholders** | **Number of shares** | **% of shares issued** |
| VM Invest NV | 4,451,668 | 23.96% |
| Bart Van Malderen | 3,545,250 | 19.08% |
| VGP MISV Comm. VA | 929,153 | 5.00% |
| **Sub-total Bart Van Malderen Group** | ***8,926,071*** | **48.03%** |
| Little Rock SA | 4,707,752 | 25.33% |
| Alsgard SA | 2,409,914 | 12.97% |
| **Sub-total Jan Van Geet Group** | ***7,117,666*** | **38.30%** |
| Vadebo France NV | 655,738 | 3.53% |
| Public | 1,883,575 | 10.14% |
| **Total** | 18,583,050 | 100.00% |

VM Invest NV is a company controlled by Bart Van Malderen.

VGP MISV Comm. VA is a company controlled by Bart Van Malderen.

Little Rock SA (previously named JVG Invest SA) is a company controlled by Jan Van Geet.

Alsgard SA is a company controlled by Jan Van Geet.

Vadebo France NV is a company controlled by Griet Van Malderen.

VGP MISV Comm. VA was incorporated at the Company’s initial public offering to be used as a structure for a long term management incentive plan whereby the existing shareholders VM Invest NV and Little Rock SA initially 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 Bart Van Malderen as managing partner (“*beherend vennoot*” / “*associé commandité*”). In 2013, following the expiry of the five year lock-up period in December 2012, the Company acquired a 43.23% participation in VGP MISV Comm. VA (398,368 out of 929,153 shares). In order to retain personnel and following the expiry of first 5 year lock-up period at the end of December 2012 the Selling Shareholders have put in place a new long term incentive plan for selected members of the Group’s management and which allows such members to be incentivized based on the growth of the net assets value over a period of 5 years, such period also being the lock-up period for the participating members of the Group. As before the new incentive plan does not have any dilutive effect on any existing or new shareholders. The shares of VGP MISV Comm. VA are, on the date of this Prospectus, held by the Company (43.23%) and the Company’s management (56.77%).

None of these major shareholders have different voting rights.

**Related Party Transactions**

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.

***Shareholders***

*Hybrid securities*

Following the completion of the acquisition of the initial Seed Portfolio by the Joint Venture at the end of May 2016, 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.

*Lease activities*

Drylock Technologies s.r.o,, a company controlled by Bart Van Malderen, leases a warehouse from the Joint Venture under a long term lease contract. This lease contract was entered into during the month of May 2012. The warehouse was included in the sale of the Seed Portfolio to the Joint Venture at the end of May 2016. The rent received over the first half of the year 2017 amounts to € 1,047,000 (compared to € 1,039,000 for the first half of the year 2016 of which € 865,000 was received directly by VGP and € 174,000 received directly by the Joint Venture) and for the entire year 2016, € 2,1 million of which € 0.9 million was received by VGP and € 1.2 million by the Joint Venture (compared to € 2.0 million for the year 2015, all received by VGP).

VGP leased a small office from VM Invest NV in Belgium for which it paid € 4,000 per annum (same level as in 2015). The lease was for an undetermined period. This lease was discontinued at the end of June 2017, following the move of the head office to the Diegem offices.

Jan Van Geet s.r.o. leases out office spaces to the VGP Group in the Czech Republic used by the VGP operational team. The leases run until 2018 and 2021 respectively. For the period ended 30 June 2017 an aggregate amount of € 55,000 was paid under these leases (compared to € 46,000 for the period ended 30 June 2016). For the entire year of 2016 the aggregate amount paid under these leases was € 98,000 compared to € 90,000 for 2015.

All lease agreements have been concluded on an arm’s length basis.

*Managerial service agreements*

Little Rock SA entered in the course of April 2015 into a service agreement with the Company pursuant to which Little Rock SA is responsible for the Group’s daily management, financial management and commercial management and whereby Little Rock SA, in consultation with the Company, needs to appoint the physical persons (acting as independent agents) who will be responsible for the daily management, financial management and commercial management. 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 midterm 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 physical persons’ who act as independent agents on behalf of Little Rock SA) 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 2016 amounts to € 5,951,356 and has been fully provided for in the 2016 consolidated accounts. This amount will be paid out over the next three years at a rate of 1/3 per annum. The aggregate amount which will therefore be paid out in 2017 covering the periods 2015 (1/3) and 2016 (1/3) amounts to € 3,722,209.

*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 €)* | **30-Jun-2017** | **30-Jun-2016** |
| Trade receivable/(payable) | (46) | (52) |

VGP also provides real estate support services (mainly maintenance work) to Jan Van Geet s.r.o. During the first half of 2017, VGP recorded a € 11,000 revenue for these activities (compared to € 10k for the period ended 30 June 2016). For the entire year of 2016, VGP recorded a € 18,000 revenue for these activities (which was the same amount as in 2015).

***Subsidiaries***

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Transactions between the Company and its subsidiaries, which are related parties, have been eliminated in the consolidation and are accordingly not disclosed.

***Joint Venture and associated companies***

The table below presents a summary of the related transactions with the Joint Venture and the associates. The Joint Venture 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. During the year, the shares in 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.

|  |  |  |
| --- | --- | --- |
| *(in thousands of €)* | **30-Jun-2017** | **30-Jun-2016** |
| Loans outstanding at the year end | 105,624 | 89,876 |
| Equity distributions received | - | 4,678 |
| Assets sold to joint venture | 90,794 | 236,060 |
| Other receivables from associates at year end | 31,000 | 32 |
| Management fee income | 3,561 | 225 |
| Interest and similar income from joint venture and associates | 2,123 | 516 |

***Key Management***

Key Management includes the Board of Directors and the executive management. For further details on the Board of Directors and executive management, please see section “*Management and Corporate Governance*”.

|  |  |  |
| --- | --- | --- |
| **Key Management Remuneration** *(in thousands of €)* | **2016** | **2015** |
| Number of persons | 9 | 9 |
| Short term employee benefits |  |  |
| Basic remuneration | 866 | 837 |
| Short term variable remuneration | 700 | 925 |
| Remuneration of directors | 102 | 96 |
| **Total gross remuneration** | **1,668** | **1,858** |
| Average gross remuneration | 185 | 206 |

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

For 2016 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 2016 amounts to € 5,951,356 of which 1/3 paid out in 2016 (together with 1/3 of the 2015 fee) with the remaining balance to be paid out in equal portions in 2017 and 2018. The 1/3 of the 2015 fee together with the 1/3 of the 2016 fee amount to € 3,722,209.

For further details on the remuneration of management, please see section “*Management and Corporate Governance - Remuneration*”.

Description of Share Capital and Articles of Association

**General**

VGP NV is a limited liability company that was incorporated under Belgian law on 6 February 2007 for an indefinite period of time with its registered office located at Leonardo Da Vincilaan 19A bus 6, 1831 Machelen (Diegem), with telephone number +32 2 719 00 45. VGP is registered under enterprise number VAT BE 0887 216 042 (RPM-RPR Brussels, Belgium) and with Legal Entity Identifier (LEI) code: 315700NENYPIXFR94T49.

VGP NV, being a holding company falling within the exception set forth in article 7, °1 of the Belgian law on alternative investment funds of 19 April 2014 (“*wet betreffende de alternatieve Instellingen voor collectieve belegging en hun beheerders*” / “*loi relative aux organismes de placement collectif alternatifs et à leurs gestionnaires*”) has not been set up as a Belgian regulated real estate investment company within the meaning of the law of 12 May 2014 on regulated real estate investment companies (“*wet betreffende de gereglementeerde vastgoedvennootschappen*”/ “l*oi relative aux sociétés immobilières réglementées*”) nor as a UCITS undertaking under the law of 3 August 2012 (“*wet betreffende bepaalde vormen van collectief beheer van beleggingsportefeuilles*” / “*loi relative à certaines forms de gestion collective de portefeuilles d’investissement*”). As a consequence, the Company does not benefit from the fiscal advantages of a Belgian real estate investment trust and is not subject to the regulatory framework applicable to these real estate investment trusts.

This section summarizes certain information relating to the Company’s share capital and its Articles of Association. The contents of this section are derived primarily from the Articles of Association (as co-ordinated on 12 May 2017) and the Company’s Corporate Governance Charter (the “VGP Charter”). The description provided hereafter is only a summary and does not purport to provide a complete overview of the Articles of Association or the relevant provisions of Belgian law.

**Corporate Purpose**

Article 3 of the Articles of Association (see www.vgpparks.eu) sets forth that the Company has as its purpose, in Belgium and abroad, exclusively in its own name and for its own account:

* the acquisition through purchase or otherwise, the sale, exchange, improvement, equipment, renovation, encumbering, disposal of, making productive, let, rent, lease and management of all real estate, and, in general, all real estate transactions;
* the acquisition of participations in whatever form in commercial, industrial and financial undertakings and companies, Belgian as well as foreign, the management and realization of these participations and the acquisition through participation, subscription, purchase, option or by whatever means of all parts, shares, bonds, values and titles;
* the representation, management, supervision and liquidation of all companies and undertakings of whatever nature;
* engineering, development, commercialisation, representation and providing services with regard to movable assets, material, machines and equipment;
* providing services, giving advice, research, preparing and setting up organisation systems, setting up systems for data management and all techniques with regard to technical, administrative, economic and general management of companies; and
* acquiring, commercialising or disposing of all patents, trademarks, licenses and intellectual property rights.

In general it can take all actions to protect its rights and it will perform all transactions that are directly or indirectly in connection with or contribute to the realisation of its purpose.

It can also hold participations, by means of contribution, subscription or otherwise, in all companies, associations or undertakings that have a similar, analogue or related purpose, or whose own purpose it is to promote the Company’s purpose. It can provide facilities or guarantee third parties’ obligations.

The Company can work together with and participate in, directly or indirectly, companies of whatever nature, make any undertakings, grant facilities and loans, guarantee third parties’ obligations, mortgage or pledge its assets, including its own commerce. It can do all that is in relation to abovementioned purpose or can be beneficial to the realisation of it.

**Share Capital and Shares**

***Share Capital***

The Company was incorporated on 6 February 2007 by Jan Van Geet and Bart Van Malderen with a share capital amounting to € 100.000. On 12 May 2017, the share capital of the Company was reduced by € 20,069,694.00, reducing it from € 112,736,509.00 to € 92,666,815.00, without reducing the number of shares and such capital reduction was in accordance with the provisions of article 613 of the Belgian Company Code, paid out to the shareholders of the Company in the course of August 2017.

On the date of this Prospectus, the share capital of the Company amounted to € 92,666,815.00 and was fully paid-up. It was divided into 18,583,050 shares without nominal value.

***Shares and Other Securities with Voting Rights or Giving Access to Voting Rights***

Shares can be held as either registered shares or dematerialised shares. For registered shares, the names and addresses of all shareholders or holders of a right of usufruct or pledge are recorded in the shareholders’ register. On request, holders of registered shares will be provided with an extract from the register at their expense. The shareholders’ register can be consulted by any holder of Shares. A dematerialized security is represented by an entry on account, in the name of the owner or holder, at a clearing institution or certified accountholder.

Any shareholder can request at all time and at its own expense the conversion of his Shares into another form. Any request should be made in writing and sent by ordinary mail, duly signed to the registered office of the Company.

There are no categories of shares. The Company has not issued any shares not representing capital. The Company has not issued any securities with voting rights or giving access to voting rights, other than the Shares referred to in this section of the Prospectus.

Each Share gives the right to one vote. All of the Shares have the same voting rights except that voting rights are suspended when such Shares are held by the Company as treasury shares. All Shares are freely transferable, subject to what is set forth in section “*Plan of Distribution*”.

In accordance with articles 480 to 482 of the Belgian Company Code and article 12 of the Articles of Association, the Company can create shares without voting rights, subject to fulfilling the requirements related to an amendment of the Articles of Association.

In accordance with article 13 of the Articles of Association, the Company can issue convertible bonds or warrants, subject to a resolution by the shareholders’ meeting resolving in accordance with the requirements related to an amendment of the Articles of Association or by the Board of Directors in the framework of the authorised capital.

***Authorised Capital***

According to article 44 of the Articles of Association, the Board of Directors may increase the share capital, on one or more occasions, by an amount of € 100 million. This authorisation is valid until 27 December 2021.

This authorisation to the Board of Directors applies to capital increases in cash or in kind, by incorporation of reserves, with or without issuance of new shares. Within the framework of the authorised capital, the Board of Directors can issue convertible bonds or warrants.

The Articles of Association authorise the Board of Directors to, in the framework of the authorised capital, restrict or suppress the preferential subscription rights of the existing shareholders.

The Articles of Association also authorise the Board of Directors to use the technique of the authorised capital as a defence mechanism in case of a public takeover bid on the securities of the Company, even after the Company has received a notification from the Financial Services and Markets Authority (FSMA) that the FSMA was notified of a public takeover bid on the securities of the Company provided that (i) the shares issued in the context of the capital increase are fully paid-up as from issuance, (ii) the issue price of the shares issued in the context of the capital increase is not lower than the price offered in the takeover bid, and (iii) the number of shares issued in the context of the capital increase is 10% or less of the number of shares representing the Company’s share capital which have been issued by the Company prior to the capital increase. This authorisation is valid until 27 December 2019.

***Acquisition of Own Shares***

The Company does not hold any treasury shares.

According to article 45 of the Articles of Association, the Company respectively the Company’s direct Subsidiaries may acquire Shares , by purchasing or exchanging them, directly or through a person acting in its own name but on behalf of the Company, in accordance with articles 620 through 625 respectively article 627 of the Belgian Company Code.

The Board of Directors is authorised to acquire and dispose of the Shares, in accordance with article 620 of the Belgian Company Code, in case such acquisition is required in order to avoid serious and imminent harm to the Company. This authorisation is valid until 27 December 2019.

The Board of Directors (for and on behalf of the Company) respectively the Company’s direct Subsidiaries is authorised, in accordance with article 620 of the Belgian Company Code, to acquire (subject to the availability of sufficient distributable reserves of the Company to finance such acquisition) Shares representing a maximum 20% of the share capital of the Company against a price which must be more than 90% and less than 115% of the Shares’ listing price on the day preceding the acquisition or exchange. This authorisation is valid until 27 December 2021.

The Board of Directors is authorized to dispose of all Shares held by the Company at a price determined by the Board of Directors, on a regulated market or in the context of the remuneration policy to employees, directors or consultants of the Company. This authorization is valid for an indefinite period of time. This authorization also applies to the disposal of the Shares by any of the direct Subsidiaries of the Company as provided in article 627 of the Belgian Company Code.

***Capital Increase in Kind***

In accordance with article 7 of the Articles of Association, all shares corresponding to a contribution in kind (in whole or in part) must immediately be fully paid up. This is more stringent that the requirements imposed by law. In accordance with article 586 of the Belgian Company Code, shares corresponding to a contribution in kind (in whole or in part) must immediately be paid up for one quarter, and fully paid up within five years following the capital increase.

**Right to Attend and Vote at Shareholders’ Meetings**

***General***

The Company encourages its shareholders to participate at shareholders’ meetings. In order to facilitate this, voting in absentia may take the form of proxy voting. Every shareholder can give proxy to another person. Unless provided differently in the Belgian Company Code, a shareholder may, for a given shareholders’ meeting, appoint only one person as its proxy holder. A proxy holder may represent more than one shareholder. The shareholders need to nominate a proxy holder in writing or electronically, by completing a proxy form as drafted by the Board of Directors and provided on the Company’s website. A completed and signed proxy form has to be communicated to the Company at least six calendar days prior to the meeting, the day of the meeting not included. Only the proxy forms completed by shareholders who have complied with all registration formalities will be taken into account.

Board members attending the shareholders’ meetings shall be available to answer questions, asked at the meeting or in writing prior to the meeting, in accordance with legal requirements.

Agendas, including proposals of decisions, and all other relevant information are available on the Company's website in advance of shareholders' meetings.

The annual shareholders' meeting of the Company is held each year on the second Friday of May at 5 p.m., or the next business day if this day is not a business day. For all further information regarding shareholders’ meetings (including the organization thereof, the quorum and the majority requirement) reference is made to the Articles of Association and the specific section of the Company’s website describing the shareholders’ rights to participate and vote at the shareholders’ meeting. The website also contains a timetable on shareholders’ meetings and periodic information. Notices of all shareholders' meetings and all related documents, such as specific board of directors’ and auditor's reports, are published on the website.

The annual, special and extraordinary shareholders’ meetings may be convened by the Board of Directors or by the Auditor and must be convened at the request of shareholders representing one-fifth of the Company’s share capital.

