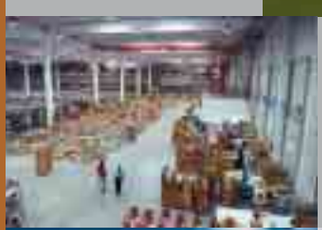

VGP

Annual report

2010

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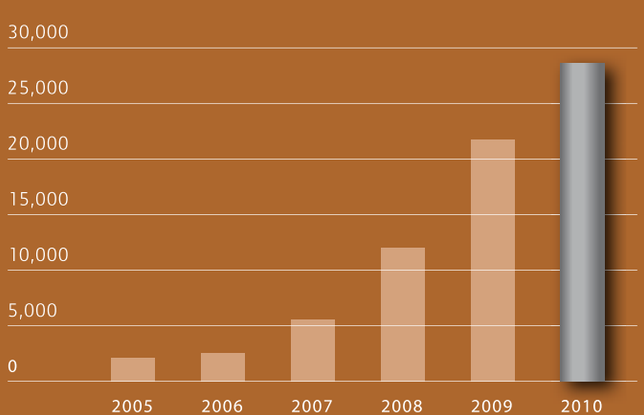
KEY FIGURES

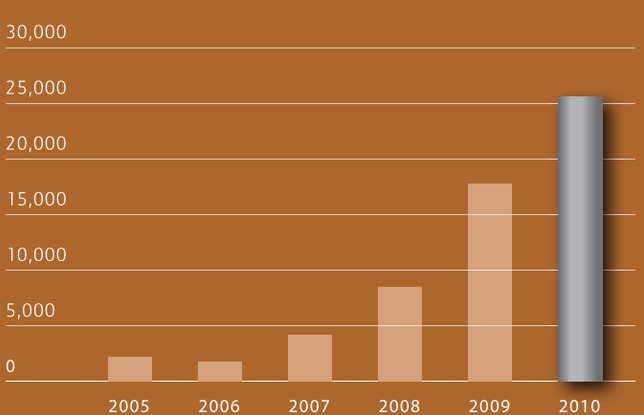
in thousands of €

INVESTMENT PROPERTY	2010	2009	2008	2007
Total lettable area (m²)	576,936	535,872	351,661	176,614
Occupancy rate (%)	99%	91%	95%	100%
Fair value of property portfolio	481,624	428,105	394,027	225,171
BALANCE SHEET				
Shareholders' equity	176,342	155,240	155,555	130,814
Gearing				
Net debt / shareholders' equity	1.47	1.53	1.19	0.51
Net debt / total assets	52.2%	54.0%	45.2%	23.2%
INCOME STATEMENT – ANALYTICAL FORM				
Gross rental income	28,573	21,726	12,037	5,557
Property operating expenses and net service charge income / (expenses)	(1,245)	(1,680)	(1,704)	(984)
Net rental and related income	**27,328**	**20,046**	**10,333**	**4,573**
Other income / (expenses) - incl. Administrative costs	(1,809)	(2,285)	(1,882)	(403)
Operating result (before result on portfolio)	**25,519**	**17,761**	**8,451**	**4,170**
Net current result	**7,967**	**6,678**	**(917)**	**2,792**
Net valuation gains / (losses) on investment property	22,759	(6,754)	36,396	41,527
Deferred taxes	(4,324)	1,252	(6,915)	(7,890)
Result on property portfolio	**18,435**	**(5,502)**	**29,481**	**33,637**
Net result	**26,402**	**1,176**	**28,564**	**36,429**
RESULT PER SHARE	**2010**	**2009**	**2008**	**2007**
Number of ordinary shares	18,583,050	18,583,050	18,583,050	18,583,050
Net current result per share (in €)	0.43	0.36	(0.05)	0.15
Net result per share (in €)	1.42	0.06	1.54	1.96

GROSS RENTAL INCOME
in thousands of €



OPERATING RESULT *before result on portfolio*
in thousands of €



LETTER TO THE SHAREHOLDERS

Dear Shareholders,

2010 has again been a successful year for VGP. The mid - European markets in which we operate have all, mainly under the impulse of the strong growth of the German industrial activity, continued to perform very well.

On the back of strong leasing activities in all of the CEE countries we were able to sign lease agreements worth more than € 9 million on an annual basis, which brings us back to pre-crisis levels. The committed annual rental income reached € 36.6 million while the occupancy rate reached 98.8 % for the whole portfolio. Our portfolio grew considerably with five new projects completed in 2010 and another six under construction.

In order to streamline our operations we took the decision to set up our facility management services into a separate newly created Group subsidiary i.e. VGP FM Services s.r.o. The facility management services are growing steadily in line with the completion rate of the new buildings. In the future we would like to take advantage of our expertise in this field and offer these services also to third parties, making VGP FM a more independent business with its own dynamics in a broader economic context.

The development activities again contributed significantly to our result with a profit contribution of more than € 15 million as we were able to mitigate most of the negative impact of the souring raw material prices by performing more and more construction management and contracting ourselves.

The higher occupancy rate of our projects and their longer lease terms than the normal market expectations are a reflection of the success of the niche market into which we have gradually specialised: not focused on the large big boxes for pure logistic operations but concentrated on light industrial activities where clients need help and assistance to integrate their processes into our buildings and to obtain the necessary permits. It is a field of activity where price and the term of the lease are not the most important decision factors. More important are the availability of workforce and infrastructure, location and the ability to team up with a good partner who offers solutions, more than just a building.

Our development team at VGP has built up a lot of experience over the years and having been able to retain the full team over the crisis period has clearly given us a competitive edge in the current environment of increasing demands for rentable space. This has also been acknowledged by the professional community who granted us at

the CEE Awards ceremony this year the Award for Best Industrial Developer of the year 2010 for the whole CEE region.

Because of the sustained demand for industrial properties which we are experiencing in our markets, we are convinced that we can expect a further healthy growth in the region which will have a positive impact on our activities.

In order to be able to retain an important role in such growth scenario we will need to substantially enlarge our land bank in the future and consequently we need to carefully reflect on how we can achieve such expansion in a financially sound and acceptable way.

It was with these thoughts in mind that we decided already last year to monetise some of our mature projects to release the necessary financial means for further growth.

We successfully closed a transaction worth approx. € 300 million with EPISO, a fund managed by AEW Europe and Tristan Capital Partners concerning the sale of 6 of our 19 VGP Parks to a common joint venture structure in which EPISO participates for 80 % and VGP keeps besides the remaining 20% also the full operational responsibility, which helps us to further grow our facility management services and ensures us daily contact and continuity with our customers.

Thanks to this transaction we have now the necessary cash resources to be able to invest in the expansion of the land bank, ensuring that the development pipeline, the motor of our profits, remains well filled over the years to come.

It is also a confirmation that the added value generated by our development activities as expressed in our results is a true reflection of the real market value of our properties. In order to fund our future growth we will consider on a regular basis whether it makes sense to enter into similar transactions.

I would like to express my sincere gratitude to our shareholders who have supported and enabled VGP to grow steadily throughout the years and I am delighted that the extraordinary shareholders' meeting of 19 April 2011 has agreed that part of the realised added value resulting from the transaction with EPISO amounting to cca. € 40 million will be distributed to our shareholders through a reduction of the share capital paid in cash.

I also want to thank our very motivated team and everyone involved in our day to day's aim for more and better.

Best regards,
Jan Van Geet, CEO

VGP IN 2010

MARKETS

The year 2010 was a Grand Cru year for VGP whereby the company took full benefit from its competitive developer position in combination with faster than expected recovery in demands for semi-industrial buildings in the mid-European markets. The strategy of the Group to concentrate on top locations and midsized units proved once more a recipe for success.

COMMERCIAL ACTIVITIES

During the year 2010 the committed annual rent income continued to show a strong growth compared to the overall market environment.

The annualised committed leases increased to € 36.6 million as at 31 December 2010. During the year 2010 the total new annualised committed leases signed (44 in number) exceeded € 9.6 million, of which € 7.4 million related to new lettable area and € 2.2 million to renewal of existing or replacement leases.

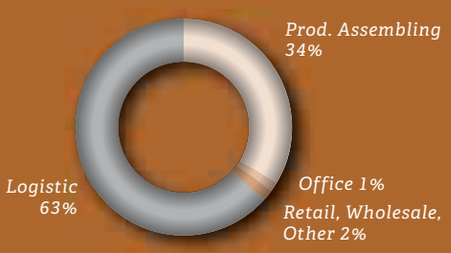
The committed annual rent income represents the annualised rent income generated or to be generated by executed leases and future lease agreements.

The signed lease agreements represent a total of 621,809 m² of lettable area and correspond to 157 different tenants' lease or future lease agreements.

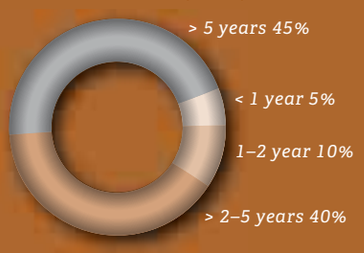
COMMITTED ANNUALISED RENT INCOME AND NUMBER OF LEASE CONTRACTS

The weighted average term of the committed leases as at 31 December 2010 increased to 5.81 years from 5.72 years at the end of 2009.

PORTFOLIO BREAKDOWN BY USE
31 December 2010 (in m²)



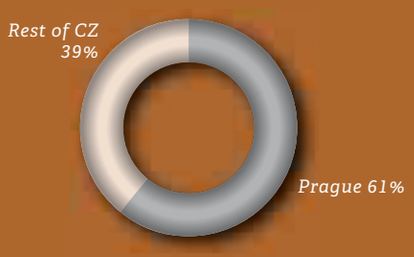
COMMITED LEASE MATURITY
31 December 2010 (in m²)



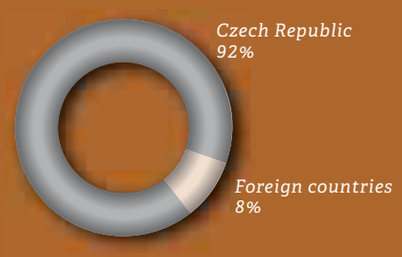
During the year, 5 projects representing a lettable area of 41,064 m² were completed bringing the total property portfolio to 50 buildings which represent 576,936 m² of lettable area compared to 535,872 m² lettable area at the end of 2009.

The completed buildings were all located in the Czech Republic i.e. 3 buildings in VGP Park Horní Počernice and one building in each VGP Park Nýřany and VGP Park Hradec Králové. The Czech Republic remains the home market of the VGP Group with 89% of its assets located there.

COMMITED LEASES IN THE CZECH REPUBLIC
31 December 2010 (in m²)



COMMITED LEASES BY GEOGRAPHIC REGION
31 December 2010 (in m²)



The occupancy rate of the Czech portfolio reached 99.4% at the end of 2010 compared to 94.4% at the end of December 2009. This was a strong performance given the Czech market occupancy rate of 88.1% (source: Jones Lang LaSalle).

The occupancy rate of the Group's property portfolio increased to 98.8% at the end of December 2010 compared to 91.4% as at 31 December 2009.

The policy adopted by VGP to start up a new business park in a new country on a speculative basis proved also the right decision where despite the challenging economic environment, a total occupancy rate of 94.1% was reached for VGP's buildings in Estonia, Slovakia and Hungary.

VGP keeps recording a sustained demand in those markets where it is operating. The fast recovery of the automotive sector played an accelerating factor in the demands for lettable space throughout the mid European region.

DEVELOPMENT ACTIVITIES

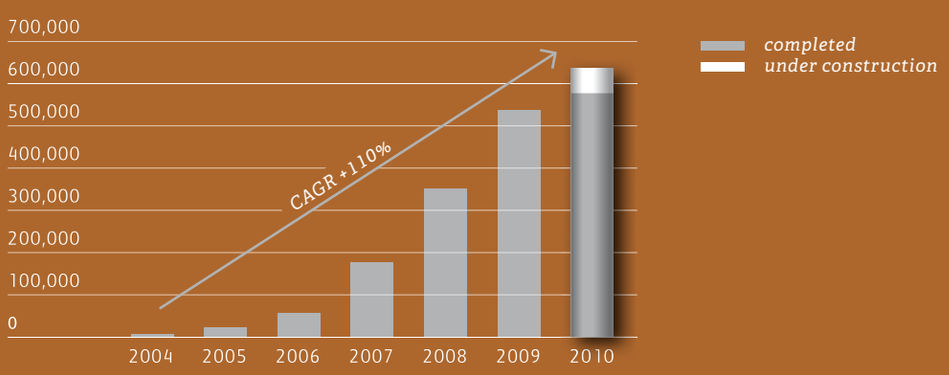
The development activities continued to generate substantial profits with the average development yield* for the completed projects during the year 2010 reaching almost 12%.

The development activities have shown a very strong track record over the past few years. Over the total financial period from 2004 to 2010, the property portfolio (in m²) has now increased at a compound annual growth rate ("CARG") of 110 %.

VGP is actively looking at further expanding its land bank. During the last quarter of 2010 VGP acquired an additional plot of land of 59,000m² on which a further 25,000m² of lettable area can be developed. In addition, the current available land bank allows the VGP Group to still develop around 400,000 m² of lettable area.

VGP is confident that the development activities will continue to be a substantial profit contributor for the Group in the near future driven by attractive construction prices combined with the attractiveness of the VGP land bank to potential tenants.

COMPOUND AVERAGE GROWTH RATE *(in m²)*



** Development yield=the total of contracted rent and expected rent value of vacant area divided by the total investment costs of a building(including capitalised interest)*

VGP CZ I TRANSACTION

BACKGROUND

In March 2011 European Property Investors Special Opportunities, L.P., a fund co-advised by AEW Europe and Tristan Capital Partners, entered into a 80:20 joint venture with VGP in respect of the VGP CZ I portfolio. This portfolio consists of 6 of 19 VGP parks i.e. Blue Park, Green Park, Green Tower, VGP Park Horní Počernice, VGP Park Turnov and VGP Park Příšovice.

The portfolio currently comprises over 368,000 m² of completed logistics assets (30 buildings) with a further 9 buildings totalling 62,000 m² to be developed. The majority of buildings which were constructed between 2005 and 2010 are concentrated in and around Prague.

Occupancy is at 99% with a diversified tenant base of over 110 tenants.

RATIONALE OF THE TRANSACTION

Over the past few years VGP management reviewed the different strategic alternatives in order to enable the Group to continue its growth whilst at the same time being adequately financed.

With the financial crisis it became very apparent that arranging adequate financing to fund the strong growth pattern of VGP would become increasingly difficult. Not only was there a restrictive credit approach by banks more importantly capital markets remained effectively closed refraining VGP to tap the financial markets for additional funding.

Rather than moderating its growth pattern VGP decided to attract a strong capital partner enabling it to continue to develop its business lines such as facility management whilst at the same time allowing the Group to pursue an active development strategy.

VGP is confident that with the available cash proceeds from the VGP CZ I transaction, it should be well positioned to continue to deliver substantial shareholder value through its development activities.

IMPACT ON THE VGP GROUP

The net assets of VGP CZ I a.s. as at 31 December 2010 were as follows:

(In thousands €)	
Disposal group held for sale	299,942
Liabilities related to disposal group held for sale	(175,650)
Total net assets	**124,292**

The price consideration of the transaction exceeds the unrealised gain on the property portfolio of VGP CZ I as disclosed in the 31 December 2010 consolidated accounts. The price consideration is subject to a limited upward revision based on an earn out arrangement. As at 31 December 2010 the consolidated accounts included a gross rental income for VGP CZ I of € 20.8 million and net financial expenses for VGP CZ I of € 8.4 million.

UPSIDE POTENTIAL OF THE JOINT VENTURE

From an operational point of view VGP will retain the operational management of VGP CZ I assets and has been formally retained to perform facility management services, project management services, lease management services and development management services. In return VGP will receive an arm's length fee for each of the provided services. In addition with the retained 20% interest the Group will benefit from any additional fair value gains on the respective assets.

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PROFILE

VGP (www.vgpparks.eu) constructs and develops high-end semi-industrial real estate and ancillary offices for its own account, which are subsequently rented out to reputable clients on long term lease contracts. VGP has an in-house team which manages all activities of the fully integrated business model: from identification and acquisition of land, to the conceptualisation and design of the project, the supervision of the construction works, contracts with potential tenants and the facility management of its own real estate portfolio.

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

VGP is quoted on Euronext Brussels and the Main Market of the Prague Stock Exchange. VGP owns a property portfolio of € 481.6 million as at 31 December 2010 which represents a total lettable area of over 576,000 m².

