GHELAMCO

GRANBERO HOLDINGS Ltd

IFRS CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2017

Approved by Management with the independent Auditor's opinion

CONTENTS

I

GENERAL INFORMATION AND PERFORMANCE

1. BUSINESS ACTIVITIES AND PROFILE

Granbero Holdings (as the legal Cyprus entity with all its Polish subsidiaries) represents the Polish activities of the Ghelamco Group, a leading European real estate investor active in the offices, residential, retail and logistics markets.

As Granbero Holdings acts in Poland under the commercial name Ghelamco, we refer hereafter to Granbero Holdings under the reference 'Ghelamco'.

Ghelamco maintains a high quality internal control with respect for agreed milestones over all its project development phases: land purchase, planning, coordinating the construction phase and sale or lease. Its projects combine prime and strategic locations with efficient and aesthetically inspiring designs and correct timing.

Ghelamco group's successes on the Belgian, French, Polish, Ukrainian and Russian markets are generated by the group's professional and enthusiastic staff that is driven by the vision and passion of its management.

Ghelamco is one of the largest commercial property developers and investors in Poland and has, resulting for a steep growth over the last number of years, also become a significant player on the Belgian market. The group's market position has been recognized by numerous prestigious awards, collected over several years and granted both to the company and to many of its projects.

In Poland, Ghelamco's founder, president and CEO Paul Gheysens received in 2016 an award for Lifetime Achievement in Real Estate and the Vector Award from the Polish Employer Organisation. This honour was not only conferred due to Ghelamco's exemplary track record and the unflagging investments in Poland over the past 25 years. But also the added value that Ghelamco's innovative solutions are providing in the spatial development of Warsaw as the leading business heart of Central Eastern Europe was highlighted.

Warsaw Spire, the tallest tower in CEE, was awarded by CEEQA for Building of the year CEE and Green Leadership Building of the year.
And at the MIPIM Awards, the world's most prestigious competition in the real estate industry, the Spire received the main award in Best Office & Business Development.
In addition, Plac Europejski received the Architectural Prize of the Mayor of Warsaw by the Audience.

Since 2007, Ghelamco's business activities are structured in three major holdings under common control of the ultimate beneficial owners (jointly referred to as "**Ghelamco**"):

- **Investment Holding**: comprises resources invested in real estate projects in Belgium, France, Poland, Russia and Ukraine and the intra-group Financing Vehicles – hereafter the "Ghelamco Group", the "Investment Group" or the "Group";
- **Development Holding**: represents international entities that provide construction, engineering and development services to the Investment Holding;
- **Portfolio Holding**: consists of all other activities and real estate investments controlled by the ultimate shareholders.

Per end 2016 an additional holding was created, called the **Ghelamco European Property Fund**. The fund is not (yet) regulated but acts as a separate legal entity within the group. The purpose of this fourth holding company is in first instance to keep real estate projects as income generating products in portfolio for a longer time period. This allows the Investment Holding to realise and sell delivered projects, for which the occupation rate and lease status has been optimized in the past years, at an optimal market value. This longer-term strategy demands a specific (long-term) financing structure.

2. LEGAL STATUS

Granbero Holdings Ltd (the "Company") is the holding company of the Polish activities of Ghelamco Group Comm. VA, which is in turn the holding company of the **Investment Group**.
Granbero Holdings Ltd, together with its subsidiaries (Note 5), constitute the reporting entity for the purpose of these financial statements.

Granbero Holdings Ltd is a limited liability company registered under Cypriot law, with its registered office at Arch. Makariou III, 229, Meliza Court, 3105 Limassol, Cyprus.

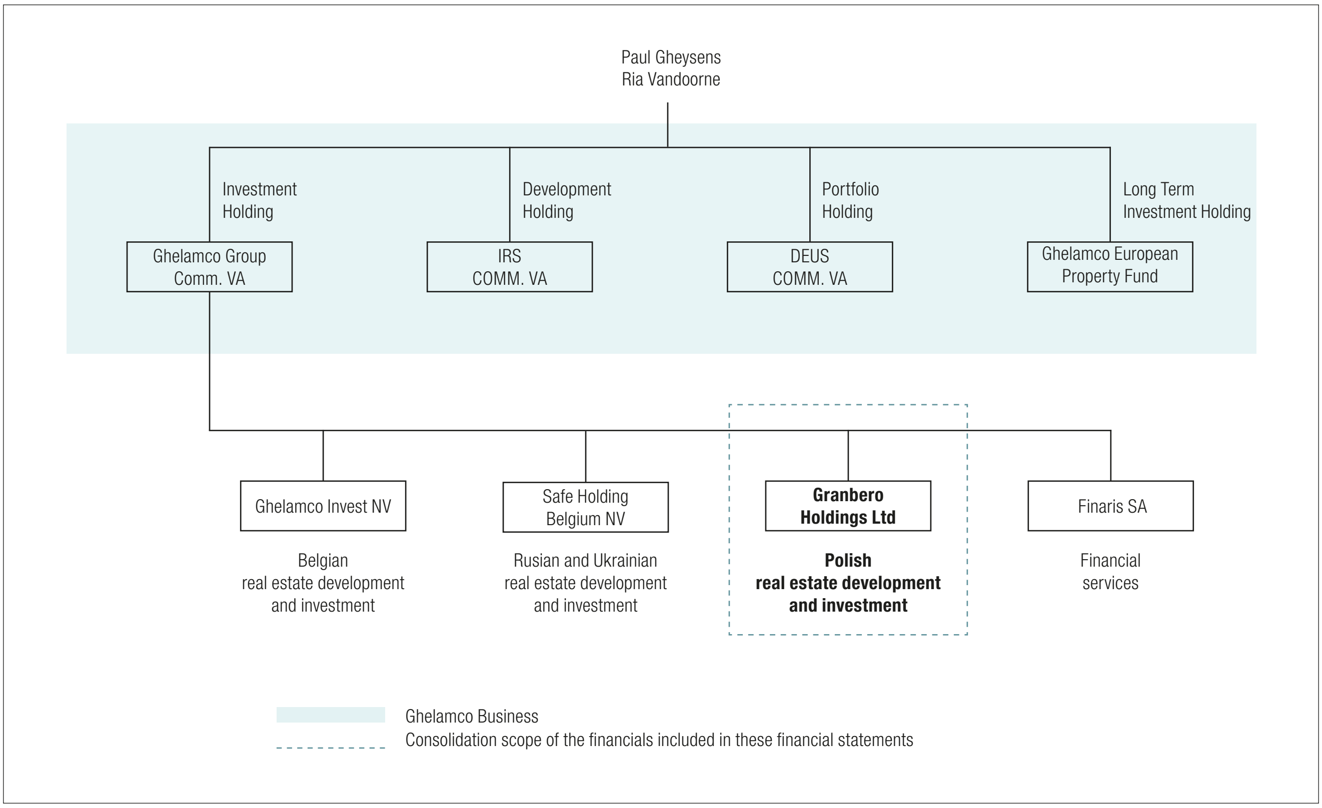
The Company is registered in the Cypriot commercial register under the number HE183542.

3. CONSOLIDATION SCOPE

These consolidated financial statements comprise the resources and activities of the Company and its legal subsidiaries.

At 31 December 2017 (the reporting date), all the assets and liabilities of the reporting entity (the Company and its direct and indirect legal subsidiaries) are legally linked through a corporate structure that was introduced in 2006 and was accomplished prior to 31 December 2007 (overview in Note 5).

All assets, liabilities, income and expenses that represented an integral part of the Granbero Holdings activities, are included in the accounts of the legal subsidiaries of the Company at 31 December 2017 and at 31 December 2016.



Mr. Paul Gheysens
Chief Executive Officer

Mr. Simon Gheysens
Chief Business Intelligence, Technology and Project Design Officer

Mr. Michael Gheysens
Chief Commercial and Business Development Officer

Mr. Philippe Pannier
Chief Financial Officer

Mr. Chris Heggerick
Chief Operational Officer

Mr. Jeroen van der Toolen
Managing Director CEE

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4. STAFFING LEVEL

Given its nature, there is no employment in the Company. The construction, engineering and other related services are mainly provided to the Company by the Development Holding's legal subsidiaries. Ghelamco as a whole employed 294 people on 31 December 2017 (vs. 299 on 31 December 2016).

5. BOARD AND MANAGEMENT COMMITTEE

The statutory board of the Polish entities consists of 5 board members: the Managing Director Eastern Europe (president of the board) and the local Financial, Commercial, Legal and Investment Directors.

The Company's Management consists of:

- Mr. Paul Gheysens (Chief Executive Officer)
- Mr. Simon Gheysens (Chief Business Intelligence, Technology and Project Design Officer)
- Mr. Michael Gheysens (Chief Commercial and Business Development Officer)
- Mr. Philippe Pannier (Chief Financial Officer)
- Mr. Chris Heggerick (Chief Operational Officer)
- Mr. Jeroen van der Toolen (Managing Director CEE)

The Financial, Commercial, Legal, Technical and Investment Directors.

The Management actively coordinates and supervises the different teams and supports them in all commercial, legal, financial and technical aspects of their activities.
The Polish teams consist of a technical, commercial, legal & financial department.

6. BUSINESS ENVIRONMENT AND RESULTS

6.1. 2017 PERFORMANCE AND RESULTS

The Company closed its 2017 accounts with a net profit of 24,325 KEUR, resulting from its continued development, construction and commercialisation efforts. Thanks to these efforts, the Company was able to successfully dispose its Warsaw Spire and Przystanek mBank projects, while it further invested in a number of other projects. This is reflected in a decreased balance sheet total of 1,266,426 KEUR and an equity of 696,674 KEUR. The solvency ratio amounted to 55% (vs. 42.8% at 31 Dec. 2016).

Land bank

In Poland, the Company in first instance maintained its existing land bank but also took advantage of some expansion opportunities. Main 2017 land bank transactions were the acquisition in the first half of the year of a plot in centre of Łodz (for an amount of approx. 8 MPLN) for the future development of an office project, in a 50/50 joint-venture structure with a third party (project for which already a building permit has been obtained) and the acquisition on 6 October of 50% of the shares of a company holding the perpetual usufruct right on a strategic plot located in CBD, Wola District in Warsaw for a project totaling up to 12,000 sqm office space. For the realisation of this project, further acquisitions of adjacent plots will have to be done.
In addition, in September a preliminary agreement was signed (via its project company Ghelamco GP1 Sp. z o.o. Tarima SKA) to acquire a first front land plot located in the southern part of Mokotów Business District (within walking distance from a communication hub including a metro station, bus, tram lines and P&R facilities), for the future development of an office project of approx. 23,000 sqm in total. Currently the Company

is working on the acquisition of further expansion plots for this project.
Except the above, also new annexes were signed to former agreements (in connection with plots in the Warsaw City Centre (40,000 sqm GLA, mixed use) and in Krakow (23,000 sqm GLA office project, located in one of the major business districts)), which significantly strengthened the Company's positions, while postponing payment and execution of projects until receipt of a valid building permit.

Development and construction

The investing activities in Poland during 2017 have mainly been focused on:

- The further construction of the Wronia project (approx. 16,000-sqm office project in the Warsaw Wola District). Construction works have been finalized mid-2017 and the occupation permit has been obtained on 21 July 2017.
- The finalisation of the construction works on the Przystanek mBank project (approx. 25,600 sqm office space) in Lodz, which has been leased to mBank (for approx. 95% of the lettable area). The occupation permit has been received end Q3 2017.
- The start of the construction works of the Warsaw Hub (actually kicked off end 2016), 3 towers (on a podium) multifunctional project of approx. 113,000 sqm in Warsaw CBD. Construction status at 31 December 2017: finalisation of basement works and ongoing construction of first above ground levels. Delivery is expected in Q1 2020.
- The start of the foundation works of the Spinnaker Tower, 55,000 sqm offices project at Rondo Daszynskiego in Warsaw.
- Finally, also construction works on the Foksal project (55 exclusive apartments at 13/15 Foksal Street located in the historic heart of Warsaw).

(Pre-)leasing and occupation of projects:

Continued leasing efforts have resulted in the fact that the Woloska 24 project in the Warsaw Mokotow district has per date of the current report an occupation rate of approx. 94% and that the Wronia project is leased for over 85% (signed expansion options included). In addition, in the HUB a lease agreement has been signed with a hotel operator (21,000 sqm) and another with a fitness club.