***Agenda and Convening Notice for the Shareholders’ Meetings***

The convening notice of a shareholders’ meeting contains the agenda of the meeting and mentions the place, date and time of the meeting and the proposed resolutions, to be submitted to the shareholders. The agenda of the shareholders’ meetings is set by the Board of Directors subject to the specific powers granted by law to the Statutory Auditor.

Shareholders that individually or collectively represent at least 3% of the total issued share capital may, in accordance with the Belgian Company Code submit items to be included in the agenda for the shareholders’ meeting as well as proposals for decisions relating to the agenda items of the shareholders’ meeting. This right does not apply to a general meeting which has been postponed due to lack of attendance quorum. The request shall be communicated to the Company in writing at the latest on the 22nd calendar day prior to the date of the shareholders’ meeting, the day of the meeting not included. All information concerning the rights of the shareholders in relation to the shareholders’ meeting shall also be included in the convening notice.

The convening notice will be published at least 30 calendar days before the meeting in at least one newspaper with a nation-wide distribution and the annexes to the Belgian Official Gazette, as well as in media which may reasonably be relied upon for the effective dissemination of information to the public throughout the European Economic Area. At the same time, the holders of registered shares or other financial instruments (if any), the Board and the Statutory Auditor will be notified by means of a letter, containing the convening notice, agenda and all related documents. If a shareholder exercises its right to add items to the agenda or to formulate proposals for decisions, the Company will publish the revised agenda at the latest 15 calendar days prior to the date of the meeting, and provide revised proxy forms.

The agenda of the shareholders’ meeting, a copy of the convening notice together with an explanation of the agenda items and a description of the shareholders’ rights in relation to a shareholders’ meeting, proxies and a copy of any reports or statements relating to said meeting are made available at least 30 calendar days in advance on the Company’s website.

The convening notice will also mention the procedure to be followed by every category of shareholders to participate in the shareholders’ meetings, as well as the information and the procedure to be followed in relation to the shareholders’ right to put forward additional agenda items or to formulate proposals for decisions. This information will also be available on the Company’s website.

***Formalities to Participate in the Shareholders’ Meetings***

Admission to the general shareholders’ meeting and the exercise of the voting rights will be granted based on the registration of the Shares in the name of the shareholder on the 14th calendar day prior to the meeting at 12 p.m. (this day and hour together the “registration date”) either by registration of the Shares in the share register of the Company or by registration on an account of a recognized account holder or a settlement institution. Only persons having the capacity of shareholder on the registration date will be entitled to attend and to vote at the general meeting.

In addition to the above, the shareholder himself (i.e. the holder of registered or dematerialized shares) has to inform the Company or the person indicated for this purpose by the Company in writing at the latest on the sixth calendar day prior to the date of the shareholders’ meeting, of his intention to participate in this meeting.

Without prejudice to the shareholders’ right to raise questions during the shareholders’ meeting, all shareholders having complied with the requirements for admission to the shareholders’ meeting have the right to, in accordance with article 540 of the Belgian Company Code, submit questions to the Board and the Statutory Auditor in writing at the latest six calendar days prior to the meeting.

***Quorum and Majorities***

In general, there is no attendance quorum requirement for a general shareholders’ meeting, except as provided for by law in relation to certain decisions. Decisions are taken by a majority of the votes cast, except where the law or the Articles of Association provide for a special majority.

Matters involving special legal quorum and majority requirements include, among others, amendments to the Articles of Association, issues of new Shares, convertible bonds or warrants and decisions regarding mergers and demergers, which require at least 50% of the share capital to be present or represented and a majority of at least 75% of the votes cast. If the quorum is not reached, a second meeting may be convened at which no quorum shall apply. The special majority requirements, however, remain applicable.

**Preferential Subscription Rights**

The Belgian Company Code and the Articles of Association give shareholders preferential subscription rights to subscribe on a pro rata basis by reference to the part in the capital represented by their Shares, for any capital increase to be subscribed in cash, convertible bonds and warrants. The preferential subscription right may be exercised during a period of at least 15 days from the date on which the subscription is opened. This period is determined by the shareholders’ meeting.

The shareholders’ meeting or the Board of Directors (acting in the framework of the authorized capital whereby in relation to such meeting of the Board of Directors no quorum or majority requirements apply) may restrict or suppress the preferential subscription rights in the corporate interest, subject to the quorum and majority requirements applying to an amendment to the Articles of Association. In this case, such proposal must be explicitly mentioned in the convocation and the special report described in article 596 (and if applicable, article 598) of the Belgian Company Code must be drawn up.

**Dividend Rights**

The Shares carry the right to participate in dividends and other entitlements declared after the Closing Date, in respect of the financial year ending on 31 December 2017 and future years. All Shares participate equally in the Company’s profits, if any.

The maximum amount of the dividend that can be paid is determined by reference to the Company’s stand-alone statutory accounts prepared in accordance with Belgian GAAP.

In accordance with the Belgian Company Code and the Articles of Association, every year 5% of the net profits of the Company are allocated to the legal reserve. This allocation is no longer required as soon as the legal reserve amounts to 10% of the share capital. The Company currently has an aggregate legal reserve of 8.57%. Accordingly, 5% of the Company’s Belgian GAAP annual net profit during certain future years will need to be allocated to the legal reserve, limiting the Company’s ability to pay out dividend to its shareholders.

In general, the shareholders’ meeting, upon proposal by the Board of Directors, decides on the allocation of the remainder of the net profits.

No distribution is allowed if on the date of the closing of the last financial year, the net assets, as apparent from the annual accounts, have fallen below, or would fall below as a result of the distribution, the amount of the share capital which has been paid up (or, if higher, which is requested to be paid up), increased with all reserves which cannot be distributed in accordance with the law or the Articles of Association.

The Board of Directors can declare interim dividends on the result of the financial year, without shareholder approval being required, subject to the conditions set out in article 618 of the Belgian Company Code.

The Board of Directors has adopted a formal dividend policy at the end of August 2017. As a result, as from 2018 (with respect to the results from the financial year 2017) onwards and subject to (i) the availability of sufficient distributable reserves, (ii) available cash generated from distributions by the Joint Venture, (iii) free cash generated from the divestment cycles of income generating assets to the Joint Venture, and (iv) shareholder approval, the Company intends to gradually increase the distribution of dividends over the next 3 years to target an annual distribution between 40% and 60% of its net profit for the year based on its consolidated IFRS financial statements. Please see section “*Dividends and dividend policy*”.

**Losses and Liquidation**

The Company can only be dissolved by a resolution of the shareholders’ meeting passed with a majority of at least 75% of the votes cast at an extraordinary shareholders’ meeting where holders of at least 50% of the share capital is present or represented.

If, as a result of losses incurred, the Company’s net assets have fallen below half of the Company’s share capital, a shareholders’ meeting must be convened within a period of two months after the loss has been determined or should have been determined in accordance with the law and the Articles of Association, to, as the case may be, in accordance with the requirements applicable to an amendment of the Articles of Association, deliberate and resolve on the dissolution of the Company and any other measures mentioned in the agenda. The Board of Directors must justify its proposals in a special report.

If, as a result of losses incurred, the Company’s net assets have fallen below one quarter of the Company’s share capital, the dissolution of the Company can be decided upon by approval of 25% of the votes.

If the amount of the Company’s net assets has fallen below the legal minimum amount of share capital, any interested party is entitled to request the competent court to dissolve the Company. The court can grant a grace period for the Company to remedy its situation.

In case of dissolution and liquidation, one or more liquidators are appointed by the shareholders’ meeting, whose appointment must be ratified by the commercial court. If not all shares have been paid up in the same proportion, the liquidators restore the balance, either by requesting additional amounts to be paid up, or by making prior payments. Any positive balance remaining after discharging all debts, liabilities and liquidation costs, shall be distributed amongst the shareholders in proportion to the share of the capital represented by their Shares.

**Change in the Rights of the Shareholders**

Any change in the rights of the shareholders included in the Articles of Association requires an amendment of the Articles of Association by the shareholders’ meeting. In order for such change to be validly decided upon, the proposed amendment must be explicitly included in the convocation to the shareholders’ meeting and the shareholders present or represented during the Shareholders’ Meeting must represent at least half of the share capital. If the latter condition is not fulfilled during a first shareholders’ meeting, a new shareholders’ meeting must be convoked, which can validly decide on the proposed amendment, regardless of the share of the share capital present or represented during this second shareholders’ meeting.

Any amendment of the Articles of Association can only be validly decided upon with a majority of 75% of the votes participating in the vote, except for certain more stringent majority requirements as provided for by law in relation to certain decisions. An abstention is considered to be a negative vote.

**Notification of Significant Shareholdings**

Pursuant to the Belgian Law of 2 May 2007 on the disclosure of significant shareholdings in issuers whose securities are admitted to trading on a regulated market and containing various provisions (the “Transparency Law”), a notification to the Company and to the FSMA is required by all natural persons and legal entities on the occurrence of, among other things, any one of the following triggering events, subject to limited exceptions:

* an acquisition or disposal of voting securities, voting rights or financial instruments that are treated as voting securities;
* the reaching of a threshold by persons or legal entities acting in concert;
* the conclusion, modification or termination of an agreement to act in concert;
* the downward reaching of the lowest threshold;
* the passive reaching of a threshold;
* the holding of voting securities in the Company upon the first admission of them to trading on a regulated market;
* where a previous notification concerning financial instruments treated as equivalent to voting securities is updated;
* the acquisition or disposal of the control of an entity that holds voting securities in the Company; and
* where the Company introduces additional notification thresholds in the Articles of Association,

in each case where the percentage of voting rights attached to the securities held by such persons reaches, exceeds or falls below the legal threshold, set at 5% of the total voting rights, and 10%, 15%, 20% and so on in increments of 5%. In addition thereto, article 14 of the Articles of Association provides that such notification is also required when the percentage of voting rights attached to the securities held by such persons reaches, exceeds or falls below a threshold of 3% and so on in increments of 3%.

The notification must be made as soon as possible and at the latest within four trading days following the occurrence of the triggering event. Where the Company receives a notification of information regarding the reaching of a threshold, it has to publish such information within three trading days following receipt of the notification.

**Public Takeover Bids**

Public takeover bids for shares and other securities giving access to voting rights (such as subscription rights or convertible bonds, if any) are subject to supervision by the FSMA. Public takeover bids must be extended to all of the voting securities, as well as all other securities giving access to voting rights. Prior to making a bid, a bidder must publish a prospectus which has been approved by the FSMA prior to publication.

Belgium has implemented the Thirteenth Company Law Directive (European Directive 2004/25/EC of 21 April 2004) in the Belgian Law of 1 April 2007 on public takeover bids (the “Takeover Law”) and the Belgian Royal Decree of 27 April 2007 on public takeover bids (the “Takeover Royal Decree”). The Takeover Law provides that a mandatory bid must be launched if a person, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting for their account, directly or indirectly holds more than 30% of the voting securities in a company having its registered office in Belgium and of which at least part of the voting securities is traded on a regulated market or on a multilateral trading facility designated by the Takeover Royal Decree. The mere fact of exceeding the relevant threshold through the acquisition of shares will give rise to a mandatory bid, irrespective of whether the price paid in the relevant transaction exceeds the current market price. The duty to launch a mandatory bid does not apply in certain cases set out in the Takeover Royal Decree, such as (i) in case of an acquisition, if it can be shown that a third party exercises control over the Company or that such party holds a larger stake than the person holding 30% of the voting securities (ii) in case of an acquisition in the context of an enforcement of security provided that the acquirer disposes of the shares exceeding the 30% threshold within twelve months and does not exercise the voting rights attached to those excess shares or (iii) in case of a capital increase with preferential subscription rights decided by the Shareholders’ Meeting.

In principle, the authorization of the Board of Directors to increase the share capital of the Company through contributions in kind or in cash with cancellation or limitation of the preferential subscription rights of the existing shareholders is suspended as of the notification to the Company by the FSMA of a public takeover bid for the securities of the Company. Pursuant to article 45 of the Articles of Association however, the Board of Directors is authorized to increase the capital of the Company in such case by issuing Shares at the time of such a public takeover bid provided that (i) the shares issued in the context of the capital increase are fully paid-up as from issuance, (ii) the issue price of the shares issued in the context of the capital increase is not lower than the price offered in the takeover bid, and (iii) the number of shares issued in the context of the capital increase is 10% or less of the number of shares representing the Company’s share capital which have been issued by the Company prior to the capital increase. This authorisation is valid until 27 December 2019.

**Squeeze-out**

Pursuant to article 513 of the Belgian Company Code or the regulations promulgated thereunder, a person or legal entity, or different persons or legal entities acting alone or in concert, who own together with the Company 95% or more of the securities with voting rights in a public company are entitled to acquire the totality of the securities with voting rights in that company following a squeeze-out offer. The securities that are not voluntarily tendered in response to such an offer are deemed to be automatically transferred to the bidder at the end of the procedure. At the end of the squeeze-out procedure, the company is no longer deemed a public company, unless bonds issued by the company are still spread among the public. The consideration for the securities must be in cash and must represent the fair value (verified by an independent expert) as to safeguard the interests of the transferring shareholders.

A squeeze-out offer is also possible upon completion of a public takeover bid, provided that the bidder holds at least 95% of the voting capital and 95% of the voting securities of the public company. In such a case, the bidder may require that all remaining shareholders sell their securities to the bidder at the offer price of the takeover bid, provided that, in case of a voluntary takeover offer, the bidder has also acquired 90% of the voting capital to which the offer relates. The shares that are not voluntarily tendered in response to any such offer are deemed to be automatically transferred to the bidder at the end of the procedure.

**Sell-out Right**

Within three months following the expiration of an offer period related to a public takeover bid, holders of voting securities or of securities giving access to voting rights may require the offeror, acting alone or in concert, who owns at least 95% of the voting capital and 95% of the voting securities in a public company following a takeover bid, to buy its securities from it at the price of the bid, on the condition that, in case of a voluntary takeover offer, the offeror has acquired, through the acceptance of the bid, securities representing at least 90% of the voting capital subject to the takeover bid.

Taxation

**Belgian Taxation**

The paragraphs below present a summary of certain material Belgian federal income tax consequences of the ownership and disposal of Shares by an investor that purchases such Shares in connection with this Offering. The summary is based on laws, treaties and regulatory interpretations in effect in Belgium on the date of this Prospectus, all of which are subject to change, including changes that could have retroactive effect.

Investors should appreciate that, as a result of evolutions in law or practice, the eventual tax consequences may be different from what is stated below.

This summary does not purport to address all tax consequences of the acquisition, ownership and disposal of Shares, and does not take into account the specific circumstances of particular investors, some of which may be subject to special rules, or the tax laws of any country other than Belgium. This summary does not describe the tax treatment of investors that are subject to special rules, such as banks, insurance companies, undertakings for collective investment, brokers in securities or currencies, persons that hold, or will hold, Shares as a position in a straddle, share-repurchase transaction, conversion transactions, synthetic security or other integrated financial transactions. This summary does not address the local taxes that may be due in connection with an investment in Shares, other than Belgian local surcharges which generally vary from 0% to 9% of the investor’s income tax liability.

For purposes of this summary, a Belgian resident is an individual subject to Belgian personal income tax (that is, an individual who is domiciled in Belgium or has his seat of wealth in Belgium or a person assimilated to a resident for purposes of Belgian tax law), a company subject to Belgian corporate income tax (that is, a corporate entity that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium), an Organization for Financing Pensions subject to Belgian corporate income tax (*i.e.*, a Belgian pension fund incorporated under the form of an Organization for Financing Pensions), or a legal entity subject to Belgian income tax on legal entities (that is, a legal entity other than a company subject to Belgian corporate income tax, that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium). A Belgian non-resident is any person that is not a Belgian resident.

Investors should consult their own advisors regarding the tax consequences of an investment in Shares in the light of their particular circumstances, including the effect of any state, local or other national laws.

***Dividends***

For Belgian income tax purposes, the gross amount of all benefits paid on or attributed to the Shares is generally treated as a dividend distribution. By way of exception, the repayment of capital carried out in accordance with the Belgian Companies Code is not treated as a dividend distribution to the extent that such repayment is imputed to fiscal capital. This fiscal capital includes, in principle, the actual paid-up statutory share capital and, subject to certain conditions, the paid-up issuance premiums and the cash amounts subscribed to at the time of the issue of profit sharing certificates[[30]](#footnote-30).

Belgian withholding tax of 30% is normally levied on dividends, subject to such relief as may be available under applicable domestic or tax treaty provisions.