Following the completion on 16 March 2011 of the sale of an 80% stake in 6 of its 19 parks, the profile of the VGP Group will change considerably. For these parks VGP has entered into a 80:20 joint venture which will result in a significant reduction of the property portfolio of the VGP Group. The impact of these changes can be found in the "Financial Review" section. VGP will continue to act as asset manager, responsible for property management, facility management and leasing in addition to providing development management services for these 6 parks.

VGP owns a land bank of over 2.5 million m² on which it has the necessary permits to develop an additional 400,000 m² of lettable area.

STRATEGY

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 semi-industrial projects. The plots are zoned for semi-industrial activities. The management of VGP is convinced that the top location of the land and the high quality standards of its real estate projects contribute to the long term value of its portfolio.

The Group concentrates on the sector of semi-industrial accommodation projects situated in the mid-European region. High quality projects are always developed on the basis of VGP building standards, with adaptations to meet specific requirements of future tenants but always ensuring multiple purpose use and future re-leasability. In their initial phase of development, some projects are being developed at the Group's own risk (i.e. without being pre-let).

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

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

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

2010 saw a significant change in the business model and strategy of VGP with a shift from a strict develop and hold strategy towards a strategy with a bigger focus on development and a more pro-active approach in respect of potential disposal of the Group's income generating assets.

KEY PRINCIPLES OF VGP

- **Strategically located plots of land**
- **Focus on business parks to realise economies of scale**
- **High quality standardised semi-industrial real estate**
- **In-house competences enabling a fully integrated business model**
- **Considerable land bank securing further expansion**
- **Develop strategy with pro-active approach in respect of holding and potential disposal of income generating assets**

REPORT OF THE BOARD OF DIRECTORS

DECLARATION REGARDING THE INFORMATION GIVEN IN THIS ANNUAL REPORT 2010

In accordance with Art.13 of the Belgian Royal Decree of 14 November 2007, the board of directors of VGP NV represented by Mr. Marek Šebesťák, Mr. Jan Van Geet, Mr. Bart Van Malderen, Mr. Jos Thys and Mr. Alexander Saverys, jointly certify that, to the best of their knowledge:

I. the consolidated annual accounts, based on the relevant accounting standards, give a true and fair view of the assets, liabilities, financial position and results of VGP NV, including its consolidated subsidiaries.

II. the annual report gives a true and fair view of the development and results of VGP NV, including its consolidated subsidiaries, as well as on the main risk factors and uncertainties which VGP NV and its consolidated subsidiaries are faced with.

CORPORATE GOVERNANCE STATEMENT

VGP ("the Company") has adopted the principles of corporate governance contained in the Belgian Code on Corporate Governance published on 12 March 2009 ("2009 Code") which can be consulted on www.corporategovernancecommittee.be/en/2009_code/latest_edition/.

In accordance with the recommendations set out by the Belgian Code on Corporate Governance, the board of directors adopted a corporate governance charter ("VGP Charter") which is available on the Company's website www.vgpparks.eu/investors/corporate-governance/. This Corporate Governance Statement outlines the key components of VGP's governance framework by reference to the 2009 Code applied for the year ended 31 December 2010. It also explains why the Company departs from a few of the 2009 Code's provisions.

ACTIVITY REPORT ON BOARD AND BOARD COMMITTEES' MEETINGS

BOARD OF DIRECTORS

NAME	YEAR APPOINTED	NEXT DUE FOR RE-ELECTION	MEETINGS ATTENDED
Executive director and Chief Executive Officer			
Jan Van Geet s.r.o. represented by Jan Van Geet	2008	2013	5
Non-executive director			
Bart Van Malderen	2007	2013	5
Independent, non-executive directors			
Marek Šebesťák	2007	2011	5
Alexander Saverys	2007	2011	4
Rijo Advies BVBA represented by Jos Thys	2007	2011	5

Reference is made to Terms of Reference of the board of directors - in Annex 1 of the VGP Charter - for an overview of the responsibilities of the board of directors and for a survey of topics discussed at board meetings.

The board of directors consists of five members, with one executive director (the Chief Executive Officer) and four non-executive directors, of which three are independent directors.

The biographies for each of the current directors (see page 36), indicate the breadth of their business, financial and international experience. This gives the directors the range of skills, knowledge and experience essential to govern VGP.

The board of directors do 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 makes such appointment not necessary.

The board of directors met 5 times in 2010. The most important points on the agenda were:
— approval of the 2009 annual accounts and 2010 semi-annual accounts
— approval of budgets
— follow-up of the long term strategy of the Group and its major components
— discussion of the property portfolio (i.e. investments, tenant issues etc.)
— approval of new credit facilities to support the growth of the Group
— VGP CZ I transaction

Immediately after the Annual General Meeting of Shareholders of 13 May 2011 the mandates of the three independent directors will expire. The proposal for renewal of the directorships will be submitted to the next Annual General Meeting of Shareholders of 13 May 2011 for approval.

BOARD COMMITTEES

AUDIT COMMITTEE

NAME	YEAR APPOINTED	EXECUTIVE OR NON-EXECUTIVE	INDEPENDENT	NEXT DUE FOR RE-ELECTION	MEETINGS ATTENDED
Jos Thys (Chairman)	2007	Non-executive	Independent	2011	2
Bart Van Malderen	2007	Non-executive	—	2011	2
Marek Šebesťák	2007	Non-executive	Independent	2011	2

The audit committee is comprised of 3 members of the board of directors, of whom 2 are independent.

The board of directors sees to it that the audit committee possesses sufficient relevant expertise, particularly regarding financial, audit, accounting and legal matters, to be able to carry out its function effectively. Reference is made to the short biographies of the above mentioned members of the audit committee to testify to their competence in accounting and auditing, as required by the Companies Code, Art. 119, 6°. These biographies can be found on page 36 of this annual report.

The members of the audit committee are appointed for a period that does not exceed the duration of a director's mandate. The members of the audit committee will be proposed for re-appointment in 2011.

Reference is made to Terms of Reference of the audit committee - in Annex 3 of the VGP Charter - for an overview of the responsibilities of the audit committee. 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.

Each year, the audit committee assesses its composition and its operation, evaluates its own effectiveness, and makes the necessary recommendations regarding these matters to the board of directors.

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 met twice in 2010. The most important points on the agenda were:
— discussion on the 2009 annual accounts and 2010 semi-annual accounts
— analysis of the recommendations made by the statutory auditor
— analysis of the internal control systems of the company

REMUNERATION COMMITTEE

NAME	YEAR APPOINTED	EXECUTIVE OR NON-EXECUTIVE	INDEPENDENT	NEXT DUE FOR RE-ELECTION	MEETINGS ATTENDED
Bart Van Malderen (Chairman)	2007	Non-executive	—	2011	1
Alexander Saverys	2007	Non-executive	Independent	2011	1
Jos Thys	2007	Non-executive	Independent	2011	1

The remuneration committee is comprised of 3 members of the board of directors, of whom 2 are independent.

The remuneration committee met once in 2010. By doing so the company deviates from the recommendation in the provisions 5.4/5 of the Corporate Governance Code that requires the remuneration committee to convene at least twice a year. The deviation is justified considering the smaller size of the company. However in view of the new law of 6 April 2010 the remuneration committee will meet twice per year as from the financial year 2011.

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.

Reference is made to Terms of Reference of the remuneration committee - Annex 2 of the VGP Charter - for an overview of the responsibilities of the remuneration committee.
The remuneration committee met once in 2010. The most important points on the agenda were:
— discussion on remuneration policy.

NOMINATION COMMITTEE

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

MANAGEMENT COMMITTEE

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

EVALUATION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

In accordance with its rules of procedure, the board of directors assesses its performance every three years as well as to the operation of the audit and remuneration committees.

In March 2011 the board of directors and its committees carried out a self assessment over the financial years 2007/2010 with satisfactory result.

REMUNERATION REPORT

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The independent and non-executive directors receive an annual remuneration of € 10,000 (the chairman receives an annual remuneration of € 20,000). The directors also receive a remuneration of € 1,000 for each meeting of the board of directors (the chairman receives a remuneration of € 2,000) and € 500 for each meeting of the audit committee or the remuneration committee they attend.

For further details of the remuneration policy of the directors we refer to Annex 2 point 6.1 of the VGP Charter

The remuneration of the members of the board of directors is reflected in the table below.

In €	FIXED REMUNERATION	VARIABLE BOARD ATTENDANCE	VARIABLE COMMITTEE ATTENDANCE	TOTAL
Chairman				
Marek Šebesťák	20,000	10,000	1,000	31,000
Directors				
Alexander Saverys	10,000	4,000	500	14,500
Rijo Advies BVBA represented by Jos Thys	10,000	5,000	1,500	16,500
Bart Van Malderen	10,000	5,000	1,500	16,500
Jan Van Geet s.r.o. represented by Jan Van Geet	10,000	5,000	—	15,000
Total	**60,000**	**29,000**	**4,500**	**93,500**

REMUNERATION POLICY OF EXECUTIVE MANAGEMENT

The remuneration policy of the executive management is described in Annex 2 point 6.2 of the VGP Charter. In view of the fact that the executive management is only composed of three members, the board of directors is of the opinion that, from a privacy point of view, the disclosure of the total remuneration of the executive management suffices, and that therefore the disclosure of the individual remuneration of the CEO is not required. By doing so the company deviates from the recommendations in the provisions 7.14/15 of the Corporate Governance Code. This deviation is justified given the small size of the executive management team. However in view of the new law of 6 April 2010 the remuneration of the CEO will be disclosed separately as from the annual report of 2011.

The remuneration paid to executive management team in 2010 was € 514(000). There was no variable remuneration paid.

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.

RISK MANAGEMENT AND INTERNAL CONTROLS

VGP's board of directors and its executive management are responsible for assessing the company risks and the effectiveness of internal controls.

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VGP has set up a risk assessment and internal control framework aligned with the prescriptions as set forward by the Belgian Corporate Governance Code 2009. This framework is built upon the five basic components of internal control and is aligned with the needs and size of the company.

Control environment

VGP has several measures in place in order to create a control environment that is sufficiently supportive to the other control components.

Amongst others

— VGP's company structure, organization charts and function descriptions are clearly defined. Given the size of the company and required flexibility the function descriptions are not always formally documented;
— Informal delegations of authority for key company decisions are specified and advised to the VGP personnel

Risk analysis

VGP has identified and analyzed all its key corporate risks as disclosed in the 'Risk Factors' section in this annual report. These corporate risks are communicated throughout VGP's organisation. The CEO, COO and CFO monitor and analyse on an on-going basis the various levels of risk and develop any action plan as appropriate.

Control activities

Control measures to mitigate the corporate risks referred to above are described in the 'Risk Factors' section. In addition, control activities are embedded in all key processes and systems in order to assure proper achievement of the company objectives.

Financial information and communication

The process of establishing financial information is organised as follows :

For periodic closing and financial reporting formal and informal written and oral instructions will be distributed to respective financial team members to ensure communication of timelines; clear assignment of task and responsibilities, and completeness of tasks.

The accounting teams are responsible for producing the accounting figures (closing bookings, reconciliations...) whereas the consolidation team checks the validity of these figures based on coherence tests by comparison with historical and budget figures; sample checks of transactions according to their materiality; specific procedures related to financial risks are in place in order to assure completeness of financial accruals.

The CFO will report periodically to the Audit Committee on all material areas of the financial statements concerning critical accounting judgments and uncertainties.

Monitoring of control mechanisms

The quality of VGP's risk management and internal control framework is assessed by:

— the audit committee. Over the fiscal year, the audit committee reviewed the half yearly and annual closures and the specific accounting methods.
— the statutory auditor in the context of their review of the half-yearly and annual accounts.
— occasionally by the Financial Services and Markets Authority (previously known as the CBFA).

POLICIES OF CONDUCT

TRANSPARENCY OF TRANSACTIONS INVOLVING SHARES OF VGP

In line with the Royal Decree of 5 March 2006, which came into force on 10 May 2006, members of the board of directors and the executive committee must notify the FSMA (Financial Services and Markets Authority) of any transactions involving shares of VGP within 5 business days after the transaction. These transactions are made public on the web site of the FSMA (www.fsma.be) and also on the VGP website VGP (www.vgpparks.eu/investors/corporate-governance/). The Compliance Officer of VGP ensures that all transactions by "insiders" are made public on this website in a timely manner.

Reference is also made to Annex 4 of the VGP Charter.

During 2010 only one transaction by "insiders" was reported i.e. on 22 September 2010 VM Invest NV acquired 673,838 voting securities from Mrs Celina Van den Bossche thereby crossing the 25% threshold.

CONFLICT OF INTEREST

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

During 2010 there were no conflicts of interest raised.

STATUTORY AUDITOR

DELOITTE Bedrijfsrevisoren BV o.v.v.e. CVBA having its offices at Berkenlaan 8B, 1831 Diegem, Belgium represented by Mr. Gino Desmet has been appointed as Statutory Auditor for a period of three years .

The Statutory Auditor's term of office expires at the conclusion of the Annual General Meeting of 14 May 2013.

RISK FACTORS

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

The Group takes and will continue to take the necessary measures to manage those risks as effectively as possible.

The Group is amongst others exposed to:

RISKS RELATED TO THE GROUP'S INDUSTRY, PROPERTIES AND OPERATIONS

RISKS RELATED TO THE NATURE OF THE GROUP'S BUSINESS.

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. The results and outlook of the Group depend amongst others on the ability to identify and acquire interesting real estate projects and to commercialise such projects at economically viable conditions.

RISKS RELATED TO THE NATURE AND COMPOSITION OF ITS PORTFOLIO: LAND FOR DEVELOPMENT, SEMI-INDUSTRIAL PROPERTIES.

The Group's real estate portfolio is concentrated on semi-industrial property. Due to this concentration, an economic downturn in this sector could have a material adverse affect on the Group's business, financial condition, operating results and cash flows. These risks are mitigated by the fact that the real estate portfolio is becoming more and more geographically diversified.

RISKS RELATED TO THE ABILITY TO GENERATE CONTINUED RENTAL INCOME.

The value of a rental property depends to a large extent on the remaining term of the related rental agreements as well as the creditworthiness of the tenants. The Group applies a strict credit policy by which all future tenants are screened for their creditworthiness prior to being offered a lease agreement. In addition the Group will seek to sign as much as possible future lease agreements in order to secure a sustainable future rental income stream.

Nearly 100% of the lease contracts incorporate a provision whereby rents are annually indexed. Tenants will, in general, be required to provide a deposit or bank guarantee or a corporate guarantee depending on their creditworthiness. The lease contracts are usually concluded for periods between 5-10 years (first break option) and include most of the time an automatic extension clause. The lessee cannot cancel the lease contract until the first break option date.

RISKS RELATED TO THE GROUP'S DEVELOPMENT ACTIVITIES.

The Group could be exposed to unforeseen cost-overruns and to a delay in the completion of the projects. Within VGP there are several internal controls available to minimise these risks i.e. specific cost control functions as well as project management resources which monitor the projects on a daily basis.

RISKS RELATED TO LEGAL, REGULATORY AND TAX MATTERS.

The Group is subject to a wide range of EC, national and local laws and regulations. In addition the Group may become subject to disputes with tenants or commercial parties with whom the Group maintains relationships or other parties in the rental or related businesses. Finally a change in tax rules and regulations could have an adverse effect on the tax position of the Group. All these risks are monitored on an ongoing basis and there where necessary, the Group will use external advisors to advice on contract negotiations, regulatory matters or tax matters as the case may be.

PROPERTY MAINTENANCE AND INSURANCE RISK.

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. To this end the Group operates an internal facility management team in order to ensure that the properties are kept in good condition. All buildings are insured against such risks as are usually insured against in the same geographical area by reputable companies engaged in the same or similar business.

LEGAL SYSTEMS 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, which may result in inconsistent applications of existing laws and regulations and uncertainty as to the application and effect of new laws and regulations. The Group mitigates this risk by using reputable external local lawyers to advise on such specific legal issues as they arise.

FINANCIAL RISKS

AVAILABILITY OF ADEQUATE CREDIT FACILITIES.
The Group is partly financed by shareholder loans and partly by bank credit facilities. 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. The Group ensures that adequate committed credit facilities are in place to sustain its growth. VGP will start renegotiating the extension of maturing credit facilities well in advance of the respective maturity dates (usually 12 months prior to maturity date). As at 31 December 2010 the Group had € 216.1million committed credit facilities in place with an average maturity of 3.0 years and which were drawn for 90%. The Group is currently finalising its negotiations for additional committed credit facilities for a total amount of € 7 million.

COMPLIANCE OF FINANCIAL COVENANTS.
The loan agreements of the Group include financial covenants (see page 83 for further details). Any breach of covenant could have an adverse effect on the financial position of the Group. Covenants are therefore monitored on an on-going basis in order to ensure compliance and to anticipatively identify any potential problems of non-compliance for action. During 2010 the VGP Group remained well within its covenants.

