

Smart  
Forward

Annual Report  
2015

OVG real estate





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CREATING  
BREAKTHROUGHS  
WITH SMART  
TECHNOLOGIES

# 1.0 — Smart Forward

Smart Forward means combining technology and real estate to create smart building that will think for and with its users preferences and needs. Smart buildings will support our clients with solutions to perform better.

Technology has a disruptive and indelible role in the future of real estate. It will create breakthroughs. By adopting technology Smart Forward has a meaning to OVG: we have a vision and an understanding of the real estate market and the technology needed. We have a clear direction of where we are going and we are agile in our response to the needs of our clients. It will serve our purpose to create healthier working, living and learning environments that will lead us all toward a more sustainable world.

To support this purpose, continuous development – including the development of strategic partnerships – is needed. We are aware of the fact that there is an immense amount of useful knowledge available – both within and external to our branch. Our partnerships enable us to access that knowledge and to translate it into our practice. Learning from experts in different fields and using their know-how, we can design a response to our clients' needs - and simultaneously, support social and environmental sustainability.

One great example: Working together with Philips and implementing their innovative Power-over-Ethernet technologies in The Edge has taught us many things. Compared to various other industries, the real estate sector has adopted new technology at a slower pace. Our new partnerships- such as with Philips – enabled us to develop a truly pioneering project. The Edge is the smartest office building in the world, in which technology contributes to a productive workspace and healthy environment.

Smart Forward reflects the spirit of OVG in 2015 and continues in 2016: with smart technology we create breakthroughs.

TAKING  
ADVANTAGE OF  
THE OPPORTUNITY  
TO ADAPT  
TECHNOLOGIES

## 2.0 — Director's report Technology with Real Estate: infinite possibilities

### The Edge: A Pioneering Prototype

2015 has been The Year of The Edge. This seminal Amsterdam office building opened in May and holds the title of 'Most Sustainable Office Building in the World' according to BREEAM standards.

The Edge is an example of how, with a thoroughly thought-through concept, technology and real estate development can work together to create concrete innovations and possibilities.

This building is interactive: it is programmed with our preferences for such things as office heat and light, easily adjustable with our smartphones.

**Frankfurter Allgemeine**  
ZEITUNG FÜR DEUTSCHLAND

"An overwhelming rating of 98,36% - higher than any other building before"

**THE STRAITS TIMES**

"The smartest building in the world"

**FAST COMPANY**

"This Frighteningly Smart Office Building Knows Exactly What You Want, When You Want It"

**theguardian**

"Beautiful energy efficient design and energy-generating technology"

**Bloomberg  
Business**

"It's quite possibly the smartest office space ever constructed"

**ARCHITECTURAL DIGEST**

"Beautiful Eco-Friendly Offices Around the World"

**DIE WELT**

"It is the most energy efficient, sustainable office complex in the entire world"

**WIRED**

"Senses staff movements to save energy"

Advanced technology enables us to measure air quality per m2. The Building Management System can therefore exactly calculate how much oxygen is needed for an employee to maintain optimum productivity. With many other innovative features, the application of technology has created a whole new user experience, reshaping the way people work. By using new technology and assessing relevant data, this smart building delivers superior property management services to the tenants creating new advantages. As a consequence The Edge keeps receiving media attention from all over the world.

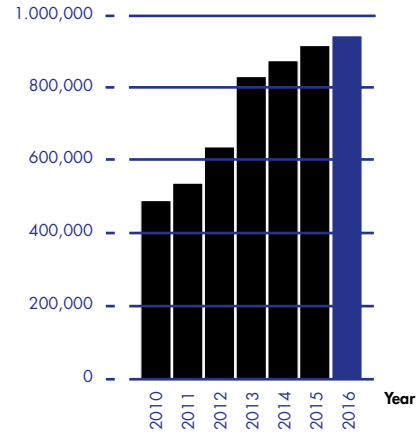
We are taking advantage of the opportunity to adapt technologies from a variety of other fields in order to improve our developments, our redevelopments and our investments.



**The Edge –**  
World's most sustainable office building

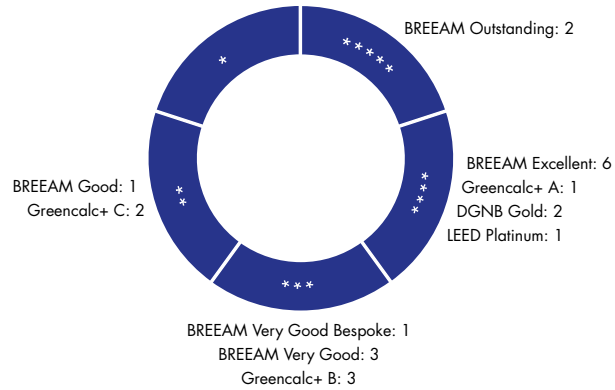
**Cumulative Completed real estate in Gross Floor Area**

2016 showing the expected sqm to be completed



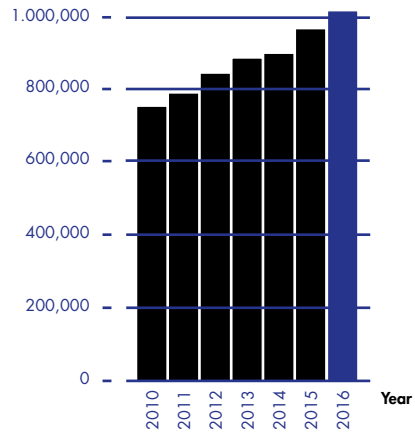
**Sustainability Project Ratings 2015**

registered for assessment

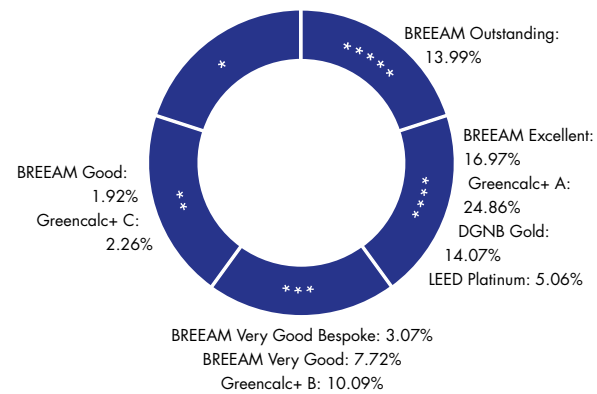


**Cumulative Signed Rental Agreements in Gross Floor Area**

2016 showing the expected sqm to be signed



**Investment per sustainability level**



**Coen van Oostrom** –  
Founder and CEO of OVG Real Estate

**2015 in Hindsight**

Reflecting on 2015, OVG’s internal state was characterized by solidity. While many of our colleague organizations were forced to pull out of real estate development during the crisis period of the past years, OVG is strong and stable. Our profits are back to a pre-2008 level. Our vision and strategy are clear. They are driven by well-considered decisions, lessons learned from the challenges the real estate branch faced over the past years. We work with a strong cash balance and the company’s 2015 performance puts us in a comfortable position. For 2016 we expect to outperform the 2015 results.