In the case of a redemption of the Shares, the redemption distribution (after deduction of the part of the fiscal capital represented by the redeemed Shares) will, in principle, be treated as a dividend subject to a Belgian withholding tax of 30%, subject to such relief as may be available under applicable domestic or tax treaty provisions. No Belgian withholding tax will be triggered if this redemption is carried out on a stock exchange and meets certain conditions.

In case of liquidation of the Company, any amounts distributed in excess of the fiscal capital will in principle be subject to a 30% Belgian withholding tax, subject to such relief as may be available under applicable domestic or tax treaty provisions.

*Belgian Resident Individuals*

For Belgian resident individuals who acquire and hold Shares as a private investment, the Belgian dividend withholding tax fully discharges their personal income tax liability. They may nevertheless elect to report (the gross amount of) the dividends in their personal income tax return. Where the beneficiary opts to report them, dividends will normally be taxable at the lower of the generally applicable 30% Belgian dividend withholding tax rate or at the progressive personal income tax rates applicable to the taxpayer’s overall declared income. If the beneficiary reports the dividends, the income tax due on such dividends will not be increased by local surcharges. In addition, if the dividends are reported, the Belgian dividend withholding tax levied at source may, in both cases, be credited against the personal income tax due and is reimbursable to the extent that it exceeds the personal income tax due, provided that the dividend distribution does not result in a reduction in value of or a capital loss on Shares. This condition is not applicable if the individual can demonstrate that he has held Shares in full legal ownership for an uninterrupted period of 12 months prior to the payment or attribution of the dividends.

For Belgian resident individual investors who acquire and hold Shares for professional purposes, the Belgian withholding tax does not fully discharge their income tax liability. Dividends received must be reported by the investor and will, in such a case, be taxable at the investor’s personal income tax rate increased with local surcharges. The Belgian dividend withholding tax levied at source may be credited against the personal income tax due and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (i) the taxpayer must own Shares in full legal ownership at the time the dividends are paid or attributed and (ii) the dividend distribution may not result in a reduction in value of or a capital loss on Shares. The latter condition is not applicable if the investor can demonstrate that he has held the Shares in full legal ownership for an uninterrupted period of 12 months prior to the payment or attribution of the dividends.

*Belgian Resident Companies*

Corporate income tax

For Belgian resident companies, the gross dividend income (including the Belgian withholding tax) must be declared in the corporate income tax return and will be subject to a corporate income tax rate of 33.99%[[31]](#footnote-31). In certain circumstances and subject to certain conditions, reduced corporate income tax rates may apply.

Belgian resident companies can, subject to certain conditions, deduct up to 95% of the gross dividend received from the taxable income, provided that at the time of a dividend payment or attribution: (i) the Belgian resident company holds Shares representing at least 10% of the Company’s share capital or a participation in the Company with an acquisition value of at least € 2,500,000; (ii) the Shares have been held or will be held in full ownership for an uninterrupted period of at least one year; (iii) the conditions relating to the taxation of the underlying distributed income, as described in Article 203 of the Belgian Income Tax Code (the “Article 203 ITC Taxation Condition”) are met; and (iv) the anti-abuse provision is not applicable (together, the “Conditions for the application of the dividend received deduction regime”).

The conditions for the application of the dividend received deduction regime depend on a factual analysis and for this reason the availability of this regime should be verified upon each dividend distribution.

Any Belgian dividend withholding tax levied at source may be credited against the corporate income tax due and is reimbursable to the extent that it exceeds the corporate income tax due, subject to two conditions: (i) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed and (ii) the dividend distribution may not result in a reduction in value of or a capital loss on the Shares. The latter condition is not applicable if the company can demonstrate (i) that it has held the Shares in full legal ownership for an uninterrupted period of 12 months prior to the payment or attribution of the dividends or (ii) that during that period, the Shares have never been held in full legal ownership at any point in time by a taxpayer other than a) a company subject to Belgian corporate tax or b) a non-resident company having, in an uninterrupted manner, invested the Shares in a Belgian establishment.

Belgian withholding tax

Dividends distributed to a Belgian resident company will be exempt from Belgian withholding tax provided that the Belgian resident company holds, upon payment or attribution of the dividends, at least 10% of the Company’s share capital and such minimum participation is held or will be held during an uninterrupted period of at least one year.

In order to benefit from this exemption, the investor must provide the Company or its paying agent at the latest upon the attribution or payment of the dividend with a certificate confirming its qualifying status and the fact that it meets the two required conditions. If the investor holds a minimum participation for less than one year, at the time the dividends are paid on or attributed to Shares, the Company will levy the Belgian withholding tax but will not transfer it to the Belgian Treasury, provided that the investor certifies its qualifying status, the date from which the investor has held such minimum participation, and the investor’s commitment to hold the minimum participation for an uninterrupted period of at least one year.

The investor must also inform the Company or its paying agent when the one-year period has elapsed or if its shareholding will drop below 10% of the Company’s share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the Belgian provisionally withheld dividend withholding tax will be paid to the investor.

Please note that the above withholding tax exemption will not be applicable to dividends which are connected to an arrangement or a series of arrangements (“*rechtshandeling* *of* *geheel* *van* *rechtshandelingen”*/”*acte* *juridique* *ou* *un* *ensemble* *d’actes* *juridiques”*) for which the Belgian tax administration, taking into account all relevant facts and circumstances, has proven, unless evidence to the contrary, that this arrangement or this series of arrangements is not genuine (“*kunstmatig”*/”*non* *authentique”*) and has been put in place for the main purpose or one of the main purposes of obtaining the dividend received deduction, the above dividend withholding tax exemption or one of the advantages of the EU Parent-Subsidiary Directive of November 30, 2011 (2011/96/EU) (“Parent-Subsidiary Directive”) in another EU Member State. An arrangement or a series of arrangements is regarded as not genuine to the extent that they are not put into place for valid commercial reasons which reflect economic reality.

*Organizations for Financing Pensions*

For organizations for financing pensions (“OFPs”), *i.e.*, Belgian pension funds incorporated under the form of an OFP (“*organisme* *voor* *de* *financiering* *van* *pensioenen”/”organisme* *de* *financement* *de* *pensions”*) within the meaning of Article 8 of the Belgian Law of October 27, 2006, the dividend income is generally tax-exempt. Subject to certain limitations, any Belgian dividend withholding tax levied at source may be credited against the corporate income tax due and is reimbursable to the extent that it exceeds the corporate income tax due.

*Other Taxable Legal Entities*

For taxpayers subject to the Belgium income tax on legal entities, the Belgian dividend withholding tax in principle fully discharges their Belgian income tax liability in this respect.

*Belgian Non-resident Individuals and Companies*

For non-resident individuals and companies, the Belgian dividend withholding tax will be the only tax on dividends in Belgium, unless the non-resident holds Shares in connection with a business conducted in Belgium through a Belgian establishment.

If Shares are acquired by a non-resident in connection with a business in Belgium, the investor must report any dividends received, which will be taxable at the applicable Belgian non-resident individual or corporate income tax rate(s), as appropriate. Belgian dividend withholding tax levied at source may be credited against Belgian non-resident individual or corporate income tax and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (i) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed and (ii) the dividend distribution may not result in a reduction in value of, or a capital loss on, the Shares. The latter condition is not applicable if (i) the non-resident individual or the non-resident company can demonstrate that the Shares were held in legal ownership for an uninterrupted period of 12 months prior to the payment or attribution of the dividends, or (ii) the non-resident company can demonstrate that, during that period, the Shares have never been held in full legal ownership at any point in time by a taxpayer other than (a) a company subject to Belgian corporate tax or (b) a non-resident company having, in an uninterrupted manner, invested the Shares in a Belgian establishment.

Non-resident companies whose Shares are attributable to a Belgian establishment may deduct up to 95% of the gross dividends included in their taxable profits if, at the date dividends are paid or attributed, the Conditions for the application of the dividend received deduction regime are met (see above). Application of the dividend received deduction regime depends, however, on a factual analysis to be made upon each distribution, and its availability should be verified upon each distribution.

*Belgian Dividend Withholding Tax Relief for Non-residents*

Under Belgian tax law, Belgian withholding tax is not due on dividends paid to a foreign pension fund which satisfies the following conditions: (i) it is a non-resident saver in the meaning of Article 227, 3° of the Belgian Income Tax Code (“ITC”) which implies that it has separate legal personality and fiscal residence outside of Belgium; (ii) whose corporate purpose consists solely in managing and investing funds collected in order to pay legal or complementary pensions; (iii) whose activity is limited to the investment of funds collected in the exercise of its statutory mission, without any profit making aim; (iv) which is exempt from income tax in its country of residence; and (v) except in specific circumstances provided that it is not contractually obligated to redistribute the dividends to any ultimate beneficiary of such dividends for whom it would manage the Shares, nor obligated to pay a manufactured dividend with respect to the Shares under a securities borrowing transaction. The exemption will only apply if the foreign pension fund provides a certificate confirming that it is the full legal owner or usufruct holder of the Shares and that the above conditions are satisfied. The foreign pension fund must then forward that certificate to the Company or its paying agent.

Dividends distributed to non-resident companies established in a Member State of the EU or in a country with which Belgium has concluded a double tax treaty that includes a qualifying exchange of information clause and qualifying as a parent company, will be exempt from Belgian withholding tax provided that Shares held by the non-resident company, upon payment or attribution of the dividends, amount to at least 10% of the Company’s share capital and such minimum participation is held or will be held during an uninterrupted period of at least one year. A company qualifies as a parent company provided that (i) for companies established in a Member State of the EU, it has a legal form as listed in the annex to the Parent-Subsidiary Directive as amended from time to time, or, for companies established in a country with which Belgium has concluded a qualifying double tax treaty it has a legal form similar to the ones listed in such annex; (ii) it is considered to be a tax resident according to the tax laws of the country where it is established and the double tax treaties concluded between such country and third countries; and (iii) it is subject to corporate income tax or a similar tax without benefiting from a tax regime that derogates from the ordinary tax regime.

In order to benefit from the above exemption, the investor must provide the Company or its paying agent with a certificate confirming its qualifying status and the fact that it meets the three abovementioned conditions. If the investor holds a minimum participation for less than one year, at the time the dividends are paid on or attributed to Shares, the Company will levy the Belgian withholding tax but will not transfer it to the Belgian Treasury provided that the investor certifies at the latest upon the attribution of the dividends its qualifying status, the date from which the investor has held such minimum participation, and the investor’s commitment to hold the minimum participation for an uninterrupted period of at least one year.

The investor must also inform the Company or its paying agent if the one-year period has expired or if its shareholding will drop below 10% of the Company’s share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the provisionally withheld dividend withholding tax will be paid to the investor.

Please note that the above withholding tax exemption will not be applicable to dividends which are connected to an arrangement or a series of arrangements (“*rechtshandeling* *of* *geheel* *van* *rechtshandelingen”/”acte* *juridique* *ou* *un* *ensemble* *d’actes* *juridiques”*) for which the Belgian tax administration, taking into account all relevant facts and circumstances, has proven, unless evidence to the contrary, that this arrangement or this series of arrangements is not genuine (“*kunstmatig”/”non* *authentique”*) and has been put in place for the main purpose or one of the main purposes of obtaining the dividend received deduction, the above dividend withholding tax exemption or one of the advantages of the Parent-Subsidiary Directive in another EU Member State. An arrangement or a series of arrangements is regarded as not genuine to the extent that they are not put into place for valid commercial reasons which reflect economic reality.

Dividends distributed to non-resident companies are subject to a reduced Belgian withholding tax of 1.6995% (the “Reduced Withholding Tax”) in case (i) the non-resident company is established in the European Economic Area or in a country with which Belgium has concluded a tax treaty that includes a qualifying exchange of information clause, (ii) the non-resident company is subject to corporate income tax or a similar tax without benefiting from a tax regime that derogates from the ordinary tax regime, (iii) the non-resident company does not satisfy the 10%-participation threshold but has a participation in the Company with an acquisition value of at least € 2,500,000 on the date the dividend is paid on or attributed, (iv) the dividends relate to shares which are or will be held in full ownership for at least one year without interruption; (v) the non-resident company has a legal form as listed in the annex to the Parent-Subsidiary Directive, as amended from time to time, or, has a legal form similar to the ones listed in such annex that is governed by the laws of another Member State of the EEA, or, has a legal form similar to the ones listed in such annex in a country with which Belgium has concluded a qualifying double tax treaty, (vi) the dividends are not paid or attributed by a company which falls within the scope of Article 203 ITC (*i.e.*, the Article 203 ITC Taxation Condition must be met; see above), and (vii) the anti-abuse provision is not applicable. The Reduced Withholding Tax only applies if and to the extent that the ordinary Belgian withholding tax is, in principle, neither creditable nor reimbursable in the hands of the non-resident company.

In order to benefit from the Reduced Withholding Tax, the investor must provide the Company or its paying agent with a certificate confirming (i) it is established in another EEA Member State or in a State with which Belgium has concluded a tax treaty, provided that the tax treaty or any other treaty provides for the exchange or information which is necessary to give effect to the provisions of the domestic laws of the Contracting States, (ii) it has a legal form as listed in the Annex I, part A of the Parent-Subsidiary Directive, as amended by Directive 2014/86/EU of July 8, or a legal form similar to the ones listed in said Annex and governed by the laws of the EEA Member State, or a legal form similar to the ones listed in said Annex in a country with which Belgium has concluded a tax treaty, (iii) it is subject to corporate income tax or a similar tax without benefiting from a tax regime that deviates from the ordinary domestic tax regime, (iv) it holds a participation of less than 10% in the capital of the Company but with an acquisition value of at least € 2,500,000 on the date the dividend is paid on or attributed, (v) the dividends relate to Shares in the Company which it has held or will hold in full legal ownership for an uninterrupted period of at least one year, (vi) it cannot in principle credit the Belgian withholding tax paid on the dividends or obtain a refund thereof according to the legal provisions in force on December 31 of the year preceding the year of the payment or attribution of the dividends. The Company or the paying agent may also request confirmation from the investor that the investor commits to keep the participation with an acquisition value of at least € 2,500,000 until the completion of the minimum holding period of one year and that the investor immediately notifies the Company or the paying agent of the completion of said one year holding period. The investor must furthermore provide on the certificate its full name, legal form, address and fiscal identification number, if applicable.

Belgium has concluded tax treaties with over 90 countries, reducing the Belgian dividend withholding tax rate to 20%, 15%, 10%, 5% or 0% for residents of those countries, depending on conditions, amongst others, related to the size of the shareholding and certain identification formalities. Such reduction may be obtained either directly at source or through a refund of taxes withheld in excess of the applicable tax treaty rate.

Prospective holders should consult their own tax advisors as to whether they qualify for reduced rate of Belgian withholding tax on dividends, and as to the procedural requirements for obtaining such reduced rate of Belgian withholding tax (either upon the payment of dividends or further to refund claims).

***Capital Gains and Losses on Shares***

*Belgian Resident Individuals*

In principle, Belgian resident individuals acquiring and holding Shares as a private investment should not be subject to Belgian capital gains tax on the disposal of Shares, and capital losses are not tax deductible.

However, capital gains realized by a private individual on the disposal of Shares are taxable at 33% (plus local surcharges) if the capital gain is deemed to be speculative or to be realized outside the scope of the normal management of the individual’s private estate. Capital losses, however, are generally not tax deductible.

Moreover, capital gains realised by Belgian resident individuals on the disposal of Shares for consideration, outside the exercise of a professional activity, to a non-resident company (or a body constituted in a similar legal form), to a foreign State (or one of its political subdivisions or local authorities) or to a non-resident legal entity, are in principle taxable at a rate of 16.5% (plus local surcharges) if, at any time during the five years preceding the sale, the Belgian resident individual has owned directly or indirectly, alone or with his/her spouse or with certain relatives, a substantial shareholding in the Company (*i.e.*, a shareholding of more than 25% in the Company). This capital gains tax does not apply if the Shares are transferred to the above mentioned persons provided that they are established in the EEA. Capital losses are, however, not tax deductible.

Belgian resident individuals who hold Shares for professional purposes are taxable at the ordinary progressive personal income tax rates (plus local surcharges) on any capital gains realized upon the disposal of Shares, except for Shares held for more than five years, which are taxable at a separate rate of 16.5% (plus local surcharges). Capital losses on Shares incurred by Belgian resident individuals who hold Shares for professional purposes are in principle tax deductible.

Capital gains realized by Belgian resident individuals upon the redemption of Shares or upon the liquidation of the Company will generally be taxable as a dividend (see above).