Divestures

On 29 June 2017, the Warsaw Spire project (leased and/or reserved for over 90%) was sold to Ghelamco European Property Fund NV at a transaction value of 540 MEUR in total. For this purpose, Granbero Holdings Ltd entered into an agreement with Ghelamco European Property Fund NV to sell 100% of the shares in Stareti Holdings Ltd (in turn parent company of the SPVs holding the (3 parts of the) Warsaw Spire project). The sale resulted in the current period in a net result on disposal of investment property of 6.5 MEUR. The share price amounted to 2 MEUR (PPA of end November included). In addition, in connection with this transaction, formerly recognized gains (through fair value accounting) for an amount of +/- 245 MEUR have actually been realised. The resulting receivable balances on the Ghelamco European Property fund are currently being cashed. On 27 September 2017, Ghelamco European Property Fund NV disposed the shares of Warsaw Spire Pl. Europejski 6 SKA (company holding building B of the Warsaw Spire complex) to an external investor.

On 19 December 2017, the shares of Ghelamco Nowa Formiernia Sp. z o.o., project company holding the Przystanek mBank project (offering 25,619 sqm office space in Lodz) were sold to LCN Euro Master Dutch Holdings II BV. The share deal was based on the underlying value of the property (amounting to 58.2 MEUR). The sale resulted in a net gain on disposal of investment property of 1.5 MEUR. Share price amounted to 20.8 MEUR.

Current period's residential sales revenues related to the further commercialisation of the Woronicza Qbik project (355 residential soft lofts and 16 ground floor commercial


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units, in the Mokotow District of Warsaw). Per end December 2017, approx. 98% of units have been sold.

6.2. OUTLOOK

It is the Company's strategy to further diversify its development portfolio by spreading its developments over different real estate segments.

For 2017, the Company will continue this strategy. In addition, it will closely monitor specific evolutions in its active markets and real estate segments. Considering its sound financial structure and the expected further market evolutions (in terms of tenant activity and evolution in yields), the Company is confident to achieve its goals for 2017 in general.

7. NOTICE TO THE READER

This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2017, assuming the going concern of the consolidated companies.

As per today, the Company's core business is the development of and investment in commercial and residential properties. The Company's strategy is to keep commercial property in portfolio for rental purposes while residential properties are dedicated for sale.

According to IAS 2, Property Development Inventories have to be measured at the lower of cost and net realizable value. Investment Properties (Under Construction) are carried at fair value.

As such, residential properties are presented as Property Development Inventories. Most of the commercial property is presented as Investment Property. We refer to the Notes 6 and 7 in Part II for more details on their presentation.

II

IFRS CONSOLIDATED FINANCIAL STATEMENTS

These IFRS consolidated financial statements at 31 December 2017 were approved by the Company's Management on 27 March 2018. The amounts in this document are expressed in thousands of EUR (KEUR), unless stated otherwise.

A. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN KEUR)

ASSETS	**Note**	**31/12/2017**	**31/12/2016**
Non-current assets			
Investment Property	6	436,339	907,171
Property, plant and equipment		392	240
Investments in joint-ventures	8	0	
Receivables and prepayments	9	461,407	397,784
Deferred tax assets	16	5,602	3,391
Other financial assets		193	109
Restricted cash		0	0
Total non-current assets		**903,933**	**1,308,695**
Current assets			
Property Development Inventories	7	70,390	68,860
Trade and other receivables	9	203,727	189,545
Current tax assets		148	205
Derivatives		0	0
Restricted cash		0	0
Cash and cash equivalents	11	88,228	37,564
Total current assets		**362,493**	**296,174**
TOTAL ASSETS		**1,266,426**	**1,604,868**

Capital and reserves attributable to the Group's equity holders	**Note**	**31/12/2017**	**31/12/2016**
Share capital	12	67	67
Share premiums	12	495,903	495,903
CTA	13	-2,593	12,504
Retained earnings	13	203,289	179,053
		696,667	**687,527**
Non-controlling interests	12.2	7	7
TOTAL EQUITY		**696,674**	**687,535**
Non-current liabilities			
Interest-bearing loans and borrowings	14	431,155	797,680
Deferred tax liabilities	16	15,826	21,199
Other non-current liabilities		2,249	1,916
Long-term provisions		0	0
Total non-current liabilities		**449,230**	**820,795**
Current liabilities			
Trade and other payables	17	40,272	39,073
Current tax liabilities	18	1,382	1,430
Interest-bearing loans and borrowings	14	78,868	56,036
Short-term provisions			
Total current liabilities		**120,522**	**96,539**
TOTAL LIABILITIES		**569,752**	**917,334**
TOTAL EQUITY AND LIABILITIES		**1,266,426**	**1,604,868**

B. CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED INCOME STATEMENT	Note	2017	2016
Revenue	19	21,701	20,703
Other operating income	20	13,980	6,505
Cost of Property Development Inventories	21	-5,191	-7,060
Employee benefit expense		-307	-306
Depreciation amortisation and impairment charges		-26	-30
Gains from revaluation of Investment Property	6	30,427	131,050
Other operating expense	20	-23,405	-22,237
Share of results of joint-ventures		-2	
Operating profit - result		**37,177**	**128,626**
Finance income	22	25,015	13,114
Finance costs	22	-30,178	-51,020
Profit before income tax		**32,014**	**90,720**
Income tax expense/income	23	-7,689	1,597
Profit for the year		**24,325**	**92,317**
Attributable to:			
Equity holders of parent		24,325	92,317
Non-controlling interests			

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - ITEMS RECYCLABLE TO THE INCOME STATEMENT	Note	2017	2016
Profit for the year		**24,325**	**92,317**
Exchange differences on translating foreign operations	15	-15,097	7,978
Other		-15	-46
Other comprehensive income/(loss) of the period		**-15,112**	**7,932**
Total Comprehensive income/(loss) for the year		**9,213**	**100,249**
Attributable to:		9,213	
Equity holders of the parent		0	100,249
Non-controlling interests			0

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C. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to the equity holders			Non-controlling interests	TOTAL EQUITY
		Share capital	Cumulative translation reserve	Retained earnings		
Balance at 1 January 2016		**32,674**	**4,526**	**516,782**	**1,902**	**555,884**
Capital increase		463,297				**463,297**
Foreign currency translation (CTA)			7,978			**7,978**
Profit/(loss) for the year				92,317		**92,317**
Dividend distribution				-430,000		**-430,000**
Change in non-controlling interests					-1,895	**-1,895**
Change in the consolidation scope				-73		**-73**
Other				27		**27**
Balance at 31 December 2016		**495,971**	**12,504**	**179,053**	**7**	**687,535**
Capital increase	13					**0**
Foreign currency translation (CTA)	13		-15,097			**-15,097**
Profit/(loss) for the year	13			24,325		**24,325**
Dividend distribution						**0**
Change in non-controlling interests	12.2					**0**
Change in the consolidation scope	13			-74		**-74**
Other				-15		**-15**
Balance at 31 December 2017		**495,971**	**-2,593**	**203,289**	**7**	**696,674**

Consolidated Financial Statements at 31 December 2017 (in KEUR) GRANBERO HOLDINGS LTD 17

D. CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT FOR 2017 AND 2016	Note	2017	2016
Operating Activities		**32,014**	**90,720**
Profit / (Loss) before income tax			
Adjustments for:			
• Share of results of associates			
• Change in fair value of investment property	6	-30,427	-131,050
• Gain on disposal of subsidiary			
• Gain on disposal of interest in former associates			
• Depreciation, amortization and impairment charges		26	30
• Result on disposal investment property		-8,047	
• Change in provisions			
• Net interest charge	22	6,812	17,414
• Movements in working capital:			
- Change in prop. dev. inventories		-7,140	-24,676
- Change in trade & other receivables		-14,182	-47,849
- Change in trade & other payables		1,175	-922
- Change in MTM derivatives	10		0
• Movement in other non-current liabilities		333	1,916
• Other non-cash items		-409	-49
Income tax paid		-1,345	-721
Interest paid (*)		-39,503	-26,668
Net cash from operating activities		**-60,693**	**-121,855**
Investing Activities			
Interest received	22	20,331	13,114
Purchase of property, plant & equipment		-178	-238
Purchase of investment property	6	-52,540	-91,044
Capitalized interest in investment property paid	6	-8,490	-8,600
Proceeds from disposal of investment property	6	598,205	
Net cash outflow on acquisition of subsidiaries			
Net cash inflow on disposal of subsidiary			
Net cash inflow on disposal of associate			
Cash outflow on other non-current financial assets		-63,708	-134,263
Net cash inflow/outflow on NCI transactions			
Change in trade & other payables			
Movement in restricted cash accounts			0
Net cash flow used in investing activities		**493,620**	**-221,031**
Financing Activities			
Proceeds from borrowings	15	92,591	366,007
Repayment of borrowings	15	-436,284	-45,991
Capital increase			
Other non-cash items, realized CTA			
Net cash inflow from / (used in) financing activities		**-343,693**	**320,016**
Net increase/decrease in cash and cash equivalents		**89,234**	**-22,870**
Cash and cash equivalents at 1 January of the year		37,564	42,683
Effects of exch. rate changes (mainly on EUR/USD balances in non-EUR countries)(**)		-38,570	17,751
Cash and cash equivalents at 31 December of the year		**88,228**	**37,564**

(*): Interests directly capitalized in IP not included (2017: 8,490 KEUR; 2016: 8,600 KEUR) – separately presented under investing activities.
(**): To a significant extend related to realized FX gains in connection with the disposal of the Warsaw Spire project.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the IFRS consolidated financial statements, are set out below.

1.1. INTRODUCTION

We refer to the section "General Information: business activities" and Note 5 "Organizational chart" of these financial statements for more information on the business activities and the structure of the Company and its position within the Ghelamco business.

These financial statements are IFRS consolidated financial statements that include the resources and activities of Granbero Holdings Ltd and its legal subsidiaries that are part of the Ghelamco Investment Group at 31 December 2017.

A list of legal entities included in these IFRS consolidated financial statements and major changes in the organizational structure of the reporting entity are outlined in Notes 4 and 5.

1.2. BASIS OF PREPARATION

These consolidated financial statements include those of the Company and its subsidiaries. The consolidated financial statements were approved for issue by Management on March 27, 2018. The consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union at 31 December 2017. The Company has adopted all new and revised standards and interpretations relevant for its activities and which became applicable for the financial year starting 1 January 2017.

These financial statements have been prepared under the historical cost convention except for Investment Properties and derivative financial instruments that have been measured at fair value.

1.3. STANDARDS AND INTERPRETATIONS THAT BECAME APPLICABLE IN 2017

Standards and Interpretations that the Company anticipatively applied in 2016 and 2017:

- None

Standards and Interpretations that became effective in 2017:

- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 12 (applicable for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2017)

Standards and Interpretations which became effective in 2017 but which are not relevant to the Company:

- Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual periods beginning on or after 1 January 2017)

1.4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards and Interpretations issued at the date of these IFRS consolidated financial statements, which were authorized for issue but not yet mandatory and have not been early adopted by the Investment Holding:

- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 1 and IAS 28 (applicable for annual periods beginning on or after 1 January 2018)
- Annual improvements to IFRS Standards 2015-2017 Cycle (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, and therefore the endorsement in the EU has been postponed)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 28 Long term interests in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 40 Transfers of Investment Property (applicable for annual periods beginning on or after 1 January 2018)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRIC 23 Uncertainty over Income Tax Treatments (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)

At this stage, the Company does not expect the first adoption of these Standards and Interpretations to have any material financial impact on the financial statements at the moment of initial application.

Based on an analysis of the Company's situation at 31 December 2017, IFRS 9 is not expected to have any significant impact on the consolidated financial statements. With regard to the special impairments on financial assets valuated at amortised cost, including trade receivables, the initial application of the expected credit loss model under IFRS 9 will result in early recognition of credit losses compared to the incurred loss model applied under IAS 39. Taking into account the relatively small amount of outstanding trade receivables, combined with the associated low credit risk, the Company deems the impact on the consolidated financial statements to be minor.


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IFRS 15 Revenue from contracts with customers (applicable to financial years beginning on or after 1 January 2018): IFRS 15 provides a unique and all-encompassing model of principles that an entity must apply to account for income arising from a contract with a customer. On entry into force, this new standard will replace both IAS 18 on revenue from the sale of goods and the rendering of services and IAS 11 on current construction contracts and their corresponding interpretations. Leases, which are a substantial part of the Company's revenue, do not fall under IFRS 15. However, the principles of IFRS 15 also apply to non-lease components of revenue, being residential sales. Taking into account the fact that revenue from residential sales is material, management is still assessing the possible impact of IFRS 15. Based on a tentative analysis, the Company does not expect the first adoption of IFRS 15 to have any material financial impact on the financial statements, but in order to ensure alignment with the industry and as this topic is still under discussion at the level of the IFRS Interpretations Committee, no final conclusion has been reached yet.

The Company is currently assessing the possible impact, if any, of IFRS 16 to be applied as from 2019.