The client’s perspective is our perspective. OVG challenges itself to know what its clients want before they are even aware of their own needs and preferences, and we are eager to spot new trends and developments that enable us to offer new and personalized real estate solutions to them. Therefore we boldly go out into the world to explore the possibilities – for example in 2015 a study trip took all of our employees to Shanghai to look at new perspectives and discoveries in various branches, inspiring us in creating smart and sustainable real estate solutions.

Our purpose is to create healthier working, living and learning environments using our two key activities: Project (re)Development and Investment Management.

Operating from two home countries - The Netherlands and Germany - we serve clients that share our purpose all over the world.

At the start of 2015 the Executive Board comprised two members – Coen van Oostrom and Alex Kompier. Mid-2015 OVG welcomed Eva Hukshorn as a third member, appointing her as Chief Operating Officer. Eva brings a fresh, young energy to the existing board, along with a wide range of complementary experience.

OVG Nederland is in the capable hands of director Jan Hein Tiedema. OVG Nederland comprises two activities: Project (re)Development and Investment Management. With just 3 years since its launch our Investment Management branch may seem young, but it has proven to be a solid player and has an established reputation.

OVG Deutschland is under the professional guidance of director Martin Rodeck.

In 2015 we opened a second office in the Netherlands: not surprisingly in The Edge. The advantages are two-fold. On the one hand this brings us closer to our clients, most of whom are located in Amsterdam. On the other hand we have the ultimate user experience in our most distinguished development. Both advantages put us at the core of our market, and allows us to experience our own development.

In both our home countries The Netherlands and Germany we welcomed a substantial number of new colleagues in 2015, complementing the existing talents of the staff. In Germany our staff doubled in size, necessitating the move to a new and larger office.

There is an equal divide of energy in both Investment Management and Development with a shared ambition to be game-changers in these domains.

While sustainability has become mainstream for OVG, technology is our current focus: we want to provide advanced solutions using big data and the latest innovations.

### **Smart and Moving Forward in all Branches**

The Edge was the jewel in the crown of 2015, but it wasn't our only accomplishment. OVG attained multiple successes throughout all its branches. The highlights of 2015 are described in the following section.

#### **OVG Nederland**

In 2015 the construction of the new Rabobank office at Fellenoord, Eindhoven was officially started. A sustainable office, that meets the needs of both current and future employees, will rise on the spot where the tower of the former office used to stand. For this project, smart technologies will be used to improve energy efficiency.

Together with G&S Vastgoed, OVG won the competition for the development of the new head office of ING in Amsterdam, designed to be 'future-proof' through the use of smart, energy efficient technologies. Meanwhile we purchased ING's current office at the Amsterdamse Poort in a consortium with G&S Vastgoed and VolkerWessels. The building will be transformed into a multifunctional, primarily residential space in which more than 500 apartments will be created, in addition to a variety of social and other facilities.



**Amsterdamse Poort –**  
ING's current office Amsterdamse Poort in Amsterdam South East

And then there's another project that, like The Edge, will become an icon for the city of Amsterdam: Together with the architectural practice MVRDV we have won the competition to complete 'Valley' — a towering multifunctional complex in Amsterdam. With its unique design that contributes to the city's sustainable, innovative environment, Valley is poised for international recognition. This iconic, ground-breaking collaboration is the reflection of our daring entrepreneurial spirit.



**Valley** –  
A towering multifunctional complex in Amsterdam

### **OVG Deutschland**

In Germany we delivered HumboldtHafenEins – the greenest office building in Berlin, and the very first winner of a Platinum Label from the German Sustainable Building Council (DGNB). Receiving this recognition supports us in our vision of future-oriented office properties with innovative technologies.

Encouraged by this award and the increase in demand for new office buildings near the Central Station in Berlin lead us to the purchase of a new parcel of land close to the Station with an eye to upcoming development.

The M\_Eins office building, a prime office development situated in the new district of Media-Spree in Berlin, was fully let to Zalando, Europe's largest online shoe and fashion retailer. The office building was sold to La Française Forum Real Estate Partners. Construction of M\_Eins started mid 2015 and is expected to be completed early 2017.



**Impression M\_Eins office building** –  
The office building is fully let to Zalando SE

### **OVG Investments**

In the nearly three years that our Investment Management branch has been in existence, it has proven to be a serious player in the market and has added value for all of our business partners. A good example is the Cobra Portfolio.

Nearly two years ago we bought the Portfolio, consisting of eight buildings, together with Goldman Sachs. Not only did we renegotiate the lease contracts, all buildings are also being redeveloped into more sustainable properties.



The highly valued benchmark in the real estate investment sector - GRESB (Global Real Estate Sustainability Benchmark) - awarded us with the Green Star status for our performance.

Seven out of the eight properties have been sold to NSI N.V., a listed real estate company. We kept one property - Olympic Plaza -, which is set to be redeveloped into a highly sustainable building and will be granted the BREEAM Excellent certificate.

Closer to home, we received the Dutch award 'de Groene Baksteen' from Jones Lang Lasalle's Sustainability Department for our vision and performance with the Cobra Portfolio in 2014.

For OVG, the success of the Cobra Portfolio is a testament to the success of our strategy of focusing on the improvement of existing real estate assets.

In 2015 we also enriched our investment portfolio, which at year end consists of:

- New Tide, Rotterdam
- Signum, Delft
- Maxium, Rotterdam
- Busitel II, Amsterdam
- Strawinskyhuis, Amsterdam
- Olympic Plaza, Amsterdam
- Basisweg, Amsterdam
- Bordewijklaan, The Hague



**New Tide** –  
Redevelopment for the National Police

We will redevelop a total of approximately 50,000 m<sup>2</sup> of office space providing new possibilities and a whole new life to each project. Lease contracts for The Strawinskyhuis and New Tide (Alexander Portfolio) have been successfully renegotiated.

All these buildings either are, or will be, improved in their sustainability. This fits perfectly into our strategy of purchasing real estate in strategically good locations and redeveloping them into smarter buildings. These smarter buildings can be adjusted to the needs of (future) users, creating new possibilities for tenants and new solutions for a more sustainable world: a win-win situation.



**Impression of the new Olympic Plaza** –  
A high-tech, forward thinking office experience

### **Risks and Risk Management**

The overall appetite to take risk is considered limited, working on a limited availability of cash combined with volatile market situations demands OVG to mitigate risk to a large extent.