EVOLUTION OF DEBT RATIO OF THE GROUP.
The Group expects that in the medium term it will significantly increase the amount of borrowings. The Group expects that for the foreseeable future it will be operating within a gearing level (net debt / equity) of up to 2: 1. As at 31 December 2010 the "net debt (excluding shareholder loans) / equity" ratio was 1.06 which was unchanged compared to 31 December 2009. As at 31 December 2010 the "net debt (including shareholder loans) / equity" ratio was 1.47 compared to 1.53 as at 31 December 2009.

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. To this end the Group hedges its interest rate exposure by converting the majority of its variable rate debt to fixed rate debt. As at 31 December 2010, 81.8 % of the Group's debt was at a fixed rate.

FLUCTUATION IN CURRENCY RATES.
The Group's revenues are predominantly denominated in Euro, however, expenses, assets and liabilities are recorded in a number of different currencies other than the Euro, in particular the Czech Crown. The Group reviews these risks on a regular basis and uses financial instruments to hedge these exposures as appropriate.

SUMMARY OF THE ACCOUNTS AND COMMENTS

INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT – ANALYTICAL FORM *in thousands of €*	**2010**	**2009**
NET CURRENT RESULT		
Gross rental income	28,573	21,726
Service charge income / (expenses)	524	486
Property operating expenses	(1,769)	(2,166)
Net rental and related income	**27,328**	**20,046**
Other income / (expenses) - incl. administrative costs	(1,809)	(2,285)
Operating result (before result on portfolio)	**25,519**	**17,761**
Net financial result *	(14,194)	(9,471)
Revaluation of interest rate financial instruments (IAS 39)	347	(905)
Taxes	(3,705)	(707)
Net current result	**7,967**	**6,678**
RESULT ON PROPERTY PORTFOLIO		
Net valuation gains / (losses) on investment property	22,759	(6,754)
Deferred taxes	(4,324)	1,252
Result on property portfolio	**18,435**	**(5,502)**
NET RESULT		
Net result	**26,402**	**1,176**

RESULT PER SHARE	**2010**	**2009**
Number of ordinary shares	18,583,050	18,583,050
Net current result per share (in €)	0.43	0.36
Net result per share (in €)	1.42	0.06

* *Excluding the revaluation of interest rate financial instruments.*

BALANCE SHEET

CONSOLIDATED BALANCE SHEET *(in thousands of €)*	**2010**	**2009**
Intangible assets	62	64
Investment property	171,309	426,010
Investment property under construction	15,673	2,095
Other tangible assets	196	338
Deferred tax assets	1,013	2,379
Total non-current assets	**188,253**	**430,886**
Trade and other receivables	3,701	4,533
Cash and cash equivalents	5,341	4,327
Disposal group held for sale	299,942	—
Total current assets	**308,984**	**8,860**
TOTAL ASSETS	**497,237**	**439,746**
Share capital	62,251	62,251
Retained earnings	119,431	98,233
Other reserves	**(5,340)**	(5,244)
Shareholders' equity	**176,342**	**155,240**
Non-current financial debt	120,180	235,922
Other non-current financial liabilities	758	10,243
Other non-current liabilities	1,104	3,396
Deferred tax liabilities	8,309	21,866
Total non-current liabilities	**130,351**	**271,427**
Current financial debt	4,820	5,450
Other financial liabilities	—	272
Trade debts and other current liabilities	10,074	7,357
Liabilities related to disposal group held for sale	175,650	—
Total current liabilities	**190,544**	**13,079**
Total liabilities	**320,895**	**284,506**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**497,237**	**439,746**

INCOME STATEMENT-ANALYTICAL FORM

GROSS RENTAL INCOME AND OPERATING COSTS

Gross rental income relates to the lease income from the operating leases concluded with the Group's customers. Fluctuations in the rental income are mainly a result of the growth of the semi-industrial property portfolio. Future growth of the top line will be driven by the development and delivery of new properties to tenants.

Operating cost for the Group are composed of service charge income and expenses, property operating expenses and other income and expenses (including administrative costs).

The service charge income and expenses relate to operating expenses borne by the Group and recharged to the tenants: repair & maintenance, energy, insurance etc. Whereas property operating expenses will relate to operating costs borne by the Group which cannot be fully recouped and which mainly relate to consultancy costs of lawyers, brokers and appraisal fees.

Other income relates to income from engineering activities and facility management for third parties and non-recurrent income from tenants. Other expenses relate to the disposal of material, property and equipments and other sundry expenses. Administrative costs relate to general overhead costs.

Net rental and related income for the financial year ending 31 December 2010 increased by 36.3 per cent from € 20.0 million for the period ending 31 December 2009 to € 27.3 million for the period ending 31 December 2010.

The strong growth reflects the continuing increase in the portfolio of delivered assets. During 2010 a total of 5 projects were completed which represented 41,064 m² of lettable area.

Total operating costs in 2010 decreased by 23.0 per cent i.e. from € 4.0 million in 2009 to € 3.1 million in 2010 reflecting the fact that the property portfolio is becoming more mature with decreasing costs of broker and lawyer fees incurred when signing new committed leases as well as the continuing economies of scale from which the company is benefitting.

NET VALUATION GAINS ON INVESTMENT PROPERTY

The valuation gains or losses on investment property and investment property under construction (the "property portfolio") represents the change in the fair value of the property portfolio during the respective periods.

The carrying amount of the property portfolio is the fair value of the property as determined by an external valuation expert i.e. Jones Lang LaSalle. The fair value valuations are prepared on the basis of Market Value (in accordance with the current Practices Statements – section 3.2 contained

within the RICS Appraisal and Valuation Standards (Sixth Edition – January 2008) published by the Royal Institution of Chartered Surveyors (the "Red Book") and are carried out on a regular basis but at least once a year.

The average yield applied for valuing the property portfolio as at 31 December 2010 remained stable at 8.35 per cent compared to 8.33 per cent at the end of December 2009. The Group recorded a € 22.8 million unrealised gain on the property portfolio as at 31 December 2010 compared to an unrealised loss of € 6.8 million as at 31 December 2009. The (re)valuation of the portfolio was based on the appraisal report of Jones Lang LaSalle.

NET FINANCIAL RESULT

Net financial result consists of financial income and financial expenses.

Financial income relates to interest income, unrealised gains on interest rate hedging as well as to the positive effect of realised and unrealised foreign exchange gains on monetary and non-monetary assets and liabilities. Financial expenses mainly relates to the interest expense on the bank credit facilities and shareholder debt, the unrealised loss on interest rate hedging and the negative realised and unrealised foreign exchange results on monetary and non-monetary assets and liabilities.

For the period ending 31 December 2010, the financial income included a € 0.3 million unrealised gain on interest rate derivatives compared to a € 1.0 million unrealised loss on interest rate derivatives as at 31 December 2009 (recorded under financial expenses).

The financial expenses as at 31 December 2010 are mainly made up of € 15.6 million (€ 13.8 million per 31 December 2009) interest expenses related to financial debt and a positive impact of € 1.9 million (€ 3.9 million per 31 December 2009) related to capitalised interests.

The main reason for the variance relates to the increased level of bank and shareholder debt which increased from € 241.4 million as at 31 December 2009 to € 266.5 million (before re-classification to liabilities related to disposal group held for sale) as at 31 December 2010.

TAXES

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

Taxes increased from a positive amount of € 0.5 million for the period ending 31 December 2009 to a negative amount of € 8.0 million as at 31 December 2010. The change in the tax line is mainly due to the increase in deferred taxes resulting from the positive fair value adjustment of the property portfolio and has therefore no cash effect.

NET PROFIT FOR THE PERIOD

Net profit increased from € 1.2 million (€ 0.06 per share) as at 31 December 2009 to € 26.4 million (€ 1.42 per share) for the financial year ended 31 December 2010.

BALANCE SHEET

INVESTMENT PROPERTY

The investment property portfolio (before reclassification to disposal group held for sale) grew by 9.0 per cent (+ € 38.5 million) in value during the year.

The lettable area of the investment property portfolio increased by 7.7 per cent during the year i.e. from 535,872 m² to 576,936 m². During the year a total of 5 projects were completed representing 41,064 m² of lettable space. The investment property portfolio therefore increased to a total of 50 projects.

INVESTMENT PROPERTY UNDER CONSTRUCTION

Investment property under construction relates to the real estate projects under construction. The fluctuations from one year to the other reflect the timing of the completion and delivery of the real estate projects.

At the end of December 2010 the assets under construction (before reclassification to disposal group held for sale) amounted to € 17.2 million. There are currently 6 new buildings under construction representing 60,000 m² of future lettable area, which have already been pre-leased for 86%.

TOTAL CURRENT ASSETS

Total current assets relate to trade and other receivables and cash held by the Group.

The trade and other receivables increased from € 4.5 million at the end of 2009 to € 7.3 million (before reclassification disposal group held for sale) at the end of 2010. This increase is mainly due to the growth of the property portfolio resulting in increased receivables.

SHAREHOLDERS' EQUITY

The other reserves at the end of 2010 include € 5.4 million (net from deferred tax impact) unrealised losses on financial instruments. These financial instruments were designated as effective cash flow hedges and the unrealised losses on these financial instruments were recognised directly in equity ("other reserves").

TOTAL NON-CURRENT LIABILITIES

Total non-current liabilities comprise non-current financial debt, other non-current liabilities and deferred tax liabilities. The outstanding financial debt amounted to € 266.5 million (before reclassification to liabilities related to disposal group held for sale) as at 31 December 2010 compared to 241.4 million as at 31 December 2009.

Financial debt (before reclassification to liabilities related to disposal group held for sale) can be split into shareholder loans and bank debt and comprise € 71.8 million shareholder loans and € 194.7 million bank debts as at 31 December 2010. As at 31 December 2009 the split was € 73.1 million shareholder loans and € 168.3 million bank debt.

INFORMATION ABOUT THE SHARE

LISTING OF SHARES

Euronext Brussels / Main Market of Prague

VGP share	*VGP*	*ISIN BE0003878957*
VGP VVPR-strip	*VGPS*	*ISIN BE0005621926*

Market capitalisation 31 Dec-10	***308,478,630 €***
Highest capitalisation	***320,557,613 €***
Lowest capitalisation	***296,399,648 €***
Share price 31 Dec-09	***16.50 €***
Share price 31 Dec-10	***16.60 €***

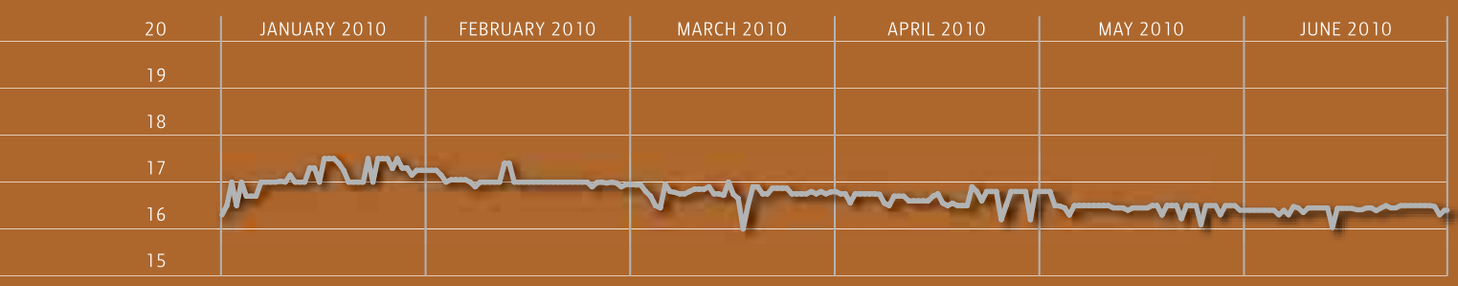
SHAREHOLDER STRUCTURE

As at 31 December 2010 the share capital of VGP was represented by 18,583,050 shares. Ownership of the Company's shares as at 31 December 2010 was as follows:

SHAREHOLDERS	% OF SHARES ISSUED	NUMBER OF SHARES
VM Invest NV	27.66%	5,140,462
Mr. Bart Van Malderen	19.08%	3,545,250
Sub-total Bart Van Malderen Group	***46.74%***	***8,685,712***
Alsgard SA	37.93%	7,048,780
Mr. Jan Van Geet	0.00%	325
Sub-total Jan Van Geet Group	***37.93%***	***7,049,105***
Comm. VA VGP MISV	5.00%	929,153
Vadebo France NV	3.53%	655,738
Public	6.80%	1,263,342
Total	**100.00%**	**18,583,050**

— VM Invest NV is a company controlled by Mr. Bart Van Malderen.
— Alsgard SA is a company controlled by Mr. Jan Van Geet.
— Comm VA VGP MISV is a company controlled by Mr. Bart Van Malderen and Mr. Jan Van Geet.
— VM Invest NV, Mr. Bart Van Malderen, Comm VA VGP MISV, Alsgard SA and Mr. Jan Van Geet are acting in concert in respect of the holding, the acquisition or disposal of securities.
— Vadebo France NV is a company controlled by Mrs. Griet Van Malderen.

There are no specific categories of shares. Each share gives the right to one vote. In accordance with Articles 480 to 482 of the Company Code, the company can create shares without voting rights, subject to the fulfilling requirements related to the change of the articles of association. All shares are freely transferable.



PERMITTED CAPITAL

The board of directors is expressly permitted to increase the nominal capital on one or more occasions up to an aggregate amount of € 100 million by monetary contribution or contribution in kind, if applicable, by contribution of reserves or issue premiums, under regulations provided by the Belgian Company Code and the articles of association.
This permission is valid until 21 December 2012.

LIQUIDITY OF THE SHARES

To improve the liquidity of its shares VGP NV concluded a liquidity agreement with KBC Bank.

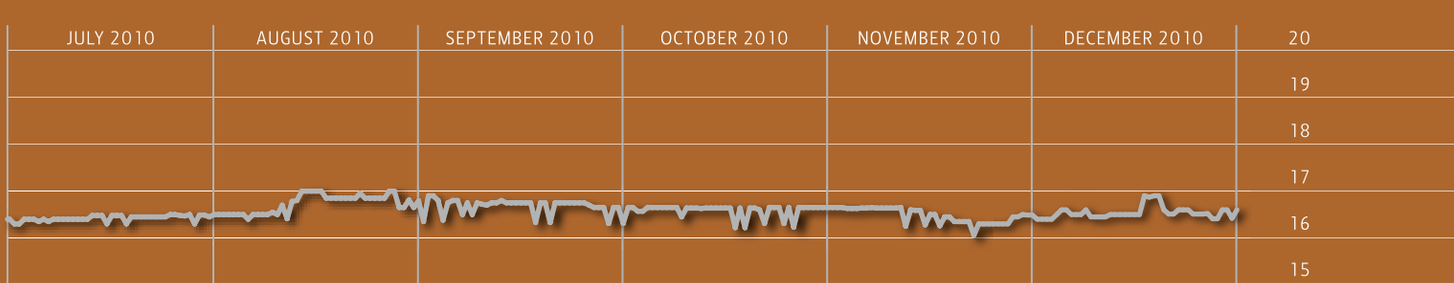
This agreement ensures that there is increased liquidity of the shares which should be to the benefit of the Group in the future as more liquidity allows new shares to be more easily issued in case of capital increases.

DISTRIBUTION TO SHAREHOLDERS

In order to optimise the capital structure of the Company and creating additional shareholder value the Extraordinary Shareholders' Meeting of 19 April 2011 approved a capital reduction of € 39,953,557.50 in cash. This cash distribution corresponds to € 2.15 per share and will be paid as soon as possible.

FINANCIAL CALENDAR

First quarter trading update 2011	***13May 2011***
General meeting of shareholders	***13May 2011***
2010 half year results	***22 August 2011***
Third quarter trading update 2011	***10 November 2011***



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OUTLOOK 2011

2010 saw a significant change in the business model of VGP with a shift from a strict develop and hold strategy towards a strategy with a bigger focus on development and a more pro-active approach in respect of potential disposal of the Group's income generating assets.

Following the sale of 80% equity interest in 6 of its 19 VGP parks the balance sheet and rent income of the VGP Group will reduce significantly during 2011. The entering into this joint venture will allow VGP to continue to develop its business lines such as facility management whilst at the same time allowing the Group to pursue an active acquisition strategy.

VGP is confident that with the available cash proceeds from the VGP CZ I transaction, it should be well positioned to continue to deliver substantial shareholder value through its development activities.

In this respect VGP will continue to assess from time to time whether from a shareholder's value point of view maturing income generating assets should be disposed of or kept in its property portfolio.