*Belgian Resident Companies*

Belgian resident companies (not being small enterprises within the meaning of Article 15 of the Belgian Companies Code, hereinafter referred to as “Small Enterprises”) are subject to Belgian capital gains taxation at a separate rate of 0.412% on gains realized upon the disposal of Shares, provided that: (i) the Article 203 ITC Taxation Condition is met and (ii) the Shares have been held in full legal ownership for an uninterrupted period of at least one year. The 0.412% separate capital gains tax rate cannot be off-set by any tax assets (such as, *e.g.*, tax losses)[[32]](#footnote-32).

Belgian resident companies qualifying as Small Enterprises are in principle not subject to Belgian capital gains taxation on gains realized upon the disposal of the Shares provided that (i) the Article 203 ITC Taxation Condition is met and (ii) the Shares have been held in full legal ownership for an uninterrupted period of at least one year.

If the one-year minimum holding period condition would not be met (but the Article 203 ITC Taxation Condition is met) then the capital gains realized upon the disposal of Shares by Belgian resident companies (both non-Small Enterprises and Small Enterprises) would be taxable at a separate corporate income tax rate of 25.75%.

Capital losses on Shares incurred by resident companies (both non-Small Enterprises and Small Enterprises) are as a general rule not tax deductible.

Capital gains realized by Belgian resident companies upon the redemption of Shares or upon the liquidation of the Company will, in principle, be subject to the same taxation regime as dividends (see above).

Shares held in the trading portfolios of qualifying credit institutions, investment enterprises and management companies of undertakings for collective investment are subject to a different tax regime. The capital gains realised by these investors will be subject to corporate income tax at the general rates, and capital losses are tax deductible. Internal transfers to and from the trading portfolio are assimilated to a realization.

*Organizations for Financing Pensions*

OFPs are, in principle, not subject to Belgian capital gains taxation realized upon the disposal of the Shares, and capital losses are not tax deductible.

However, in general, capital gains realized by Belgian resident OFPs upon the redemption of Shares or upon the liquidation of the Company will, in principle, be subject to the same taxation regime as dividends (see above).

*Other Taxable Legal Entities*

Belgian resident legal entities subject to the legal entities income tax are, in principle, not subject to Belgian capital gains taxation on the disposal of Shares. However, capital gains realized upon disposal of (part of) a substantial participation in a Belgian company (being a participation representing more than 25% of the share capital of the Company at any time during the last five years prior to the disposal) may under certain circumstances give rise to a 16.5% tax (plus crisis surcharge of currently 3%). Capital losses on Shares incurred by Belgian resident legal entities are not tax deductible.

Capital gains realized by Belgian resident legal entities upon the redemption of Shares or upon the liquidation of the Company will in principle be taxed as dividends (see above).

*Belgian Non-resident Individuals*

Capital gains realized on the Shares by a non-resident individual that has not acquired and held the Shares in connection with a business conducted in Belgium through a Belgium establishment are in principle not subject to taxation, unless in the following cases if such capital gains are obtained or received in Belgium:

• the gains are deemed to be realized outside the scope of the normal management of the individual’s private estate. In such case the capital gains have to be reported in a non-resident tax return for the income year during which the gain has been realized and may be taxable in Belgium; or,

• the gains originate from the disposal of (part of) a substantial participation in a Belgian company (being a participation representing more than 25% of the share capital of the Company at any time during the last five years prior to the disposal). Then, the realised capital gains may, under certain circumstances, give rise to a 16.5% tax (plus local surcharges of currently 7%).

However, Belgium has concluded tax treaties with more than 90 countries which *generally* provide for a full exemption from Belgian capital gains taxation on such gains realized by residents of those countries. Capital losses are generally not tax deductible.

Capital gains realized by Belgian non-resident individuals upon the redemption of Shares or upon the liquidation of the Company will generally be taxable as a dividend (see above).

Capital gains will be taxable at the ordinary progressive income tax rates and capital losses will be tax deductible, if those gains or losses are realized on Shares by a non-resident individual that holds Shares in connection with a business conducted in Belgium through a Belgian establishment.

*Belgian Non-resident Companies or Entities*

Capital gains realized on the Shares by non-resident companies or non-resident entities that have not acquired the Shares in connection with a business conducted in Belgium through a Belgian establishment are in principle not subject to taxation and losses are not tax deductible.

Capital gains realized by non-resident companies or other non-resident entities that hold the Shares in connection with a business conducted in Belgium through a Belgian establishment are generally subject to the same regime as Belgian similar entities (see above).

***Proposed annual tax on securities accounts***

The Belgian government has recently announced its intention to introduce an annual tax on securities accounts, whereby private individuals holding one or more securities accounts in Belgium or abroad with total assets (including listed shares, bonds, funds) exceeding EUR 500,000 (EUR 1,000,000 for married couples) would be subject to tax at a rate of 0.15 % of the total amount. Pension savings accounts and life insurances are excluded. The tax would, in principle, be collected by the intermediary financial institution, who would also determine the value of the accounts concerned. Specific anti-abuse measures could be introduced in order to avoid tax evasion. The securities accounts could also have to be reported in the personal income tax return. The said changes would be effective as from 1 January 2018. No official text has however been published yet.

***Tax on Stock Exchange Transactions***

The purchase and the sale and any other acquisition or transfer for consideration of existing Shares (secondary market transactions) is subject to the Belgian tax on stock exchange transactions (“*taks* *op* *de* *beursverrichtingen”* / “*taxe* *sur* *les* *opérations* *de* *bourse”*) if (i) it is executed in Belgium through a professional intermediary, or (ii) deemed to be executed in Belgium, which is the case if the order is directly or indirectly made to a professional intermediary established outside of Belgium, either by private individuals with habitual residence in Belgium, or legal entities for the account of their seat or establishment in Belgium (both referred to as a “Belgian Investor”).

The tax on stock exchange transactions is levied at a rate of 0.27% of the purchase price, capped at € 1,600 per transaction and per party[[33]](#footnote-33).

A separate tax is due by each party to the transaction, and both taxes are collected by the professional intermediary. However, if the intermediary is established outside of Belgium, the tax will in principle be due by the Belgian Investor, unless that Belgian Investor can demonstrate that the tax has already been paid. Professional intermediaries established outside of Belgium can, subject to certain conditions and formalities, appoint a Belgian stock exchange tax representative (“Stock Exchange Tax Representative”), which will be liable for the tax on stock exchange transactions in respect of the transactions executed through the professional intermediary. If such a Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transaction.

No tax on stock exchange transactions is due on transactions entered into by the following parties, provided they are acting for their own account: (i) professional intermediaries described in Article 2.9° and 10° of the Belgian Law of August 2, 2002 on the supervision of the financial sector and financial services; (ii) insurance companies described in Article 2, §1 of the Belgian Law of July 9, 1975 on the supervision of insurance companies; (iii) pension institutions referred to in Article 2,1° of the Belgian Law of October 27, 2006 concerning the supervision of pension institutions; (iv) undertakings for collective investment; (v) regulated real estate companies; and (vi) Belgian non-residents provided they deliver a certificate to their financial intermediary in Belgium confirming their non-resident status.

The EU Commission adopted on February 14, 2013 the Draft Directive on a Financial Transaction Tax (FTT). The Draft Directive currently stipulates that once the FTT enters into force, the Participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or WHT as provided in the Council Directive 2006/112/EC of November 28, 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The Draft Directive is still subject to negotiation between the Participating Member States and therefore may be changed at any time.

**Certain U.S. Federal Income Tax Considerations**

***General***

The following discussion is a summary of certain of the U.S. federal income tax consequences of the ownership and disposition of Offer Shares by a U.S. Holder (as defined below), but does not purport to be a complete analysis of all potential tax effects. This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the “Code”), existing and proposed U.S. Treasury regulations promulgated thereunder, administrative rulings and judicial interpretations thereof, as well as on the “Convention Between the Government of The United States of America and the Government of the Kingdom of Belgium for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income” (the “Treaty”), all as of the date hereof and all of which are subject to change, possibly on a retroactive basis.

This summary is limited to U.S. Holders that acquire Offer Shares pursuant to the Offering as capital assets (generally, property held for investment). This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to an investor in light of its individual circumstances, including tax-exempt organisations, financial institutions, dealers and traders in securities or currencies, regulated investment companies, or real estate investment trusts, U.S. Holders that will hold Offer Shares as part of a “straddle” hedging transaction, “conversion transaction” or integrated transaction for U.S. federal income tax purposes, U.S. Holders that enter into “constructive sale” transactions with respect to the Offer Shares, U.S. Holders that own (directly, indirectly, or by attribution) 10% or more of the Company's voting stock, U.S. Holders liable for alternative minimum tax, and certain former U.S. citizens or long-term residents of the United States subject to Section 877 or 877A of the Code. This summary does not address U.S. federal estate or gift tax considerations, the tax on net investment income, U.S. state or local tax considerations, or non-U.S. taxes.

For purposes of this summary, a “U.S. Holder” means a beneficial owner of Offer Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust, (a) the administration of which is subject to the primary supervision of a court within the United States and for which one or more U.S. persons have the authority to control all substantial decisions or (b) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Offer Shares, the U.S. federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A partnership holding Offer Shares should consult its tax advisor concerning the U.S. federal income and other tax consequences to its partners of the ownership and disposition of Offer Shares.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING, AND DISPOSING OF, THE OFFER SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

***U.S. Holders***

*Passive Foreign Investment Company Considerations*

Certain adverse tax consequences could apply to a U.S. Holder if the Company is treated as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes for any taxable year during which the U.S. Holder holds Offer Shares. A non-U.S. corporation, such as the Company, generally will be treated as a PFIC for U.S. federal income tax purposes for any taxable year if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. In applying these tests, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the stock of another corporation is treated as if it held its proportionate share of the other corporation's assets and received its proportionate share of the other corporation's income. Passive income includes, among other things, dividends, interest, certain rents and royalties, and gain from the disposition of property that produces such income. However, rents and gains derived in the active conduct of a trade or business in certain circumstances are considered active income. The Company expects that rents and gains from any real property that it holds directly will generally qualify as active income since the Company believes that it, through its own staff of employees, develops such property and regularly performs active and substantial management and operational functions with respect to such property while it is leased. The Company also expects that rents and gains from real property held by its subsidiaries, which the Company is treated as if it derived directly for purposes of the PFIC tests, will qualify as active income based on the Company’s understanding of how those subsidiaries operate their real property, including its understanding that they, through their own staff of employees, develop and regularly perform active and substantial management and operational functions with respect to such property while it is leased.

The Company does not believe that it was a PFIC for the year ended December 31, 2016, and does not expect to become a PFIC for the current year, but the Company’s possible status as a PFIC must be determined annually and therefore may be subject to change.

If the Company were a PFIC for any taxable year in which a U.S. Holder holds Offer Shares, a U.S. Holder would be subject to additional taxes on any “excess distribution” and any gain realised from the disposition of Offer Shares (regardless of whether the Company continues to be a PFIC). A U.S. Holder would have an excess distribution to the extent that distributions on Offer Shares during a taxable year exceeded 125 per cent. of the average amount received during the three preceding taxable years (or, if shorter, the U.S. Holder’s holding period). To compute the tax on excess distributions or any gain, (i) the excess distribution or gain would be allocated ratably over the U.S. Holder’s holding period, (ii) the amount allocated to the current taxable year and any year before the Company became a PFIC would be taxed as ordinary income in the current year and (iii) the amount allocated to other taxable years would be taxed at the highest applicable marginal rate in effect for each year and an interest charge imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year. Additionally, dividends paid by the Company would not be eligible for the special reduced rate of tax described below under “*—Dividends—General.*” Prospective purchasers should consult their tax advisors regarding the potential application of the PFIC regime, the U.S. reporting obligations that apply, and the availability of any election to mitigate the adverse tax consequences of the PFIC regime.

The rest of this summary assumes that the Company will not be a PFIC for U.S. federal income tax purposes for any taxable year during which a U.S. Holder owns the Offer Shares. There can be no assurance, however, that the Company will not be treated as a PFIC for any taxable year because PFIC status is factual in nature, generally cannot be determined until the close of the taxable year in question, and is determined annually.

***Dividends***

*General*

Any distribution of cash or property with respect to Offer Shares (including any amount of any Belgian tax withheld) will generally be treated as a dividend to the extent paid out of the Company’s current or accumulated earnings and profits, as determined under U.S. federal income tax principles, and will be includible in the gross income of a U.S. Holder on the date the distribution is actually or constructively received. The Company does not intend to maintain calculations of its earnings and profits under U.S. federal income tax principles; therefore, any distribution (including for the avoidance of doubt any amount of any Belgian withholding tax) will generally be reported as a “dividend” for U.S. federal income tax purposes. Any such dividend income will not be eligible for the dividends-received deduction generally allowed to corporate U.S. Holders.

Subject to certain holding period requirements and other conditions, dividends paid to non-corporate U.S. Holders, including individual U.S. Holders, may be eligible for preferential rates of taxation if the dividends are “qualified dividends” for U.S. federal income tax purposes. Dividends received with respect to Offer Shares will be qualified dividends if the Company (i) is eligible for the benefits the Treaty (which the Company expects will be the case, although no assurance can be given), and (ii) was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC, for U.S. federal income tax purposes.

The amount of any dividend paid in Euro will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is, in fact, converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, U.S. Holders generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. However, a U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. The gain or loss will be equal to the difference, if any, between (i) the U.S. dollar value of the amount included in income when the dividend was received and (ii) the amount received on the conversion of Euro into U.S. dollars. Generally, any such gain or loss will be treated as ordinary income or loss and generally will be treated as U.S. source income. U.S. Holders are encouraged to consult their tax advisors regarding the treatment of foreign currency gain or loss on any Euro received that is converted into U.S. dollars on a date subsequent to the date of receipt.

*Effect of Belgian Withholding Taxes*

As discussed in “*—Belgian* *Taxation,*” under current law, payments of dividends by the Company to foreign investors are generally subject to Belgian withholding tax. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Belgian taxes withheld by the Company, and as then having paid over the withheld taxes to the Belgian taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Company with respect to the payment.

A U.S. Holder generally will be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability for Belgian income taxes withheld by the Company at the appropriate rate. U.S. Holders that are eligible for benefits under the Treaty will not be entitled to a foreign tax credit for the amount of any Belgian taxes withheld in excess of the 15% maximum rate, and with respect to which the holder is entitled to obtain a refund from the Belgian taxing authorities. In lieu of claiming a credit, a U.S. Holder may elect to deduct any Belgian income tax withheld in computing its taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits must be applied to all foreign taxes paid or accrued in the taxable year.

Dividends paid by the Company generally will constitute foreign source income and will, depending on the circumstances of the U.S. Holder, be either in the “passive category income” or “general category income” baskets for foreign tax credit limitation purposes. The credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. If a U.S. Holder receives a dividend from the Company that qualifies for the reduced rate described above under “*—* *Dividends—General,*” the amount of the dividend taken into account in calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for foreign taxes imposed on a dividend if the U.S. Holder has not held the Offer Shares for at least 16 days in the 31-day period beginning 15 days before the ex-dividend date.

U.S. Holders that are accrual basis taxpayers, and who do not otherwise elect, must translate Belgian taxes into U.S. dollars at a rate equal to the average exchange rate for the taxable year in which the taxes accrue, while all U.S. Holders must translate taxable dividend income into U.S. dollars at the spot rate on the date received. This difference in exchange rates may reduce the U.S. dollar value of the credits for Belgian taxes relative to the U.S. Holder’s U.S. federal income tax liability attributable to a dividend. However, cash basis and electing accrual basis U.S. Holders may translate Belgian taxes into U.S. dollars using the exchange rate in effect on the day the taxes were paid. Any such election by an accrual basis U.S. Holder will apply for the taxable year in which it is made, as well as all subsequent taxable years, unless revoked with the consent of the IRS.

Prospective purchasers should consult their tax advisors concerning the foreign tax credit implications of the payment of Belgian taxes.

***Sale or other Disposition***

A U.S. Holder will recognize gain or loss for U.S. federal income tax purposes upon a sale or other disposition of its Offer Shares in an amount equal to the difference, if any, between the amount realized from such sale or disposition and the U.S. Holder’s adjusted tax basis in such Offer Shares. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the Offer Shares have been held by the U.S. Holder for more than one year. Long-term capital gain of non-corporate U.S. Holders is generally subject to preferential rates of tax. The deductibility of capital losses is subject to limitations.