OVG is well known for its development based on a signed lease agreement. Her business model is built on the financial stability of the tenant in combination with the preferred location of the assets. In Germany OVG acts according to the standards of the German market in which she operates. Naturally OVG is always led by solid risk analysis. OVG has the best advisors in the market who undertake an extensive spatial planning analysis prior to every binding lease agreement in order to limit spatial planning risks. OVG is proud of her employees and the key employees are a core asset of the company. An employee benefit program is implemented to mitigate the risk that key employees leave the company.

OVG strategically works together with financial strong contractors in order to limit construction risks with regard to schedule, price and supply reliability to a minimum. By working together with these parties, OVG reduces the risk of main contractor bankruptcies and the consequent risks that can be involved. Knowledge exchange and innovative contracting with these preferred suppliers also enables OVG to increase the supply reliability and innovation of its buildings for her clients.

The new developments must be carefully thought through since they are measured against a combination of OVG's own risk/reward analysis and the strict requirements put on projects by financial parties.

Overall the financial model for OVG's developments is depending on extensive external financing, which ensures a large degree of external control.

Interest risks on loans with variable interest rates are no longer mitigated by use of interest swap instruments, as the expectation is that the interest rates will not increase significantly in the near future. The company trades only with creditworthy parties and has implemented procedures to check the creditworthiness and moral behaviour of parties. The company applies strict credit control and reminder procedures. Due to these measures the credit risk for the company is minimal.

Over the years it has become very clear that the main risks for international developments as OVG is conducting are to be found in macro economic and geopolitical events.

Macro economy is dictating the market perception where OVG is operating, the way OVG is able to contract its builders, its buyers and its financiers is highly depending on where in the economic cycle a country is at the moment this contract needs to be closed. Mitigation on these economic cycles are taken by ensuring short term positions meaning a minimum timeframe between acquiring the project, securing the contractor and selling the project to an end investor. By securing the exit of the project at an early stage of the development the financing of a project becomes a minor issue.

In terms of geopolitical events the effects on our market and performance can be significant. A BREXIT can lead to a stand still in the financial world which immediately effects the lending power of OVG. By securing the exits for our projects at an early stage we are protecting ourselves from impact if these geopolitical events occur. To monitor the macro economic risk, OVG prepares a stress test to analyse the impact of macro economic events on the continuity of the company.

Besides the aforementioned elements of risk, it is apparent that the technological developments, like "big data" and "the Internet of Things" have a direct impact on the way new developments by OVG are viewed and valued. OVG is of the opinion these technological innovations need to be adopted and incorporated in the products we deliver. Through adding personnel with the knowledge in these fields we ensure our future products will fulfil the expectations of a new generation.

### Awards and Nominations

We are grateful for the many awards and nominations we received in 2015. This recognition shows that we are not alone in our purpose: Together we can create a smarter and more sustainable world.

<b>January</b>	The Edge on shortlist Mipim awards 2015
<b>May</b>	Winner of the Sustainable Leadership Award of Corenet Global
<b>July</b>	The Edge - winner of the IBcon Digie Award in the category 'Most Intelligent Building Projects'
<b>August</b>	The Edge is nominated for the Winning Workplace Award of JLL
<b>October</b>	The Edge on the shortlist of sustainable buildings of WAN HumboltHafen Eins receives DGNB Platinum label Our newly-launched website is an Awwwards nominee for design, creativity and innovation
<b>November</b>	H. Bruce Russell Corenet Global Innovators Award for The Edge
<b>November</b>	Green Star status according to GRESB



H. Bruce Russell Global Innovator's Award (GIA) by Corenet Global – OVG received the award for The Edge

### Smart Forward

There is no doubt that big data will be integrated into real estate on the short term.

Data, the Internet of Things and advanced technology already plays a major part in our world; they are truly revolutionary, driving disruption to old systems and hierarchies. The tables have turned, putting the end user in the driver's seat. Examples like AirBnB, Uber and closer to home the Nest Thermostat, come to mind.

Some may see this big transition as a threat. OVG is using this transition as an opportunity, providing us with tools that are essential to our purpose as clearly stated on our newly launched website. Continued investment in all aspects of technology is a permanent part of our development projects.

But embracing technology is one thing; incorporating is quite another. Therefore we're pleased to announce that we have created an official new position in our organization: January 1<sup>st</sup> 2016 Erik Ubels will be appointed as Chief Technology Officer. Erik has a well-known and successful track record for creating wise – as well as smart - solutions.

Powering buildings with tech tools and the Internet opens up new opportunities for these buildings to be 'smart' on many levels.

For example, path intelligence can monitor traffic in buildings. It creates the possibility of making the building energy-efficient and at the same time, tailored to the preferences of the users. Personalized welcome



**Erik Ubels** –  
Erik appointed as Chief Technology Officer



**HumboldtHafenEins** –  
The first office building to be awarded with DGNB Platinum certification

messages, routing and heating preferences come to mind.

In order to reach this, data needs to be understood and translated into a good design, serving our goal of creating healthy working, living and learning environments.

It goes without saying that cyber security is high on our agenda, and that the privacy of employees is something we don't take lightly. We seek partnerships in these domains as well. Digital security is the minimum promise we can make to our clients and their employees.

Technology will create many new possibilities beyond our imagination, taking our vision a step – or more – further. We will constantly monitor our own experience and challenge ourselves to seek novel solutions that benefit society.

This includes new ideas and concepts around sustainability derived from our own research, our networks and our partnerships with several research institutes. For example, the important concepts of 'circularity' and 'cradle to cradle' have, where possible, been integrated into our (re)developments.

On a practical level in technology this means updating our real estate, in the same way a Tesla car or a computer updates its software. For example the Edge will be continually updated, so the building and its users stay ahead of the curve.

On a strategic level OVG is continually innovating. We will keep reinventing ourselves, partnering with the complementary organizations and attracting talents to help craft the healthy sustainable environment we envision.

We create smart sustainable buildings that contribute to smart sustainable solutions. The world is getting smarter. So should we.

**Major Developments in 2015**

Revenue for 2015 was € 97.160 million which is significantly lower than 2014

(€ 191.709 million). The main reason for the lower revenue is found in the fact that over 2014 we had a full year of production on The Edge as well as HumboldtHafenEins.

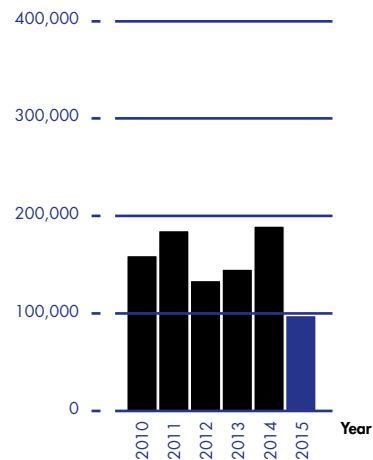
For 2015 the focus has been on filling the pipeline for the years to come which automatically impacts the revenue in such a year. As OVG has been increasing its focus on Investment Management in previous years the effect of that focus is found in the increased result from participations. Supported by the sale of the Cobra portfolio net earnings in 2015 show an increase of 15% to € 13.8 (2014: € 11.9 million).