BOARD OF DIRECTORS

COMPOSITION ON 31 DECEMBER 2010					
	NAME	YEAR APPOINTED	EXECUTIVE OR NON-EXECUTIVE	INDEPENDENT	NEXT DUE FOR RE-ELECTION
Chairman	Marek Šebesťák	2007	Non-executive	Independent	2011
CEO	Jan Van Geet s.r.o. represented by Jan van Geet	2007	Executive and reference shareholder	—	2013
Directors	Bart Van Malderen	2007	Non-executive and reference shareholder	—	2013
	Alexander Saverys	2007	Non-executive	Independent	2011
	Rijo Advies BVBA represented Jos Thys	2007	Non-executive	Independent	2011

MAREK ŠEBESŤÁK *(b. 1954)*

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

JAN VAN GEET *(b. 1971)*

CEO and reference shareholder
Is permanent representative of Jan Van Geet s.r.o. Jan Van Geet is the founder of VGP. He has overall daily as well as strategic management responsibilities of the Group. He started in the Czech Republic in 1993 and was manager of Ontex in Turnov, a producer of hygienic disposables. Until 2005, he was managing director of WDP Czech Republic. WDP is a Belgian real estate investment trust with several projects in the Czech Republic

BART VAN MALDEREN *(b. 1966)*

During his career, Mr Bart Van Malderen was involved in the management of Ontex, a leading European manufacturer of hygienic disposable products. He became CEO in 1996 and Chairman of the Board in 2003, a mandate which he occupied until mid July 2007.

JOS THYS *(b. 1962)*

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

ALEXANDER SAVERYS *(b. 1978)*

After his university education in law (KU Leuven) and his MBA in Berlin. Mr Alexander Saverys founded Delphis NV in 2004. Delphis is a company offering multimodal transport solutions throughout Europe, where he acts as CEO. He is also a Director of CMB. In 2006, Delphis bought Team Lines, Europe's no. 2 feeder container operator, operating a network from Iberia to Saint-Petersburg with a clear focus on the Baltic Sea. Team Lines/ Delphis control 62 ships with another 10 container vessels on order.

EXECUTIVE MANAGEMENT TEAM

COMPOSITION ON 31 DECEMBER 2010	
Jan Van Geet s.r.o. represented by Jan Van Geet	Chief Executive Officer
Jan Procházka	Chief Operating Officer
Dirk Stoop BVBA, represented by Dirk Stoop	Chief Financial Officer

MR JAN VAN GEET

(b. 1971)

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

MR JAN PROCHÁZKA

(b. 1964)

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

MR DIRK STOOP

(b. 1961)

Is permanent representative of Dirk Stoop BVBA. 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 Degrees in Financial and Commercial Sciences from VLEKHO (HUB) in Belgium.

AWARDS

THE BEST WAREHOUSE/LOGISTIC DEVELOPMENT FOR THE YEAR 2010

Our VGP Park Horní Počernice with the buildings III, IV and K was awarded the Czech CIJ Awards as the best warehouse/logistic development for the year 2010. These three buildings III, IV, and K were completed during the year 2010 and have a total lettable area of 17.148 m² and are fully leased out. The CIJ Awards Czech Republic are part of a five-city series of awards mirroring CIJ's reach as the leading property magazine in Central and Eastern Europe. The Czech awards have been taking place since 2001 and are organized by Roberts Publishing Media Group, publisher of CEE CIJ (Construction & Investment Journal).

THE CENTRAL & EASTERN EUROPEAN REAL ESTATE QUALITY AWARD 2010

VGP was awarded "The Central & Eastern European Real Estate Quality ("CEEQA") Award" as the Industrial Developer of the Year 2010 in the CEE region. The ceremony is organised by CEE Insight Forum in collaboration with the Financial Times. The CEEQA Awards for business performance and achievement in emerging Europe real estate is given to the best real estate projects, companies and industry professionals of 2010, judged by a panel of senior representatives of market leading companies active in three or more countries in the emerging European market place across 18 countries

TESTIMONIALS

SKANSKA

During the year 2009 Skanska a.s. made the decision to move its glass-aluminum and light cladding branch to a new manufacturing building with the aim to enlarge the manufacturing possibilities and increase production efficiency. The negotiation with VGP started in January 2010 and we came very fast to an agreement on the construction of our new light manufacturing premises in VGP Park Horní Počernice. After one year, we can say, that cooperation with VGP has been very efficient and effective in terms of design changes during the construction period due to our manufacturing needs and also with sticking to the construction timing. The building has been handed over by VGP in compliance with our requirements, timing and quality. This new space absolutely met our preconditions to enlarge our manufacturing possibilities. It allowed us to implement new effective procedures, production and the logistics have significantly improved and finally it gave us a representative office. We take this opportunity to thank VGP for its absolutely professional approach.

Ing. Milan Nocar
Branch Director, Skanska a.s.,
Building Division, Light Claddings Branch

PEBAL

When our premises at Třemošná (Pilsen region) were no longer adequate for our growing business we decided to look for new and larger premises which would meet our production requirements. We decided to use VGP because of its approach and flexibility. Another reason was the location of VGP Park Nýřany which is easily accessible for our suppliers and customers. The construction commenced during the fall of 2008 and was adapted to our needs and demands from its initial construction phases. Even after taking possession of the building VGP proved to be a valuable partner as VGP continued to adapt the building to our evolving needs and requirements resulting from the increase of our production capacity. Due to our business activities in packaging materials production, primarily polyethylene foil manufacturing we required special building fit outs which were fully met and delivered by VGP.

Martin Burian
Executive Director, Pebal

DSV ROAD

Our company decided to move to VGP Park Horní Počernice already two years ago. From the start of our negotiations we had a comfortable feeling with regards to the proactive and flexible approach of VGP. This was also confirmed in the following years of our cooperation. In particularly we would like to highlight that, despite the enormous growth of the park, VGP kept reacting swiftly and maintained its hands on approach. The professionalism, straight forward approach during our negotiations, the quality of its services and last but not least the quality of the building positions VGP in my opinion in a pole position on the market.

Petr Chocholatý
General Manager, DSV Road a.s.

PORTFOLIO

Czech Republic

1 GREEN TOWER PRAGUE — WEST
1 BLUE PARK PRAGUE — EAST
3 GREEN PARK PRAGUE — EAST
4 VGP PARK HORNÍ POČERNICE
5 VGP PARK TURNOV VESECKO
6 VGP PARK TURNOV PŘÍŠOVICE
7 VGP PARK LIBEREC I., VGP PARK LIBEREC II.
8 VGP PARK NÝŘANY — PILSEN
9 VGP PARK HRADEC KRÁLOVÉ
10 VGP PARK OLOMOUC
11 VGP PARK TUCHOMĚŘICE
12 VGP PARK MLADÁ BOLESLAV
13 VGP PARK PŘEDLICE
14 VGP PARK HRÁDEK NAD NISOU

BLUE PARK

Prague 9, Czech Republic

tenant	Activa
lettable area (m^2)	10,200
built	2003 | 2005 | 2008

GREEN PARK

Prague 9, Czech Republic

tenants	Auto Štangl, Activa, Mitsui-soko, ASTRON studio
lettable area (m^2)	17,096
built	2005

GREEN TOWER

Prague 5, Czech Republic

tenants	Mountfield, ABRA Software, MK, CompuGroup CZ a SK
lettable area (m^2)	3,560
built	2005

VGP PARK HORNÍ POČERNICE BUILDING I1

Prague 9 Horní Počernice, Czech Republic

tenants	Sikla Bohemia, Veba, textilní závody, RM GASTRO CZ, Václav Čížek, Whitesoft
lettable area (m^2)	6,400
built	2006

VGP PARK HORNÍ POČERNICE BUILDING I2

Prague 9 Horní Počernice, Czech Republic

tenant	GASTROSTELLA GROUP
lettable area (m²)	4,379
built	2006

VGP PARK HORNÍ POČERNICE BUILDING B2

Prague 9 Horní Počernice, Czech Republic

tenants	Lekkerland Česka republika
lettable area (m²)	15,430
built	2006

VGP PARK HORNÍ POČERNICE BUILDING J

Prague 9 Horní Počernice, Czech Republic

tenant	SATREMA Int.
lettable area (m²)	2,017
built	2007

VGP PARK HORNÍ POČERNICE BUILDING H1

Prague 9 Horní Počernice, Czech Republic

tenant	GIMBORN Česká republika
lettable area (m²)	8,279
built	2007

VGP PARK HORNÍ POČERNICE BUILDING D1

Prague 9 Horní Počernice, Czech Republic

tenants	U&WE Advertising, A.L.L. production, TNT Post ČR, Bell Technology, Transpoint International (CZ), Timbeum, ING. Pavel Halada, Transforwarding České Budějovice, V-PLAST Vsetín, Fresenius Kabi, CWS Čechy
lettable area (m^2)	28,012
built	2007–2008

VGP PARK HORNÍ POČERNICE BUILDING H2

Prague 9 Horní Počernice, Czech Republic

tenants	IKEA Česká republika, NILFISK-ADVANCES, FRANKE
lettable area (m^2)	7,658
built	2007

VGP PARK HORNÍ POČERNICE BUILDING I3/I4

Prague 9 Horní Počernice, Czech Republic

tenants	Dandeli Havelland Foods, STAR IMPEX, Strom Praha
lettable area (m^2)	8,247
built	2008

VGP PARK HORNÍ POČERNICE BUILDING B3

Prague 9 Horní Počernice, Czech Republic

tenant	WAVIN Ekoplastik
lettable area (m^2)	13,551
built	2007

VGP PARK HORNÍ POČERNICE BUILDING C2

Prague 9 Horní Počernice, Czech Republic

tenant	Kofola
lettable area (m^2)	9,889
built	2007

VGP PARK HORNÍ POČERNICE BUILDING B1

Prague 9 Horní Počernice, Czech Republic

tenants	LKY Logistics CZ, Levné knihy, Continental Automotive
lettable area (m^2)	12,868
built	2007

VGP PARK HORNÍ POČERNICE BUILDING C1

Prague 9 Horní Počernice, Czech Republic

tenant	DSV Road
lettable area (m^2)	11,623
built	2007

VGP PARK HORNÍ POČERNICE BUILDING C3

Prague 9 Horní Počernice, Czech Republic

tenant	Coca-Cola HBC Czech Republic
lettable area (m^2)	10,877
built	2008

VGP PARK HORNÍ POČERNICE BUILDING C4

Prague 9 Horní Počernice, Czech Republic

tenant	Océ Česká republika
lettable area (m^2)	9,517
built	2008

VGP PARK HORNÍ POČERNICE BUILDING PNS/MEDIASERVIS

Prague 9 Horní Počernice, Czech Republic

tenants	PNS, Mediaservis
lettable area (m^2)	26,196
built	2008

VGP PARK HORNÍ POČERNICE BUILDING E

Prague 9 Horní Počernice, Czech Republic

tenant	LACONEX, Alza Logistics
lettable area (m^2)	9,476
built	2008

VGP PARK HORNÍ POČERNICE BUILDING D2

Prague 9 Horní Počernice, Czech Republic

tenants	Tuplex CZ, OK-Color, BASF stavební hmoty ČR, Procom Bohemia, Mail Step, Den Braven Czech and Slovak, Coca-Cola HBC Česká republika, Internet Mall
lettable area (m^2)	28,440
built	2008

VGP PARK HORNÍ POČERNICE BUILDING I.

Prague 9 Horní Počernice, Czech Republic

tenants	Bella Bohemia, Askino
lettable area (m^2)	4,523
built	2009

VGP PARK HORNÍ POČERNICE BUILDING II.

Prague 9 Horní Počernice, Czech Republic

tenants	Radiálka Hradec Králové, Alito, Tiskové a obálkovací centrum, Dexion
lettable area (m^2)	6,456
built	2009

VGP PARK HORNÍ POČERNICE BUILDING III.

Prague 9 Horní Počernice, Czech Republic

tenants	GUMEX, FERRATT INTERNATIONAL CZECH
lettable area (m^2)	3,709
built	2010

VGP PARK HORNÍ POČERNICE BUILDING IV.

Prague 9 Horní Počernice, Czech Republic

tenant	G.Gühring – dřevěné obaly, RTR – TRANSPORT A LOGISTIKA
lettable area (m^2)	8,974
built	2010

VGP PARK HORNÍ POČERNICE BUILDING V.

Prague 9 Horní Počernice, Czech Republic

tenant	MD Logistika, Datart International
lettable area (m^2)	52,121
built	2009

VGP PARK HORNÍ POČERNICE BUILDING B4

Prague 9 Horní Počernice, Czech Republic

tenant	Landgard květiny & rostliny, Asko - nábytek, Internet Mall
lettable area (m^2)	15,012
built	2008

VGP PARK HORNÍ POČERNICE BUILDING K

Prague 9 Horní Počernice, Czech Republic

tenant	Skanska
lettable area (m^2)	4,465
built	2010

VGP PARK HORNÍ POČERNICE BUILDING A1

Prague 9 Horní Počernice, Czech Republic

tenants	Whitesoft, VGP – industriální stavby, Enfinity, NACHI Europe, Diamant Spa, Kuka Roboter Austria, Hiab, Kiomatic Service, Jan Rejlek, Martifer Solar, Ardo Mochov, Vlabo Interiéry, Daewoo Leasing Czech Republic, BDP Global services, REFLEX CZ, LOVATO, Synventive Molding Solutions, GERODUR CZECH, Energystav, AB Facility, ROAD ENERGY (CZECH)
lettable area (m^2)	5,000
built	2008

VGP PARK TURNOV BUILDING ONTEX

Industrial zone Vesecko – Turnov, Czech Republic

tenant	Ontex CZ
lettable area (m^2)	12,037
built	2007

VGP PARK PŘÍŠOVICE BUILDING A

Příšovice, Czech Republic

tenants	Grupo Antolin Turnov, Aries Data
lettable area (m^2)	10,334
built	2008

VGP PARK LIBEREC I. BUILDING H1

Industrial zone Liberec – North, Czech Republic

tenant	PEKM Kabeltechnik
lettable area (m^2)	9,973
built	2008

VGP PARK LIBEREC I. BUILDING H2

Industrial zone Liberec – North, Czech Republic

tenant	GRUPO ANTOLIN BOHEMIA
lettable area (m^2)	11,882
built	2008

VGP PARK LIBEREC I. BUILDING H3

Industrial zone Liberec – North, Czech Republic

tenant	LICON HEAT, JAC Products Holding Europe
lettable area (m^2)	9,870
built	2009

VGP PARK LIBEREC I. BUILDING H5

Industrial zone Liberec – North, Czech Republic

tenant	KNORR - BREMSE Systémy pro užitková vozidla
lettable area (m^2)	8,480
built	2009

VGP PARK LIBEREC II. BUILDING H0

Industrial zone Liberec – South, Czech Republic

tenant	Magna Cadence Innovation
lettable area (m^2)	5,028
built	2004–2006

VGP PARK NÝŘANY BUILDING B1

Industrial zone Nýřany, Czech Republic

tenants	Ranpak, WashTec Cleaning Technology
lettable area (m^2)	10,186
built	2007–2008

VGP PARK NÝŘANY BUILDING A4

Industrial zone Nýřany, Czech Republic

tenant	Pebal
lettable area (m^2)	6,476
built	2009

VGP PARK NÝŘANY BUILDING C1

Industrial zone Nýřany, Czech Republic

tenant	DHL Solutions
lettable area (m^2)	5,482
built	2010

VGP PARK OLOMOUC BUILDING DHL

Olomouc – Nemilany, Czech Republic

tenant	DHL Express (Czech Republic)
lettable area (m^2)	9,144
built	2008

VGP PARK OLOMOUC BUILDING C

Olomouc – Nemilany, Czech Republic

tenants	Activa, V-PLAST Vsetín, Aries Data, EGT Express CZ
lettable area (m^2)	9,957
built	2009–2010

VGP PARK OLOMOUC BUILDING A

Olomouc – Nemilany, Czech Republic

tenant	TRANSKAM - Logistik, Skoma-Lux, TROST AUTO SERVICE TECHNIK
lettable area (m^2)	7,274
built	2009

VGP PARK HRADEC KRÁLOVÉ BUILDING H1

Dobřenice, Czech Republic

tenant	Excelsior Packaging Group
lettable area (m^2)	10,458
built	2009

VGP PARK HRADEC KRÁLOVÉ BUILDING H3

Dobřenice, Czech Republic

tenant	Damco Czech Republic
lettable area (m^2)	13,142
built	2010

VGP PARK HRADEC KRÁLOVÉ BUILDING H4

Dobřenice, Czech Republic

tenant	Vetro Plus
lettable area (m^2)	13,447
built	2008

VGP PARK MLADÁ BOLESLAV BUILDING A

Industrial zone Mladá Boleslav, Czech Republic

tenant	HP Pelzer, YAPP Automotive Parts Co.
lettable area (m^2)	15,725
built	2009