A U.S. Holder’s tax basis in an Offer Share generally will be its U.S. dollar value of the purchase price paid in the Offering. The amount realized on a sale or other disposition of Offer Shares for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognize U.S.-source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. Alternatively, in the case of Offer Shares traded on an established securities market that are sold by a cash basis U.S. Holder, or an accrual basis U.S. Holder that so elects, the amount realized will be based on the exchange rate in effect on the settlement date for the sale or other disposition, and no exchange gain or loss will be recognized at that time. If an accrual basis U.S. Holder makes the election, it must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

***Specified Foreign Financial Asset Reporting***

Certain U.S. Holders may be required to submit to the IRS certain information with respect to their beneficial ownership of the Offer Shares, if such Offer Shares are not held on their behalf by certain financial institutions. Penalties may be imposed on a U.S. Holder if such U.S. Holder is required to submit such information to the IRS and fails to do so. U.S. Holders should consult their tax advisors to determine whether they are subject to any foreign asset reporting requirements.

***U.S. Information Reporting and Backup Withholding Tax***

Payments made through a U.S. paying agent or U.S. intermediary to a holder of Offer Shares may be subject to information reporting unless the holder is a corporation or otherwise establishes that payments to it are exempt from these rules. Payments that are subject to information reporting may be subject to backup withholding unless the holder makes the required certification, including providing its taxpayer identification number or otherwise establishes a basis for exemption.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment will be allowed as a credit against such holder’s U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS. Holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules.

**THE above discussion is a general SUMMARY, and does not address all tax matters that may be important to a particular investor. A PROSPECTIVE PURCHASER SHOULD CONSULT its TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF investing in THE OFFER SHARES in light of the prospective purchaser's unique circumstances.**

The Offering

Certain key dates in connection with the Offering are summarized in the following table. These are all anticipated dates, which are subject to any unforeseen circumstances and to an early closing of the Offering Period.

|  |  |
| --- | --- |
| **Date** | **Event** |
| 12 October 2017 | Expected Start of Offering Period (including Retail Offering) |
| 4 p.m. CET on 24 October 2017 | Expected End of Retail Offering |
| 1 p.m. CET on 25 October 2017 | Expected End of Offering Period |
| 25 October 2017 | Pricing and Allocation |
| 26 October 2017 at the latest | Publication of Offer Price and Results of the Offering |
| 27 October 2017 | Expected Closing Date |

**Conditions and Nature of the Offering**

The Offering relates to the offering by the Selling Shareholders of up to 4,524,569 existing Shares being, approximately 24,35% of the aggregate existing Shares of which VM Invest NV and Bart Van Malderen will jointly offer up to 3,781,247 Shares, being approximately 20,35% of the aggregate existing Shares and Little Rock SA up to 743,322 Shares, being approximately 4% of the aggregate existing Shares. The Offering consists of (i) the Belgian Offering (i.e., a public offering to retail and institutional investors in Belgium); (ii) a private placement in the United States to persons who are reasonably believed to be “qualified institutional buyers” or “QIBs” (as defined in Rule 144A under the U.S. Securities Act), in reliance on Rule 144A; and (iii) private placements to institutional investors in certain other jurisdictions. The Offering outside the United States will be made in compliance with Regulation S under the U.S. Securities Act. The offering to investors referred to in (ii) and (iii) above is herein referred to as the “International Institutional Offering” (i.e., a private placement in the United States to QIBs and a private placement to institutional investors in certain other jurisdictions). In the event that the maximum number of Offer Shares (excluding the Increase Option) is reduced, including due to an early closing of the Offering Period without placement of the total number of Offer Shares (excluding the Increase Option), this will be published in a supplement to the Prospectus. The Offer Shares are being offered only in those jurisdictions in which, and only to those persons to whom, offers of Offer Shares may be lawfully made.

The aggregate number of Offer Shares sold may, pursuant to the Increase Option, be increased by up to 25% of the aggregate number of Offer Shares initially offered. Any decision to exercise the Increase Option will be communicated at the latest, on the date of the announcement of the Offer Price. See “*Plan* *of* *Distribution*—*Increase* *Option*”.

The Joint Global Coordinators and Joint Bookrunners are J.P. Morgan and KBC Securities. The Co-Lead Manager is Belfius and the Co-Manager is ING. See “*Plan* *of* *Distribution*.”

The actual number of Offer Shares to be sold by the Selling Shareholders in the Offering will only be determined after the Offering Period and will be announced by means of a Company press release, simultaneously with the publication of the Offer Price and the allocation of Offer Shares to retail investors. Such publication is currently expected to be made on or about 26 October 2017 at the latest and in any event no later than the first business day after the end of the Offering Period.

The Selling Shareholders reserve the right to reduce the maximum number of Offer Shares at any time prior to the allocation of the Offer Shares. There is no minimum size of the Offering. The Offering will be withdrawn in the event no underwriting agreement is executed or in the event the underwriting agreement is executed but is subsequently terminated. Any withdrawal of the Offering will be announced by means of a Company press release. If the Offering is withdrawn, the bank accounts of the retail investors having submitted purchase orders will not be debited. Any withdrawal of the Offering or reduction of the number of Offer Shares will be announced by means of a Company press release, through electronic information services such as Reuters or Bloomberg, and in a supplement to the Prospectus following which the investors will have the right to withdraw their orders made prior to the publication of such supplement. Any changes to the maximum number of Offer Shares will not void purchase orders that have already been submitted.

The Underwriting Agreement has not yet been executed and entering into the Underwriting Agreement may depend on various factors, including, but not limited to, market conditions and the result of the bookbuilding process. Furthermore, the Underwriting Agreement is, upon execution, expected to provide that the Joint Global Coordinators will, on behalf of the Underwriters, have the right to terminate, on behalf of the Underwriters, the Underwriting Agreement and their obligation thereunder to purchase and deliver the Offer Shares under certain circumstances, including if there is a material adverse effect, which is defined in the Underwriting Agreement as any material adverse effect in or any development likely to result in a material adverse effect in the value, state or condition (financial or otherwise) of the shareholders’ equity or in the properties, assets, rights, business, management, prospects (business or financial), earnings, sales, net worth or results of operations of the Group (as a whole), whether or not arising in the ordinary course of business; or (ii) any adverse effect which negatively and significantly affects, or could reasonably be expected so to affect, the market for or the value of the Shares; or (iii) any material adverse effect on the Company’s ability to perform its obligations under the Underwriting Agreement or to consummate the Offering; or (iv) any material adverse effect in in the financial markets in the Unites States, Belgium or the EEA (see section “*Plan of distribution*”), it being understood that a material adverse effect shall be deemed to have occurred in all cases where isolated events would not have such an effect, but where two or more of such events would have in the aggregate such effect. See “*Risk Factors—Risks Relating to the Shares and the Offering—The non-execution or termination of the Underwriting Agreement and/or the withdrawal of the Offering could have a material adverse effect on the trading price and underlying value of the Shares.*”

**Offer Price**

The Offer Price will be a single price in Euro, exclusive of the Belgian tax on stock exchange transactions, if applicable (see “*Taxation –* *Belgian* *Taxation*”), and costs, if any, charged by financial intermediaries for the submission of applications.

The Offer Price will be determined on the basis of a bookbuilding process in which only institutional investors can participate, taking into account various relevant qualitative and quantitative elements, including but not limited to the number of Offer Shares requested, the size of purchase orders received, the condition of the investors submitting such purchase orders and the prices at which the purchase orders were made, as well as market conditions at that time.

The Price Range has been determined by the Selling Shareholders following recommendations from the Joint Global Coordinators, taking into account market conditions and factors including but not limited to:

* • the condition of the financial markets;
* • the Company’s financial position;
* • qualitative assessment of the demand for the Offer Shares; and
* • all other factors deemed relevant.

The Selling Shareholders reserve the right to increase or decrease the lower limit of the Price Range or to decrease the upper limit of the Price Range. If the Price Range is modified, the change will be announced by means of a Company press release. Any changes to narrow the Price Range will not void purchase orders that have already been submitted. The Offer Price for investors shall not, however, exceed the higher end of the Price Range. In the event the lower limit of the Price Range is decreased or the Offer Price is set below the lower end of the Price Range, this will be published in a supplement to the Prospectus.

Retail investors in Belgium can only acquire the Offer Shares at the Offer Price and are legally bound to purchase the number of Shares indicated in their purchase order at the Offer Price.

**Dilution Resulting from the Offering**

No new shares are issued. Subsequently, no dilution will occur resulting from the completion of the Offering.

**Offering Period**

The Offering Period will begin on 12 October 2017 and is expected to close no later than 1 p.m. on 25 October 2017, subject to the possibility of an early closing, provided that the Offering Period will in any event be open for at least three business days from the availability of this Prospectus. The Prospectus will be made available as of the first day of the Offering Period. The Offering Period can be closed, at the earliest, three business days after the start of the Offering Period and, hence, prospective investors can submit their orders at least during three business days after the start of the Offering Period. However, and without prejudice to the foregoing, in accordance with the possibility provided for in art. 3, § 2 of the Royal Decree of 17 May 2007 on primary market practices, the Company expects the subscription period for the retail offering to end no later than 4 p.m. CET on 24 October 2017, the day before the end of the institutional bookbuilding period, due to the timing and logistical constraints associated with the centralization of the subscriptions placed by retail investors with the Underwriters and with other financial institutions. Any early closing of the Offering Period will be announced by means of a Company press release, and the dates for each of pricing, allocation, publication of the Offer Price and the results of the Offering and closing of the Offering will in such case be adjusted accordingly. The Offering Period can only be closed earlier in case of a coordinated action between the Underwriters. In the event the Offering Period is changed, other than in the event of an early closing of the Offering Period with placement of the total number of Offer Shares (excluding the Increase Option), this will be announced by means of a Company press release, through electronic information services such as Reuters or Bloomberg, and will be published in a supplement to the Prospectus. Prospective investors can submit their purchase orders during the Offering Period. Taking into account the fact that the Offering Period may be closed early, investors are invited to submit their applications as promptly as possible.

Share applications by retail investors may be submitted at the counters of KBC Bank NV, KBC Brussels NV, CBC Banque SA, KBC Securities, Belfius, ING and their affiliates at no cost to the investor. Applications are not binding upon the Selling Shareholders or the Underwriters as long as they have not been accepted in accordance with the allocation rules described below under “*Allocation*.”

Investors wishing to place purchase orders for the Offer Shares through intermediaries other than of KBC Securities, Belfius, ING and their affiliates should request details of the costs which these intermediaries may charge, which they will have to pay themselves.

To be valid, purchase orders must be submitted no later than 1 p.m. on 25 October 2017, unless the Offering Period is closed earlier.

**Retail Investors in Belgium**

A retail investor shall mean an individual person resident in Belgium or a legal entity located in Belgium that does not qualify as a qualified investor (“*gekwalificeerde* *belegger”/”investisseur* *qualifié”*) as defined in Article 10, § 1 of the Prospectus Law.

Retail investors must indicate in their purchase orders the number of Offer Shares they are committing to purchase. Only one application per retail investor will be accepted. If the Underwriters determine, or have reason to believe, that a single retail investor has submitted several purchase orders, through one or more intermediaries, they may disregard such purchase orders. There is no minimum or maximum amount of Offer Shares that may be purchased in one purchase order.

To be valid, purchase orders must be submitted no later than 4 p.m. on 24 October 2017, unless the Offering Period is closed earlier.

Other than in cases where right of withdrawal exists, orders will be irrevocable (even in case of reduction) and investors are legally bound to purchase the number of Shares indicated in their purchase order which have been allocated to them at the Offer Price. However, in the event that the Offering is withdrawn or a supplement to this Prospectus is published, Retail Investors shall have the right to withdraw their share applications made prior to the publication of the supplement within the time limits set out in the supplement (which shall not be shorter than two business days after publication of the supplement).

**Institutional Investors**

Institutional investors must indicate in their purchase orders the number of Offer Shares they are committing to purchase, and the prices at which they are making such purchase orders during the bookbuilding period. Only institutional investors can participate in the bookbuilding process during the Offering Period.

**Supplement—Right to Withdraw Order**

If an important new factor, material mistake or inaccuracy relating to information contained in the Prospectus, which could influence the investors’ evaluation of the securities, occurs before the end of the Offering Period, a supplement to the Prospectus shall be published in accordance with Article 34 of the Prospectus Law.

A supplement to this Prospectus will be published in accordance with article 34 of the Prospectus Law in the event (i) the Offering Period is extended, (ii) the lower limit of the Price Range is decreased or the Offer Price is set below the lower end of the Price Range, (iii) the maximum number of Offer Shares is reduced, including due to any early closing of the Offering Period without placement of the total number of Offer Shares (excluding the Increase Option), or (iv) the underwriting agreement is not executed or is executed but subsequently terminated and the Offering is withdrawn.

If such supplement to the Prospectus is published, investors will have the right to withdraw their orders made prior to the publication of the supplement. Such withdrawal must be done within the time period set forth in the supplement (which shall not be shorter than two business days after publication of the supplement).

**Allocation**

The number of Offer Shares allotted to investors will be determined at the end of the Offering Period by the Selling Shareholders in consultation with the Joint Global Coordinators on the basis of the respective demand of both retail and institutional investors and on the quantitative and, for institutional investors only, the qualitative analysis of the order book, and in accordance with Belgian regulations relating to allocation to retail and institutional investors as set forth below.

In accordance with Belgian regulations, a minimum of 10% of the Offer Shares must be allocated to retail investors in Belgium, subject to sufficient retail demand.

Provided that there is sufficient demand, it is intended that at least 10% of the Offer Shares will be allocated to retail investors in Belgium. The proportion of Offer Shares allocated to retail investors in Belgium may be increased or reduced if applications received from them exceed or do not reach, respectively, 10% of the Offer Shares.

In case of over-subscription of the Offer Shares reserved for retail investors, the allocation to retail investors will be made on the basis of objective and quantitative allocation criteria, i.e. the number of shares for which applications are submitted by retail investors. Therefore, retail investors may receive fewer Offer Shares than they subscribed for.

The results of the Offering, the allocation for retail investors and the Offer Price will be announced by means of a Company press release, which is currently expected to take place on or about 26 October 2017 at the latest and in any event no later than the first business day after the end of the Offering Period.

The Underwriters will use reasonable efforts to deliver the Offer Shares to individual persons residing in Belgium and to investors subject to Belgian income tax on legal entities (“*rechtspersonenbelasting”/”impôt* *des* *personnes* *morales”*), in this order of priority.

**Payment and Taxes**

The Offer Price must be paid by the investors in full, in Euro, together with any applicable stock exchange taxes and costs. In particular, a tax on stock exchange transactions is levied at a rate of 0.27% of the purchase price, capped at € 1,600 per transaction and per party. For further information about applicable taxes, see “*Taxation—Belgian* *Taxation*.” Investors should request details of the costs and fees (including custody fees), if any, which financial intermediaries may charge, which investors will have to pay themselves.

The Closing Date is expected to be 27 October 2017 unless the Offering Period is closed earlier. The Offer Price must be paid by investors by authorizing their financial institutions to debit their bank accounts with such amount for value on the Closing Date, unless the Offering has been withdrawn.

**Form of the Offer Shares and Delivery**

The Offer Shares will have the same rights and benefits as the other Shares, including the right to dividends for the financial year ending 31 December 2017 and future years. For a further description of the Shares and the rights and benefits attached thereto, see “*Description* *of* *Share* *Capital* *and* *Articles* *of* *Association*.”

All Offer Shares will be delivered in book-entry form only, and will be credited on or around the Closing Date to investors’ securities accounts via Euroclear Belgium, the Belgian central securities depository, Koning Albert II laan 1, B-1210 Brussels, Belgium.

Investors who, after delivery, wish to have their shares registered, should request that the Company record the Shares in the Company’s share register.

Holders of registered shares may request that their registered shares be converted into dematerialized shares and vice versa. Any costs incurred in connection with the conversion of Shares into another form will be borne by such shareholders.

All Offer Shares will be fully paid-up upon their delivery and freely transferable, subject to what is set forth under “*Plan* *of* *Distribution*.”

**Trading on Euronext Brussels**

The Offer Shares are listed on the regulated market of Euronext Brussels and admitted for trading under the symbol “VGP” with an ISIN code of BE0003878957.

**Stabilization**

The Selling Shareholders are also expected to grant to the Underwriters (represented by the Stabilization Manager) the Over-allotment Option to purchase, at the Offer Price, additional Shares in an aggregate amount of up to 15% of the number of subscribed Offer Shares for the purpose of covering any such over-allotments (i.e., to cover the short position resulting from the aforementioned over-allotment) and thus facilitate stabilization activities, if any. The Over-allotment Option will be exercisable for a period of 30 days following the Pricing Date.