The shareholders equity shows an increase of 26% which is the result of the net proceeds as no dividend have been assigned in 2015.

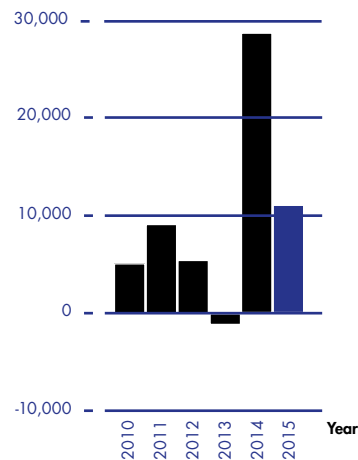
During 2015, staff numbers increased from 45 FTE in January 2015 to 50 as of December 31, 2015. The increase was mainly driven by the growth of the German team which doubled in size. The average number of FTE in 2015 was 46 (2014: 39). All figures stated in this report are in thousands of €'s unless stated otherwise.

The main risks and uncertainties for the year 2015 were managing the cash flow and securing new projects. During the year the cash position did not change materially compared to last year. The company is focussed on selecting the best opportunities in the acquisition of profitable projects or standing assets. Besides the focus on cash OVG has been able to source approximately 200.000 sqm of new projects during 2015. To be able to secure the envisaged income on these new projects it is expected that the number of FTE will grow during 2016.

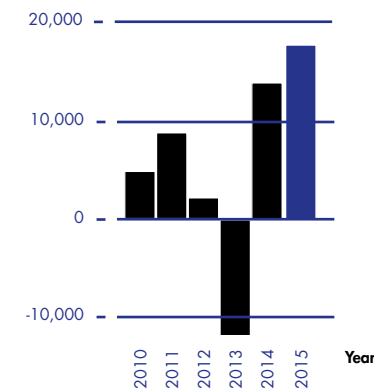
**Revenue**  
(Euro x 1,000)



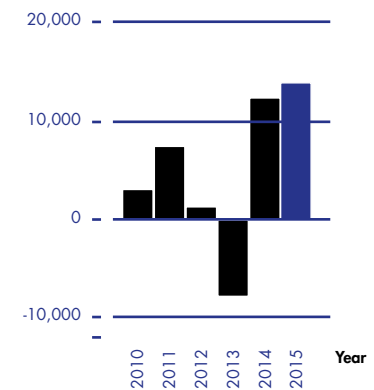
**Operating Result**  
(Euro x 1,000)



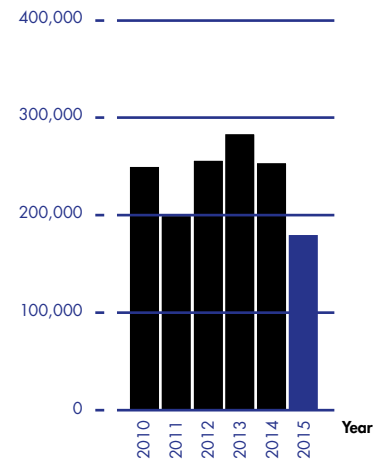
**Earnings before tax**  
(Euro x 1,000)



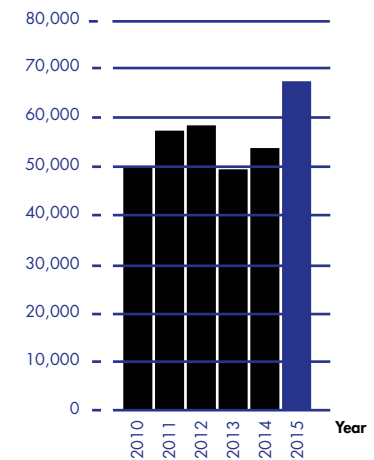
**Net Earnings**  
(Euro x 1,000)



**Total Assets**  
(Euro x 1,000)



**Shareholders' Equity**  
(Euro x 1,000)



# 2015 In Brief — Calendar

## Jan

7th OVG purchases development location Het Parc Amstelveen

7th OVG transfers her shares of multifunctional building De Rotterdam to Rabo Vastgoedgroep

20th The Edge on shortlist MIPIM awards 2015 category Best Innovative Green Building

23th Coen van Oostrom at WEF Davos about ECB decision

## Feb

3rd OVG sells Rabobank Eindhoven to WP Carey

## Mar

27th OVG purchases land parcel at Berlin Central Station

## Apr

1st OVG donates to Foundation Homeplan

15th OVG starts construction Rabobank office

## May

7th OVG wins Sustainable Leadership award

19th OVG and Deloitte open "The Edge"

## Jun

12th HumboldtHafenEins: Berlin's Greenest Office Building

## Jul

2nd Busitel II purchased by OVG Real Estate

8th IBcon Digie Award for The Edge

17th Collaboration OVG and Zalando Berlin

18th Eva Hukshorn named COO

## Aug

18th Start Construction M\_Eins

20th The Edge on shortlist WAN Sustainable Buildings

27th Maxium in Rotterdam Alexander purchased by OVG

## Sep

23rd Bloomberg Business makes news item about The Edge

## Oct

5th OVG attends EXPO REAL

5th DGNB Platinum for HumboldtHafen Eins at the EXPO REAL

8th OVG and MVRDV win Valley competition in Zuidas Business District

15th OVG sponsors Rotterdam Philharmonic Gala

16th NSI acquires Cobra portfolio from JV Goldman Sachs / OVG

## Nov

2nd Prestigious H. Bruce Russell Corenet Global Innovators Award for The Edge

## Dec

2nd Signing purchase agreement M\_Eins with La Française Forum

8th New Head office for ING Group and transformation Amsterdamse Poort in collaboration with G&S Vastgoed

## 3.0 — Key Statistics

Consolidated Income Statement (x1,000 euros)	2015	2014	2013	2012	2011	2010
Revenue	97.160	191.709	146.252	134.784	188.066	160.737
Operating result	10.315	28.921	(1.399)	5.831	9.832	5.478
Financial expenses	2.359	5.139	4.215	1.208	1.831	564
Earnings before tax	17.265	13.401	(12.654)	2.685	9.861	5.310
Net earnings	13.770	11.929	(8.259)	1.650	7.471	3.899