VGP PARK PŘEDLICE BUILDING A

Ústí nad Labem, Czech Republic

tenant	Activa
lettable area (m^2)	581
built	2009

VGP PARK PŘEDLICE BUILDING B

Ústí nad Labem, Czech Republic

tenant	Bohemia Cargo
lettable area (m^2)	1,502
built	2009

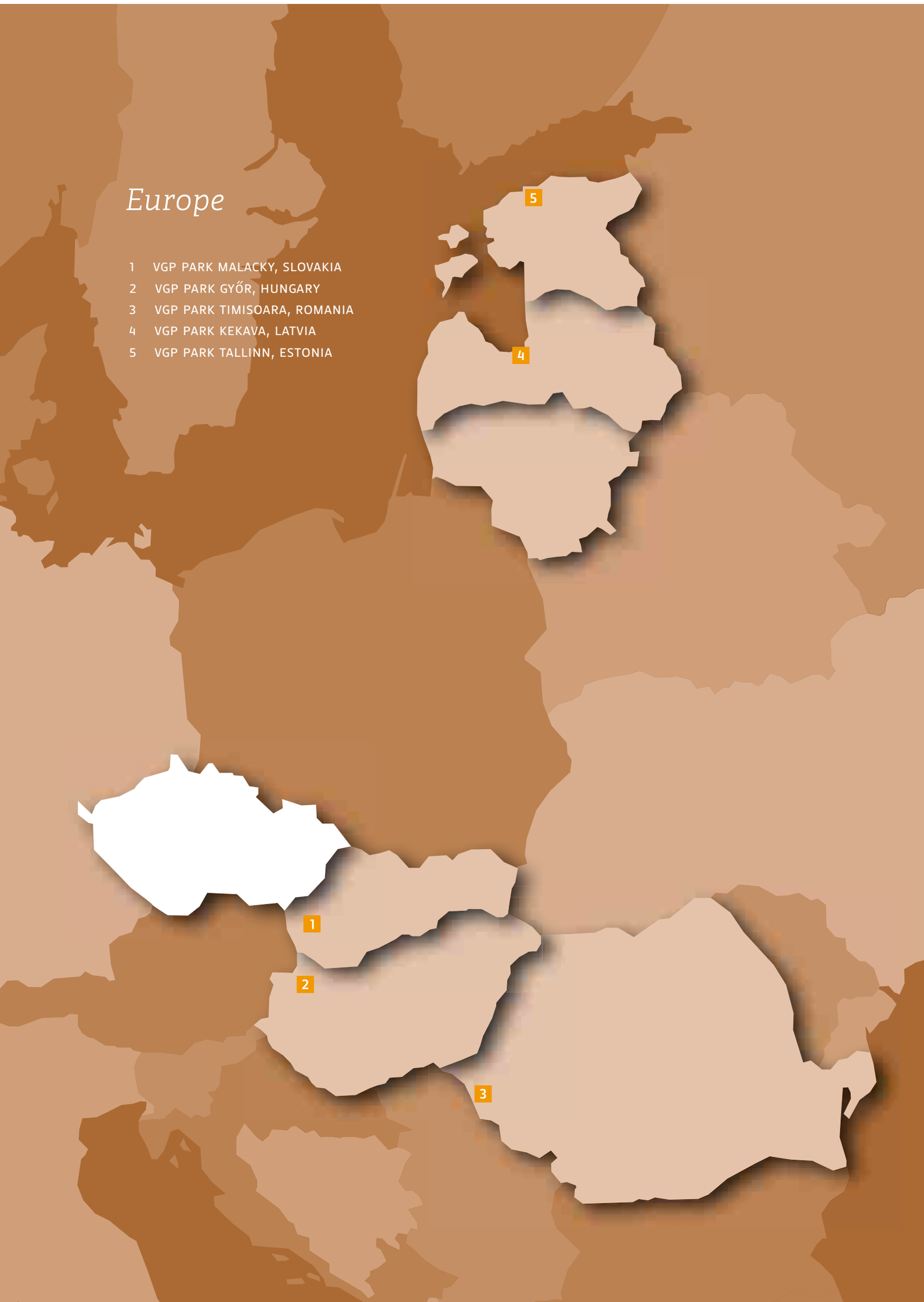
FUTURE DEVELOPMENT IN CZECH REPUBLIC

VGP PARK	LAND AREA (m^2)	POTENTIAL LETTABLE AREA (m^2)
VGP PARK HORNÍ POČERNICE	113,446	43,159
VGP PARK TURNOV VESECKO	21,873	13,000
VGP PARK PŘÍŠOVICE	4,856	3,500
VGP PARK MLADÁ BOLESLAV	50,906	24,430
VGP PARK NÝŘANY	59,514	21,814
VGP PARK OLOMOUC	93,933	36,900
VGP PARK HRADEC KRÁLOVÉ	34,772	12,535
VGP PARK LIBEREC	65,558	28,748
VGP PARK TUCHOMĚŘICE	58,701	26,610
VGP PARK HRÁDEK NAD NISOU	88,939	41,581
TOTAL	**592,498**	**252,277**

The above figures include the current projects under construction.

Europe

1 VGP PARK MALACKY, SLOVAKIA
2 VGP PARK GYŐR, HUNGARY
3 VGP PARK TIMISOARA, ROMANIA
4 VGP PARK KEKAVA, LATVIA
5 VGP PARK TALLINN, ESTONIA



VGP PARK MALACKY BUILDING A

Malacky, Slovakia

tenant	Benteler Automobiltechnik
lettable area (m²)	14,815
built	2009

VGP PARK GYŐR BUILDING A

Győr, Hungary

tenants	HL Display, Szemerey Transport, Skiny
lettable area (m²)	20,275
built	2009

VGP PARK TALLINN BUILDING A

Tallinn, Estonia

tenants	Humana Sorteerimiskeskus, Friends Textile, Prime Partner, BDP Eesti, HAVI Logistics, SELECT NOR
lettable area (m²)	26,709
built	2009

FUTURE DEVELOPMENT OUTSIDE CZECH REPUBLIC

VGP PARK	LAND AREA (m^2)	POTENTIAL LETTABLE AREA (m^2)
VGP PARK TALLINN	22,872	12,024
VGP PARK KEKAVA	83,173	34,400
VGP PARK GYŐR	68,501	25,564
VGP PARK MALACKY	188,993	75,600
VGP PARK TIMISOARA	193,208	57,900
TOTAL	**556,747**	**205,488**

FINANCIAL REVIEW VGP NV

For the year ended 31 December 2010

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

INCOME STATEMENT *(in thousands of €)*	NOTE	2010	2009
Gross rental income	3.1.	28,573	21,726
Service charge income	3.2.	6,803	4,829
Service charge expenses	3.3.	(6,279)	(4,343)
Property operating expenses	3.4.	(1,769)	(2,166)
Net rental and related income		**27,328**	**20,046**
Net valuation gains / (losses) on investment property	3.10.	22,759	(6,754)
Property result	3.13.	**50,087**	**13,292**
Administrative cost	3.5.	(1,891)	(2,431)
Other income	3.6.	716	715
Other expenses	3.7.	(634)	(569)
Net operating profit before net financial result		**48,278**	**11,007**
Financial income	3.8.	393	993
Financial expenses	3.8.	(14,240)	(11,369)
Net financial result		**(13,847)**	**(10,376)**
Result before taxes		**34,431**	**631**
Taxes	3.9.	(8,029)	545
Net result		**26,402**	**1,176**

RESULT PER SHARE	NOTE	2010	2009
Basic earnings per share (in €)	3.10.	1.42	0.06
Diluted earnings per share (in €)	3.10.	1.42	0.06

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

STATEMENT OF COMPREHENSIVE INCOME *(in thousands of €)*	**2010**	**2009**
Net result	**26,402**	**1,176**
Other comprehensive income / (loss)		
Interest rate hedging derivatives	(545)	(1,840)
Tax relating to components of other comprehensive income	104	350
Other comprehensive income / (loss) related to disposal group held for sale		
Interest rate hedging derivatives – disposal group held for sale	426	—
Tax relating to components of other comprehensive income	(81)	—
Net profit / (loss) recognised directly into equity	**(96)**	**(1,490)**
Total comprehensive income / (loss) of the period	**26,306**	**(314)**
Attributable to:		
Equity holders of the parent	26,306	(314)
Minority interests	—	—

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2010

ASSETS *(in thousands of €)*	**NOTE**	**2010**	**2009**
Intangible assets	3.14.	62	64
Investment property	3.11.	171,309	426,010
Investment property under construction	3.12.	15,673	2,095
Property, plant and equipment	3.14.	196	338
Deferred tax assets	3.9.	1,013	2,379
Total non-current assets		**188,253**	**430,886**
Trade and other receivables	3.15.	3,701	4,533
Cash and cash equivalents	3.16.	5,341	4,327
Disposal group held for sale	3.23.	299,942	—
Total current assets		**308,984**	**8,860**
TOTAL ASSETS		**497,237**	**439,746**

SHAREHOLDERS' EQUITY AND LIABILITIES *(in thousands of €)*	**NOTE**	**2010**	**2009**
Share capital	3.17.	62,251	62,251
Retained earnings		119,431	98,233
Other reserves	3.18.	(5,340)	(5,244)
Shareholders' equity		**176,342**	**155,240**
Non-current financial debt	3.19.	120,180	235,922
Other non-current financial liabilities	3.20.	758	10,243
Other non-current liabilities	3.21.	1,104	3,396
Deferred tax liabilities	3.9.	8,309	21,866
Total non-current liabilities		**130,351**	**271,427**
Current financial debt	3.19.	4,820	5,450
Other current financial liabilities	3.20.	—	272
Trade debts and other current liabilities	3.22.	10,074	7,357
Liabilities related to disposal group held for sale	3.23.	175,650	—
Total current liabilities		**190,544**	**13,079**
Total liabilities		**320,895**	**284,506**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**497,237**	**439,746**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

STATEMENT OF CHANGES IN EQUITY *(in thousands of €)*	SHARE CAPITAL	RETAINED EARNINGS	OTHER RESERVES		TOTAL EQUITY
			SHARE PREMIUM	HEDGING RESERVE	
Balance as at 1 January 2009	**62,251**	**97,057**	**69**	**(3,823)**	**155,555**
Other comprehensive income / (loss)	—	—	—	(1,490)	(1,490)
Result of financial year 2009	—	1,176	—		1,176
Total comprehensive income / (loss)	**—**	**1,176**	**—**	**(1,490)**	**(314)**
Balance as at 31 December 2009	**62,251**	**98,233**	**69**	**(5,313)**	**155,240**
Balance as at 1 January 2010	**62,251**	**98,233**	**69**	**(5,313)**	**155,240**
Other comprehensive income / (loss)	—	—	—	(96)	(96)
Result of financial year 2010	—	26,402	—	—	26,402
Total comprehensive income / (loss)	**—**	**26,402**	**—**	**(96)**	**26,306**
Dividends to shareholders of VGP NV	—	(5,204)	—	—	(5,204)
Balance as at 31 December 2010	**62,251**	**119,431**	**69**	**(5,409)**	**176,342**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

CASH FLOW STATEMENT *(in thousands of €)*	**2010**	**2009**
Cash flows from operating activities		
Result before taxes	34,431	631
Adjustments for:		
Depreciation	180	257
Change in value of investment property	(22,759)	6,754
Unrealised losses / (gains) on financial instruments	(506)	(4,283)
Net interest paid	15,849	14,259
Operating profit before changes in working capital and provisions	**27,195**	**17,618**
Decrease/(Increase) in trade and other receivables	(2,362)	6,490
(Decrease)/Increase in trade and other payables	4,716	(21,120)
Cash generated from the operations	**29,549**	**2,988**
Net Interest paid	(15,849)	(14,259)
Income taxes paid	(234)	27
Net cash from operating activities	**13,466**	**(11,244)**
Cash flows from investing activities		
Cash flow from investing activities	(30,791)	(40,680)
Net cash from investing activities	**(30,791)**	**(40,680)**
Cash flows from financing activities		
Gross dividends paid	(5,203)	—
Net Proceeds from the issue of share capital	—	—
Proceeds from loans	37,479	58,449
Loan repayments	(12,396)	(6,497)
Net cash from financing activities	**19,880**	**51,952**
Reclassification to (-) / from held for sale	(1,573)	—
Net increase / (decrease) in cash and cash equivalents	**982**	**28**
Cash and cash equivalents at the beginning of the period	4,327	4,289
Effect of exchange rate fluctuations	32	10
Cash and cash equivalents at the end of the period	5,341	4,327
Net increase / (decrease) in cash and cash equivalents	**982**	**28**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1 / SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

1.1 / STATEMENT OF COMPLIANCE

VGP NV (the "Company") is a limited liability company and was incorporated under Belgian law on 6 February 2007 for an indefinite period of time with its registered office located at Greenland – Burgemeester Etienne Demunterlaan 5 , 1090 Brussels, and the Company is registered under enterprise number 0887.216.042 (Register of Legal Entities Brussels, Belgium).

The Group is a real estate group specialised in the acquisition, development, and management of semi-industrial real estate. The Group focuses on strategically located plots of land in the mid-European region suitable for the development of semi-industrial business parks of a certain size, so as to build up an extensive and well-diversified property portfolio on top locations.

STATEMENT OF COMPLIANCE

The Company's consolidated financial statements include those of the Company and its subsidiaries (together referred to as "Group"). The consolidated financial statements were approved for issue by the board of directors on 26 April 2011. The consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) which have been adopted by the European Union.

These standards comprise all new and revised standards and interpretations published by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Interpretations Committee of the IASB, as far as applicable to the activities of the Group and effective as from 1 January 2010.

NEW STANDARDS AND INTERPRETATIONS APPLICABLE DURING 2010

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

— IFRS 3 *Business Combinations* (applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). This Standard replaces IFRS 3 Business Combinations as issued in 2004.
— Improvements to IFRS (2008-2009) (normally applicable for annual periods beginning on or after 1 January 2010)
— Amendment to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Additional exemptions* (applicable for annual periods beginning on or after 1 January 2010)
— Amendment to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* (applicable for annual periods beginning on or after 1 January 2010)
— Amendment to IAS 27 *Consolidated and Separate Financial Statements* (applicable for annual periods beginning on or after 1 July 2009). This Standard amends IAS 27 Consolidated and Separate Financial Statements (revised 2003).
— Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (applicable for annual periods beginning on or after 1 July 2009).
— IFRIC 12 *Service Concession Arrangements* (applicable for annual periods beginning on or after 1 April 2009)
— IFRIC 15 *Agreements for the construction of real estate* (applicable for annual periods beginning on or after 1 January 2010)
— IFRIC 16 *Hedges of a net investment in a foreign operation* (applicable for accounting years beginning on or after 1 July 2009)
— IFRIC 17 *Distributions of Non-cash Assets to Owners* (applicable for annual periods beginning on or after 1 November 2009)
— IFRIC 18 *Transfers of Assets from Customers* (applicable for annual periods beginning on or after 1 November 2009)

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

NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE DURING 2010

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied when preparing financial statements:

— IFRS 9 *Financial Instruments* (applicable for annual periods beginning on or after 1 January 2013)
— Improvements to IFRS (2009-2010) (normally applicable for annual periods beginning on or after 1 January 2011)
— Amendment to IFRS 1 *First Time Adoption of International Financial Reporting Standards – IFRS*

7 exemptions (applicable for annual periods beginning on or after 1 July 2010)
— Amendment to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (applicable for annual periods beginning on or after 1 July 2011)
— Amendment to IFRS 7 *Financial Instruments: Disclosures – Derecognition* (applicable for annual periods beginning on or after 1 July 2011)
— Amendment to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2012)
— Amendment to IAS 24 *Related Party Disclosures* (applicable for annual periods beginning on or after 1 January 2011). This Standard supersedes IAS 24 Related Party Disclosures as issued in 2003.
— Amendments to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (applicable for annual periods beginning on or after 1 February 2010)
— IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (applicable for annual periods beginning on or after 1 July 2010)
— Amendment to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement* (applicable for annual periods beginning on or after 1 January 2011)

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

1.2 / GENERAL PRINCIPLES

BASIS OF PREPARATION

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

The consolidated financial statements include all the subsidiaries that are controlled by the Group. Control exists when the company has the power to govern the financial and operating policies and obtains the benefits from the entity's activities. Control is presumed to exist when the company owns, directly or indirectly, more than 50 % of an entity's voting rights of the share capital. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
— Derecognises the assets (including goodwill) and liabilities of the subsidiary
— Derecognises the carrying amount of any non-controlling interest
— Derecognises the cumulative translation differences, recorded in equity
— Recognises the fair value of the consideration received
— Recognises the fair value of any investment retained
— Recognises any surplus or deficit in profit or loss
— Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

FOREIGN CURRENCY

The consolidated financial statements are presented in Euro (€), rounded to the nearest thousand. The Euro is the functional currency of all Group subsidiaries. Euro is commonly used for transactions in the European real estate market.