1.5. PRINCIPLES OF CONSOLIDATION

1.5.1. CONSOLIDATION SCOPE

The entities included in the consolidation scope are those that are under control of the Company on 31 December 2017 and on 31 December 2016 (see Notes 4 and 5). Control is achieved when the Company

- Has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company re-assesses whether or not it controls an investee if fact and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The transactions, balances and unrealized gains and losses between these legal entities are deemed intra-group transactions and are eliminated in full.
The transactions with other entities owned directly or indirectly by the ultimate shareholders of the Ghelamco Consortium are deemed transactions with related parties and are not eliminated, but are presented as balances and transactions with related parties in Note 26.

Investments in joint-ventures are included in the consolidated financial statements in accordance with the equity method. Transactions with joint-ventures are not eliminated proportionally with the share of the Company in these joint-venture entities.

1.5.2. ACQUISITION OF SUBSIDIARIES

Although the Company obtained control over several subsidiaries over the past years, these transactions are not considered business combinations as defined under IFRS 3 “Business Combinations”. In these transactions, the Company primarily acquired land and therefore these transactions are to be considered as a purchase of selective assets and liabilities and not as a purchase of a “business”. The purchase consideration has been allocated to each of the assets and liabilities acquired based on their relative fair values.

During the course of 2017 and 2016, there were no acquisitions of subsidiaries that qualified as an acquisition of a business as defined in IFRS 3 "Business Combinations".

1.5.3. SALE OF SUBSIDIARIES

As was the case in the past, the 2017 and 2016 business of the Company consists of developing commercial and residential real estate projects. Commercial properties are held for lease and/or capital appreciation. Residential properties are offered for sale.

General rule:

- sale of commercial projects subsidiaries (in which real estate is developed and valued as IP(UC)) is presented in the Income Statement as a disposal of IP and not as a disposal of a subsidiary;
- sale of residential projects subsidiaries (in which real estate is developed and valued as property development inventories) is presented in the Income Statement on a gross basis (i.e. revenue from the sale of inventories and cost of sales) and not as a disposal of a subsidiary. Still, a sale of residential projects is generally structured as a sale of assets.

Comments 2017

On 19 December 2017, the shares of Ghelamco Nowa Formiernia Sp. z o.o., project company holding the Przystanek mBank project (offering 25,619 sqm office space in Lodz) were sold to LCN Euro Master Dutch Holdings II BV. The share deal was based on the underlying value of the property (amounting to 58.2 MEUR). The transaction has in the financial statements been presented as a disposal of IP.

On 29 June 2017, the Warsaw Spire project was sold to Ghelamco European Property Fund NV at a transaction value of 540 MEUR in total. For this purpose, Granbero Holdings Ltd entered into an agreement with Ghelamco European Property Fund NV to sell 100% of the shares in Stareti Holdings Ltd (in turn parent company of the SPVs holding the (3 parts of the) Warsaw Spire project).

In the current year, no residential SPVs have been sold, in line with the general approach to sell residential projects through asset deals.

Comments 2016

During 2016, no commercial or residential project SPVs were sold.

1.5.4. INCREASE IN OWNERSHIP INTERESTS IN SUBSIDIARIES

The Company applies the parent company model to transactions with minority shareholders. To the extent applicable, the goodwill or badwill resulting from the acquisition of the additional interest (from minority shareholders) in subsidiaries is allocated to the group retained earnings.

1.5.5. FOREIGN CURRENCY TRANSLATION

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the IFRS consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the functional currency of the Company and the presentation currency for the IFRS consolidated financial statements.

Foreign currency transactions

Foreign currency transactions are recognized initially at the exchange rate prevailing at the transactions' date. Subsequently, at closing, monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet currency rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement as a financial result.

Foreign entities

In consolidation, the assets and liabilities of the group companies using a different functional currency than the Euro are expressed in Euro using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified in equity and transferred to the Company's "Cumulative translation reserve". Such translation differences are recognized as income or as expenses in the period in which the entity is sold, disposed of or liquidated.

The principal exchange rates versus EUR that have been used are as follows:

		2017		2016
	Closing rate at 31 December	Average rate for 12 months	Closing rate at 31 December	Average rate for 12 months
Polish Zloty (PLN)	4.1709	4.2583	4.4240	4.3625
United States Dollar (USD)	1.1993	1.1297	1.0541	1.1069

1.5.6. HYPERINFLATIONARY ECONOMIES

None of the Company entities operated in a hyperinflationary economy in 2017 and 2016.

1.6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss.

Cost includes the fair value of the consideration given to acquire the asset and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of taxes).

The depreciable amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method. The depreciable amount is the acquisition cost.

The applicable useful lives are:

- Tangible fixed assets:
  - Buildings: 20 to 40 years
  - Vehicles: 5 years
  - Equipment: 5 to 10 years

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1.7. FINANCE LEASES

A finance lease that substantially transfers all the risks and rewards incident to ownership, is recognized as an asset and a liability at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

1.8. IMPAIRMENT OF ASSETS

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the unit to which the asset belongs.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.9. INVESTMENT PROPERTY

Investment Property is defined as property (land or a building – or part of a building – or both) held by the owner to earn rentals, realize capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment Property, principally comprising land and commercial buildings ("commercial property"), is held for capital appreciation or for the long-term rental yields and is not occupied by the Company.

Investment Property (Under Construction) is carried at fair value. Fair value is determined by external appraisers or by management. In the former case, renowned external appraisers carry out an external inspection of the property and they are provided with the necessary supporting documentation (regarding property title over the involved property, copies of (building) permits, architectural plans, renderings, copies of (preliminary) lease contracts), based on which they prepare their resp. valuation reports.

Gains or losses as a result of changes in the fair value are included in the Income Statement of the year in which they occur. Gains and losses as a result of an Investment Property disposal are considered into the Income Statement of the year in which the disposal occurs.


GARDEN STATION


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WARSZAWA GDAŃSKA

The Company distinguishes four different stages for Investment Property:

A. Land without pre-permit approval;
B. Land with a pre-permit approval;
C. Land with a building permit and construction ongoing;
D. Land with a completed building.

The above stages can again be divided in 2 main categories:

1.9.1. INVESTMENT PROPERTIES UNDER CONSTRUCTION (A), (B), (C)

The fair value of the land is determined based on the following methods:

1. Based on comparative method;
2. Based on realizable sqm;
3. Based on residual method.

In assessing the fair value, the Company considers whether both following conditions have been met:

- Building permit on the property has been obtained and
- Binding lease agreements have been signed for over 40% of the net leasable area of the property.

In case the above mentioned conditions are not fulfilled, the fair value of the IPUC (part not included in land) is deemed to be the cost of the in-process development.

In case the conditions are fulfilled, the fair value of IPUC (both land and construction part) will be determined by an independent appraiser report, based on RICS Valuation Standards.

Fair value of IP(UC) is determined as follows:

- Projects under (A): fair value of the land plus cost of in process development
- Projects under (B): fair value of the land, to the extent the valuation expert has considered the value of the master plan and/or building permit OR fair value of the land plus cost of in process development, to the extent the valuation expert has not yet considered the value of the master plan and/or building permit
- Projects under (C): fair value of the (permitted) land plus construction part at cost, if the above building permit and lease conditions are not (yet) fulfilled
- Projects under (C): fair value of the (permitted) land plus fair value of the construction part, if the above building permit and lease conditions are fulfilled
- Projects under (D): fair value of the completed project

By consequence, fair value adjustments have been recognized as follows:

- Projects under (A): fair value of the land minus the gross land cost (including purchase price of the land, costs on the purchase, capitalized financial costs and possible goodwill) ;
- Projects under (B): fair value of the land minus gross land cost;
- Projects under (C): fair value of the land minus gross land cost, plus fair value of the construction part minus cost of the construction part, to the extent the above conditions are met.
- Projects under (D): fair value of the completed project minus gross land cost, minus cost of the construction part

1.9.2 COMPLETED INVESTMENT PROPERTIES (D)

Investment Properties are considered completed as from the moment the project received its exploitation permit.
Completed Investment Properties are valued by internationally qualified appraisers as of the end of the period, based on market values in accordance with the RICS Valuation Standards. They are recognized at fair value reflecting the market conditions at the balance sheet date. Market values of the project are calculated based on the Yield method or Discounted Cash Flow method, depending on the type of project, its status and the location.

In the case of a contingent consideration payable for a property acquired, the asset (inventory or IP) is recognized initially at cost, determined based on the fair value of the total consideration paid or payable. The fair value of the contingent consideration is determined based on management's best estimate and recognized as a financial liability. Subsequent changes in the fair value of the liability are recorded via the income statement (and are not part of the asset value).

1.10. 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), to an active program to locate a buyer or to complete a plan which was already initiated. In addition, 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 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.

1.11. PROPERTY DEVELOPMENT INVENTORY

Land and premises acquired and held for future development as well as in-process development projects (other than Investment Properties) are classified as inventories. Property Development Inventories mainly comprise residential properties.

Inventories are measured at the lower of cost and net realizable value at the balance sheet date.


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The cost of in-process development projects comprises architectural design, engineering studies, geodesic studies, raw materials, other production materials, direct labour, other direct and external borrowing costs directly attributable to the acquisition or construction of the qualifying inventories.

External borrowing costs directly related to the acquisition, construction or production of a qualifying asset are capitalized. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. Capitalization commences when expenditures and borrowings are being incurred for the asset, and ceases when all the activities that are necessary to prepare the asset for its intended use or sale are complete. The capitalization criteria are usually met as from the date of acquisition of land for building purposes, as activities related to development are usually being undertaken by the Company as from that date.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write-down is necessary when the net realizable value at balance sheet date is lower than the carrying value. The Company performs regular reviews of the net realizable value of its Property Development Inventory.

The most recent review indicated that the global net realizable value of the Property Development Inventory of the Company exceeded its carrying amount measured on a historical cost basis in these IFRS consolidated financial statements (Note 7).

Perpetual usufruct and operating lease contracts of land:
The Company holds land in Poland under the right of perpetual usufruct. The right of perpetual usufruct is in substance a long-term land lease that grants the lessee the right to use and administer land owned by the state or local authorities under the terms and conditions of a contract concluded for 99 years. The holder of such right is obliged to pay an annual fee during the term of the perpetual usufruct estimated by the state or local authority.

Payments, including prepayments, made under the perpetual usufruct contracts are capitalized to the Property Development Inventories.

1.12. TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or undergo financial reorganization and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The asset‘s carrying amount is reduced through the use of an allowance account, and the amount of the loss is recognized in the Income Statement. When a trade receivable is uncollectible, it is written down against the allowance account for


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trade receivables. Subsequent recoveries of amounts previously written down are credited in the Income Statement.

No provision for impairment has been considered necessary as a result of the impairment review on the balance sheet date.

1.13. FINANCIAL ASSETS

The Company classifies its financial investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the intention of the investment's acquisition. Management determines the investments' classification at initial recognition and re-evaluates this designation on every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

The investments in equity instruments that do not have a quoted market price in an active market are measured at cost (this valuation principle applies mainly to the investments in entities under the control of the ultimate shareholders of the Company not included in the consolidation scope of these financial statements).

Derivative financial instruments are measured at fair value with changes recognized in profit or loss.

For an overview of financial assets (and liabilities) by category in accordance with IAS39, reference is made to note 15 below.

1.14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

1.15. SHARE CAPITAL

Ordinary shares are classified as equity under the caption "share capital". When share capital recognized as equity is (re)purchased, the amount of the consideration paid, including directly attributable costs, it is recognized as a change in equity.

Dividends are recognized as a liability only in the period in which they are approved by the Company's shareholders.


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1.16. CURRENT AND DEFERRED INCOME TAXES

Income tax on the profit or loss for the year comprises current and deferred income tax.

Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. It is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred tax is recognized on all temporary differences, even arising on the assets and liabilities located in the Special Purpose Vehicles. Most of the Special Purpose Vehicles hold one specific property development project.

The recognition of deferred tax liabilities on fair value adjustments is based on the assumption that the land and buildings held by the Company will be realized through asset deals. This relates mainly to the residential projects held by the Company.

As it is expected that the value of commercial projects will in first instance be realized through use (and not through sale), the recognition of deferred tax liabilities on fair value adjustments is also applied here. Still, the potential capital gain (in the case a commercial project would be sold through a share deal) might be exempted from income tax in some jurisdictions if certain conditions are met. Although the Company is confident that in the case of a share deal these conditions will be complied with, deferred tax liabilities have consistently been recognized, without taking into account those potential tax exemptions.