Consolidated Balance Sheet (x1,000 euros)	31-12-15	31-12-14	31-12-13	31-12-12	31-12-11	31-12-10
Total fixed assets	26.784	57.821	78.133	83.479	56.402	24.980
Work in progress	109.464	138.358	178.551	138.747	101.984	187.364
Group equity	71.010	53.788	50.493	58.752	57.599	50.128
Long term liabilities	43.909	49.623	48.622	42.989	26.702	5.625
Balance sheet total	188.518	255.816	292.904	243.533	200.398	244.454

Ratios	31-12-15	31-12-14	31-12-13	31-12-12	31-12-11	31-12-10
Average # staff	46	39	41	44	51	41
Operating result / revenues	10.6%	15.1%	-1.0%	4.3%	5.2%	3.4%
Net earnings / revenues	14.2%	6.2%	-5.6%	1.2%	4.0%	2.4%
Revenues / average # staff	2.112	4.916	3.567	3.063	3.688	3.920
Solvency*	37.7%	21.0%	17.2%	24.1%	28.7%	20.5%
Working capital**	96.185	57.852	30.572	25.705	39.679	45.763
Net earnings / average group equity	22.1%	22.9%	-15.3%	3.0%	13.9%	8.1%

\* Represents group equity divided by total assets

\*\* Represents current assets minus current liabilities

OVG is pleased to share the financial results for 2015. As predicted the output for 2015 shows a strong decrease in our balance sheet as well as our revenue. The increase in net earnings combined with a further improvement of our working capital provides a solid foundation for the coming years. Along with the drop in revenue the operating result declined. As OVG is more and more involved in partnerships return on these investments are recorded as results from participations and have a significant impact on our bottom line.

The main reason for the reduction of 67 million on the balance sheet is a consequence of the fall of work in progress, mostly as a result of the sale of Humboldthafen Eins. OVG will proceed with acquiring development positions in Germany, The Netherlands and beyond these boundaries to support her strategy in development of smart buildings.

There are a significant number of projects in the pipeline that will enable OVG to achieve positive year-ends over the coming years. The equity position of the company has improved to an all time high. Solvency increased from 21.0% to 37.7%. This can be explained by a reduction of work in progress in combination with the mentioned improvement of the equity position. OVG foresees a further improvement of equity in 2016 and it is expected the access cash will be used to secure new development opportunities.

Staffing has increased as the company needs to strengthen the team for its international expansion in line with the strategy and its focus. As new business opportunities are foreseen the number of staff is likely to increase further. For 2016 the company remains interested to find alternative financing to increase the financial position and to support the growth in investment and developments. Furthermore, the company remains focused on setting up partnerships to improve the innovative elements that are to be incorporated in future projects.

To further support OVG's smart strategy the team for innovation in the field of healthy, sustainable workplaces and high-tech offices grew during 2015 and will keep on doing so in 2016. OVG believes that innovation is the key for future success. This team has had a great impact in all OVG's concepts providing her with new insights. It also underlines OVG's value of company excellence as OVG strives to do better each time and keep innovating.

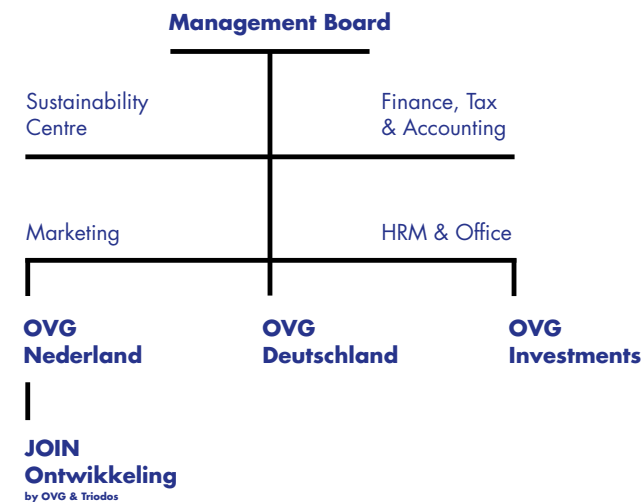
OVG REAL ESTATE HAS THREE COMPONENTS: OVG NEDERLAND, OVG DEUTSCHLAND AND OVG INVESTMENTS

# 4.0 — Management Board



The OVG board – Eva Hukshorn, Coen van Oostrom and Alex Kompier

Organizational Structure —



## 4.1 Management Board

The Management Board is responsible for OVG policy. Under the chairmanship of Chief Executive Officer Coen van Oostrom, the Board comprised three Board Members (Coen van Oostrom, Alex Kompier and Eva Hukshorn) in 2015 each with joint responsibility for running the company, implementing its strategy and achieving its objectives and results. In addition to their joint responsibility each Board Member has different core tasks. As of August 1st 2015, Eva Hukshorn joined OVG as Chief Operating Officer.

**Coen van Oostrom —****Chief Executive Officer**

- Chairman of the Executive Board
- Chairman of OVG Nederland
- Chairman of OVG Deutschland
- Chairman of OVG Investment Management
- Managing Director of JOIN Ontwikkeling (OVG/Triodos joint venture)
- Company Strategy

**Alex Kompier —****Chief Financial Officer**

Responsibilities and core tasks include:

- Company Strategy
- Finance, Tax and Accounting
- Risk Management
- Fund Management
- Corporate Finance

**Eva Hukshorn —****Chief Operating Officer**

Responsibilities and core tasks include:

- Company Strategy
- Human Resource Management
- Information Communication Technology Management
- Marketing & Branding

Coen van Oostrom is the only statutory director on the Management Board. With respect to the Management Board the new legislation regarding diversity will be taken into account when new Management Board members are appointed. As there is only one statutory director, diversity is not possible.

**4.2 Advisory Board**

In 2015 the Advisory Board comprises two members:

Mr. Joost H. van Heijningen Nanninga and Mr. Dick P.P. Verbeek.

**Mr. Joost H. van Heijningen Nanninga —**

**Current posts:** Partner of Egon Zehnder International, Member of the Advisory Board, CVC Benelux, Member of the Supervisory Board of Brevast, ZBG Group, Member of INSEAD Dutch Council, Member of Advisory Board of Rotterdam School of Management.

**Mr. Dick P.M. Verbeek —**

**Current posts:** Vice Chairman Emeritus of Aon Group, Chairman of the Supervisory Board of Robeco Group N.V., Member of the Supervisory Boards of Aegon N.V. and Aon Groep Nederland B.V., Chairman of Benelux Advisory Committee Leonardo & Co., Member of the Advisory Board, CVC Benelux, Member of the INSEAD Dutch Council, Chair of the Board of Diergaarde Blijdorp, Board Member of the Stichting Administratiefonds Rotterdam.



## 5.0 — Financial Statements 2015

“Some people don't like change, but you need to embrace change if the alternative is disaster.”