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

The following exchange rates were used during the period:

DATE	CZECH REPUBLIC	CLOSING RATE
31 December 2010	CZK/EUR	25.0600
31 December 2009	CZK/EUR	26.4650

DATE	ESTONIA	CLOSING RATE
31 December 2010	EEK/EUR	15.6466
31 December 2009	EEK/EUR	15.6466

DATE	ROMANIA	CLOSING RATE
31 December 2010	RON/EUR	4.2848
31 December 2009	RON/EUR	4.2282

DATE	LATVIA	CLOSING RATE
31 December 2010	LVL/EUR	0.702804
31 December 2009	LVL/EUR	0.702804

DATE	HUNGARY	CLOSING RATE
31 December 2010	HUF/EUR	278.7500
31 December 2009	HUF/EUR	270.8400

USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The main sources of estimates are the valuations made of the property portfolio by the independent external valuation expert. The main uncertainties surrounding the valuation of the portfolio property relate to the current relatively low levels of liquidity in the real estate market and the reduced transactions, resulting in a lack of clarity as to pricing levels and the market drivers. Many transactions that are occurring involve vendors who are more compelled to sell, or purchasers who will only buy at discounted prices. In this environment, prices and values are going through a period of heightened volatility. As a result there is less certainty with regard to valuations with the result that market values can change rapidly in the current market conditions. The estimates used by the valuation expert have been significantly mitigated due to the fact that the Company has concluded an agreement for the potential sale of an 80% equity interest in VGP CZ I a.s. creating a benchmark market price for prime semi-industrial real estate in Prague (Czech Republic). Another source of estimates are the estimations of the fair values of derivative financial instruments.

As of 31 December 2010, there are no other significant assumptions concerning the future and other key sources of estimation uncertainty on the balance sheet, which would carry a significant risk of material adjustment to the book value of assets and liabilities for the next financial year

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

1.3 / BALANCE SHEET ITEMS

INVESTMENT PROPERTY

Investment properties, which incorporate land held for development, are held to earn rental income, for capital appreciation, or for both. Investment properties are stated at fair value. An external independent valuation expert with recognised professional qualifications and experience in the location and category of the property being valued, values the portfolio at least annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Land of which the Group has full ownership and on which the Group intends or has started construction (so called "development land") is immediately classified as investment property and as such valued at fair value.

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

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 properties and the basis of valuation the valuation expert, Jones Lang LaSalle, adopted the Income Approach based on the discounted cash flow technique for a 10 year period. The cash flow assumes a ten-year hold period with the exit value calculated on the Estimated Rental Value (ERV). To calculate the exit value the valuation expert has used the exit yield which represents his assumption of the possible yield in the 10th year.

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. After the termination of existing leases (first break option) the valuator has assumed a certain expiry void i.e. an expiry void of 4 months for industrial premises and 6 months for office premises. The assumed voids are used to cover the time and the cost of marketing, re-letting and possible reconstruction. For currently vacant industrial and office premises an initial void of 8 months has been assumed. Finally the valuator made

a general deduction of 0%-2% from the gross income for an on-going vacancy.

Valuations reflect, where appropriate, the type of tenants actually occupying the property or responsible for meeting the lease commitments or likely to be occupying the property after letting vacant accommodation and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices, and where appropriate counter notices, have been served validly and within the appropriate time.

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

INVESTMENT PROPERTY UNDER CONSTRUCTION

Property that is being constructed or developed for future use as investment property is classified as investment property under construction and stated at fair value. The investment properties under construction are valued by the same independent valuation expert i.e. Jones Lang LaSalle. 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.

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

CAPITALISATION OF BORROWING COSTS

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

PROPERTY, PLANT AND EQUIPMENT

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy "Impairment on other tangible assets and intangible assets"). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing building items and restoring the building site at which they are located, and an appropriate proportion of production overheads.

Where components of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Group recognises in the carrying amount the cost of replacing part of an item of property, plant and equipment at the time that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated income statement as expenses at the time they are incurred.

Depreciation

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

ASSETS	2010	2009
Motor vehicles	4 years	4 years
Other equipment	4-6 years	4-6 years

The residual value, if not insignificant, is reassessed annually.

TRADE AND OTHER RECEIVABLES

Trade receivables do not carry any interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash-flow statement.

INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated income statement over the period of the borrowings on an effective interest basis. The Group classifies as a current portion any part of long-term loans that is due to be settled within one year from the balance sheet date.

TRADE AND OTHER PAYABLES

Trade and other payables are stated at amortised cost.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Hedging derivatives are defined as derivatives that comply with the company's risk management strategy, the hedging relationship is formally documented and the hedge is effective, that is, at inception and throughout the period,

changes in the fair value or cash flows of the hedged and hedging items are almost fully offset and the results are within a range of 80 percent to 125 percent.

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

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

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

IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

REVERSALS OF IMPAIRMENT

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

PROVISIONS

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

1.4 / INCOME STATEMENT ITEMS

RENTAL INCOME

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

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

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

EXPENSES

Service costs and property operating expenses

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

Leases as lessee

All leases where VGP act as a lessee are operational leases. The leased assets are not recognised on the balance sheet. Payments are recognised in profit and loss on a straight line basis over the term of the lease.

Net financial result

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

Income tax

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

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

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

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

2 / SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic area (geographic segment) and which is subject to risks and rewards that are different from those of other segments. As the majority of the assets of the Group are geographically located in the Czech Republic a distinction between the Czech Republic and the other countries ("Other countries") has been made. The segment assets include all items directly attributable to the segment as well as those elements that can reasonably be allocated to a segment (financial assets and income tax receivables are therefore part of segment assets). Unallocated amounts include the administrative costs incurred for the Group's supporting functions. Rent income is coming from semi-industrial buildings (96.9%) and offices (3.1%). There is no risk concentration in terms of income contribution from a single tenant.

INCOME STATEMENT *In thousands of €*	**CZECH REPUBLIC**	
	2010	**2009**
Gross rental income	26,835	21,477
Service charge income / (expenses)	515	485
Property operating expenses	(1,655)	(1,987)
Net rental and related income	**25,695**	**19,975**
Other income / (expenses)- incl. administrative costs	(457)	(560)
Operating result (before result on portfolio)	**25,238**	**19,415**
Net valuation gains / (losses) on investment property	22,514	(5,398)
Operating result (after result on portfolio)	**47,752**	**14,017**
Net financial result	—	—
Taxes	—	—
Net result	—	—

BALANCE SHEET *In thousands of €*	**CZECH REPUBLIC**	
	2010	**2009**
Assets		
Investment property	119,289	378,633
Investment property under construction	14,523	1,271
Other assets (incl. deferred tax)	5,741	6,406
Disposal group held for sale	299,942	—
Total assets	**439,494**	**386,310**
Shareholders' equity and liabilities		
Shareholders' equity	—	—
Total liabilities	—	—
Liabilities related to disposal group held for sale	—	—
Total shareholders' equity and liabilities	—	—

	OTHER COUNTRIES		UNALLOCATED AMOUNTS		TOTAL	
	2010	2009	2010	2009	2010	2009
	1,738	249	—	—	28,573	21,726
	9	1	—	—	524	486
	(114)	(179)	—	—	(1,769)	(2,166)
	1,633	**71**	**—**	**—**	**27,328**	**20,046**
	(305)	(430)	(1,048)	(1,295)	(1,810)	(2,285)
	1,328	**(359)**	**(1,048)**	**(1,295)**	**25,518**	**17,761**
	245	(1,356)	—	—	22,759	(6,754)
	1,573	**(1,715)**	**(1,048)**	**(1,295)**	**48,277**	**11,007**
	—		**(13,847)**	**(10,376)**	**(13,847)**	**(10,376)**
	—	**—**	**(8,028)**	**545**	**(8,028)**	**545**
	—	**—**	**26,402**	**1,176**	**26,402**	**1,176**

	OTHER COUNTRIES		UNALLOCATED AMOUNTS		TOTAL	
	2010	2009	2010	2009	2010	2009
	52,020	47,377	—	—	171,309	426,010
	1,150	824	—	—	15,673	2,095
	4,572	5,235	—	—	10,313	11,641
	—	—	—	—	299,942	
	57,742	**53,436**	**—**	**—**	**497,237**	**439,746**
	—	—	176,342	155,240	176,342	155,240
	—	—	145,245	284,506	145,245	284,506
	—	—	175,650	—	175,650	
	—	**—**	**497,237**	**439,746**	**497,237**	**439,746**

3 / SUPPORTING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.1 / GROSS RENTAL INCOME

In thousands of €	2010	2009
Gross lease payments collected/accrued	27,839	21,308
Rent indexation and discounts	734	418
Total	**28,573**	**21,726**

The Group leases out its investment property under operating leases. The operating leases are generally for terms of more than 5 years. As at 31 December 2010 the weighted average term of the committed leases was 5.81 years.

3.2 / SERVICE CHARGE INCOME

In thousands of €	2010	2009
Recharge of costs borne by tenants	6,082	4,337
Administration fees	721	492
Total	**6,803**	**4,829**

Service charge income represents income receivable from tenants for energy, maintenance, cleaning, security, garbage management and usage of infrastructure which relates to the service charge expenses charged to the Group.

3.3 / SERVICE CHARGE EXPENSES

In thousands of €	2010	2009
Energy	(3,761)	(3,041)
Repairs, maintenance and cleaning	(133)	(164)
Property taxes	(338)	(126)
Others	(2,047)	(1,012)
Total	**(6,279)**	**(4,343)**

3.4 / PROPERTY OPERATING EXPENSES

In thousands of €	2010	2009
Consultancy fees (lawyers, brokers and others)	(1,334)	(1,318)
Other	(435)	(848)
Total	**(1,769)**	**(2,166)**

Property operating expenses mainly include lawyer and broker fees with respect to the conclusion of new rental agreements on completed investment property.

3.5 / ADMINISTRATIVE COST

In thousands of €	2010	2009
Audit, legal and other advisors	(955)	(977)
Payroll, management fees and other expenses	(756)	(1,197)
Depreciation	(180)	(257)
Total	**(1,891)**	**(2,431)**

3.6 / OTHER INCOME

In thousands of €	2010	2009
Operating result from engineering activities	706	339
Other operating income	10	376
Total	**716**	**715**

3.7 / OTHER EXPENSES

In thousands of €	2010	2009
Marketing expenses	(589)	(438)
Other operating expenses	(45)	(131)
Total	**(634)**	**(569)**

3.8 / NET FINANCIAL RESULT

In thousands of €	2010	2009
Bank interest income	29	9
Other financial income	17	98
Net foreign exchange gains	—	886
Unrealised gains on interest rate derivatives	347	—
Financial income	**393**	**993**
Bank interest expense – variable debt	(5,370)	(5,139)
Bank interest expense – interest rate swaps - hedging	(3,543)	(2,635)
Bank interest expense – interest rate swaps – non-hedging	(1,560)	(1,222)
Interest paid to related parties	(5,119)	(4,813)
Interest capitalised into investment property and property under construction	1,879	3,902
Other financial expenses	(303)	(557)
Unrealised losses on interest rate derivatives	—	(905)
Net foreign exchange losses	(224)	—
Financial expenses	**(14,240)**	**(11,369)**
Net financial result	**(13,847)**	**(10,376)**

3.9 / TAXATION

3.9.1 / INCOME TAX EXPENSE RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

In thousands of €	2010	2009
Current tax	(234)	26
Deferred tax	(7,795)	519
Total	**(8,029)**	**545**

3.9.2 / RECONCILIATION OF EFFECTIVE TAX RATE

In thousands of €		2010		2009
Result before taxes		34,430		631
Income tax using the domestic corporation tax rate	19.0%	(6,542)	19.0%	(120)
Difference in tax rate non-CZ companies		(865)		(48)
Non-tax-deductible expenditure		(1,537)		(85)
Non recognition of deferred tax assets		1,146		656
Other		(229)		142
Total	**23.3%**	**(8,029)**	**-86.5%**	**545**

The majority of the Group's profit before taxes is earned in the Czech Republic. Hence the effective corporate tax rate in Czech Republic is applied for the reconciliation

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

In thousands of €	< 1 YEAR	2-5 YEARS	>5 YEARS
Tax loss carry forward	1,672	38,884	1,954

3.9.3 / DEFERRED TAX ASSETS AND LIABILITIES

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

In thousands of €	ASSETS		LIABILITIES		NET	
	2010	2009	2010	2009	2010	2009
Fixed assets	22,470	21,635	(54,798)	(47,431)	(32,328)	(25,796)
IFRS hedge accounting	1,269	1,290	—	—	1,269	1,290
Tax losses carried-forward	7,083	7,464	—	—	7,083	7,464
Capitalized interest	—	—	(2,635)	(2,192)	(2,635)	(2,192)
Capitalised cost	—	—	(155)	(156)	(155)	(156)
Other	—	—	(526)	(97)	(526)	(97)
Tax assets / (liabilities)	**30,822**	**30,389**	**(58,114)**	**(49,876)**	**(27,292)**	**(19,487)**
Set-off of assets and liabilities	(28,809)	(28,010)	28,809	28,010	—	—
Net tax assets / (liabilities)	**1,013**	**2,379**	**(28,305)**	**(21,866)**	**(27,292)**	**(19,487)**

The total deferred tax recognised in equity amounts to € 1,269k; a total deferred tax assets of € 226k was not recognised.

3.10 / EARNINGS PER SHARE

In number	2010	2009
Weighted average number of ordinary shares (basic)	18,583,050	18,583,050
Dilution	—	—
Weighted average number of ordinary shares (diluted)	18,583,050	18,583,050

In thousands of €	2010	2009
Result for the period attributable to the Group and to ordinary shareholders	26,402	1,176
Earnings per share (in €) - basic	1.42	0.06
Earnings per share (in €) - diluted	1.42	0.06

3.11 / INVESTMENT PROPERTY

In thousands of €	2010	2009
Balance at 1 January	**426,010**	**351,886**
Capital expenditure	4,820	8,152
Capitalised interest	1,050	1,729
Acquisitions	—	—
Transfer from investment property under construction	25,273	86,881
Increase / (Decrease) in fair value	7,310	(22,638)
Reclassification to (-) / from held for sale	(293,154)	
Balance at 31 December	**171,309**	**426,010**

Investment property comprises a number of commercial properties that are leased to third parties and land held for development. The carrying amount of investment property is the fair value of the property as determined by the external independent valuation expert, Jones Lang LaSalle.

As at 31 December 2010 most properties were secured in favour of the Group's banks (see note 3.19).

3.12 / INVESTMENT PROPERTY UNDER CONSTRUCTION

In thousands of €	2010	2009
Balance at 1 January	**2,095**	**42,141**
Capital expenditure	24,059	28,778
Capitalised interest	829	2,173
Acquisitions	—	—
Transfer to investment property	(25,273)	(86,681)
Increase / (Decrease) in fair value	15,449	15,884
Reclassification to (-) / from held for sale	(1,486)	—
Balance at 31 December	**15,673**	**2,095**

3.13 / BREAKDOWN OF THE CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES

In thousands of €	2010	2009
Investment property	(942)	(6,909)
Investment property under construction	14,712	155
Disposal group held for sale	8,989	—
Total	**22,759**	**(6,754)**

The total property portfolio (excluding development land) is valued by the valuation expert at 31 December 2010 based on a market rate of 8.35% applied to the contractual rents increased by the estimated rental value on unlet space. A 0.10% variation of this market rate would give rise to a variation of the total portfolio value of € 5.5 million.