In view of the anticipated restructuring of the Polish activities, which was deemed necessary by Management for reasons of (cost) optimization, efficiency improvement and simplifying the legal of the legal structure, early 2016, the shares of the project companies holding the Warsaw Spire and Grzybowska 77 projects were contributed by the closed-end fund to Ghelamco Polish Project 1 SCSp (end 2015 established Luxemburg special limited partnership between the closed-end investment CC28 and Finaris SA), at market value and in exchange for partnership certificates. Subsequently, these SPVs have been transformed into sp.k.-entities. Afterwards, the involved SPVs sold there real estate projects to newly incorporated/acquired SPVs under the Lux. limited partnership, at market value. This resulted in the release to the income statement of accumulated deferred tax liabilities (on the fair values of the involved projects) for an amount of 18.7 MEUR in 2016. Going forward and accordance with the changed fiscal legislation (Amendment to the CIT Law ending the beneficial tax treatment of FIZAN structures, effective 1 January 2017), deferred tax liabilities are again recognized on fair value adjustments for all Polish projects.

Currently or substantially enacted tax rates are used to determine deferred income tax. Under this method, the Company is also required to make a provision for deferred income tax on the difference between the fair values of the net assets acquired and their tax base as a result of a business combination.

No deferred taxes are accounted for temporary differences arising from the initial recognition of goodwill or the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the time of the transaction affect neither accounting nor taxable profit, and differences relating to the investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized (Note 16).

1.17. TRADE AND OTHER PAYABLES

Trade and other payables are measured at amortized cost. As the impact of discounting is immaterial, trade and other payables are measured at the nominal value.

1.18. BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has a contractual right (provided all covenants are fulfilled) to defer settlement of the liability for at least 12 months after the balance sheet date.

1.19. REVENUE RECOGNITION

Revenue mainly includes sales of properties and rental income.
Revenue is recognized based on the fair value of the consideration received or receivable. For contingent consideration related to the sale of properties, the fair value of the contingent consideration is determined based on management's best estimate and recognized as a financial asset. Subsequent changes in the fair value of the financial asset are recorded via the income statement.

Sale of Property Development Inventory
Revenue from the sale of property development inventory is recognized when all the following conditions have been satisfied:

(a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits associated with the transaction will flow to the entity;
(e) the costs incurred or to be incurred relating to the transaction can be measured reliably.

The property disposals might be structured in a tax-efficient manner as a sale of shares in a legal entity that holds the property. The sales of real estate projects structured as a sale of shares are presented in these financial statements in accordance with the substance and economic reality of the transactions and not merely with their legal form.

Thus, the amount of inventories recognized as an expense during the period referred to as “Cost of Property Development Inventories sold” comprises costs directly related to the property development projects sold during the year. The revenue from sales of properties reflects the market value of the properties sold.

Rental income

Rental income from Investment Properties leased is recognized on a straight-line basis over the lease term. Lease incentives granted are recognized as an integral part of the total rental income (i.e. are spread over the lease term).

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

Sale of Investment Property

Revenue from the sale of investment property is recognized when all the following conditions have been satisfied:

(a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits associated with the transaction will flow to the entity;
(e) the costs incurred or to be incurred relating to the transaction can be measured reliably.

The property disposals are often structured in a tax-efficient manner as a sale of shares in a legal entity that holds the property. The sales of real estate projects structured as a sale of shares are presented in these financial statements in accordance with the substance and economic reality of the transactions and not merely their legal form. The gain realized on a sold investment property is shown on a net basis under “Result on disposal Investment Property” in the income statement.

2. FINANCIAL RISK MANAGEMENT

2.1. FINANCIAL RISK FACTORS

Due to its activities, the Company is exposed to a variety of financial risks: market risk (including exchange rate risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. Financial risks relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables and borrowings. The Company uses derivative financial instruments (external or internal) on an ad hoc basis to hedge against the exposures arising from the individual transactions significant to the Company as a whole.

Financial risks are managed by the Group's Chief Financial Officer (CFO) and his team. The CFO identifies, evaluates and mitigates financial risks in accordance with the objectives set by the Chief Executive Officer.

2.1.1. FOREIGN EXCHANGE RISK

The Company operates internationally and enters into transactions in currencies (US Dollar, Polish Zloty) other than the Company's functional currency being Euro. The major part of the Company's financial assets and financial liabilities are however denominated in Euro.

Within the Eurozone, the Company concludes all engineering and architectural contracts, main construction contracts and main part of (project) financing contracts in Euro. On the other hand, the Company has over the past five years and via its financial vehicle Ghelamco Invest SP. z o.o., issued significant amounts of Polish bearer bonds (with an outstanding amount of 1,027.1 MPLN as of 31/12/17). Leasing of the properties is Euro based and eventual later disposal of assets or shares is usually expressed or negotiated in Euro. The Polish Zloty's risk is for that limited to the mentioned PLN bond issues, some smaller local contracts and the sale prices of residential projects.

In short, the Company mitigates its currency risk exposure by matching as much as possible the currency of the income with that of the expenditure.

As stated, main net foreign currency position which the Company holds at the reporting date relates to the Polish bearer bonds in PLN for a (net) amount of 1,011,182 KPLN. A 10% strengthening/weakening of the EUR against the PLN rate at 31 December 2017 would resp. have increased/decreased the EBT by approx. 24.5 MEUR. This analysis assumes that all other variables (e.g. interest rates) remain constant.

In addition, trade payables in PLN are outstanding for an amount of 73.1 MPLN. A 10% strengthening/weakening of the EUR against the PLN rate at 31 December 2017 would resp. have increased/decreased the equity by approx. 1.7 MEUR. This analysis assumes that all other variables (e.g. interest rates) remain constant.

When a member of the Service Holding is exposed to eventual currency risks, the Company may choose to enter into an intra-group hedging.

Despite those closely monitored initiatives and as a consequence of its international activity, foreign exchange risks may still affect the Company's financials and results.

2.1.2. INTEREST RATE RISK

The Company actively uses external and related party borrowings to finance its property development projects. A property development project's external financing is usually in the form of a bank loan denominated in Euro (see Note 14). Since Ghelamco Invest Sp. z o.o. is issuing bearer bonds (of which 1,027.1 MPLN + 6.3 MEUR actually still outstanding per balance sheet date), Polish projects can also be partly financed through the proceeds of these bonds.

Except for some ad-hoc past interest hedging, the Company did not enter into significant external interest rate hedging transactions to eliminate exposure arising from the long-term investment loans over the last 5 years. The Group's management closely monitors the short-term floating rate borrowings and medium term fixed interest rates.

The financing structure reflects major project development phases (acquisition of land, development and holding of the properties) as follows:

- Land acquisition loans (usually provided for a term of two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin.
- Development loans provided until completion of construction and obtaining of the exploitation permit (usually for a term of about two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin. The land acquisition loan is at this stage integrated in the development loan.
- Once the property is completed, leased and meets all ongoing covenants, the development loan allocated to it can be turned into an investment loan usually provided for a period of five years beginning from the signing of the investment loan agreement and repayable upon sale or refinancing of the property. The banks are usually willing to increase development loans up to an amount that reflects 65% to 75% of the property's market value, once all ongoing covenants are met. The interest is usually a mix of floating and fixed rates. In addition, the capital is amortized at a level between 4% and 7% per annum (on average), payable on a quarterly base together with the accrued interest.
- For the Polish projects: 1,027.1 MPLN + 6.3 MEUR proceeds from bond issues with a term of 3 to 5 years and bearing an interest of Wibor 6 months + 3.5%-5.0% and Euribor 6 months + 4.3% resp.; proceeds of which can be used over the resp. project development stages.

The Company actively uses related party borrowings provided by the Ghelamco Group Financing Vehicles acting as financial intermediaries (mainly Peridot SL at 31 December 2017 and 31 December 2016) to finance the property development projects in Poland. These related party loans bear interest at market floating interest rates.

For sensitivity analysis, reference is made to disclosure 14 on interest-bearing loans and borrowings.

2.1.3. OPERATIONAL RISK (PRICE RISK IN FIRST INSTANCE)

Price risk

Raw materials, supplies, labour and other costs directly related to the construction projects constitute a major part of the property development assets capitalized in the accounts of the Company's property development companies.
Although construction prices may substantially vary during each accounting year, the Company succeeds in reducing its operational risk by either entering into fixed price contracts or into open book contracts with related and unrelated companies.

Most property development projects are realized in cooperation with parties related to the Company (see Note 26.2).

Market research

Before starting an investment, the Company's management teams have performed their market research, comprising the following:

- status of the project's current zoning (eventual timing for rezoning necessary)
- attitude of the local government towards a particular project
- are comparable projects being launched (timing and location)
- type of potential buyers/tenants - reasonable delivery date of the project
- projected sale/lease prices at the date of delivery
- yield expectations at that time
- time frame to achieve 50%-60% leasing level

Permit risk

A detailed advance study of the existing master plan or zoning plans substantially reduces the risks on obtaining building permits. On this issue, it is the Ghelamco Group's policy to closely monitor new construction regulations or esthetical preferences of the city authorities. One should of course differentiate between the type of projects, their location and specific country principles.

Construction risk

Construction risks are monitored by Ghelamco Group in-house engineers. They define the construction cost as from the date of the feasibility study and take full responsibility for material discrepancies. Therefore, fine-tuning of budgets, choice of materials, construction techniques and construction prices is a constant process within Ghelamco Group. This avoids cost overruns and delivery delays.
The Company also maintains full control over the building site coordination of (sub) contractors through its team of site managers.

Engineering risk

The Company has to remain in control for the design, layout and structural or finishing elements of the building. Any change in engineering automatically leads to cost increases or decreases. That is why the Company hardly ever outsources these tasks outside the Ghelamco Group.

Financing risk

The Company relies since more than 10 years on framework agreements with the majority of its banking partners. The parameters of the framework can vary due to economic circumstances, but remains workable as a whole. Before starting up the construction works (or contracting with subcontractors), the Company expects to have received already a (non-)binding term sheet from its banking relations.
In the past five years, the Company in addition proved to be able to call upon alternative financing through the issue of bearer bonds (1,027.1 MPLN + 6.3 MEUR total outstanding as of 31 December 2017).

Commercial risk

Certain major projects require (internal) pre-lease levels, depending on different parameters, mostly triggered by the project's (large) scale, changed market circumstances or project type. Smaller projects are started up without pre-leases. This set-up immediately triggers the intense involvement of both the internal commercial departments and the external brokers. So far, the Company's track record shows at least a 50% (or more) leasing level before the end of construction works.


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Investment market risk

Each developer or investment fund is influenced by the currently applicable yield expectations. Therefore, good project timing is essential. While securing the construction financing, the Company also negotiates a binding transition from construction loan into investment loan. This allows us to keep the property in portfolio and to wait for attractive offers of investors.

2.1.4. CREDIT RISK

Some limited credit risk may arise from credit exposures with respect to rental customers/ tenants (mostly renowned international companies) and outstanding balances with related parties. The group entities are setting credit limits based on financial information and business knowledge, which are duly approved by management. No major allowances for non-payment were necessary in the current or previous year. The credit risks on residential buyers are limited by the conditions in the notary deeds.

For further analysis, reference is made to note 9.

2.1.5. LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet the Company's liquidity needs. Due to the dynamic nature of the underlying business activities, the Company actively uses external and related party funds to ensure that adequate resources are available to finance the Company's capital needs. The Company's liquidity position is monitored by management, based on 12 months rolling forecasts.

The maturity analysis for financial liabilities that shows the remaining contractual maturities is presented in Note 14.

We also refer to note 11 and note 14.1 where the available financing is described.

2.1.6. ECONOMIC RISK

The Company's projects are operated through subsidiaries located and operated in Poland, held through a Cypriot holding structure. As a result, the operation of these projects and the upstreaming of related revenues are subject to certain inherent risks to these countries which may include, but are not limited to unfavourable political, regulatory and tax conditions.

In this respect, e.g. reference is made to the changes to the Polish tax law related to fund structures, as described in section 1.16 above.

2.2. CAPITAL RISK AND BALANCE SHEET STRUCTURE MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to support the strategic growth plans of the Company.

During the past years, all profits have been re-invested. Per end September 2016, the Company's capital (share premiums included) was in first instance increased by 33.3 MEUR through the contribution in kind of 60% of the shares of Apollo Invest Sp. z o.o. by Elzenwalle NV (related party belonging to the Portfolio Holding) and subsequent sale of the resulting Granbero participating interest by Elzenwalle to Ghelamco Group Comm. VA. In addition, per end November 2016 the Company declared a dividend of 430 MEUR to its parent company, Ghelamco Group Comm. VA, which the latter has immediately afterwards again capitalized for the same amount (in share capital and share premiums).

The management's focus is to a significant extent set on financial support of its expansion plans. In order to maintain or optimize the capital structure, the Company may decide to issue bonds or similar financial instruments in the international financial markets. Company management closely monitors solvency, liquidity, return on invested capital and profitability levels.