Elon Musk – CEO Tesla —

### 5.1 Consolidated Balance Sheet (after appropriation of result)\*

	Note	31 December 2015	31 December 2014
Tangible fixed assets	1	1.192	495
Investment property	2	12.359	49.366
Financial fixed assets	3	<u>13.234</u>	<u>7.960</u>
<b>Total fixed assets</b>		<b>26.785</b>	<b>57.821</b>
Work in progress	4	20.480	32.483
Inventory		38.611	-
Construction contracts	5	50.373	105.875
Accounts receivables	6	1.457	1.446
Receivable from affiliated companies	7	157	5
Other receivables and prepayments	8	<u>4.853</u>	<u>8.816</u>
<b>Total receivables</b>		<b>6.467</b>	<b>10.267</b>
Cash and cash equivalents	9	45.802	49.370
<b>Total current assets</b>		<b><u>161.733</u></b>	<b><u>197.995</u></b>
<b>Total assets</b>		<b><u>188.518</u></b>	<b><u>255.816</u></b>

	Note	31 December 2015	31 December 2014
Shareholders' equity		67.402	53.632
Minority interest		<u>3.608</u>	<u>156</u>
<b>Group equity</b>	10	<b>71.010</b>	<b>53.788</b>
<b>Provisions</b>	11	<b>8.051</b>	<b>12.262</b>
Loans and borrowings	12	43.909	49.623
<b>Long term liabilities</b>		<b>43.909</b>	<b>49.623</b>
Project financing	13	37.642	98.008
Accounts payables		8.092	20.424
Payable to affiliated companies	14	6.896	1.966
Tax payables and social charges	15	272	2.893
Accruals and other payables	16	<u>12.646</u>	<u>16.852</u>
<b>Current liabilities</b>		<b>65.548</b>	<b>140.143</b>
<b>Total equity &amp; liabilities</b>		<b><u>188.518</u></b>	<b><u>255.816</u></b>

\* All amounts are in 1,000 euro's

## 5.2 Consolidated Income Statement\*

	Note	FY 2015	FY 2014
Revenue from projects	A	64.794	228.510
Change in inventories of finished projects and in work in progress		28.894	(36.573)
Other revenue	B	4.922	3.392
<b>Total revenue</b>		<b>98.610</b>	<b>195.329</b>
Direct project costs		72.189	145.105
Salaries & pensions	C	6.756	10.183
Depreciation & amortisation		573	260
Impairment of current assets		1.450	3.620
Other operating expenses	D	7.327	7.240
<b>Total operating expenses</b>		<b>88.295</b>	<b>166.408</b>
<b>Operating Result</b>		<b>10.315</b>	<b>28.921</b>
Financial income		2.383	1.221
Financial expenses		(2.359)	(5.139)
Result from participations	E	9.043	(4.748)
Result from revaluation	F	(2.117)	(6.854)
		6.950	(15.520)
<b>Earnings Before Tax</b>		<b>17.265</b>	<b>13.401</b>
Company Tax	G	(870)	(1.486)
Result third party interest		(2.625)	14
<b>Net Result</b>		<b>13.770</b>	<b>11.929</b>
Other comprehensive income		-	-
<b>Total result of the legal entity</b>		<b>13.770</b>	<b>11.929</b>

\* All amounts are in 1,000 euro's

## 5.3 Consolidated Cash Flow Statement\*

	FY 2015	FY 2014
<b>Operating result</b>	<b>10.315</b>	<b>28.921</b>
Adjustments for:		
Depreciation tangible fixed assets	573	260
(Increase)/decrease provisions	(5.083)	3.471
Revaluation investment property and ground positions	(2.117)	(3.620)
Changes in working capital:		
(Increase)/decrease in inventory	56.234	40.193
Decrease in other current assets (excl. cash)	3.800	(2.665)
(Increase)/decrease in current liabilities (excl. financing credit institutions)	(13.734)	19.760
	<b>46.300</b>	<b>57.288</b>
<b>Cash flow from business activities</b>	<b>49.988</b>	<b>86.320</b>
Interest	24	(3.918)
Taxation	(350)	(1.414)
<b>Cash flow from operating activities</b>	<b>49.662</b>	<b>80.988</b>
Investments tangible fixed assets	(1.270)	(48)
Investment in investment property	-	(22.845)
Disposals/(investments) in participations (incl. loans to participations, nett)	(4.075)	20.113
Disposals in investment property	9.000	14.650
Investments/(disposals) in minority interest	824	(703)
Dividends received	8.371	200
<b>Cash flow from investment activities</b>	<b>12.850</b>	<b>11.367</b>
Dividends paid	-	(6.590)
Buy back shares	-	(2.200)
Additions/(repayment) long term liabilities	(5.714)	1.001
Movement project financing	(60.366)	(63.814)
<b>Cash flow from financing activities</b>	<b>(66.080)</b>	<b>(71.603)</b>
<b>Increase / (decrease) cashflow</b>	<b>(3.568)</b>	<b>20.752</b>
<b>Opening cash</b>	<b>49.370</b>	<b>28.618</b>
<b>Movement cash</b>	<b>(3.568)</b>	<b>20.752</b>
<b>Closing Cash</b>	<b>45.802</b>	<b>49.370</b>

\* All amounts are in 1,000 euro's.

## 5.4 Notes to the Consolidated Financial Statements

All amounts are stated in thousands of Euros unless indicated otherwise.

### Activities

OVG Real Estate B.V. having its legal seat at Wilhelminakade 300 in Rotterdam, is engaged in development of real estate, mainly in the commercial market. In this respect OVG Projectontwikkeling B.V. represents the service organization for the projects of OVG Real Estate B.V.

### Group structure

Financial information relating to subsidiaries within the group is included in the consolidated financial statements. The consolidated financial statements have been prepared in accordance with the accounting principles regarding valuation and profit recognition of OVG Real Estate B.V.

Minority interests in equity and results of group companies are separately disclosed in the consolidated financial statements.

The results of subsidiaries acquired during the year are consolidated from the date of acquisition. At acquisition the assets, provisions and liabilities are valued at fair values. Goodwill paid is capitalized. The results of subsidiaries sold during the year are consolidated until the movement of leaving the group.

### Consolidation principles

The consolidated financial statements include the accounts of OVG Real Estate B.V. and all entities in which a direct controlling interest exists. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

Pursuant to Section 409 of Book 2 of the Dutch Civil Code, the financial data of Joint Ventures are consolidated proportionally in the consolidated financial statements. Since the interest concerns a joint venture with a company not forming part of the group, and over which joint control is exercised under a collaboration arrangement concluded with the other partner, management believe such presentation means that the statutory required true and fair view is met.