**Authorizations**

This Prospectus and the participation of each Selling Shareholder in the Offering were approved by (i) the board of directors of Little Rock SA on 9 October 2017, (ii) the board of directors of VM Invest NV on 9 October 2017, and (iii) the board of directors of the Company on 9 October 2017.

**Interest of natural and legal persons involved in the Offering**

Assuming placement of the maximum number of Offer Shares (including the full exercise of the Increase Option), that the Offer Price is at the mid-point of the Price Range and that the Over-allotment Option is exercised in full, the underwriting fees will be € 13,560,289.54. This does not include any incentive fees which may be paid at the discretion of the Selling Shareholders. The underwriting fees of 3.50% of the gross proceeds of the Offering, plus any discretionary incentive fees up to 0.50% of the gross proceeds of the Offering, will be paid by the Selling Shareholders. The Selling Shareholders have also agreed to reimburse the Underwriters for certain expenses incurred by them in connection with the Offering.

All fees and expenses related to the Offering will be borne by the Selling Shareholders. Except as disclosed above, no other party has a material interest in the Offering other than the Company’s management, the Selling Shareholders and the Company.

**Financial Service**

From the Closing Date, the financial service for the shares of the Company is provided by KBC Securities. Should the Company alter its policy in this respect, this will be announced in accordance with applicable law.

**Liquidity provider**

The Company has appointed KBC Securities as liquidity provider in order to ensure a sufficiently active market in the Company’s Share by maintaining adequate liquidity in normal market conditions. The liquidity contract will not be suspended during the Offering nor thereafter as a result of the Offering.

**Jurisdiction and Competent Courts**

The Belgian Offering is subject to Belgian law and the courts of Brussels are exclusively competent to adjudicate any and all disputes with investors concerning the Belgian Offering.

Plan of Distribution

**Underwriting**

The Company, the Selling Shareholders and the Underwriters named below expect to enter into an underwriting agreement on or about 25 October 2017 (the “Underwriting Agreement”) with respect to the offer and sale of the Offer Shares in the Offering. Entering into the Underwriting Agreement may depend on various factors, including, but not limited to, market conditions and the result of the bookbuilding process. Subject to certain conditions set forth in the Underwriting Agreement, the Selling Shareholders will agree to sell the Offer Shares offered in the Offering and the Underwriters will severally agree to purchase, with a view to immediate placement with investors, the following percentage of the total number of the Offer Shares:

|  |  |
| --- | --- |
| **Underwriters** | **Percentage of Offer Shares to be sold** |
| J.P. Morgan | 44% |
| KBC Securities | 44% |
| Belfius | 8% |
| ING | 4% |
| **Total percentage of Offer Shares to be sold** | **100%** |

The Underwriting Agreement being a soft underwriting agreement, the Underwriters will be under no obligation to purchase any Offer Shares prior to the execution of the Underwriting Agreement (and then only on the terms and subject to the conditions set out therein). The Underwriting Agreement is expected to provide that if an Underwriter defaults, in certain circumstances, the purchase commitments of the non-defaulting Underwriters may be increased or the Underwriting Agreement may be terminated. The Underwriters will distribute the Offer Shares to investors, subject to prior sale, when, as and if they will have been delivered to them, subject to the satisfaction or waiver of the conditions that will be contained in the Underwriting Agreement, including the receipt by the Underwriters of certificates from the Company and certain legal opinions. In the Underwriting Agreement, the Company and the Selling Shareholders will make certain customary representations and warranties and the Company and the Selling Shareholders will agree to indemnify the Underwriters against certain liabilities, including liability under the U.S. Securities Act. If the Underwriting Agreement is not executed or is executed but subsequently terminated, a supplement to the Prospectus to this effect will be published.

The actual number of Offer Shares to be sold by the Selling Shareholders in the Offering will only be determined after the Offering Period and will be announced by means of a Company press release, simultaneously with the publication of the Offer Price and the allocation to retail investors, which are currently expected to take place on or about 26 October 2017 at the latest and, in any event, no later than the first business day after the end of the Offering Period.

The Price Range set forth on the cover page of this Prospectus is subject to change as a result of market conditions and other factors. There can be no assurance that an active trading market will develop and sustained for the Shares or that the Shares will trade in the public market after the Offering at or above the Offer Price. For further information, see “*Risk Factors—Risks Relating to the Shares and the Offering—The Shares may experience (increased) price and volume fluctuations.*”

The Underwriters will offer the Offer Shares at the Offer Price. Assuming placement of the maximum number of Offer Shares (including the full exercise of the Increase Option), that the Offer Price is at the mid-point of the Price Range and that the Over-allotment Option is exercised in full, the underwriting fees for the Offering will be € 13,560,289.54. This does not include any incentive fees which may be paid at the discretion of the Selling Shareholders. The underwriting fees, including any incentive fees, will be paid by the Selling Shareholders. The underwriting fees of 3.5% of the gross proceeds of the Offering, plus any discretionary incentive fees up to 0.5% of the gross proceeds of the Offering, will be paid by the Selling Shareholders. The Selling Shareholders have also agreed to reimburse the Underwriters for certain expenses incurred by them in connection with the Offering.

The Underwriting Agreement is expected to provide that the Joint Global Coordinators will, on behalf of the Underwriters, have the right to terminate, on behalf of the Underwriters, the Underwriting Agreement and their obligation thereunder to purchase and deliver the Offer Shares (i) upon the occurrence of certain customary events including, but not limited to, if the Company or the Selling Shareholders fail to comply with any material obligation contained in the Underwriting Agreement; if there is a material adverse change in the financial markets in the United States, Belgium or the EEA; or if admission to listing of the Shares on the regulated market of Euronext Brussels is withdrawn, and (ii) if the conditions contained in the Underwriting Agreement, such as the delivery of certificates from the Company and the Selling Shareholders and legal opinions, are not satisfied or waived. In the event that the Underwriting Agreement is not executed or is executed but subsequently terminated, a supplement to this Prospectus shall be published. After publication of the supplement, the subscriptions for the Offer Shares will automatically be cancelled and withdrawn, and subscribers will not have any claim to delivery of the Offer Shares or to any compensation.

**Lock-up Arrangements**

The Company is expected to agree pursuant to the Underwriting Agreement (which is expected to be entered into on or about 25 October 2017) that it will not, and will procure that none of its subsidiaries will, for a period of 180 days from the Closing Date, without the prior written consent of the Joint Global Coordinators, acting on behalf of the Underwriters (subject to certain limited exceptions): (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company, or file any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise; or (iii) publicly announce such an intention to effect any such transaction. The foregoing shall not apply to: (i) any corporate action in connection with a takeover offer, capital reorganization, legal merger, split up or similar transaction or process, in each case to the extent involving the Company; (ii) the issuance of any non-convertible bonds or other financial instruments by the Company for the purposes of financing or refinancing its outstanding obligations, (iii) the granting of awards in options or Shares by the Company or the issuance of Shares upon exercise of options granted by the Company pursuant to employee incentive schemes, or (iv) the disposal of any Shares by the Associate.

In addition, the Selling Shareholders are expected to agree pursuant to the Underwriting Agreement (which is expected to be entered into on or about 25 October 2017) that for a period of 180 days from the Closing Date, they will not, without the prior written consent of the Joint Global Coordinators, acting on behalf of the Underwriters (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company, or request or demand that the Company file any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise; or (iii) publicly announce such an intention to effect any such transaction. The restrictions to which the Selling Shareholders are subject shall not prohibit any Selling Shareholder or its relevant shareholders from (i) disposing or lending of Shares for the purposes of the Offering; (ii) accepting a general offer for all of the ordinary share capital of the Company, giving an irrevocable commitment to accept such an offer, or disposing of shares to an offeror or potential offeror during the period of such an offer; (iii) any disposal required by law, regulation or a court of competent jurisdiction; (iv) transferring Shares intra-group or intra-family provided that the transferees or recipients of such Shares agree to enter into an equivalent lock-up agreement for the remainder of the lock-up period; (v) transferring Shares to managers pursuant to management incentive schemes established prior to the Closing of the Offering, and (vi) any transaction entered into by Little Rock SA to the extent such transaction does not lead to the shareholding of Jan Van Geet, directly or indirectly, in the Company to drop below 25% of the outstanding share capital of the Company and provided that the transferees or recipients of such Shares agree to enter into an equivalent lock-up agreement for the remainder of the lock-up period.

**Increase Option**

Depending on the volume of demand, the aggregate number of Offer Shares sold in the Offering may be increased by up to 25% of the aggregate number of Offer Shares initially offered. Any decision to exercise the Increase Option will be communicated at the latest on the date of announcement of the Offer Price, which is currently expected to be on or around 26 October 2017 at the latest. To the extent that such Increase Option has been exercised, the Underwriters will severally purchase the additional Shares in the same proportion as set forth in the table under “*Plan of Distribution*—*Underwriting*” above.

**Over-allotment Option and Price Stabilization**

The Selling Shareholders are expected to grant to KBC Securities, as Stabilization Manager, on behalf of itself and the Underwriters, an Over-allotment Option, i.e., an option to purchase additional Shares in an aggregate amount equal to up to 15% of the aggregate number of subscribed Offer Shares initially offered (including the Offer Shares sold pursuant to the effective exercise of the Increase Option) to cover over-allotments or short positions, if any, at the Offer Price. The Over-allotment Option may be exercised for a period of 30 days following the Pricing Date. To the extent the Over-allotment Option is exercised, each Underwriter will become severally obligated, subject to certain conditions, to purchase the same proportion of Shares for which the Over-allotment Option is exercised as set forth in the table under “— *Underwriting*” above. In order to be able to effect any over-allotments made prior to the exercise of the Over-allotment Option, it is expected that the Selling Shareholders will lend shares to the Stabilization Manager.

In connection with the Offering, the Stabilization Manager or its agents may, during the Stabilization Period and to the extent permitted by applicable law, over-allot and effect transactions to stabilize the price of the Shares or any options, warrants or rights with respect to, or other interest in, the Shares or other securities of the Company. These activities may support the market price of the Shares at a level higher than that which might otherwise prevail and may affect the price of the Shares or any options, warrants or rights with respect to, or other interest in, the Shares or other securities of the Company. Stabilization will not be executed above the Offer Price. The Stabilization Manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the Stabilization Manager or its agents may end any of these activities at any time and must be brought to an end within 30 days after the Pricing Date.

Within five business days of the end of the Stabilization Period, the following information will be made public: (i) whether or not stabilization was undertaken; (ii) the date on which stabilization started; (iii) the date on which stabilization last occurred; (iv) the price range within which stabilization was carried out, for each of the dates on which stabilization transactions were carried out; (v) the final size of the Offering, including the result of the Stabilization and the exercise of the Over-allotment Option, if any and (vi) the trading venue on which the stabilization transactions were carried out, where applicable.

**Other Relationships with the Underwriters**

In connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for its own account, may take up Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Shares or related investments and may offer or sell such Shares or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to Shares being offered or placed should be read as including any offering or placement of Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Shares.

Certain of the Underwriters and/or their respective affiliates have engaged or may in the future, from time to time, engage in commercial banking (including loans and credit facilities), investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company or any parties related to it, in respect of which they have received or may in the future receive customary fees and commissions.

The Company and/or other members of the Group have also entered into several agreements with a number of Underwriters (or their affiliates), including the following:

* In June 2017, September 2016 and November 2013, KBC Securities acted as Lead Manager and Bookrunner with respect to the public offering of bonds issued by the Company.
* In March 2017, KBC Bank NV acted as sole manager and bookrunner for the private placement of bonds issued by the Company.
* The Company entered into an interest rate swap with KBC Bank NV, for a notional amount of € 75 million during the first half of 2015. This interest rate swap will start in December 2018 and will run until December 2023. This interest rate swap is intended to cover future, expected floating interest rate exposures. The interest rate which has been fixed is 0.965% per annum.

**No Public Offering Outside Belgium**

No action has been or will be taken in any jurisdiction other than Belgium that would permit a public offering of the Offer Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Offer Shares, in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Offer Shares may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of such country or jurisdiction.

Purchasers of the Offer Shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the Offer Price.

**Selling Restrictions *General***

No public offer is being made and no one has taken any action that would, or is intended to, permit a public offering in any country or jurisdiction, other than Belgium, where any such action for such purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Offer Shares may be distributed or published in any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

Persons into whose hands this Prospectus comes are required by the Company, the Selling Shareholders and the Underwriters to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Offer Shares or have in their possession or distribute such offering material, in all cases at their own expense. Neither the Company, the Selling Shareholders nor the Underwriters accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the Offer Shares, of any such restrictions.

***United States***

The Offer Shares have not been and will not be registered under the Securities Act or under any applicable securities laws or regulations of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offer of the Offer Shares an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act.

The Underwriting Agreement is expected to provide that the Underwriters may directly or through their respective United States broker-dealer affiliates arrange for the offer and resale of Offer Shares within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act.

Each acquirer of Offer Shares within the United States, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that:

(a) it is (a) a QIB within the meaning of Rule 144A, (b) acquiring the Offer Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (c) acquiring the Offer Shares for investment purposes, and not with a view to further distribution of such Offer Shares, and (d) aware, and each beneficial owner of the Offer Shares has been advised, that the sale of the Offer Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

(b) it understands that the Offer Shares are being offered and sold in the United States only in a transaction not involving any public offering within the meaning of the Securities Act and that the Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. It further (a) understands that the Offer Shares may not be deposited into any unrestricted depositary receipt facility in respect of the Offer Shares established or maintained by a depositary bank, (b) acknowledges that the Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Offer Shares and (c) understands that the Company may not recognize any offer, sale, resale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.

(c) it understands that the Offer Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

**THE OFFER SHARES REPRESENTED HEREBY REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE OFFER SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE OFFER SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE OFFER SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF OFFER SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS;** and

(d) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such Offer Shares while they remain “restricted securities” within the meaning of Rule 144, it shall notify such subsequent transferee of the restrictions set out above.

The Company, the Selling Shareholders, the Underwriters and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

***European Economic Area***

In relation to each Relevant Member State, an offer to the public of any Offer Shares may not be made in that Relevant Member State unless the Prospectus has been approved by the competent authority in such Relevant Member State or passported and published in accordance with the Prospectus Directive as implemented in such Relevant Member State, except that the Offer Shares may be offered to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

* to any legal entity which is a qualified investor as defined under the Prospectus Directive;
* by the Underwriters to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
* in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company, the Selling Shareholders or any Underwriter of a Prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires Offer Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Underwriters and the Company that it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

The Company, the Selling Shareholders, the Underwriters and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement, and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the consent of the Underwriters, be permitted to purchase Offer Shares in the Offering.

***United Kingdom***

In the United Kingdom, this Prospectus is only addressed to and directed to Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”), and/or (ii) who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, and other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “Relevant Persons”). The securities described herein are only available in the United Kingdom, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities in the United Kingdom will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

***Japan***

The Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the “FIEL”). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

***Switzerland***

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Offer Shares or the Offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the Offering, the Company or the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of Offer Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the Offering has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Shares.

***Canada***

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

***Australia***

This document (a) does not constitute a prospectus, a product disclosure statement or other disclosure document under the Corporations Act 2001 of the Commonwealth of Australia (“Corporations Act”); (b) does not purport to include the information required of a prospectus, a product disclosure statement or other disclosure document under the Corporations Act; (c) has not been, nor will it be, lodged as a disclosure document with, or registered by, the Australian Securities and Investments Commission (“ASIC”), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (d) may not be provided in Australia other than to select investors (“Exempt Investors”) who are able to demonstrate that they both (i) fall within one or more of the categories of investors under section 708(8) or 708(11) of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (ii) are “wholesale clients” for the purpose of section 761G of the Corporations Act.

The Offer Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Offer Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Offer Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offer Shares, each purchaser or subscriber of Offer Shares represents and warrants to the Company, the Selling Shareholders, the Underwriters and their affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Offer Shares under this document, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Offer Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Offer Shares each purchaser or subscriber of Offer Shares undertakes to the Company, the Selling Shareholders and the Underwriters that such purchaser or subscriber will not, for a period of 12 months from the date of issue or purchase of the Offer Shares, offer, transfer, assign or otherwise alienate those Offer Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

This document contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this document is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

***South Africa***

In South Africa, any offer of the Offer Shares will only be made by way of private placement to, and be capable of acceptance by, persons falling within the exemptions set out in Section 96(1)(a) of the South African Companies Act and to whom the Offer will be specifically addressed (“Qualifying Investors”) and this Prospectus is only being made available to such Qualifying Investors. The Offering and the Prospectus do not constitute an offer for the sale of or subscription for, or the solicitation of an offer to buy and to subscribe for, shares to the public as defined in the South African Companies Act and will not be made or distributed, as applicable, to any person in South Africa in any manner which could be construed as an offer to the public in terms of the South African Companies Act. Should any person who is not a Qualifying Investor receive this Prospectus they should not and will not be entitled to acquire any Offer Shares or otherwise act thereon. This Prospectus does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act.