3.14 / INTANGIBLE ASSETS AND OTHER TANGIBLE ASSETS

In thousands of €	INTANGIBLE ASSETS		TANGIBLE ASSETS	
	2010	2009	2010	2009
Balance at 1 January	**64**	**10**	**338**	**409**
Acquisitions of the year				
IT software	10	57	—	—
Plant and equipment	—	—	20	99
Furniture and fixtures	—	—		19
Motor vehicles	—	—	(47)	—
Other	13	—	10	4
Reclassification to (-) / from held for sale	—	—	(97)	—
	23	**57**	**(114)**	**122**
Depreciation of the year				
IT software	(23)	(3)	—	—
Plant and equipment	—	—	(17)	(21)
Furniture and fixtures	—	—	(5)	(11)
Motor vehicles	—	—	(12)	(142)
Other	(2)	—	(11)	(19)
Reclassification to (-) / from held for sale	—	—	17	—
	(25)	**(3)**	**(28)**	**(193)**
At 31 December	**62**	**64**	**196**	**338**

3.15 / TRADE AND OTHER RECEIVABLES

In thousands of €	2010	2009
Trade receivables	2,667	1,501
Tax receivables - VAT	1,409	616
Accrued income and deferred charges	3,188	2,340
Other receivables	85	76
Reclassification to (-) / from held for sale	(3,648)	—
Total	**3,701**	**4,533**

3.16 / CASH AND CASH EQUIVALENT

The Group's cash and cash equivalents comprise primarily cash deposits held at Czech and Belgian banks

3.17 / SHARE CAPITAL

		SHARE CAPITAL MOVEMENT	TOTAL OUTSTANDING SHARE CAPITAL AFTER THE TRANSACTION	NUMBER OF SHARES ISSUED	TOTAL NUMBER OF SHARES
		(in thousands of €)	*(in thousands of €)*	*(in units)*	*(in units)*
01.01.2006	Cumulative share capital of all Czech companies	10,969	10,969	—	—
06.02.2007	Incorporation of VGP NV	100	11,069	100	100
05.11.2007	Share split	—	11,069	7,090,400	7,090,500
11.12.2007	Contribution in kind of Czech companies	120,620	131,689	7,909,500	15,000,000
11.12.2007	Capital increase IPO	50,000	181,689	3,278,688	18,278,688
28.12.2007	Exercise of over allotment option - IPO	4,642	186,331	304,362	18,583,050
31.12.2007	Elimination capital increase – contribution in kind	(120,620)	65,711	—	18,583,050
31.12.2007	Issuing costs capital increase	(3,460)	62,251	—	18,583,050

3.18 / OTHER RESERVES

CARRYING AMOUNT

In thousands of €	2010	2009
Share premium	69	69
Hedging reserve	(5,409)	(5,313)
Total	**(5,340)**	**(5,244)**

HEDGING RESERVE

In thousands of €	2010	2009
As at 1 January	**(5,313)**	**(3,823)**
Gains / (loss) recognised on cash flow hedges		
Interest rate swaps	(3,662)	(4,475)
Reclassified to profit or loss		
Interest rate swaps	(3,543)	2,635
Income tax related to gains/losses recognised in other comprehensive income	23	350
As at 31 December	**(5,409)**	**(5,313)**

3.19 / CURRENT AND NON-CURRENT FINANCIAL DEBT

In thousands of €	2010	2009
Loans from related parties VM Invest NV	71,803	73,087
Non-current bank loans	185,249	162,035
Current bank loans	9,416	6,250
Reclassification to liabilities related to disposal group held for sale	(141,468)	—
Total	**125,000**	**241,372**

Interest bearing loans and borrowings are payable as follows:

MATURITY *In thousands of €*	2010		
	< 1 YEAR	> 1-5 YEARS	> 5 YEARS
Loans granted by VM Invest NV	—	71,803	—
Non-current bank loans	9,416	184,649	600
Reclassification to liabilities related to disposal group held for sale	(4,596)	(136,872)	—
Total	**4,820**	**119,580**	**600**

MATURITY *In thousands of €*	2009		
	< 1 YEAR	> 1-5 YEARS	> 5 YEARS
Loans granted by VM Invest NV	—	73,087	—
Non-current bank loans	5,450	162,035	800
Total	5,450	235,122	800

SECURED BANK LOANS

The loans granted to the VGP Group are all denominated in € and can be summarised as follows:

2010 *In thousands of €*	FACILITY AMOUNT	FACILITY EXPIRY DATE	OUTSTANDING BALANCE	< 1 YEAR	> 1-5 YEARS	> 5 YEARS
KBC Bank / CSOB/ CA	141,468	30-Jun-13	141,468	4,596	136,872	—
UniCredit Bank/LBBW	65,224	31-Dec-14	43,779	1,291	42,488	—
Tatra Banka	3,000	31-Dec-11	3,000	3,000	—	—
Tatra Banka	1,600	31-Dec-18	1,600	200	800	600
Swedbank	4,818	12-May-13	4,818	329	4,489	—
Total	**216,110**		**194,665**	**9,416**	**184,649**	**600**

2009 *In thousands of €*	FACILITY AMOUNT	FACILITY EXPIRY DATE	OUTSTANDING BALANCE	< 1 YEAR	> 1-5 YEARS	> 5 YEARS
KBC Bank / CSOB/ CA	126,130	30-Jun-12	126,130	4,121	122,009	—
UniCredit Bank/LBBW	66,100	31-Dec-14	37,546	912	36,634	—
Tatra Banka	3,400	31-Dec-11	3,400	400	3,000	—
Tatra Banka	1,800	31-Dec-18	1,800	200	800	800
Total	**197,430**		**168,876**	**5,633**	**162,443**	**800**

In order to secure the obligations under these agreements, the Group created:
— Mortgage agreement over the existing properties;
— Mortgage agreement over the land acquired prior to the date of the agreement;
— Agreement on future mortgage agreement with respect to the remaining part of the project land and project buildings;
— Pledge all existing and future receivables;
— Pledge over the shares whereby VGP NV as the pledgor and the security agent as the pledgee enter into the Share Pledge Agreement. All shares issued by the borrower are pledged in favour of the security agent;
— Pledge of rental fee revenues and guarantees;
— Pledge of bank accounts receivables;
— Pledge of rights and receivables under the construction contracts.

As at the 31 December 2010 the mortgage agreements over the Czech assets have been provided for a total amount of € 263,122k against € 231,160k as at 31 December 2009

INTEREST RATE SWAPS

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

For further information on financial instruments we refer to note 3.24.

EVENTS OF DEFAULTS AND BREACHES OF LOAN COVENANTS

The loan agreements granted by the banks are subject to a number of covenants which can be summarised as follows:
— Loan to cost ratio for development loan tranches between 50% - 70% of investment cost;
— Loan to value ratio for investment loan tranches equal or less than 65%;
— Consolidated financial debt/equity ratio equals or is less than 2.0 ;
— Debt service cover ratio equal or higher than 1.2 ;
— Interest cover ratio equal or higher than 1.2. For some loan agreements this ratio varies over the term of the credit facility between 1.2 and 1.3;
— Pre-lease requirement to ensure that interest cover ratio equal or higher than 1.2 is achieved or alternatively pre-lease requirement ranging from 35% to 70%.

The above mentioned ratio's are tested based on a 12 month period and are calculated as follows:
— Loan to cost ratio means in respect of a project the aggregate loans divided by the total investment costs;
— Loan to value ratio means in respect of a project the aggregate loans divided by the open market value as valued by an independent valuator;
— Debt service cover ratio means cash available for debt service divided by debt service whereby debt service means the aggregate amount of financial expenses due and payable together with any loan principal due and payable;
— Interest cover ratio means in respect of a project the net rent income divided by the aggregate amount of the financial expenses due and payable.

During the year there were no events of default nor were there any breaches of covenants with respect to loan agreements.

3.20 / OTHER FINANCIAL LIABILITIES

In thousands of €	2010	2009
Fair value of interest rate swaps – hedge accounting	6,677	6,791
Fair value of interest rate swaps – held for trading	3,106	3,452
Fair value of foreign exchange contracts	—	272
Reclassification to liabilities related to disposal group held for sale	(9,025)	—
Total	**758**	**10,515**
Non-current	9,783	10,243
Current	—	272
Fair value of interest rate swaps – associated with disposal group held for sale	(9,025)	—
Total	**758**	**10,515**

3.21 / OTHER NON-CURRENT LIABILITIES

In thousands of €	2010	2009
Deposits	2,482	1,779
Retentions	1,158	1,584
Other non-current liabilities	23	33
Reclassification to liabilities related to disposal group held for sale	(2,559)	—
Total	**1,104**	**3,396**

Deposits are received from tenants. Retentions are amounts withheld from constructors' invoices. It is common to pay only 90 percent of the total amount due. 5 percent is due upon final delivery of the building; the remaining part is paid, based on individual agreements, most commonly after 3 or 5 years.

3.22 / TRADE DEBTS AND OTHER CURRENT LIABILITIES

In thousands of €	2010	2009
Trade payables	9,016	4,493
Retentions	1,179	1,069
Accrued expenses and deferred income	663	297
Other payables	1,816	1,498
Reclassification to liabilities related to disposal group held for sale	(2,600)	—
Total	**10,074**	**7,357**

3.23 / ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH THOSE ASSETS

The assets held for sale are an important item in the comparative 2010 figures in this annual report.

On 2 December 2010 VGP concluded an agreement for the potential sale of an 80% equity interest in VGP CZ I a.s. to the European Property Investors Special Opportunities, L.P. (EPISO), a property fund co-advised by AEW Europe and Tristan Capital Partners, which would assume the role as new capital partner for 6 VGP Parks mainly located in the Prague region. The sale was completed on 16 March 2011.

As a result the assets of VGP CZ I a.s. were reclassified as disposal group held for sale as at 31 December 2010.

The net assets of VGP CZ I a.s. were as follows:

(in thousands of €)	**2010**
Investment property	293,156
Investment property under construction	1,486
Property, plant and equipment	80
Deferred tax assets	—
Trade and other receivables	3,647
Cash and cash equivalents	1,573
Disposal group held for sale	**299,942**
Non-current financial debt	(136,872)
Other non-current financial liabilities	(9,025)
Other non-current liabilities	(2,559)
Deferred tax liabilities	(19,998)
Current financial debt	(4,596)
Trade debts and other current liabilities	(2,600)
Liabilities related to disposal group held for sale	**(175,650)**
Total net assets	**124,292**

3.24 / FINANCIAL INSTRUMENTS

3.24.1 / TERMS, CONDITIONS AND RISK MANAGEMENT

Exposures to foreign currency, interest rate, liquidity and credit risk arises in the normal course of business of VGP.

The company analyses and reviews each of these risks and defines strategies to manage the economic impact on the company's performance. The results of these risk assessments and proposed risk strategies is reviewed and approved by the board of directors on regular basis.

Some of the risk management strategies include the use of derivative financial instruments which mainly consists of forward exchange contracts and interest rate swaps. The company holds no derivative instruments nor would it issue any for speculative purposes.

The following table provides an overview of the derivative financial instruments as at 31 December 2010. The amounts shown are the notional amounts:

DERIVATIVES *In thousands of €*	**2010**			**2009**		
	< 1 YEAR	**1-5 YEARS**	**> 5 YEARS**	**< 1 YEAR**	**1-5 YEARS**	**> 5 YEARS**
Foreign currency						
Forward exchange contracts	—	—	—	11,336	—	—
Interest rates						
Interest rate swaps	—	146,067	—	—	141,457	—

We also refer to note 3.24.3.

3.24.2 / FOREIGN CURRENCY RISK

VGP incurs principally foreign currency risk on its capital expenditure as well as on some of its borrowings and net interest expense/income.

VGP's policy is to economically hedge its capital expenditure as soon as a firm commitment arises, to the extent that the cost to hedge outweighs the benefit and in the absence of special features which require a different view to be taken.

The table below summarises the Group's main net foreign currency positions at the reporting date. Since the Group has elected not to apply hedge accounting, the following table does not include the forecasted transactions. However the derivatives the Group has entered into, to economically hedge the forecasted transactions, are included.

In thousands of €	**2010**				
	CZK	**EEK**	**HUF**	**RON**	**LVL**
Trade & other receivables	68,397	—	1,272	651	71
Non-current liabilities and trade & other payables	(307,694)	—	(3,132)	(78)	(2)
Gross balance sheet exposure	**(239,297)**	**—**	**(1,860)**	**573**	**69**
Forward foreign exchange	—	—	—	—	—
Net exposure	**(239,297)**	**—**	**(1,860)**	**573**	**69**

The EEK converted to the EUR as from 1 January 2011 and consequently the EEK has been excluded from the 2010 figures.

In thousands of €	2009				
	CZK	EEK	HUF	RON	LVL
Trade & other receivables	37,469	183	4,351	461	66
Non-current liabilities and trade & other payables	(211,416)	(69)	(1,256)	—	(138)
Gross balance sheet exposure	**(173,947)**	**114**	**3,095**	**461**	**(72)**
Forward foreign exchange	300,000	—	—	—	—
Net exposure	**126,053**	**114**	**3,095**	**461**	**(72)**

The following significant exchange rates applied during the year:

1 € =	2010	2009
	CLOSING RATE	CLOSING RATE
CZK	25.060000	26.465000
EEK	15.646600	15.646600
RON	4.2848000	4.228200
LVL	0.702804	0.702804
HUF	278.750000	270.840000

SENSITIVITY

A 10 percent strengthening of the euro against the following currencies at 31 December 2010 would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

EFFECTS *In thousands of €*	2010	
	EQUITY	PROFIT OR (LOSS)
CZK	—	868
EEK	—	—
HUF	—	1
RON	—	(12)
LVL	—	(9)
Total	**—**	**848**

EFFECTS *In thousands of €*	2009	
	EQUITY	PROFIT OR (LOSS)
CZK	—	(433)
EEK	—	(1)
HUF	—	(1)
RON	—	(10)
LVL	—	9
Total	**—**	**(436)**

A 10 percent weakening of the euro against the above currencies at 31 December 2010 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

3.24.3 / INTEREST RATE RISK

The Group applies a dynamic interest rate hedging approach whereby the target mix between fixed and floating rate debt is reviewed periodically. These reviews are carried out within the confines of the existing loan agreements which require that interest rate exposure is to be hedged when certain conditions are met.

Where possible the Group will apply IAS 39 to reduce income volatility whereby some of the interest rate swaps may be classified as cash flow hedges. Changes in the value of a hedging instrument that qualifies as highly effective cash flow hedges are recognised directly in shareholders' equity (hedging reserve).

The Group also uses interest rate swaps that do not satisfy the hedge accounting criteria under IAS 39 but provide effective economic hedges. Changes in fair value of such interest rate swaps are recognised immediately in the income statement. (interest rate swaps held for trading).

At the reporting date the Group interest rate profile of the Group's financial instruments was:

In thousands of € - Nominal amounts	2010	2009
Financial debt		
Fixed rate		
Shareholder loans	71,803	73,087
Variable rate		
Shareholder loans	—	—
Bank debt	194,665	168,876
Reclassified to liabilities related to disposal group held for sale	(141,468)	—
	53,197	**168,876**
Interest rate hedging		
Interest rate swaps		
Held for trading	40,000	40,000
In connection with cash flow hedges	106,067	101,457
Reclassified to liabilities related to disposal group held for sale	(120,000)	—
	26,067	**141,457**
Financial debt after hedging		
Variable rate		
Bank debt	27,130	27,419
Fixed rate		
Shareholder loans	71,803	73,087
Bank debt	26,067	141,457
	98,870	**214,544**
Fixed rate / total financial liabilities	**78.3%**	**88.7%**

The shareholder loans are at a fixed interest rate of 7.00% per annum.

The effective interest rate on bank debt, including all bank margins and cost of interest rate hedging instruments was 5.72 % for the year 2010. The effective interest rate on total financial debt was 6.08% for the year 2010.

SENSITIVITY ANALYSIS FOR CHANGE IN INTEREST RATES OF PROFIT

In case of an increase / decrease of 100 basis points in the interest rates, profit before taxes would have been € 445k lower/higher (as compared to € 181k lower/higher profit before taxes for 2009). This impact comes from a change in the floating rate debt and interest rate swaps, with all variables held constant.

SENSITIVITY ANALYSIS FOR CHANGES IN INTEREST RATE OF OTHER COMPREHENSIVE INCOME

An increase / decrease of 100 basis points in the interest rates on the cash flow hedges at the reporting date, with all variables held constant, would have resulted in a € 121k positive / negative effect on the other comprehensive income for 2010 as compared to € 248k positive / negative effect on other comprehensive income for 2009.

3.24.4 / CREDIT RISK

Credit risk is the risk of financial loss to VGP if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from VGP's receivables from customers and bank deposits.

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Each new tenant is analysed individually for creditworthiness before VGP offers a lease agreement. In addition the Group applies a strict policy of rent guarantee whereby, in general, each tenant is required to provide a rent guarantee for 6 months. This period will vary in function of the creditworthiness of the tenant.

At the balance sheet date there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The maximum exposure to credit risk at the reporting date was:

In thousands of €	2010 CARRYING AMOUNT	2009 CARRYING AMOUNT
Trade & other receivables	3,701	4,533
Cash and cash equivalents	5,341	4,327
Total	**9,042**	**8,860**

The aging of trade receivables at the reporting date was:

In thousands of €	2010 CARRYING AMOUNT	2009 CARRYING AMOUNT
Not past due	1,513	694
Past due < 30 days	841	670
> 30- 60 days	131	36
> 60-90 days	124	8
> 90 days	58	93
Total	**2,667**	**1,501**

At the reporting date the outstanding trade receivables were covered by rent guarantees totalling € 5,955k compared to € 3,733k as at 31 December 2009.