The Company monitors capital primarily based on the solvency ratio. This ratio is calculated as total equity divided by the balance sheet total. The solvency ratios at 31 December 2017 and 2016 were as follows:

	2017	2016
Equity	696,674	687,535
Total assets	1,266,426	1,604,868
Solvency ratio	**55.0%**	**42.8%**

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and assumptions are based on historical experience and various other factors that are considered reasonable under the circumstances, the results of which form the basis of judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In addition to the estimates already explained in the accounting policies, the estimates and assumptions that might significantly affect the valuation of assets and liabilities are outlined below.

Impairment of assets

The risk of impairment arises from uncertainties typical to the real estate development industry. At the balance sheet date no cumulated impairment losses/write-offs to net realizable value have been recognized on inventory items.

No additional impairments/write-offs to the profit and loss statement were deemed necessary in 2017 and 2016.

Income taxes

The Company operates within a complex international legal and regulatory environment. Deferred tax is determined based on each legal entity's tax position and is reviewed on each balance sheet date to take account of the impact of changes in the tax laws and the probability of recovery.

Basic Company Income Tax levels (excluding tax exemptions or other incentives):

- Poland: 19% (to 15% if some conditions are met)
- Cyprus: 12.5%
- Luxemburg: 20.33% (vs. 21.84% last year) (exceptions for financial rulings, at least until 30 November 2017, date of closing the Granbero Capital, Luxemburg branch of Granbero Holdings Ltd)

Fair value estimation

The carrying value less impairment write down of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

In conformity with IAS39 and to the extent applicable, all derivatives are recognized at fair value in the balance sheet.

With respect to the determination of fair value of IP(UC), we refer to section 1.9 above.

4. LIST OF SUBSIDIARIES

Ghelamco Invest subsidiaries included in these IFRS consolidated financial statements are as follows:


WARSAW
SPIRE

Entity description	Country	31/12/2017 % voting rights	31/12/2016 % voting rights	Remarks
GRANBERO HOLDINGS Ltd.	CY	100	100	
Apollo Invest Sp. z o.o	PL	100	100	
Prima Bud Sp. z o.o.	PL	70	70	
Ghelamco Invest Sp. z o.o	PL	100	100	
Ghelamco GP 1 Sp z o.o	PL	100	100	
Ghelamco GP 1 Sp z o.o Konstancin SKA	PL	100	100	
Ghelamco GP 1 Sp z o.o Port Zeranski SKA	PL	100	100	
Ghelamco GP 8 Sp z o.o Dahlia SKA	PL	100	100	
Tilia BIS Sp. z o.o (former Ghelamco GP 1 SP. z.o.o. Tilia SKA)	PL	100	100	
Innovation Bud Bis Sp. z o.o. (former Innovation SKA)	PL	100	100	
Ghelamco GP 9 Sp. z o.o. Sobieski Towers Sp.k.	PL	100	100	
Ghelamco GP 1 Sp. z o.o. Matejki SKA	PL	0	100	4.3
Ollay Sp. z.o.o. Market SKA	PL	100	100	
Erato Sp. z o.o.	PL	100	100	
Oaken Sp.z.o.o. Pattina SKA	PL	100	100	
Ghelamco GP 1 Sp z o.o. UNIQUE SKA	PL	70	70	
Octon Sp.z.o.o. PIB SKA	PL	100	100	
Ghelamco GP 1 Sp z o.o. Vogla SKA	PL	100	100	
Ghelamco GP 5 Sp. z o.o. (former Fusion Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 11 Sp. z o.o. the HUB SKA (former Ghelamco GP 5 Sp. z.o.o. Sienna Twoers SKA)	PL	100	100	
Ghelamco GP 4 Sp. z o.o. SBP SKA	PL	100	100	
Ghelamco GP 5 Sp. z o.o. Foksal SKA	PL	100	100	
Ghelamco GP 3 Sp. z o.o. (former Belle Invest Sp. z o.o)	PL	100	100	
WUZA1 Sp. z o.o. (former Ghelamco GP 3 Sp.z.o.o. Grzybowska 77 Sp.k.)	PL	0	100	4.2
Ghelamco GP 3 Sp. z o.o. Wronia SKA	PL	100	100	
Ghelamco GP 7 Sp. z o.o. (former Power Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 7 Sp. z o.o. Postępu SKA	PL	100	100	
Ghelamco GP 2 Sp z o.o.	PL	100	100	
Ghelamco GP 2 Sp z o.o. Proof SKA	PL	0	100	4.3
Ghelamco GP 4 Sp. z o.o. (former Betula Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 2 Sp. z o.o. M12 SKA	PL	100	100	
WUZA1 Sp. z o.o. (former Immediate Investment Sp.z.o.o.)	PL	100	100	
WUZA2 Sp.z.o.o. Sp.k. (former Eastern Europe Bud Sp. z o.o)	PL	0	100	4.2
WUZA3 Sp.z.o.o. WS Sp.k. (former Ghelamco Warsaw Spire WS sp.k.)	PL	0	100	4.2
Ghelamco GP 6 Sp. z o.o. (former Opportunity Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 6 Sp. z o.o. HQ SKA	PL	100	100	
Ghelamco GP 3 Sp. z o.o. Isola SKA	PL	100	100	
Ghelamco GP 8 Sp.z o.o.	PL	100	100	
Espressivio Sp. z o.o.	PL	0	100	4.3
Ghelamco GP 10 Sp. z o.o. Sigma SKA	PL	100	100	
Ghelamco Garden Station Sp. z.o.o.	PL	99	99	
Ghelamco Nowa Formiernia Sp. z o.o. (former Budomal)	PL	0	100	4.2
Creditero Holdings Ltd.	CY	100	100	
Bellona Bema 87 Sp. z o.o.	PL	0	100	4.3
Ghelamco Gdanska Pl Sp. z o.o.	PL	100	100	
Warsaw Spire Management Sp. z o.o.	PL	100	100	
Warsaw Spire Sp. z.o.o. Sp.k.	PL	0	100	4.2
Warsaw Spire Sp. z o.o.	PL	100	100	
Ghelamco GP 10 Sp. z.o.o. (former Chopin Project sp. z o.o.)	PL	100	100	
Ghelamco GP2 Sp. z o.o. Synergy SKA	PL	100	100	
Ghelamco GP1 Sp. z o.o. Canna SKA	PL	100	100	
Ghelamco GP1 Sp. z o.o. Azira SKA	PL	100	100	
Laboka Holdings Ltd	CY	100	100	
Esperola Ltd	CY	100	100	
Stareti Holdings Ltd	CY	0	100	4.2
Ghelamco Polish Project 1 SCSp	LU	0	100	4.3
Woronicza Sp. z.o.o.	PL	100	0	* and 4.3
Milovat Ltd	CY	100	0	4.1
P22 Lódz Sp. z.o.o.	PL	50	0	*

(*): Subsidiary was already controlled in 2016 but only have been consolidated for the first time in 2017.
P22 Lódz Sp. z.o.o. is held in a 50/50 joint venture structure and is for that included in the financial statements under the equity method.

Consolidated Financial Statements at 31 December 2017 (in KEUR) GRANBERO HOLDINGS LTD 55

Real estate acquisitions and disposals (including plots of land) often involve the transfer of a company that holds the property.
Most subsidiaries (except for the Holding, sub-holding(s) and Financing Vehicle) are such special purpose real estate entities created to structure real estate transactions (acquisition of land and real estate development activities).

Summary of incorporations, acquisitions and disposals of subsidiaries (and other business units) realized by the Company during the year ended on 31 December 2017. The acquisitions and disposals of real estate subsidiaries are treated in accordance with the accounting policy as described in section 1.5.2 and 1.5.3 (and not in accordance with IFRS 3 on Business Combinations).

4.1. ACQUISITIONS AND INCORPORATIONS OF SUBSIDIARIES

In the course of 2017 (100% of) the shares of Milovat Ltd (empty shelf company) have been acquired by the Company for an amount of 1 KEUR. As of end November 2017, the capital of Milovat Ltd has been increased through contribution in kind by Granbero Capital SA (Luxemburg branch of Granbero Ltd) of its portfolio of intercompany loans receivables (and related outstanding interest receivables) by an amount of 480 MEUR. Subsequently, Granbero Capital SA has been closed, resulting in the fact that Granbero Capital's participation in Milovat has been allocated to the Company and that from 30 November 2017 onwards the former (interco) financing activities of Granbero Capital SA have been taken over by Milovat Ltd.

Above (flow of) transactions have had limited to no impact on the Company's 2017 consolidated financial statements.

4.2. DISPOSAL OF SUBSIDIARIES

On 29 June 2017, the Warsaw Spire project was sold to Ghelamco European Property Fund NV at a transaction value of 540 MEUR in total. For this purpose, Granbero Holdings Ltd entered into an agreement with Ghelamco European Property Fund NV to sell 100% of the shares in Stareti Holdings Ltd (in turn parent company of the SPVs holding the (3 parts of the) Warsaw Spire project).

Subsidiaries of Stareti which were transferred to GEPF NV in the same deal:
- WUZA2 Sp.z.o.o. Sp.k. (former Eastern Europe Bud Sp. z o.o)
- WUZA3 Sp.z.o.o. (former Ghelamco Warsaw Spire WS sp.k.)
- Warsaw Spire Sp. z.o.o. Sp.k.
- WUZA4 Sp.z.o.o. (former Ghelamco GP 3 Sp. z.o.o. Grzybowska 77 Sp.k.)

On 27 September 2017 Ghelamco European Property Fund NV disposed the shares of Warsaw Spire Pl.Europejski 6 SKA (company holding building B of the Warsaw Spire complex) to an external investor.

On 19 December 2017, the shares of Ghelamco Nowa Formiernia Sp. z o.o., project company holding the Przystanek mBank project (offering 25,619 sqm office space in Lodz) were sold to LCN Euro Master Dutch Holdings II BV. The share deal was based on the underlying value of the property (amounting to 58.2 MEUR).

4.3. MERGERS, DE-MERGERS AND LIQUIDATIONS OF SUBSIDIARIES

As stated above in section 4.1, Granbero Capital SA, Luxemburg branch of Granbero Holdings Ltd, has been closed (liquidated) as of 30 November 2017.

As a follow-up on last year's restructuring of the Polish activities, the Luxemburg limited partnership (SCSp), which was in 2016 (together with its main participating interest: Warsaw Spire Sp. z o.o. Sp.k., owner of the Warsaw Spire project) sold by the closed-end investment fund CC28 to Stareti Ltd, has been liquidated on 15 May 2017. Doing so, the SCSp's former participating interests (mainly Warsaw Spire Sp. z o.o. Sp.k.) came directly under Stareti Ltd. In June 2017, Warsaw Spire Sp. z o.o. Sp.k. has been de-merged (through contribution in kind of organized parts of entity) into:
-Pl. Europejski 1 SKA (holding Warsaw Spire building A = the tower)
-Pl. Europejski 2 SKA (holding Warsaw Spire building C)
-Pl. Europejski 6 SKA (holding Warsaw Spire building B)

Above demerger was done at market value.
Above transactions have had limited to no impact on the Company's 2017 financial statements.

And as stated earlier, 100% of the shares of Stareti have on 29 June 2017 been sold to Ghelamco European Property Fund.