Transfer Restrictions

The Shares have not been and will not be registered under the U.S. Securities Act or the applicable securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each purchaser of the Offer Shares outside the United States will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;

(3) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not entered into any arrangement for the transfer of the Offer Shares or any economic interest therein to any person in the United States;

(4) the purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate;

(5) the Offer Shares have not been offered to it by means of any “directed selling efforts” as defined in Regulation S;

(6) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(7) the purchaser acknowledges that the Company, the Selling Shareholders, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer Shares within the United States will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

(3) the purchaser is (i) a qualified institutional buyer as defined in Rule 144A under the U.S. Securities Act (a "QIB"); (ii) aware that the sale to it is being made pursuant to an exemption from the registration requirements of the U.S. Securities Act; and (iii) acquiring such Offer Shares for its own account or for the account of a QIB;

(4) the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;

(5) if in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, or any economic interest therein, such Offer Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; (ii) in compliance with Regulation S under the U.S. Securities Act; or (iii) in accordance with Rule 144 under the U.S. Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(6) the purchaser acknowledges that the Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares;

(7) the purchaser will not deposit or cause to be deposited such Offer Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

(8) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and

(9) the purchaser acknowledges that the Company, the Selling Shareholder, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each person in a Relevant Member State, other than persons receiving offers contemplated in the Prospectus in Belgium, who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated hereby will be deemed to have represented, warranted and agreed to and with each of the Underwriters, the Selling Shareholders and the Company that:

(1) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(2) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Joint Global Coordinators has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Directive as having been made to such persons.

Legal Matters

Certain legal matters in connection with this Offering have been passed upon for the Company by Dentons UKMEA LLP, with respect to the laws of the United States and by Argo Law BCVBA for the Company and for the Selling Shareholders with respect to the laws of Belgium. Certain legal matters in connection with this Offering have been passed upon for the Underwriters by Freshfields Bruckhaus Deringer LLP, with respect to the laws of the United States, England & Wales and Belgium.

Independent Auditors

The audited consolidated financial statements of VGP NV as of and for the years ended 31 December 2016, 31 December 2015, and 31 December 2014, all prepared in accordance with IFRS and included elsewhere in this Prospectus, have been audited by Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Rik Neckebroeck (member of the “*Institut des Réviseurs d'Entreprises”* / “*Instituut der Bedrijfsrevisoren”*).

Certain Definitions

The following definitions apply throughout this Prospectus unless the context requires otherwise:

|  |  |
| --- | --- |
| **“2017 Bond”** | the € 75 million fixed rate bond which matured on 12 July 2017 and which carried a coupon of 5.15% per annum (and as was listed on the regulated market of Euronext Brussels with ISIN Code: BE0002201672 – Common Code: 094682118); |
| **“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); |
| **“Accounting Standards”** | the accounting standards that are generally accepted in Belgium, including IFRS, to the extent applicable to the relevant financial statements; |
| **“Aggregate Net Rental Income”** | the sum of any and all income of any member of the Group related to rent of its respective Project Buildings less the Rental Expenses; |
| **“Allianz”** | Allianz AZ Finance VII Luxembourg S.A., SAS Allianz Logistique S.A.S.U. and Allianz Benelux SA (all affiliated companies of Allianz Real Estate GmbH) taken together; |
| **“Annual Relevant Period”** | each period of 12 months ending on the last day of a financial year of the Company and each period of 12 months ending on the last day of the first half of the financial year of the Company; |
| **“Annual Financial Statements”** | the audited consolidated financial statements of the Company as of and for the years ended 31 December 2016, 2015 and 2014; |
| **“Annualised Committed Leases”** or **“Annualised Rent Income”** | the annualised rent income generated or to be generated by executed lease – and future lease agreements; |
| **“Articles of Association”** | the articles of association of the Company; |
| **“Associate”** | VGP MISV Comm. VA in which the Company holds 43.23%; |
| **“Audit Committee”** | the audit committee of the Company supervising among others the integrity of the financial information provided by the Company; |
| **“Auditor”** | DELOITTE Bedrijfsrevisoren BV o.v.v.e. CVBA, with registered office at Gateway Building, Luchthaven Nationaal 1 J, 1930 Zaventem, Belgium, represented by Mr Rik Neckebroeck (or such auditor or statutory auditor of the Company as may be appointed from time to time); |
| **“Belfius”** | Belfius Bank NV; |
| **“Belgian Company Code”** | the Belgian Company Code (*Wetboek van Vennootschappen* / *Code des Sociétés*); |
| **“Belgian Corporate Governance Code”** | means the 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; |
| **“Belgian Investor”** | either (i) private individuals with habitual residence in Belgium, or (i) legal entities for the account of their seat or establishment in Belgium; |
| **“Belgian Offering”** | the secondary public offering to retail and institutional investors in Belgium; |
| |  |  | | --- | --- | | “**Benelux**” |  | | Belgium, the Netherlands and Luxembourg; |
| **“BITC 1992”** | the Belgian code on income tax of 1992 (*code des impôts sur les revenus 1992* / *wetboek van de inkomstenbelastingen 1992);* |
| **“Board”** or “**Board of Directors”** | the board of directors of the Company or any committee thereof duly authorised to act on behalf of the board of directors; |
| **“CAGR”** | compounded annual growth rate; |
| **“Cash”** or **“Cash Equivalents”** | 1. any cash at hand or on a deposit that is callable on first demand; and 2. highly liquid financial instruments that are easily convertible into cash, for which a recognised trading market exists, and which are not issued or guaranteed by any member of the Group or subject to any Security,   which in both cases (a) and (b) are freely available for the repayment of any Financial Indebtedness and are held by any member of the Group, and shall exclude restricted or unavailable cash; |
| **“Cash Available for Debt Service”** | for any Annual Relevant Period:   1. after tax profit of the Company earned in the relevant Annual Relevant Period; 2. **plus** any interest (i) accounted for but unpaid or (ii) accounted for and paid by all members of the Group under the subordinated Financial Indebtedness provided for by the Company during the relevant Annual Relevant Period; 3. **plus** any amount accounted for by all members of the Group in respect of depreciation and amortisation during the relevant Annual Relevant Period; 4. **plus** any expenses accounted for and payable by all members of the Group on non-realised foreign exchange losses in respect of such relevant Annual Relevant Period; 5. **plus** the aggregate amount of interest, commissions and other finance charges (including any Interest Rate Hedging costs) due and payable by all the members of the Group under any Financial Indebtedness in such relevant Annual Relevant Period; 6. **less** any revenue resulting from re-evaluation (accounted for but unpaid) of any derivatives, options, futures or hedging or other similar financial instruments or contracts; 7. **plus** any expense resulting from re-evaluation (accounted for but unpaid) of any derivatives, options, futures or hedging or other similar financial instruments or contracts; and 8. **plus** any available Cash and Cash Equivalents on the last day of the Annual Relevant Period; |
| **“CEE”** | Central and Eastern Europe; |
| **“Closing Date”** | 27 October 2017; |
| **“Co-Lead Manager”** | Belfius; |
| **“Co-Manager”** | ING; |
| **“Company”** | VGP NV, a public limited liability company (*naamloze vennootschap* / *société anonyme*) incorporated under Belgian law, having its registered office at Leonardo Da Vincilaan 19A bus 6, 1831 Machelen (Diegem), Belgium, registered with the Crossroads Bank for Enterprises under number 0887.216.042, commercial court of Brussels; |
| **“Company SPA”** | the share purchase agreement between the Company as seller and Allianz as purchaser relating to the sale of 50% of the shares in VGP European Logistics S.à r.l.; |
| **“Consolidated Financial Indebtedness”** | at any time, the aggregate amount of all obligations of the Group for or in respect of Financial Indebtedness but:   1. excluding any such obligation to any other member of the Group; and 2. deducting the aggregate amount of Cash and Cash Equivalents held by any member of the Group at such time   and so that no amount shall be included or excluded more than once; |
| **“Consolidated Gearing”** | in respect of any Annual Relevant Period, the ratio of Consolidated Total Net Debt on the last day of that Annual Relevant Period to the sum of the equity and the total liabilities (including off-balance sheet liabilities) at Group level in respect of that Annual Relevant Period; |
| **“Consolidated Total Net Debt”** | at any time, Total Net Debt calculated at Group level; |
| **“Corporate Governance Code”** | the principles of corporate governance contained in the Belgian Code on Corporate Governance published on 12 March 2009, as adopted by the Company and available on the Company’s website; |
| **“Debt Service Cover** **Ratio”** | 1. the Cash Available for Debt Service,   divided by   1. the Net Debt Service; |
| **“Directive”** | the Council Directive on a common FTT, once adopted; |
| **“Draft Directive”** | the EU Commission’s proposal for a Council Directive on a common FTT; |
| **“ECB Daily Reference Rate”** | the daily reference exchange rate published by the European Central Bank for U.S. dollars, expressed in U.S. dollars per Euro, rounded to the nearest four decimal places; |
| |  |  | | --- | --- | | “**EEA**” |  | | European Economic Area; |
| **“EU”** | the European Union; |
| **“EUR”**, “**euro”** or “**€”** | the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; |
| “**Euronext Brussels**” | the regulated market organized by Euronext Brussels NV/SA; |
| **“Eurozone”** | the Euro area, being the Economic and Monetary Union of the Member States of the European Union which have adopted the Euro currency as their sole legal tender; |
| **“Facility Management”** | the day-to-day maintenance, alteration and improvement work of buildings; |
| **“Finance Charges”** | for any Annual Relevant Period, the difference between on the one hand the interest charges (being the sum of the aggregate amount of interest, commissions and other finance charges due and payable by all the members of the Group under any Financial Indebtedness in such relevant Annual Relevant Period and on the other hand the interest received (being the sum of the aggregate amount of interest, commissions and other finance income (including any Interest Rate Hedging income) and remuneration on finance leases and related products ) in each case calculated on a consolidated basis on the last day of a financial year of the Company and on the last day of the first half of the financial year of the Company; |
| **“Financial Indebtedness”** | any indebtedness for or in respect of:   1. moneys borrowed (on the basis of any credit agreement, loan agreement or any similar agreement); 2. any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent; 3. any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument; 4. the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the relevant Accounting Standards, be treated as a finance or capital lease; 5. receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis) and any assumed debt; 6. any Treasury Transaction and, when calculating the value of any Treasury Transaction, only the marked to market value shall be taken into account; 7. any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; 8. any amount of any liability under any advance or deferred purchase agreement if one of the primary reasons behind entering into the agreement is to raise finance for a purchase of assets and payment is due after more than 90 (ninety) days; 9. any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; and 10. the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (i) above; |
| **“Financial Services and Markets Act”** | the Financial Services and Markets Act 2000 of the United Kingdom; |
| **“First JV Closing”** | the closing of the transaction pursuant to which the Joint Venture acquired the Seed Portfolio from VGP on 31 May 2016. The net proceeds received from the sale of Seed Portfolio by VGP was € 176.4 million; |
| **“FSMA”** | the financial Services and Markets Authority(*Autoriteit voor Financiële Diensten en Markten* / *Autorité des services et marches financiers*); |
| **“FTT”** | the proposed financial transactions tax by the EU Commission; |
| **“GAAP”** | generally accepted accounting principles; |
| **“GAV”** | gross asset value; |
| **“GDP”** | the gross domestic product (“*bruto national product” / “produit national brut”*) of a country; |
| **“Gearing Ratio”** | the ratio calculated as consolidated Total Net Debt divided by the sum of the equity and total liabilities; |
| **“GLA”** | gross lettable area; |
| **“Group”** | the Company and its Subsidiaries; |
| **“IAS”** | the International Accounting Standards, the international accounting standards drawn up by the International Accounting Standards Board (IASB), for the preparation of financial statements; |
| **“IFRS”** | the International Financial Reporting Standards (see also IAS); |
| **“Increase Option”** | the option to increase the aggregate number of Offer Shares up to 25% of the aggregate number of Offer Shares initially offered; |
| **“Indexation”** | the contractual annual adjustment of the rent on the anniversary of the contract effective date on the basis of the inflation rate according to a benchmark index in each specific country; |
| **“ING”** | ING Belgium NV/SA; |
| **“Interest Cover Ratio”** | the ratio of Aggregate Net Rental Income (increased with the available Cash and Cash Equivalents on the last day of an Annual Relevant Period) to Finance Charges in respect of any Annual Relevant Period; |
| **“Interest Rate Hedging**” | the use of derived financial instruments to protect debt positions against interest rate rises; |
| **“Interim Financial Statements”** | the unaudited consolidated financial statements of the Company as of and for the half year ended 30 June 2017 and 2016; |
| **“IRS”** | the 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 Bookrunners”** |  | | J.P. Morgan and KBC Securities; |
| **“Joint Global Coordinators”** | J.P. Morgan and KBC Securities; |
| **“Joint Venture”** | VGP European Logistics S.à r.l., the 50:50 joint venture between the Company and Allianz; |
| **“J.P. Morgan”** | J.P. Morgan plc; |
| **“JVA”** or “**Joint Venture Agreement”** | the joint venture agreement made between Allianz and the Company dated 14 March 2016; |
| **“KBC Securities”** | KBC Securities NV; |
| **“Little Rock SA”** | a limited liability company (*société anonyme*) organised and existing under the laws of Luxembourg, having its registered office at 25, Boulevard Prince Henri, L 1724 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B156902; |
| **“m²”** | square meters; |
| **“Member State”** | a member state of the EEA; |
| **“Net Asset Value”** | the value of the Joint Venture’s assets minus the value of its liabilities; |
| **“Net Current Result”** | the operating result plus net financial result (financial income less financial charges) less income and deferred taxes; |
| **“Net Debt Service”** | means, in respect of any Annual Relevant Period, the sum of:   1. the Finance Charges; and 2. any principal due and payable by all members of the Group under any Financial Indebtedness in respect of such relevant Annual Relevant Period; |
| **“Non-U.S. Holder”** | a beneficial owner of Offer Shares that is neither a U.S. Holder nor a partnership; |
| **“Occupancy Rate”** | means the occupancy rate which is calculated by dividing the total leased out lettable area (m²) by the total lettable area (m²) including any vacant area (m²); |
| **“Offer Price”** | the price per Offer Share; |
| **“Offer Shares”** | the Shares which are being offered by the Selling Shareholders under this Offering; |
| **“Offering”** | the offering of Offer Shares by the Selling Shareholders; |
| **“Offering Period”** | the offering period which begins on 12 October 2017 and is expected to end no later than 1 p.m. on 25 October 2017, subject to early closing, provided that the Offering Period will in any event be open for at least three business days from the availability of this Prospectus; |
| **“OFP”** | organizations for financing pensions; |
| “**Order**” | Order 2005 under the Financial Services and Markets Act; |
| **“Over-allotment Option”** | the option granted by the Selling Shareholders under the Underwriting Agreement, pursuant to which the Stabilization Manager may require the Selling Shareholders to sell Shares at the Offer Price if the Over-allotment Option is exercised in full as detailed in “*Plan of Distribution—Over-allotment Option and Price Stabilization*”; |
| **“Participating Member States”** | the group of EU member states willing to introduce the FTT; |
| “**PFIC**” | passive foreign investment company; |
| “**Pricing Date**” | 25 October 2017 and in any event no later than the first business day after the end of the Offering Period; |
| **“Price Range”** | the range within which the Offer Price may be set, expected to be between € 55 and € 63 per Offer Share. The Offer Price may be set within the Price Range or below the lower end of the Price Range but will not exceed the higher end of the Price Range; |
| **“Profit for the year”** | the Net Current Result plus the result on the portfolio; |
| **“Project Buildings”** | any buildings the construction and development of which are carried out by any member of the Group; |
| **“Project Land”** | plots of land owned by any member of the Group on which any Project Buildings are to be constructed and developed; |
| **“Project Management”** | the management of building and renovation projects; |
| **“Projects”** | the predevelopment of Project Land and the development, construction and operation of Project Buildings; |
| **“Property Portfolio”** | the property investments, including property for lease, property investments in development for lease, assets held for sale and development land; |
| **“Prospectus”** | this offering prospectus dated 11 October 2017; |
| **“Prospectus Directive”** | the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended; |
| **“Prospectus Law”** | the Belgian law dated 16 June 2006 concerning the public offer of investment securities and the admission of investment securities to trading on a regulated market; |
| **“Prospectus Regulation”** | the Commission Regulation (EC) 809/2004 of 29 April 2004 implementing the Prospectus Directive, as amended; |
| “**QIB**” | a “qualified institutional buyer,” as defined in Rule 144A under the U.S. Securities Act; |
| **“RD/BITC 1992”** | the royal decree implementing the BITC 1992 (“*arrêté royal d’execution du code des impôts sur les revenus 1992”* / “*koninklijk besluit tot invoering van het wetboek inkomstenbelastingen 1992”);* |
| “**Reduced Withholding Tax**” | a reduced Belgian withholding tax of 1.6995%; |
| **“Regulation S”** | the Regulation S under the Securities Act; |
| **“Relevant Member State”** | each Member State of the European Economic Area which has implemented the Prospectus Directive; |
| **“Remuneration Committee”** | the remuneration committee of the Company established in accordance with paragraph 2 of annex 2 of the VGP Charter; |
| **“Rental Expenses”** | the sum of any and all expenses incurred in relation to the operation, administration, maintenance and repairs by any member of the Group in relation to its Projects; |
| **“Responsible Person”** | the Company and the Selling Shareholders; |
| **“Rule 144A”** | Rule 144A under the U.S. Securities Act; |
| **“Second JV Closing**” | the closing of the transaction pursuant to which the Joint Venture acquired 5 newly completed buildings (4 buildings in Germany and 1 in Slovakia) from VGP at the end of October 2016. The net proceeds received from such sale by VGP was € 59.7 million; |
| **“Securities Act”** | the United States Securities Act of 1933, as amended; |
| **“Security”** | any mortgage, charge, pledge, lien or any other form of encumbrance or security interest or any mandate to create the same, including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; |
| **“SEE”** | South East Europe; |
| **“Seed Portfolio”** | means the first 15 VGP parks acquired by the Joint Venture at the end of May 2016; |
| **“Seed Portfolio SPA”** | the share purchase agreement between the Company and VGP CZ X a.s. (as sellers) and VGP European Logistics S.à r.l. (as purchaser) related to a sale of (i) 100% participation in the Czech companies VGP CZ V a.s. (owning VGP Park BRNO), VGP CZ VI a.s. (owning VGP Park Hradek nad Nisou), VGP CZ VIII a.s. (owning VGP Park Pilsen) and TPO hala G2 a.s. (owning partially VGP Park Olomouc), (ii) 100% participation in the Slovak company VGP Park Malacky a.s. (formerly named VGP Slovakia a.s.) (owning VGP Park Malacky), (iii) 94.9% participation in the German companies VGP Park Bingen GmbH (owning VGP Park Bingen), VGP Park Berlin GmbH (owning VGP Park Berlin), VGP Park Höchstadt GmbH (owning VGP Park Höchstadt), VGP Park Hamburg GmbH (owning VGP Park Hamburg) and VGP Park Rodgau GmbH (owning VGP Park Rodgau), and (iv) 94.9% participation in the Luxembourg companies VGP Park Hamburg 2 S.à r.l. (VGP park Hamburg 2), VGP Park Frankenthal S.à r.l. (owning VGP Park Frankenthal and VGP Park Bobenheim-Roxheim) and VGP Park Leipzig S.à r.l. (owning VGP Park Borna); |
| **“Selling Shareholders”** | Bart Van Malderen, VM Invest NV and Little Rock SA; |
| **“Shares”** | ordinary shares of the Company; |
| **“Stabilization Manager”** | KBC Securities; |
| **“Stabilization Period”** | up to 30 days from the Pricing Date, during which time the Stabilization Manager on behalf of itself and the Underwriters and may engage in transactions that stabilize, maintain or otherwise affect the price of the Shares or any options, warrants or rights with respect to, or other interest in, the Shares or other securities of the Company; |
| **“Stock Exchange Tax Representative”** | a Belgian stock exchange tax representative; |
| **“Subsidiary”** | a subsidiary of the Company within the meaning of article 6, 2° and article 8 of the Belgian Company Code; |
| **“SUTA”** | 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; |
| **“Takeover Law”** | the Belgian Law of 1 April 2007 on public takeover bids; |
| **“Takeover Decree”** | the Belgian Royal Decree of 27 April 2007 on public takeover bids; |
| **“Take-up”** | means the letting of rental spaces to users in the rental market during a specific period; |
| **“Taxes”** | any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Belgium, or any political subdivision or any authority therein or thereof having power to tax; |
| **“Third JV Closing”** | the closing of the transaction pursuant to which the Joint Venture acquired 6 new parks (7 buildings) and another 4 newly completed buildings (in parks which were previously transferred to the Joint Venture) from VGP on 31 May 2017. The net proceeds received from such sale by VGP was € 125.2 million; |
| **“Total Debt”** | at any time (but so that no amount shall be included or excluded more than once), the Consolidated Financial Indebtedness of the Group, excluding however all intra-Group Financial Indebtedness. |
| **“Total Net Debt”** | the Total Debt less Cash and Cash Equivalents; |
| **“Transparency Law”** | the Belgian Law of 2 May 2007 on the disclosure of significant shareholdings in issuers whose securities are admitted to trading on a regulated market and containing various provisions; |
| **“Treasury Transaction”** | any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price; |
| **“Treaty”** | the “Convention Between the Government of The United States of America and the Government of the Kingdom of Belgium for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income”; |
| **“VGP” or “VGP Group”** | see Group; |
| **“VGP Charter”** | the corporate governance charter of the Company adopted by the Board in accordance with the recommendations set out by the Belgian Code on Corporate Governance and available on the Company’s website; |
| **“VGP MISV Comm. VA”** | a company (*commanditaire vennootschap op aandelen* / *société en commandite par actions*), organised and existing under the laws of Belgium, having its registered office at Spinnerijstraat 12, 9240 Zele, Belgium, registered with the Crossroads Bank for Enterprises under number 0894.442.740, *RPR / RPM* Dendermonde; |
| **“VM Invest NV”** | a limited liability company (*naamloze vennootschap* / *société anonyme*) organised and existing under the laws of Belgium, having its registered office at Spinnerijstraat 12, 9240 Zele, Belgium, registered with the Crossroads Bank for Enterprises under number 0418.701.587, *RPR / RPM* Dendermonde; |
| “**U.K.”** or “**United Kingdom**” | the United Kingdom of Great Britain and Northern Ireland; |
| “**Underwriters**” | J.P. Morgan, Belfius, ING and KBC Securities; |
| **“Underwriting Agreement”** | the underwriting agreement described in “*Plan* *of* *Distribution—Underwriting*”; |
| “**U.S.**” or “**United States**” | the United States of America, its territories and possessions, any state of the United States and the District of Columbia; |
| “**U.S. dollars**”, “**$**” or “**USD**” | the lawful currency of the United States; |
| **“U.S. Exchange Act”** | the U.S. Securities Exchange Act of 1934; |
| “**U.S. Holder**” | a beneficial owner of Offer Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust, (a) the administration of which is subject to the primary supervision of a court within the United States and for which one or more U.S. persons have the authority to control all substantial decisions or (b) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; |
| **“U.S. Securities Act”** | the United States Securities Act of 1933; |
| **“WHT”** | Belgian withholding tax. |