There were impairments for a total amount of € 59k recognised during the year:

In thousands of €	2010	2009
Gross amount trade receivables	3,486	2,261
Allowance for bad debts (impaired)	(819)	(760)
Net carrying amount trade receivables	**2,667**	**1,501**

The allowance for bad debts relates to trade receivables > 90 days.

3.24.5 / LIQUIDITY RISK

The company manages its liquidity risk by ensuring that it has sufficient available credit facilities and by matching as much as possible its receipts and payments.

The following are contractual maturities of financial liabilities, including interest payments and derivative financial assets and liabilities.

In thousands of €	2010					
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	< 1 YEAR	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Non- financial liabilities						
Accrued expenses and deferred income	663	(663)	(663)	—	—	—
Reclassification to liabilities related to disposal group held for sale	(363)	363	363	—	—	—
Financial liabilities						
At amortised cost						
Financial liabilities	12,011	(12,011)	(12,011)	—	—	—
Shareholder loans	71,803	(91,908)	(5,026)	(5,026)	(81,855)	—
Secured bank loans	194,665	(232,796)	(26,987)	(25,997)	(178,920)	(892)
Reclassification to liabilities related to disposal group held for sale	(143,706)	179,242	19,459	19,566	140,218	—
Hedging derivatives						
Interest rate derivatives	6,677	(8,749)	(3,278)	(3,283)	(2,188)	—
Non-hedging derivatives						
Interest rate derivatives	3,106	(3,637)	(1,455)	(1,467)	(715)	—
Foreign exchange derivatives						
Outflow	—	—	—	—	—	—
Inflow	—	—	—	—	—	—
Reclassification to liabilities related to disposal group held for sale	(9,025)	10,688	4,275	4,311	2,102	—
	135,831	**(159,470)**	**(25,323)**	**(11,896)**	**(121,359)**	**(892)**

In thousands of €	2009					
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	< 1 YEAR	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Non- financial liabilities						
Accrued expenses and deferred income	297	(297)	(297)	—	—	—
Financial liabilities						
At amortised cost						
Financial liabilities	7,060	(7,060)	(7,060)	—	—	—
Shareholder loans	73,087	(98,667)	(5,116)	(5,116)	(88,435)	—
Secured bank loans	168,876	(182,552)	(9,907)	(12,674)	(159,098)	(873)
Hedging derivatives						
Interest rate derivatives	6,791	(12,990)	(3,570)	(3,539)	(5,881)	—
Non-hedging derivatives						
Interest rate derivatives	3,452	(5,530)	(1,583)	(1,579)	(2,368)	—
Foreign exchange derivatives						
Outflow	272	(11,424)	(11,424)	—	—	—
Inflow	—	11,336	11,336	—	—	—
	259,835	**(307,184)**	**(27,621)**	**(22,908)**	**(255,782)**	**(873)**

3.24.6 / CAPITAL MANAGEMENT

VGP is continuously optimising its capital structure targeting to maximise shareholder value while keeping the desired flexibility to support its growth. The Group targets a maximum gearing ratio of net debt / equity of 2:1. At the end of 2010 the net debt / equity ratio (including the liabilities associated with assets held for sale was 1.51 (1.53 for 2009).

3.24.7 / FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

In thousands of €	2010			
	CARRYING AMOUNT	IN ACCORDANCE WITH IAS 39		FAIR VALUE
		FAIR VALUE RECOGNISED IN EQUITY	FAIR VALUE RECOGNISED IN PROFIT OR LOSS	
Financial assets				
Loans and receivables				
Trade receivables & others	7,349	—	—	7,349
Cash & cash equivalents	6,914	—	—	6,914
Long term receivables	—	—	—	
Derivative financial assets				
Without a hedging relationship	—	—	—	—
With a hedging relationship	—	—	—	—
Reclassification to (-) / from held for sale	(5,221)	—	—	(5,221)
Financial liabilities				
At amortised cost				
Financial liabilities	(12,011)	—	—	(12,011)
Shareholder loans	(71,803)	—	—	(73,974)
Secured bank loans	(194,665)	—	—	(194,665)
Derivative financial liabilities				
With a hedging relationship	(6,677)	(6,677)	—	(6,677)
Without a hedging relationship	(3,106)	—	(3,106)	(3,106)
Liabilities related to disposal group held for sale	150,493	5,919	3,106	150,493
	(128,727)	**(758)**	**—**	**(130,898)**

In thousands of €	2009			
	CARRYING AMOUNT	IN ACCORDANCE WITH IAS 39		FAIR VALUE
		FAIR VALUE RECOGNISED IN EQUITY	FAIR VALUE RECOGNISED IN PROFIT OR LOSS	
Financial assets				
Loans and receivables				
Trade receivables & others	4,533	—	—	4,533
Cash & cash equivalents	4,327	—	—	4,327
Long term receivables	—	—	—	—
Derivative financial assets	—	—	—	—
Without a hedging relationship	—	—	—	—
With a hedging relationship	—	—	—	—
Financial liabilities				
At amortised cost				
Financial liabilities	(7,060)	—	—	(7,060)
Shareholder loans	(73,087)	—	—	(75,256)
Secured bank loans	(168,876)	—	—	(168,876)
Derivative financial liabilities				
With a hedging relationship	(6,791)	(6,791)	—	(6,791)
Without a hedging relationship	(3,724)	—	(3,724)	(3,724)
	(250,678)	**(6,791)**	**(3,724)**	**(252,847)**

Total fair value net gains / (losses) on non hedging derivatives amounted to,€ 618k in 2010 (€ 3,348k in 2009). There were no gain / (losses) on non-financial assets and liabilities, financial liabilities at amortised costs.

Financial and non-financial assets amounting to € 4,161k in 2010 – excluding reclassifications to assets held for sale - (€ 2,193k in 2009) were pledged in favour of VGP's financing banks.

BASIS FOR DETERMINING FAIR VALUES

The following summarises the methods and assumptions used in estimating the fair values of financial instruments reflected in the table above:

The fair value of financial instruments is determined based on quoted prices in active markets. When quoted prices in active markets are not available, valuation techniques are used. Valuation techniques make maximum use of market inputs but are affected by the assumptions used, including discount rates and estimates of future cash flows. Such techniques include amongst others market prices of comparable investments and discounted cash flows.

The principal methods and assumptions used by VGP in determining the fair value of financial instruments are obtained from active markets or determined using, as appropriate, discounted cash flow models and option pricing models.

FAIR VALUE HIERARCHY

As at 31 December 2010, the Group held following financial instruments at fair value:

In thousands of €	31-DEC-10	LEVEL 1	LEVEL 2	LEVEL 3
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	—	—	—	—
Interest rate swaps - non-hedging	3,106	—	3,106	
Foreign exchange contracts - non-hedging				—
Financial liabilities at fair value through equity				
Interest rate swaps - hedged	6,677	—	6,677	—

In thousands of €	31-DEC-09	LEVEL 1	LEVEL 2	LEVEL 3
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	—	—	—	—
Interest rate swaps - non-hedging	3,452	—	3,452	
Foreign exchange contracts - non-hedging	272		272	—
Financial liabilities at fair value through equity				
Interest rate swaps - hedged	6,791	—	6,791	—

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period ending 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

3.25 / PERSONNEL

Employee benefit obligations

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

Incentive structure

The Group has an incentive structure in place for selected member's of the Group's management which was set up after the initial public offering of December 2007 and whereby the existing shareholders VM Invest and Alsgard SA have transferred a number of VGP shares representing 5 percent of the aggregate number of shares in VGP NV into VGP MISV, a limited partnership controlled by Mr Jan Van Geet as managing partner ("beherend vennoot" / "associé commandité"). This structure does not have any dilutive effect on any existing or new shareholders.

VGP MISV is an independent company from the VGP Group companies. As a result VGP NV's financial statements are not in any way impacted by the operations and or existence of VGP MISV.

3.26 / COMMITMENTS

The Group has concluded a number of contracts concerning the future purchase of land. At 31 December 2010 the Group had future purchase agreements for land totalling 267,743 m² representing a commitment of € 15.1 million and for which deposits totalling € 0.1 million had been made.

At the end of December 2010 the Group had committed annualised rent income of € 36.6 million (€ 29.2 million as at December 2009, of which EUR 22.7 million was related to the disposal group held for sale.

The committed annual rent income represents the annualised rent income generated or to be generated by executed lease – and future lease agreements. This resulted in following breakdown of future lease income:

In thousands of €	2010	2009
Less than one year	35,705	28,664
Between one and five years	105,432	87,701
More than five years	71,286	50,442
Adjustment disposal group held for sale	(94,020)	—
Total	**118,403**	**166,807**

As at 31 December 2010 the Group had contractual obligations to develop new projects for a total amount of € 16.6 million.

3.27 / RELATED PARTIES

3.27.1 / IDENTITY OF RELATED PARTIES

The Group has a related party relationship with its directors, executive officers and other companies controlled by its owners.

The executive management consists of Jan Van Geet (CEO), Jan Procházka (COO) and Dirk Stoop (CFO). Jan Van Geet (CEO) and Jan Procházka (COO) are also reference shareholders.

3.27.2 / DIRECTORS AND EXECUTIVE MANAGERS

The accrued remuneration of the directors and executive managers are as follows:

In thousands of €	2010	2009
Directors	94	87
Executive managers	514	562
Total	**608**	**649**

The remuneration paid to the executive managers are all short term remunerations.

3.27.3 / TRANSACTIONS WITH RELATED PARTIES

The Group identified the following transactions with related parties in 2010 and 2009

In thousands of €		2010	2009
Mr Jan Van Geet	Loans provided to the Group	—	6
	Interests received from the Group	—	—
	Loans granted by the Group – LT	—	—
	Loans granted by the Group – ST	—	—
	Interests paid to the Group	—	—
Mr Jan Procházka	Loans provided to the Group	—	—
	Loans granted by the Group – LT	—	—
	Loans granted by the Group – ST	4	—
	Interests paid to the Group	—	—
Jan Van Geet s.r.o.	Trade receivables from the Group	12	21
	Trade payables to the Group	1	14
	Services provided to the Group	403	301
	Services provided by the Group	51	27
	Loans granted by the Group – LT	—	—
	Interests paid to the Group	—	—
VM Invest NV	Loans provided to the Group	71,803	73,087
	Interest received from the Group	5,109	4,813

The Group rents offices from Jan Van Geet s.r.o. for which it concluded a 10 year lease agreement. The monthly lease for these offices is CZK 136k (€ 5k equivalent). The lease started on 24 October 2008. The operating lease rentals are payable as follows:

In thousands of €	2010	2009
Less than one year	65	62
Between one and five years	260	247
More than five years	168	221
Total	**493**	**530**

3.28 / EVENTS AFTER THE BALANCE SHEET DATES

On 2 December 2010 VGP concluded an agreement for the potential sale of an 80% equity interest in VGP CZ I a.s. to the European Property Investors Special Opportunities, L.P. (EPISO), a property fund co-advised by AEW Europe and Tristan Capital, which would assume the role as new capital partner for 6 VGP Parks mainly located in the Prague region. The sale was completed on 16 March 2011.

The price consideration of the transaction exceeds the unrealised gain on the property portfolio of VGP CZ I as disclosed in the 31 December 2010 consolidated accounts. The price consideration is subject to a limited upward revision based on an earn out arrangement.

From an operational point of view VGP will retain the operational management of VGP CZ I assets and has been formally retained to perform facility management services, project management services, lease management services and development management services. In return VGP will receive an arm's length fee for each of the provided services.

As at 31 December 2010 the consolidated accounts included a gross rental income for VGP CZ I of € 20.8 million and net financial expenses for VGP CZ I of € 8.4 million.

In order to optimise the capital structure of the Company and creating additional shareholder value the Extraordinary Shareholders' Meeting of 19 April 2011 approved a capital reduction of € 39,953,557.50 in cash. This cash distribution corresponds to € 2.15 per share and will be paid as soon as possible.

3.29 / SERVICES PROVIDED BY THE STATUTORY AUDITOR AND RELATED PERSONS

The audit fees for VGP NV and its subsidiaries amounted to € 76k. During the year, the statutory auditor and persons professionally related to him performed additional services for fees of € 2k. These fees relate to non-audit services.

3.30 / SUBSIDIARIES

Companies forming part of the group as at 31 December 2010

The following companies were included in the consolidation perimeter of the VGP Group.

SUBSIDIARIES	ADDRESS	%
VGP CZ I a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100
VGP CZ II a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100
VGP CZ III a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100
VGP CZ IV a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100
VGP CZ V a.s.	Jenišovice u Jablonce nad Nisou,Czech Republic	100
VGP FM Services s.r.o.	Jenišovice u Jablonce nad Nisou,Czech Republic	100
VGP DEUTSCHLAND GmbH	Leipzig, Germany	100
VGP ESTONIA OÜ	Tallinn, Estonia	100
VGP FINANCE NV	Jette, Belgium	100
VGP -INDUSTRIÁLNÍ STAVBY s.r.o.	Jenišovice u Jablonce nad Nisou,Czech Republic	100
VGP LATVIA s.i.a.	Kekava, Latvia	100
VGP PARK GYÖR Kft	Györ , Hungary	100
VGP ROMANIA S.R.L.	Timisoara, Romania	100
VGP SLOVAKIA a.s.	Malacky, Slovakia	100

Changes in 2010

In order to support its further growth the companies VGP CZ III a.s., VGP CZ IV a.s. VGP CZ V a.s. and VGP FM Services s.r.o. were incorporated during 2010 and added to the consolidation perimeter of the VGP Group.

PARENT COMPANY INFORMATION

1 / FINANCIAL STATEMENTS OF VGP NV

PARENT COMPANY ACCOUNTS

The financial statements of the parent company VGP NV, are presented below in a condensed form.

In accordance with Belgian company law, the directors' report and financial statements of the parent company VGP NV, together with the auditor's report, have been deposited at the National Bank of Belgium.

They are available on request from:

VGP NV
Greenland – Burgemeester Etienne Demunterlaan 5
B-1090 Brussels
Belgium
www.vgpparks.eu

CONDENSED INCOME STATEMENT

In thousands of €	2010	2009
Other operating income	1,258	1,058
Operating profit or loss	(30)	0
Financial result	5,508	5,454
Extraordinary result	—	2,458
Current and deferred income taxes	(193)	27
Profit or loss for the year	**5,285**	**7,939**

CONDENSED BALANCE SHEET AFTER PROFIT APPROPRIATION

In thousands of €	2010	2009
Formation expenses, intangible assets		—
Tangible fixed assets	4	8
Financial fixed assets	253,448	256,063
Total non-current assets	**253,452**	**256,071**
Trade and other receivables	61	9,843
Cash & cash equivalents	2,025	738
Total current assets	**2,086**	**10,581**
TOTAL ASSETS	**255,538**	**266,652**
Share capital	175,361	175,361
Non-distributable reserves	664	400
Retained earnings	7,271	2,251
Shareholders' equity	**183,296**	**178,012**
Amounts payable after one year	71,803	73,087
Amounts payable within one year	438	15,553
Creditors	**72,241**	**88,640**
TOTAL EQUITY AND LIABILITIES	**255,538**	**266,652**

Valuation principles

Valuation and foreign currency translation principles applied in the parent company's financial statements are based on Belgian accounting legislation.

2 / PROPOSED APPROPRIATION OF VGP NV 2010 RESULT

The profit after tax for the year ended was € 5,285,182

At the General Meeting of Shareholders on 13 May 2011, the Board of Directors will propose that the above result be appropriated as follows:

in €	2010	2009
Profit of the financial year	5,285,181.62	7,938,833.33
Profit / (loss) carried forward	2,249,829.66	(85,683.00)
Transfer to legal reserves	(264,259.33)	(400,066.67)
Profit / (loss) to be carried forward	7,270,751.95	2,249,829.66
Profit to be distributed (gross dividend)	—	**5,203,254.00**

The Extraordinary Shareholders' Meeting of 19 April 2011, approved a capital reduction of € 39,953,557.50 in cash. This cash distribution corresponds to € 2.15 per share and will be paid as soon as possible.

AUDITOR'S REPORT

VGP NV

Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2010 to the shareholders' meeting

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

UNQUALIFIED AUDIT OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of VGP NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 497 (000) EUR and the consolidated income statement shows a consolidated profit for the year then ended of 26.402 (000) EUR.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2010, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

ADDITIONAL COMMENT

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

— The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Kortrijk, 27 April 2011
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Gino Desmet

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