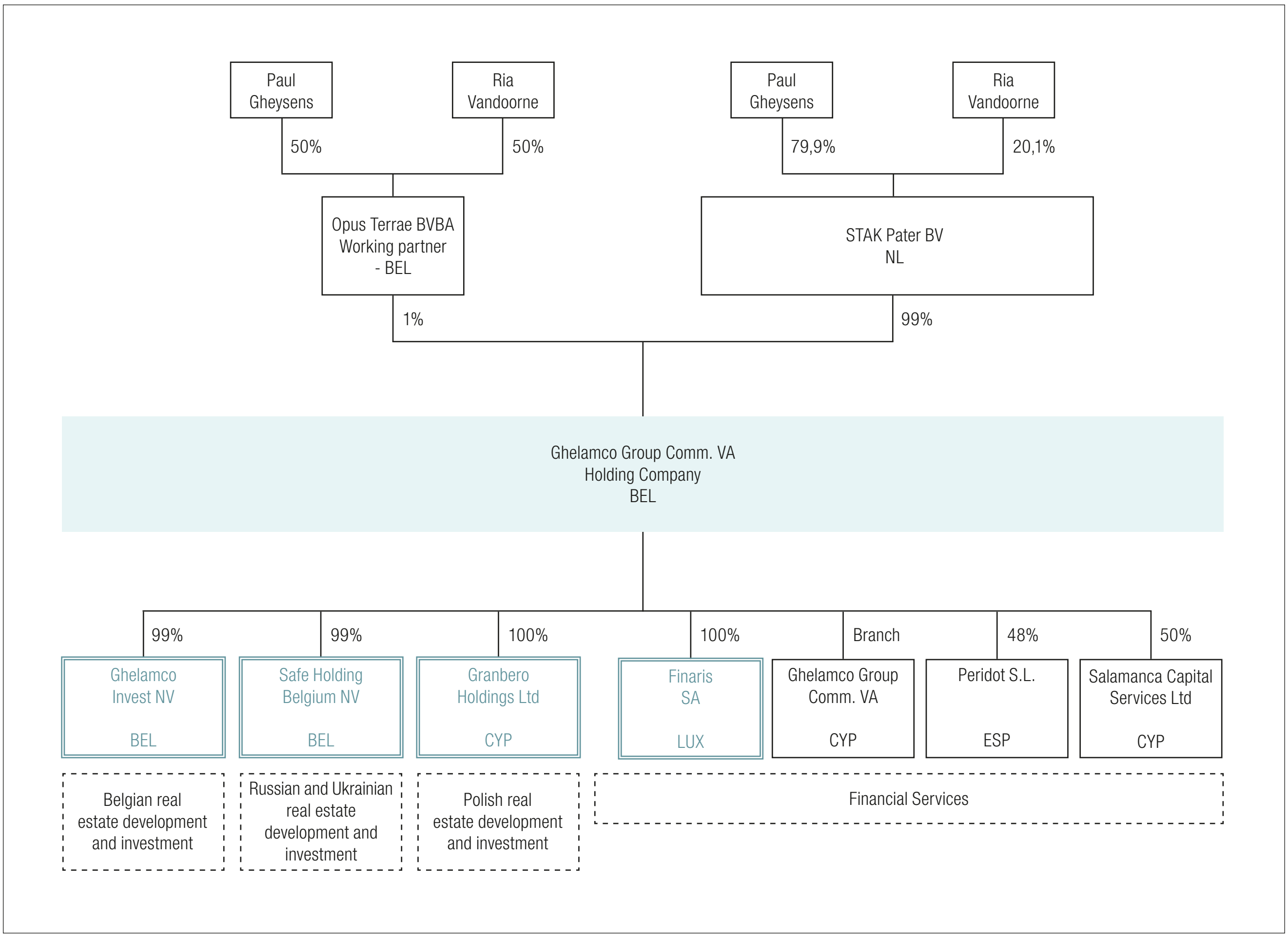
In the course of 2017 Matejki SKA and Bellona Bema 87 Sp. z o.o. have been merged into Erato Sp. z.o.o. In addition, Proof SKA and Espressivio Sp. z.o.o. have been merged into Woronicza Sp. z.o.o. As a result of these mergers, the involved SPVs have been liquidated and their rights and obligations have to the extent applicable been transferred to the merged entities.

Above merger (and liquidation) operations have had limited to no impact on the Company's 2017 consolidated financial statements.


FERRARI
LUXURY HOUSES

5. COMPANY STRUCTURE

5.1. INVESTMENT HOLDING AS PER DECEMBER 31ST, 2017



5.2. POLISH REAL ESTATE DEVELOPMENT AND INVESTMENT AS PER DECEMBER 31ST, 2017

GRANBERO HOLDINGS LTD
CYP

100%	Milovat Ltd - CYP
100%	Ghelamco Invest Spzoo - POL
70%	Prima Bud Sp. z.o.o. - POL
100%	Apollo Invest Sp. z.o.o. - POL
100%	Warsaw Spire Sp. z.o.o. - POL
100%	Innovation Bud Bis Sp. z.o.o.
100%	Warsaw Spire Management Sp. z.o.o. - POL
100%	Oscroft Sp. z.o.o. - POL
100%	Orrin Sp. z.o.o. - POL
100%	Oaken Sp. z.o.o. - POL
100%	Pianissima Sp. z.o.o. - POL
100%	Woronicza Sp. z.o.o. - POL
100%	Quanta Sp. z.o.o. - POL
100%	Erato Sp. z.o.o. - POL
100%	Ghelamco GP 1 Sp. z.o.o. - POL

100%	Ollay Sp. z.o.o. Market S.K.A. - POL

100%	Oaken Sp. z.o.o. Pattina S.K.A. - POL

100%	Octon Sp. z.o.o. - POL
100%	Ollay Sp. z.o.o. - POL

100%	Wuza 1 Sp. z.o.o. - POL
100%	Creditero Holdings - CYP
100%	Esperola Ltd - CYP
100%	Ilderim Sp. z.o.o. - POL
51%	P22 Lódz Sp. z.o.o. - POL[12]
100%	Ghelamco GP 5 Sp. z.o.o. - POL
100%	Ghelamco GP 3 Sp. z.o.o. - POL
100%	Ghelamco GP 4 Sp. z.o.o. - POL
100%	Ghelamco GP 10 Sp. z.o.o. - POL
100%	Ghelamco GP 7 Sp. z.o.o. - POL
100%	Ghelamco GP 2 Sp. z.o.o. - POL
100%	Ghelamco GP 6 Sp. z.o.o. - POL
100%	Ghelamco GP 8 Sp. z.o.o. - POL
100%	Ghelamco GP 9 Sp. z.o.o. - POL
100%	Ghelamco GP 11 Sp. z.o.o. - POL
100%	Orston Sp. z.o.o. - POL

51%	P22 Lódz Sp. z.o.o. Sp.k. - POL[12]

100%	Octon Sp. z.o.o. PIB S.K.A. - POL

100%	Ghelamco GP 9 Sp. z.o.o. Sobieski Towers Sp. k. - POL

100%	Laboka Holdings Ltd - CYP

99%	Ghelamco GP 1 Sp. z.o.o. Port Zeranski S.K.A. - POL[1]
99%	Ghelamco GP 1 Sp. z.o.o. Azalia S.K.A. - POL[1]
99%	Ghelamco GP 1 Sp. z.o.o. Beta S.K.A. - POL[1]
99%	Ghelamco GP 1 Sp. z.o.o. Vogla S.K.A. - POL[1]
99%	Ghelamco GP 1 Sp. z.o.o. Azira S.K.A. - POL[1]
99%	Tilia Bis Sp. z.o.o. - POL[1]
99%	Ghelamco GP 3 Sp. z.o.o. Isola S.K.A. - POL[3]
99%	Ghelamco GP 4 Sp. z.o.o. SBP S.K.A. - POL[4]
99%	Ghelamco GP 7 Sp. z.o.o. Postępu S.K.A. - POL[7]
99%	Ghelamco GP 2 Sp. z.o.o. Synergy S.K.A. - POL[2]
99%	Ghelamco GP 2 Sp. z.o.o. Zafina S.K.A. - POL[2]
99%	Ghelamco GP 8 Sp. z.o.o. Dahlia S.K.A. - POL[8]
99%	Ghelamco GP 11 Sp. z.o.o. Hotel S.K.A. - POL
100%	MeetDistrict Sp. z.o.o. - POL
100%	Halesworth Sp. z.o.o. - POL
99%	Ghelamco GP 1 Sp. z.o.o. Canna S.K.A. - POL[1]
99%	Ghelamco GP 1 Sp. z.o.o. Epona S.K.A. - POL[1]
70%	Ghelamco GP 1 Sp. z.o.o. UNIQUE S.K.A. - POL
99%	Ghelamco GP 1 Sp. z.o.o. Konstancin S.K.A. - POL[1]
70%	Ghelamco GP 1 Sp. z.o.o. Tarima S.K.A. - POL[1]
99%	Ghelamco GP 5 Sp. z.o.o. Foksal S.K.A. - POL[5]
99%	Ghelamco GP 3 Sp. z.o.o. Wronia S.K.A. - POL[3]
99%	Ghelamco GP 10 Sp. z.o.o. Sigma S.K.A. - POL[10]
99%	Ghelamco GP 2 Sp. z.o.o. M12 S.K.A. - POL[2]
99%	Ghelamco GP 2 Sp. z.o.o. Eurema S.K.A. - POL[2]
99%	Ghelamco GP 6 Sp. z.o.o. HQ S.K.A. - POL[6]
99%	Ghelamco GP 9 Sp. z.o.o. Altona S.K.A. - POL[9]
99%	Ghelamco GP 11 Sp. z.o.o. the HUB S.K.A. - POL[11]
100%	Estima Sp. z.o.o. - POL

100%	Halewood Sp. z.o.o. - POL

100%	Ghelamco Gdanska PI Sp. z.o.o. - POL

99%	Ghelamco Garden Station Sp. z.o.o. - POL

(1) remaining participation at general partner Ghelamco GP 1 Spzoo, (2) remaining participation at general partner Ghelamco GP 2 Spzoo, (3) remaining participation at general partner Ghelamco GP 3 Spzoo, (4) remaining participation at general partner Ghelamco GP 4 Spzoo, (5) remaining participation at general partner Ghelamco GP 5 Spzoo, (6) remaining participation at general partner Ghelamco GP 6 Spzoo, (7) remaining participation at general partner Ghelamco GP 7 Spzoo, (8) remaining participation at general partner Ghelamco GP 8 Spzoo, (9) remaining participation at general partner Ghelamco GP 9 Spzoo, (10) remaining participation at general partner Ghelamco GP 10 Spzoo, (11) remaining participation at general partner Ghelamco GP 11 Spzoo, (12) remaining participation at Budomal Estate (not a Ghelamco company)

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6. INVESTMENT PROPERTY

The Company's current strategy is to keep commercial property for rental purposes while residential properties are dedicated for sale.
All plots of land held for undetermined use, or where the management determines that the plot will be used in a project where the building will be rented, are classified as Investment Properties on 31 December 2017 and 31 December 2016.

Investment Properties are stated at fair value determined either by independent appraisers or by management and are classified in four categories:

A. Land without pre-permit approval, held for capital appreciation or undetermined use (fair value based on comparative method);
B. Land with pre-permit approval held for development and investment (fair value based on the potential of constructing leasable sqm);
C. Land + Construction ongoing (fair value based on the residual method);
D. Completed Projects held for investment.

Country + SPV	Commercial Name	Valuation	Cat	31/12/2017 KEUR	31/12/2016 KEUR
POLAND					
Apollo Invest	Spinnaker	JLL	B	57,857	49,937
Postępu SKA/Business Bud SKA	Postepu Business Park	KNF	B	7,120	8,110
Sienna Towers SKA	The Hub/Sienna Towers	KNF	C	101,479	74,897
WS SKA/Warsaw Spire spzoo spk	Warsaw Spire		n/a	0	526,780
Sobieski SKA	Sobieski Tower	BNP	B	31,077	29,595
Market SKA	Mszczonow Logistics	ASB	A	2,849	2,802
SBP SKA	Synergy Business Park Wroclaw	JLL	B	25,294	21,898
Isola SKA	Grzybowska	KNF	D/A	23,920	25,480
Wronia SKA	Logistyka	KNF	D	59,265	30,491
Sigma	Chopin + Stixx	KNF	B/D	40,766	38,529
Vogla SKA	Wilanow Retail	KNF	D/A	11,260	12,360
Tillia BIS Spzoo	Powisle	KNF	A	7,690	5,930
Dahlia SKA	Woloska 24	BNP	D	56,553	44,950
Nowa Formiernia spzoo (former Budomal)	Przystanek/Mbank, Lodz		n/a	0	35,413
Synergy SKA	Katowice	JLL	A	4,000	0
Canna SKA	(Kapelanka) Krakow	Cresa	A	7,209	0
TOTAL				**436,339**	**907,171**

Legend: Man = Management valuation, KNF = Knight Frank, JLL = Jones Lang Lasalle, DTZ= DTZadelhof, CLL = Colliers, ASB = Asbud, Cresa = Cresa

Balance at 1 January 2016	**660,290**
Acquisition of properties	1,482
Subsequent expenditure	120,215
Transfers	
• Assets classified as held for sale	
• Other transfers	9,482
Adjustment to fair value through P/L	131,050
Disposals	
CTA	-15,348
Other	
Balance at 31 December 2016	**907,171**
Acquisition of properties	
Subsequent expenditure	50,022
Transfers	
• Assets classified as held for sale	
• Other transfers	5,610
Adjustment to fair value through P/L	30,427
Disposals	-583,463
CTA	26,572
Other	
Balance at 31 December 2017	**436,339**

Categories	A	B	C	D	Total
Balance at 1 January 2016	**42,582**	**120,972**	**328,626**	**168,110**	**660,290**
Acquisition of properties	1,482				1,482
Subsequent expenditure (*)	1,239	34,603	39,034	29,992	104,867
Transfers					
• Assets classified as held for sale					
• Other transfers	-10,030	-13,540	-242,366	275,418	9,482
Adjustment to fair value	-1,061	6,034	15,507	110,570	131,050
Disposals					
Balance at 31 December 2016	**34,212**	**148,068**	**140,801**	**584,090**	**907,171**
Acquisition of properties					
Subsequent expenditure (*)	6,160	11,271	44,125	15,038	76,594
Transfers					
• Assets classified as held for sale					
• Other transfers	5,610		-30,491	30,491	5,610
Adjustment to fair value	-314	2,775	3,727	24,239	30,427
Disposals			-56,683	-526,780	-583,463
Balance at 31 December 2017	**45,668**	**162,114**	**101,479**	**127,078**	**436,339**

(*) in this detailed overview net of CTAs (and other)

Amounts that have been recognized in the Income Statement include the following:

- Rental income 2017: 16,563
- Rental income 2016: 15,205

The 2017 rental income mainly relates to rent agreements in the Warsaw Spire (for the first semester of 2017) and other rental income generating projects such as Woloska 24, Przystanek mBank and Wronia.