ANNUAL Financial Statements and interim financial statements

**THE COMPANY**

**VGP NV**

Leonardo Da Vincilaan 19A, bus 6

1831 Machelen (Diegem)

Belgium

**SELLING SHAREHOLDERS**

| **VM Invest NV** | **Mr. Bart Van Malderen** | **Little Rock SA** |
| --- | --- | --- |
| Spinnerijstraat 12 | Mandekensstraat 121 | 25 Boulevard Prince Henri |
| 9240 Zele | 9255 Buggenhout | 1724 Luxembourg |
| Belgium | Belgium | Luxembourg |

**JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS**

|  |  |
| --- | --- |
| **J.P. Morgan Securities plc** | **KBC Securities NV** |
| 25 Bank Street, Canary Wharf | Havenlaan 2 |
| London E14 5JP | 1080 Brussels |
| United Kingdom | Belgium |

**Co-lead manager**

| **Belfius Bank NV** |
| --- |
| Pachecolaan 44 |
| 1000 Brussels |
| Belgium |

**CO-MANAGER**

| **ING Belgium SA/NV** |
| --- |
| Avenue Marnix 24 |
| 1000 Brussels |
| Belgium |

**LEGAL ADVISORS TO THE COMPANY AND THE SELLING SHAREHOLDERS**

***as to Belgian law***

|  |
| --- |
| **Argo Law BCVBA** |
| Posthofbrug 12 |
| 2600 Berchem |
| Belgium |

**LEGAL ADVISORS TO THE COMPANY**

***as to U.S. law***

|  |
| --- |
| **Dentons UKMEA LLP** |
| One Fleet Place |
| London EC4M 7WS |
| United Kingdom |

|  |  |
| --- | --- |
|  |  |

**LEGAL ADVISORS TO THE UNDERWRITERS**

***as to U.S., English and Belgian law***

**FRESHFIELDS BRUCKHAUS DERINGER LLP**

|  |  |
| --- | --- |
|  |  |
|  | Bastion Tower |
| 65 Fleet Street | Marsveldplein 5 |
| London EC4Y 1HT | 1050 Brussels |
| United Kingdom | Belgium |

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| --- |
| **INDEPENDENT AUDITORS OF**  **THE COMPANY** |
|  |
| **DELOITTE Bedrijfsrevisoren BV o.v.v.e. CVBA** |
| Gateway Building, Luchthaven Nationaal 1 J |
| 1930 Zaventem |
| Belgium |
|  |

1. The gearing in the reported bond covenant compliance certificate was 39.8% as the calculation of the bond covenant excluded € 3.6 million of restricted cash, required to be excluded as per the bond covenant definitions. [↑](#footnote-ref-1)
2. For comparative reasons the 2014 property and facility management income was restated as property and development management income. The 2014 development income was restated as facility management income. [↑](#footnote-ref-2)
3. The gearing ratio reported in the Annual Financial Statements of 2014 and 2015 was 33.2% and 35.7% respectively and were calculated excluding the ‘Other non-current liabilities’ amounting to € 2,191,000 as at 31 December 2014 and € 1,656,000 as at 31 December 2015. [↑](#footnote-ref-3)
4. For comparative reasons the 2014 property and facility management income was restated as property and development management income: the 2014 development income was restated as facility management income. [↑](#footnote-ref-4)
5. Note: no valuation for the period ended on 30 June 2016 was made, since the First JV Closing entailed a transfer of the Seed Portfolio to the Joint Venture at market value. [↑](#footnote-ref-5)
6. Including VGP European Logistics (joint venture with Allianz Real Estate). As at 30 June 2017 the Annualised Rent Income for VGP European Logistics stood at € 51.3 million compared to € 38.6 million as at 31 December 2016. [↑](#footnote-ref-6)
7. € 38.6 million related to the JV Property Portfolio and € 25.6 million related to the Own Property Portfolio. [↑](#footnote-ref-7)
8. € 38.6 million related to the JV Property Portfolio and € 25.6 million related to the own Property Portfolio. [↑](#footnote-ref-8)
9. Including the Group’s own and 100% Joint Venture land under full ownership and under option; including Estonia (held for sale); 0.6 million m² under option on 30 June 2017 are expected to be acquired within the following six months. [↑](#footnote-ref-9)
10. The leasable area as per 30 June 2017 includes the Group’s own and 100% Joint Venture land under full ownership and under option; including Estonia (held for sale). The projects held by associates (sold in October 2014) in the graph refers to the disposals by Snow Crystal S.à r.l. (completed the sale of the VGP CZ I and the VGP CZ IV portfolio) and Sun S.à r.l. (completed the sale of the VGP CZ II portfolio) in October 2014. [↑](#footnote-ref-10)
11. Includes annualised rental income from completed and under construction assets: for under construction assets rental income corresponds to Annualised Committed Leases (only considers the part of the annualised rental income from the assets that are already pre-let); including Estonia (held for sale). [↑](#footnote-ref-11)
12. Including 30-year contract with Mango. [↑](#footnote-ref-12)
13. Certain of the parks of VGP Park Hamburg, VGP Park Berlin, and VGP Park Olomouc are owned by the Group as part of the Group’s own portfolio whereas certain other parks of VGP Park Hamburg, VGP Park Berlin, and VGP Park Olomouc are owned by the Joint Venture. [↑](#footnote-ref-13)
14. Calculated based on the Annualised Committed Leases and estimated market rent for the vacant space. [↑](#footnote-ref-14)
15. Certain of the parks of VGP Park Hamburg, VGP Park Berlin, and VGP Park Olomouc are owned by the Group as part of the Group’s own portfolio whereas certain other parks of VGP Park Hamburg, VGP Park Berlin, and VGP Park Olomouc are owned by the Joint Venture. [↑](#footnote-ref-15)
16. Compared to 27 buildings reported in the 2015 annual report 2015. The difference is due to the building D in VGP Park Pilsen which was delivered during month of May 2016. [↑](#footnote-ref-16)
17. Compared to 505,662 m² reported in the annual report 2015. The difference is due to the building D in VGP Park Pilsen which was delivered during May 2016. [↑](#footnote-ref-17)
18. Compared to 163,566 m² reported in the annual report 2015. The difference is due to the building D in VGP Park Pilsen which was delivered during May 2016. [↑](#footnote-ref-18)
19. Compared to 98.2% m² reported in the annual report 2015. The difference is due to the building D in VGP Park Pilsen which was delivered during May 2016. [↑](#footnote-ref-19)
20. Includes Annualised Committed Leases for completed and pipeline assets and Joint Venture assets; Company information as of June 2017. [↑](#footnote-ref-20)
21. Based on Annualised Committed Leases. [↑](#footnote-ref-21)
22. Based on Annualised Committed Leases. [↑](#footnote-ref-22)
23. Western Europe includes the following countries: Andorra, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. [↑](#footnote-ref-23)
24. Eastern Europe includes the following countries: Albania, Bosnia, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia and Turkey. [↑](#footnote-ref-24)
25. The Ifo Business Climate Index is a closely followed leading indicator for economic activity in Germany prepared by the Ifo Institute for Economic Research in Munich. [↑](#footnote-ref-25)
26. Slovakia, Hungary, Romania and Latvia [↑](#footnote-ref-26)
27. As permanent representative of Jan Van Geet s.r.o. [↑](#footnote-ref-27)
28. As permanent representative of Dirk Stoop BVBA [↑](#footnote-ref-28)
29. As permanent representative of Tomas Van Geet s.r.o. [↑](#footnote-ref-29)
30. The Belgian government has recently orally announced its intention to implement a new tax imputation mechanism upon repayments of capital according to which the said repayments would be subject to the Belgian 30% dividend withholding tax in proportion to the share of the taxed reserves incorporated in the paid-up capital increased by the taxed reserves. The portion of the capital repayment resulting from the paid-up capital would remain untaxed. This new tax measure shall in principle be implemented as from 1 January 2018. No official text has however been published yet. [↑](#footnote-ref-30)
31. The Belgian government has recently orally announced its intention to gradually reduce the standard corporate income taks rate from 33% to 29% in 2018 et 25% in 2020. The 3% surcharge applicable to said corporate income taks rate (which currently results in an aggregate taks rate of 33.99%) would be decreased to 2% in 2018 and abolished in 2020. To prevent companies from shifting profits to taxable periods which would be subject to a lower corporate income tax rate, new anti-avoidance measures would be introduced. No official text has however been published yet. [↑](#footnote-ref-31)
32. The Belgian government has recently orally announced its intention to abolish such a separate capital gain tax of 0.412%. However, the requirement relating to the holding of a participation representing at least 10% of the Company’s share capital or a participation in the Company with an acquisition value of at least € 2,500,000 (as applicable under the Belgian dividend received deduction) would now become fully applicable to the capital gain tax exemption on shares. The said changes would be effective as from 1 January 2018.No official text has however been published yet. [↑](#footnote-ref-32)
33. The Belgian government has recently orally announced its intention to increase the rate of the tax on stock echange transactions from 0.27% to 0.35%. The nominal caps as applicable per transaction and per party should however remain unchanged. This change would be effective as from 1 January 2018. No official text has however been published yet. [↑](#footnote-ref-33)