The consolidated companies in the report are:

Entities	Established in	% Shareholders	Shareholder(s)
OVG Real Estate B.V.	Rotterdam	91.0%	C.P.G. van Oostrom Beheer B.V.
		9.0%	Stichting ESA
OVG Nederland Holding B.V.	Rotterdam	90.9%	OVG Real Estate B.V.
OVG International B.V.	Rotterdam	100%	OVG Real Estate B.V.
OVG Projectontwikkeling B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Landbank B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten II B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten V B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten VI B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten VII B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XI B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XII B.V.	Rotterdam	100%	OVG NL Holding B.V.
Laan op Zuid B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XVIII B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XIX B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XX B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XXI B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XXII B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XXIII B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XXV B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XXVI B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XXIX B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XXXIV B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XXXV B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XXXVI B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XXXVII B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten XXXVIII B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Nederland B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Property Investments B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Investment Management B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG IM Holding B.V.	Rotterdam	100%	OVG NL Holding B.V.
OVG Projecten III B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten IV B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten VIII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten IX B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten X B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XIII B.V.	Rotterdam	100%	OVG Nederland B.V.

Entities	Established in	% Shareholders	Shareholder(s)
OVG Projecten XIV B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XVII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XXVII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XXVIII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Lansingerpoort B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XXXI B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XXXII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XXXIII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XXXIX B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XL B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XLI B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XLII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XLIII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XLIV B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XLV B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XLVI B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XLVII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XLVIII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten XLIX B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten L B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LI B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LIII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LVI B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LVII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LVIII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LIX B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LX B.V.	Rotterdam	100%	OVG Nederland B.V.
Stallingsgarage Beukenhorst Beheer B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXIII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXIV B.V.	Rotterdam	100%	OVG Nederland B.V.
Green Machine B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXVI B.V.	Rotterdam	100%	OVG Nederland B.V.

Entities	Established in	% Shareholders	Shareholder(s)
OVG Projecten LXVII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXVIII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXIX B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXX B.V.	Rotterdam	60%	OVG Nederland B.V.
OVG Projecten LXXI B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXXII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXXVII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXXVIII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXXIX B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXXX B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXXXI B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXXXII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXXXIII B.V.	Rotterdam	100%	OVG Nederland B.V.
OVG Projecten LXXXIV B.V.	Rotterdam	100%	OVG Nederland B.V.
Beherend Vennoot FMH B.V.	Rotterdam	50%	OVG Nederland B.V.
Beherend Vennoot AMP BV	Amsterdam	50%	OVG Nederland B.V.
Beherend Vennoot FMH 2 BV	Rotterdam	100%	OVG Nederland B.V.
Stichting Bewaarder REF Kantoor	Rotterdam	100%	OVG Nederland B.V.
OVG Deutschland B.V.	Rotterdam	100%	OVG International B.V.
OVG Real Estate GmbH	Berlin	100%	OVG Deutschland B.V.
OVG Humboldthafen Verwaltungs GmbH	Berlin	100%	OVG Deutschland B.V.
OVG MK6 GmbH	Berlin	50%	OVG Deutschland B.V.
OVG Cloud GmbH	Berlin	100%	OVG Deutschland B.V.
OVG Sky GmbH	Berlin	100%	OVG Deutschland B.V.
OVG Sun GmbH	Berlin	100%	OVG Deutschland B.V.
OVG Moon GmbH	Berlin	100%	OVG Deutschland B.V.
BAM-Huis Den Haag Beheer B.V.	Rotterdam	70%	OVG Projecten XXI B.V.
BAM-Huis Den Haag C.V.	Rotterdam	69.3%	OVG Projecten XXI B.V.
		1%	BAM-Huis Den Haag Beheer B.V.
Stichting OVG I	Rotterdam	100%	OVG Projecten XXXVIII B.V.
Sirius C.V.	Rotterdam	100%	OVG Projecten XXXVIII B.V.
OVG IM Beheer B.V.	Rotterdam	100%	OVG IM Holding B.V.
IM NHS B.V.	Rotterdam	100%	OVG IM Holding B.V.
Stichting Bewaarder NHS	Rotterdam	100%	OVG IM Holding B.V.
NHS CV	Rotterdam	100%	OVG IM Holding B.V.

Entities	Established in	% Shareholders	Shareholder(s)
OVG Venture Nederland II B.V.	Rotterdam	100%	OVG IM Holding B.V.
Join Ontwikkeling B.V.	Rotterdam	70%	OVG NL Holding B.V.
Join Projecten 1 B.V.	Rotterdam	100%	Join Ontwikkeling B.V.
Join Projecten 2 B.V.	Rotterdam	100%	Join Ontwikkeling B.V.
Join Projecten 3 B.V.	Rotterdam	100%	Join Ontwikkeling B.V.
Join Projecten 4 B.V.	Rotterdam	100%	Join Ontwikkeling B.V.
Join Projecten 5 B.V.	Rotterdam	100%	Join Ontwikkeling B.V.
REF Kantoor B.V.	Rotterdam	100%	OVG Projecten LXX B.V.
OVG Ventures Nederland B.V.	Rotterdam	100%	OVG IM Holding B.V.
OVG Venture Nederland I BV	Rotterdam	100%	OVG Ventures Nederland B.V.
OVG Asset Management Nederland B.V.	Rotterdam	100%	OVG Ventures Nederland B.V.
Consortium Frankemaheerd C.V.	Rotterdam	49.9%	OVG Projecten LXXXII B.V.
		0.2%	Beherend Venoot FMH B.V.
Project Orange B.V.	Amsterdam	100%	Beherend Venoot FMH B.V.
Consortium Amsterdamse Poort C.V.	Amsterdam	49.9%	OVG Projecten LXXXIII B.V.
	Amsterdam	0.2%	Beherend Venoot AMP B.V.

Companies mentioned below are not consolidated in the report, because OVG Real Estate B.V. does not hold, directly or indirectly, more than half of the voting capital and does not have a decisive influence on these companies.

Entities	Established in	% Shareholders	Shareholder(s)
Businesspark Gouda B.V.	Rotterdam	50%	OVG Property Investments B.V.
Stadsherstel Historisch Rotterdam N.V.	Rotterdam	1%	OVG Real Estate B.V.
Parrot B.V.	Amsterdam	10%	OVG Venture Nederland I B.V.
OVG Redevelopment Venture B.V.	Amsterdam	20%	OVG Venture Nederland II B.V.

## GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements are prepared in accordance with generally accepted accounting principles in the Netherlands and Title 9, Book 2 of the Netherlands Civil Code.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at face value.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

The financial information relating to OVG Real Estate B.V. is included in the consolidated financial statements. Accordingly, in accordance with Article 402, Book 2 of the Netherlands Civil Code, a company profit and loss account has been presented in condensed form.