Transfers (from Inventories to Investment Property) amount to 5,610 KEUR. Further reference is made to note 7.

SIGNIFICANT ASSUMPTIONS AND SENSITIVITY ANALYSIS

Main part of Polish IP(UC) relates to office projects (with often ground floor retail space), which are valued based on the residual method (for IPUC) and yield/DCF method (for delivered projects).
For IFRS 13 purposes, IP(UC) projects are categorized in level 3.
The average yields (or capitalization rates) used in the expert valuations on 31 December 2017 are as follows:

- 5.25% to 8.00% for Polish projects, depending on the location, specifics and nature of the project (vs. 5.50% to 8.00% last year).

The average rent rates used in the expert valuations are as follows:

- 10.5 EUR/sqm/month to 21.5 EUR/sqm/month for office space (vs. 10.5 EUR to 21.5 EUR last year),
- 8.75 EUR/sqm/month to 32 EUR/sqm/month for retail space (vs. 8.5 EUR to 32 EUR last year),depending on the location, specifics and nature of the project.

On 31 December 2017, the Company has a number of income producing investment property in portfolio (category D) which are valued at 127,078 KEUR (Woloska 24, Wronia and Wilanow Retail). An increase/decrease of 100 basis points in the yield, with all other variables held constant, decreases/increases the value by approx. 17,585 KEUR.

The investment properties (under construction) (category B and C) are valued using a number of assumptions in terms of e.g. construction cost, expected rental values etc. that are interlinked and for which a sensitivity analysis per variable would not make sense.

We also refer to note 1.9 for a description of the valuation process and methodology.

7. PROPERTY DEVELOPMENT INVENTORY

The Property Development Inventories amount to 70,390 KEUR on 31 December 2017 (2016: 68,860 KEUR).

	Carrying value (at cost) at 31 December 2017 - KEUR	Carrying value (at cost) at 31 December 2016 - KEUR
POLISH PROJECTS		
Axiom/Konstancin	5,443	4,895
Bellona-Bema	-	1,835
Foksal	19,532	13,189
Port Zeranski	3,334	3,067
Erato Invest	3,495	1,921
M12 SKA	1,391	1,311
Matejki - Office Investment	-	1,197
Pattina	1,642	1,502
P.I.B.	2,992	3,061
Q-Bik soft lofts	2,975	6,514
Innovation Bud Bis (former Signal)	24	23
Unique SKA (Pl Grzybowski)	7,332	4,340
Garden Station SP. z o.o.	1,382	1,148
Synergy SKA (Katowice)	-	2,599
Canna SKA (Krakow)	-	3,010
Azira SKA	20,829	19,263
Other	19	15
TOTAL POLAND	**70,390**	**68,860**

The property development inventories remained stable compared to prior year. Main movements are observed in the Woronicza Qbik balance (-3,539 KEUR to 2,975 KEUR) in line with current year's sales of remaining units and the Foksal balance (+6,343 KEUR to 19,532 KEUR) in connection with the start of the construction works of this high-end residential project.

In addition, two plots (one located in Katowice and one in Krakow for resp. carrying values of 2,599 KEUR and 3,010 KEUR) have been transferred from inventories to investment property, as both will be developed as office projects.

On the other hand, the Matejki plot has in the current year been sold to a third party.

Further reference is also made to section 3 and section 4.3.

8. INVESTMENTS IN JOINT-VENTURES

Investments in joint-ventures amount to 0.3 KEUR and relate to the (50%) participating interests in P22 Lódz Spzoo, which is connected to a plot for the future development of an office project.

Main balance sheet and income statement captions for the entity is the following:

	P22 Lódz	
Current assets	3,382	
of which cash and cash equivalents		672
Non-current assets	23	
Current liabilities	152	
curr. fin. liab. (excl. trade and other payables and provisions)		152
Non-current liabilities	3,254	
non-curr. fin. liab. (excl. trade and other pay. and provisions)		3,231
Revenue	6	
Profit before income tax	-3	
Income tax expense (-) or income (+)	0	
Profit of the year	-3	

9. NON-CURRENT RECEIVABLES & PREPAYMENTS AND CURRENT TRADE & OTHER RECEIVABLES

9.1. NON-CURRENT RECEIVABLES & PREPAYMENTS

	Note	31/12/2017	31/12/2016
Non-current			
Receivables from related parties	26.3	456,792	387,855
Trade and other receivables		4,615	9,928
Total non-current receivables and prepayments		**461,407**	**397,784**

NON-CURRENT RECEIVABLES FROM RELATED PARTIES

All non-current loans to related parties are granted for a term of 3 to 5 years.
Contractual interest rates on non-current receivables to related parties for 2017 were as

follows: Euribor/ Libor + margins in the range between 2% and 4%.
Further reference is made to Note 26.3.

NON-CURRENT TRADE AND OTHER RECEIVABLES

Non-current trade and other receivables as of 31 December 2017 mainly consist of:

- Rental guarantee receivables at the level of (formerly Espressivio Sp. z o.o. which has in the current year been merged into) Woronicza Sp. z.o.o. in connection with the sale of the Mokotow Nova and Lopuszanska Business Park projects: 561 KEUR
- Master lease and rental guarantee retentions in connection with the disposal of Marynarska 12/T-Mobile Office Park: 285 KEUR
- Capitalised rent free and agency fees at the level of Dahlia SKA, in connection with the leasing of the Woloska 24 project: 1,350 KEUR
- Capitalised rent free and agency fees at the level of Wronia SKA, in connection with the leasing of the Wronia project (which has in the current year been delivered): 1,237 KEUR.

The decrease compared to last year goes together with the decrease (to zero) of the capitalised rent-free and agency fees at the level of Warsaw Spire Sp. z o.o. (6.39 MEUR), in connection with the sale of the Warsaw Spire project per mid 2017.
The carrying amounts of non-current receivables approximate their fair value determined based on the future cash flows discounted at the prevailing rate for a similar instrument for an issuer with a similar rating.

9.2. CURRENT TRADE & OTHER RECEIVABLES

	Note	31/12/2017	31/12/2016
Current			
Receivables from related parties	26.3	2,442	182
Receivables from third parties		2,812	3,370
Less: allowance doubtful debtors (bad debt provision)			0
Net trade receivables		**5,254**	**3,552**
Other receivables		2,060	2,082
Related party current accounts	26.3	112,518	116,759
VAT receivable		6,075	10,168
Prepayments		7,510	1,477
Interest receivable		70,310	55,506
Total current trade and other receivables		**203,727**	**189,545**

CURRENT TRADE AND OTHER RECEIVABLE

The carrying amounts of trade and other receivables approximate their fair values determined based on the future cash flows discounted at the prevailing rate for a similar instrument of an issuer with a similar credit rating.

Trade receivables with related parties (and prepayments, see below) include invoices for construction, engineering and other services as described in Note 26.2.

Outstanding balance on related party current accounts receivable (112,518 KEUR in total) is mainly towards Ghelamco Group (108,974 KEUR) and Tallink Investments (2,473 KEUR).

PREPAYMENTS

Outstanding prepayments as of 31 December 2017 mainly represent:

- 1,206 KEUR (vs. 882 KEUR last year) down payments (and related costs) at SPV Prima Bud for the acquisition of a land plot (Lomianki), for the development of a trade and services centre.
- 6,117 KEUR (vs 189 KEUR last year) at SPV Sienna Towers SKA: advance payments for construction services to be delivered.

INTEREST RECEIVABLE

The interest receivable balance includes interests receivable from related parties for an amount of 70,299 KEUR.

VAT RECEIVABLE

The outstanding balance as of 31 December 2017 relates to VAT receivables, mainly on the following projects: Spinaker, Warsaw Hub, Wronia, Kapelanka Krakow and Nowe Centre Lodz.

The SPVs involved may either apply to the tax authorities for an immediate cash refund of the VAT receivables or may offset the VAT receivable against any VAT payables.
VAT receivables are the result of VAT paid on their investment expenditures.

CREDIT RISK EXPOSURE AND IMPAIRMENT

Trade and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost. The amounts presented in the balance sheet are, to the extent applicable, after allowances for doubtful receivables.

Allowances are determined on a case-by-case basis. An allowance for impairment is booked when there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The maximum exposure to credit risk on the reporting date is the carrying amount of each class of financial assets mentioned above. The Company does not hold any collateral as security over these balances, as a large part of accounts receivable balances are with related parties, controlled by the ultimate shareholders of the Ghelamco Group. As such, credit risk concentrations with respect to trade and other receivables are assessed as very limited.

As of 31 December 2017 and 2016, trade and other receivables disclosed above do not include amounts which are past due at the end of the reporting period and against which the Company has not recognized an allowance for doubtful receivables, as deemed necessary.

10. DERIVATIVES

There are no outstanding balances related to the market value of derivatives as of 31/12/17 and 31/12/16.

Also refer to section 2.1.1 above.

11. CASH AND CASH EQUIVALENTS

	31/12/2017	31/12/2016
Cash at banks and on hand	88,228	37,564
Short-term deposits		
	88,228	**37,564**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits may be made for various periods not more than three months, depending on the Company's immediate cash requirements, and earn interest at the respective short-term deposit rates.
The Company also has access to the following additional sources of financing:

- additional capacity on the debt ratio (Ghelamco chooses to keep a substantial margin on the Loan to Value ratio);
- potential to take up further financing on completed projects based on Loan to Value (LTV) instead of Loan to Cost (LTC);
- access to alternative financing under the form of bond issuance and mezzanine equity financing. In this respect refer to the resp. bearer bonds issues in Poland (1,027 MPLN + 6.3 MEUR total outstanding bonds at 31 December 2017).

12. SHARE CAPITAL AND SHARE PREMIUMS

	31/12/2017	31/12/2016
Authorised capital	67	67
Share premiums	495,903	495,903
issued and fully paid	**495,971**	**495,971**

Authorised capital consists of 67,335 shares, fully paid.

At 31 December 2017, the Company's direct shareholders are:

- Ghelamco Group Comm VA (Belgium) - 100%

End September 2016, the Company's capital (share premiums included) was in first instance increased by 33.3 MEUR through the contribution in kind of 60% of the shares of Apollo Invest Sp. z o.o. by Elzenwalle NV (related party belonging to the Portfolio Holding) and subsequent sale of the resulting Granbero participating interest by Elzenwalle to Ghelamco Group Comm. VA.

In addition, the Company declared per end November 2016 a dividend of 430 MEUR to its parent company, Ghelamco Group Comm. VA, which the latter has immediately afterwards again capitalized for the same amount (in share capital and share premiums).


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12.1. DISTRIBUTION OF DIVIDENDS

In the course of 2017, no dividends have been declared or distributed.

Per end November 2016, the Company declared a dividend of 430 MEUR to its parent company. This dividend has however immediately afterwards again been capitalized.

12.2. NON-CONTROLLING INTERESTS

	31/12/2017	31/12/2016
Balance at beginning of year	7	1,902
Share of profit for the year		
Acquistions/disposals		-1,895
Balance at end of year	**7**	**7**

Prior year's decrease in NCIs related to the acquisition of the remaining 60% Apollo shares by the Company.

13. RESERVED AND RETAINED EARNINGS

Reserves and retained earnings on the balance sheet date are as follows:

	Cumulative translation reserve	Retained earnings
At 1 January 2016	4,526	516,782
Cumulative translation differences (CTA)	7,978	
Dividend distribution to the ultimate shareholders		-430,000
Change in the consolidation scope		-73
Other		27
Profit for the year		92,317
At 31 December 2016	**12,504**	**179,053**
At 1 January 2017	12,504	179,053
Cumulative translation differences (CTA)	-15,097	
Dividend distribution to the ultimate shareholders		
Change in the consolidation scope		-74
Other		-15
Profit for the year		24,325
At 31 December 2017	**-2,593**	**203,289**


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14. INTEREST-BEARING LOANS AND BORROWINGS

		31/12/2017	31/12/2016
Non-current			
Bank borrowings – floating rate	14.1	77,842	340,434
Other borrowings	14.2/3	353,264	457,246
Finance lease liabilities		49	
		431,155	**797,680**
Current			
Bank borrowings – floating rate	14.1	13,077	45,921
Other borrowings	14.2/3	65,792	10,115
Finance lease liabilities			
		78,868	**56,036**
TOTAL		**510,023**	**853,716**

14.1. BANK BORROWINGS

During the year, the Company obtained new secured bank loans expressed in EUR and PLN and drew on existing credit facilities for a total amount of 23.5 MEUR, all Euribor and Wibor based. On the other hand, reimbursements and refinancings have been done for an amount of 318.9 MEUR, net of prolongation of a number of borrowings and including the ‘disposal’ of the 300 MEUR bank loan on Warsaw Spire and 13 MEUR on Przystanek mBank; bringing the total outstanding amount of bank borrowings to 90.9 MEUR (compared to 386.4 MEUR at 31/12/2016).