The management of the group makes various judgements and estimates when applying the accounting policies and rules for preparing the financial statements. Amongst others, significant judgements are made regarding the valuation of investment property, work in progress, construction contracts and provisions. These judgements and estimates are made from taking the present market conditions and market volatility into account.

### Financial Instruments

The information included in the notes for financial instruments is useful in estimating the extent of risks relating to both on-balance-sheet and off-balance-sheet financial instruments. The group applies hedge accounting based on individual documentation per individual hedge relationship. The company's primary financial instruments, not being derivatives serve to finance the company's operating activities or directly arise from these activities. The company's policy is not to trade in financial instruments. The effective part of financial instruments designated for cost price hedge accounting is valued at cost. Ineffectiveness is only recorded in the profit and loss account insofar as it concerns a(n) (accumulated) loss.

The principal risks arising from the company's financial instruments are interest rate risks and credit risks.

**Interest rate risk**

The company hedges this risk by entering into an interest rate swap contract to cover expected significant increases in market interest rates. The company hedges this risk by entering into an interest rate swap contract to cover expected significant increases in market interest rates. Currently the company no longer hedges any interest rate risks.

**Credit risk**

The company trades only with creditworthy parties and has implemented procedures to check the creditworthiness of parties. The company applies strict credit control and reminder procedures. The company's credit risk is minimal due to the above measures. In addition, there are no significant concentrations of credit risk within the company.

**PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES****Tangible fixed assets**

Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments in value. Depreciation is charged to the income statement based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value.

Depreciation is provided from the date an asset comes into use. Tangible fixed assets relate to properties not held for development or investment purposes.

**Investment property**

Investment properties are those that are held either to earn rental income or for capital appreciation or for both and those properties are stated at fair value without depreciation. External, independent valuation companies, having an appropriate recognized professional qualification and recent experience in the location and category of property being valued, value the investment portfolio. Any gain or loss arising from a change in fair value is recognized in the income statement as result from revaluation.

**Financial fixed assets**

The (non-consolidated) participations are – on the basis of the share in the equity of the company – valued at net asset value and if applicable less impairments in value. The net asset value is based on the latest available financial statements of the company. With the valuation of participations any impairment in value is taken into account. The results are accounted for in profit and loss according to the interest held.

Participations with a negative equity are valued at nihil and to the amount of the negative equity a provision is made. In case of loans to or receivables on the participation, the provision will be charged to the receivables. In case a balance remains, a provision for participations is made.

**Inventories**

Inventories of assets for resale are valued at acquisition price or lower net realizable value. This lower net realizable value is determined by individual assessment of the inventories.

**Work in progress**

Work in progress is the unsold construction of an asset or combination of assets whose performance generally extends over several reporting periods.

Project costs are the direct project costs, interest on loan capital, the mark-up for costs attributable to project activities in general and can be allocated to the project based on the normal level of project activity, and other costs that can be attributed to the principal under the project. A provision for expected losses on a project is charged to the item work in progress.

**Construction contracts**

A construction contract carried out at the instruction of a third party is a contract entered into with a third party for the construction of assets whose performance generally extends over several reporting periods. Contract revenue and contract costs from the construction contract are taken to the profit and loss account pro rata to the extent of the work performed at the balance sheet date, because the outcome of a construction contract can be reliably estimated (percentage of completion method).

Contract costs are the direct contract costs, interest on loan capital, the mark-up for costs attributable to contract activities in general and can be allocated to the contract based on the normal level of contract activity, and other costs that can be attributed to the principal under the contract.

A provision for expected losses on a contract is charged to the item construction contracts. In addition, instalments already invoiced are set off against the item construction contracts. The net amount for each construction contract is recognised as an asset or a liability where the balance of the construction contract is positive or negative, respectively.

**Receivables**

Receivables are included at face value, less any provision for doubtful accounts. These provisions are determined by individual assessment of the receivables.

### Provisions

For amounts of taxation payable in the future, due to differences between the valuation principles in the annual report and the valuation for taxation purposes of the appropriate balance sheet items, a provision has been formed for the aggregate of these differences multiplied by the future tax rate. A provision is recorded for the negative fair value of an embedded option.

The provision for rental guarantees for completed projects is recorded on behalf of the estimated costs expected to arise from the current rental guarantees.

Provision is recorded for changes in fair value of ineffective hedges.

The provision for rental guarantees for completed projects is recorded on behalf of the estimated costs expected to arise from the current rental guarantees.

Other provisions are provisions for incentives to be paid according to signed rental agreements and for other amounts to be paid. A provision is recognized when an obligation exists.

Long term provisions are valued at net present value.

### Principles for the determination of the results

All initial start-up costs for potential projects are expensed. Rental guarantees are expensed as part of the estimated profit upon completion.

Revenue from projects is recognized as actual costs plus mark-up. The mark-up is quarterly recognized by the formula: calculated profit end of work multiplied by the percentage of the stage of completion minus profit already accounted for. The stage of completion is determined by the number of days under construction divided by the total number of construction days. Profit mark-up commences in the case that the project is sold at the start of the construction period. Losses are recognized in the year in which they become foreseeable.

### Other income and expenses

All costs which can not directly be allocated to a project are expensed. The lease income from investment properties is taken evenly to the profit and loss account over the term of the lease.

### Corporate income tax

Corporate income tax is calculated at the applicable rate on the profits for the financial year, taking into account deductible costs and permanent differences between profit calculated according to the profit and loss account and profit calculated for taxation purposes.

### Financial derivatives and hedge accounting

The company uses interest rate swaps to hedge its risks associated with interest rate fluctuations. The hedges are recognized on the basis of cost hedge accounting if the conditions for hedge accounting are met. The fair value of these hedges is disclosed in the notes to the consolidated balance sheet.

### Tax liabilities

OVG Real Estate B.V. is the head of a fiscal unity for the value added tax and for that reason it is, jointly and severally liable for the tax liabilities of the whole fiscal unity.

As per 19 May 2015 all subsidiaries of OVG NL Holding B.V. formed a fiscal unity with OVG NL Holding B.V. for corporate income tax and is jointly and severally liable for the tax liabilities of the whole fiscal unity.

OVG Real Estate B.V. remains the head of a fiscal unity for the other subsidiaries for corporate income tax and is jointly and severally liable for the tax liabilities of the whole fiscal unity.

Tax liabilities of the subsidiary companies are presented under the tax payables in the balance sheet.

### Principles for preparation of the consolidated cash flow statement

The cash flow statement is prepared according to the indirect method. The funds in the cash flow statement consist of cash, cash equivalents and bank facilities.

Corporate income taxes, issuances of share capital, interest received and dividends received are presented under the cash flow from operating activities. Interest paid and dividends paid are presented under the cash flow from financing activities.

# Colophon —

## Publication

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