When securing debt finance for its (larger) projects, the Company always negotiates long-term agreements with its banks. Under these agreements, the bank swaps land acquisition loans (2-year term) into development loans (additional 2 year term) and swaps development loans into investment loans (mostly 5 years term) upon the fulfilment of pre-agreed conditions.
Most banking partners of the Company have accepted the above as a “framework” for past, current and future co-operation.

For the purpose of these financial statements, the Company treated its bank borrowings (or the maturing part of it) as current when the swap date from “acquisition loan into development loan” falls within the next accounting year (see Note 1.18 and 2.1.2.).

At 31 December 2017, the Company has bank loans available to be drawn for a total amount of 242.3 MEUR which is merely a result of the Company entering into a construction and facility agreement of 221.1 MEUR for the financing of the construction of the (mixed use office, hotel and retail) Warsaw Hub project through its subsidiary Ghelamco GP 11 Sp. z o.o. the Hub SKA..

With respect to the outstanding short-term borrowings, it is to be mentioned that, in the course of 2018, part will actually be reimbursed following the contractual terms and part will be prolonged or refinanced (e.g. through a swap to investment loan).

Summary of contractual maturities of external bank borrowings, including interest payments.

				31.12.2017				31.12.2016
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
Credit institutions withdrawn credits	16,267	61,871	24,730	102,867	59,315	73,471	324,561	457,346
Financial lease				0				0
Total	**16,267**	**61,871**	**24,730**	**102,867**	**59,315**	**73,471**	**324,561**	**457,346**
Percentage	16%	60%	24%	100%	13%	16%	71%	100%

EXTERNAL BORROWINGS BY CURRENCY

Main part of external bank borrowings are Euro denominated except for some VAT financing (PLN loans).

INTERESTS ON BANK BORROWINGS – INTEREST RATE RISK

Interests on land acquisition and development loans are considered as floating since the variable component of the interest formula will always be fixed for a period not superseding one year.

On 31 December 2017, the Company had two outstanding investment loans:

- Dahlia SKA: 32,680 KEUR loan granted by PKO Bank Polski, bearing an Euribor 1M based (+2.95%) interest rate. The debt is serviced by the rental income of the property (Woloska 24).
- Vogla SKA: 4,706 KEUR loan granted by Raiffeisen Bank, bearing an Euribor 1M based (+ 2.75% margin) interest rate. The debt is fully serviced by the rental income of the property (Plac Vogla).

Depending on the project and the securities required by the bank, following margins on floating rates are applicable in Poland: between 2.00% and 4.60%

Loans for the pre-financing of VAT in Poland are expressed in local currency.

INTEREST SENSITIVITY ANALYSIS

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bank debt at the reporting date, with all variables held constant, would have resulted in a 2,386 KEUR lower/higher profit before tax for 2017.

14.2. OTHER BORROWINGS: BONDS (183,210 KEUR LONG-TERM – 59,445 KEUR SHORT-TERM)

On 29 January 2016, the Financial Supervision Commission (Komisja Nadzoru Finansowego) approved Ghelamco Invest Sp. z o.o.'s base prospectus for the issue of a total amount of 350 MPLN public retail bonds in connection with its Bond Issue Programme IV.

The company has in the current year (via Ghelamco Invest Sp. z o.o.) within this programme issued public retail bonds (tranche PG, PH and PI) for a total amount of 217.9 MPLN. These bonds have a term of respectively 5 years, 3 years and 4 years and bear an interest of Wibor 6 months + respectively 4.30%, 3.50% and 3.60%. The bonds series is secured by a guaranty granted by Granbero Holdings Ltd.

The proceeds of the above bond issues have been applied to redeem other/existing outstanding bonds, to service the (interests on) the resp. bond programs and for the financing of the Company's further investment projects within the Warsaw metropolitan area, in Wroclaw or Katowice.

The Company has in the current period redeemed outstanding bonds (partly through early redemption for an amount of 56,920 KPLN and partly on maturity date for an amount of 32,780 KPLN) for a total amount of 89,700 KPLN.
The effect of the evolution in the PLN/EUR exchange rate on the net movement in outstanding bonds amounts to 12.3 MEUR (positive).

Total bonds balance outstanding per balance sheet date (248,666 KEUR) represents the amount of issue (1,027 MPLN + 6.3 MEUR) less capitalized issue costs, which are amortised over the term of the bonds.

Summary of contractual maturities of bonds, including interest payments:

				31.12.2017				31.12.2016
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
Bonds	72,750	212,458		285,208	19,922	223,637		243,558
Total	**72,750**	**212,458**	**0**	**285,208**	**19,922**	**223,637**	**0**	**243,558**
Percentage	26%	74%	0%	100%	8%	92%	0%	100%

INTEREST SENSITIVITY ANALYSIS

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bonds debt at the reporting date, with all variables held constant, would have resulted in a 2,310 KEUR lower/higher profit before tax for 2017.

14.3. OTHER BORROWINGS: OTHER

31/12/2017 - 170,438 KEUR

Other borrowings in EUR at 31 December 2017 include following related party balances:
- Peridot SL: 162,736 KEUR
- Salamanca Capital Services: 136.5 KEUR
- Wuza 3 (formerly Ghelamco Warsaw Spire WS spk): 1,020 KEUR

And also:
- 2,750 KEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 30/06/2018 and bearing an interest rate of 5%;
- 3,586 KEUR short-term loan from a third party investor, related to a specific Polish project.

31/12/2016 - 262,708 KEUR

Other borrowings in EUR at 31 December 2016 include following related party balances:

- Peridot SL: 259,803 KEUR
- Ghelamco Poland Sp. z o. o: 102 KEUR
- Salamanca Capital Services: 13.5 KEUR

And also:

- 2,750 KEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 30/06/2017 and bearing an interest rate of 4.5%

INTEREST SENSITIVITY ANALYSIS

An increase/decrease of 100 basis points in the (average) interest rates on the interco debt at the reporting date, with all variables held constant, would have resulted in a 2,120 KEUR lower/higher profit before tax for 2017.

14.4. MISCELLANEOUS INFORMATION

No defaults of payments or breaches of borrowing agreements occurred as of 31 December 2017.

Bank borrowings are secured by amongst others the property development projects of the Company, including land and in-process construction, pledge on SPV shares, etc. The bonds are secured by a redemption surety granted by Granbero Holdings Ltd. (the Company).

The loan agreements granted by the banks are sometimes subject to a number of covenants (Loan to Value, Loan to Cost, Debt Service Cover). During the year and per end of the year, there were no events of default in respect of these borrowings.

In addition, the terms and conditions of the bond issues have been complied with as of balance sheet date.

In this respect, reference is made to the related bi-annual covenant testing which is published on the Company's website.

The observed evolution in the above financial debt includes an immaterial amount of non-cash movements, related to capitalized transaction costs which are amortized over the duration of the debts.

15. FINANCIAL INSTRUMENTS

The table below summarizes all financial instruments by category in accordance with IAS 39 and discloses the fair values of each instrument and the fair value hierarchy:

Financial instruments (x € 1 000)	At fair value through P/L-held for trading	Available for sale	Loans and receivables/fin. liabilities at amortised cost	Fair value	31/12/2017 Fair value level
Other financial investments					
Other financial assets			193	193	2
Non-current receivables					
Receivables and prepayments			461,405	461,405	2
Restricted cash					2
Current receivables					
Trade and other receivables			190,142	190,142	2
Derivatives	-				2
Cash and cash equivalents			88,228	88,228	2
Total Financial Assets	**-**	**-**	**739,968**	**739,968**	
Interest-bearing borrowings - non-curr.					
Bank borrowings			77,842	77,842	2
Bonds			189,210	193,694	1
Other borrowings			164,102	164,102	2
Finance lease liabilities					
Interest-bearing borrowings - current					
Bank borrowings			13,077	13,077	2
Bonds			59,455	60,228	1
Other borrowings			6,336	6,336	2
Current payables					
Trade and other payables			38,752	38,752	2
Total Financial Liabilities	**-**	**-**	**548,775**	**554,031**	

Financial instruments (x € 1 000)	At fair value through P/L-held for trading	Available for sale	Loans and receivables/fin. liabilities at amortised cost	Fair value	31/12/2016 Fair value level
Other financial investments					
Other financial assets			109	109	2
Non-current receivables					
Receivables and prepayments			397,784	397,784	2
Restricted cash					2
Current receivables					
Trade and other receivables			177,900	177,900	2
Derivatives	-				2
Cash and cash equivalents			37,564	37,564	2
Total Financial Assets	**-**	**-**	**613,356**	**613,356**	
Interest-bearing borrowings - non-curr.					
Bank borrowings			340,434	340,434	2
Bonds			197,288	202,791	1
Other borrowings			259,958	259,958	2
Finance lease liabilities					
Interest-bearing borrowings - current					
Bank borrowings			45,921	45,921	2
Bonds			7,365	7,484	1
Other borrowings			2,750	2,750	2
Current payables					
Trade and other payables			36,020	36,020	2
Total Financial Liabilities	**-**	**-**	**889,736**	**895,357**	

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The above table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value (recognized on the statement of financial position or disclosed in the notes) is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of interest bearing liabilities does not materially differ from carrying amount, since all of them are floating interest bearing debts. The fair value of long term interest bearing debts (in absence of published price quotations in an active market) is calculated as the present value of cash flows discounted at the relevant current market interest rates adjusted for a company-specific margin. The fair value of short-term interest bearing debts and floating interest-bearing debts is assumed to be equivalent to their carrying amount.

We also refer to note 9.1 for the description of the fair value determination.

16. DEFERRED TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred taxes arise mainly from the temporary differences in respect of valuation of IP(UC), external borrowing costs capitalized and tax losses carried forward.

in thousands €	31/12/2017	31/12/2016
Deferred tax assets	5,602	3,391
Deferred tax liabilities	-15,826	-21,199
TOTAL	**-10,224**	**-17,808**

Deferred tax assets/(liabilities) arise from the following:

In thousands €	Temporary differences		Unused tax losses and credits	
	Investment property	Other	Tax losses	Tax credits
Balance at 1 January 2016	**-21,975**	**-970**	**2,486**	**-**
Recognised in income statement	3,529	-1,460	552	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		30		
Balance at 31 December 2016	**-18,446**	**-2,400**	**3,038**	**-**
Recognised in income statement	8,954	-796	-56	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		-518		
Balance at 31 December 2017	**-9,492**	**-3,714**	**2,982**	**-**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

It is to be noted that the investment property related amount as recognised in the income statement consists of:

- a deferred tax expense of 5,817 KEUR on the one hand, and
- a gain of 13,919 KEUR which relates to the reversal of deferred tax liabilities in connection with the sale of the Warsaw Spire (12,494 KEUR) and the Przystanek mBank project (1,425 KEUR) and which has been presented in other income (as part of the net result on the sale of both projects).

The following deferred tax assets have not been recognized at the reporting date:

in thousands €	31/12/2017	31/12/2016
DTA on unused tax losses	425	12
DTA on unused tax credits		
TOTAL	**425**	**12**

Tax losses in the Polish SPVs can be carried forward for a period of 5 years. In this respect, no deferred tax assets have been recognized on tax losses carried forward in these SPVs to the extent it is deemed not probable that sufficient taxable profit will be available to allow the benefit of part of these tax losses.

Tax losses in the other countries can be carried forward for an indefinite period of time.

No deferred tax liability has been recognized on undistributed profits in the subsidiaries. It should be noted that the distribution of dividends by Polish the subsidiaries to the (Cypriot) Parent would generate no tax charge.

17. TRADE AND OTHER PAYABLES

Trade and other payables are analysed as follows:

	31/12/2017	31/12/2016
Trade payables: third parties	4,783	3,984
Trade payables: related parties	12,740	1,155
Related parties current accounts payable	3,935	3,957
Misc. current liabilities	17,688	27,165
Deferred income	1,126	2,811
Current employee benefits	-	0
Total trade and other payables	**40,272**	**39,073**

Trade payables towards related parties include amongst others the amounts payable to the Service Holding for construction and engineering coordination services received. On 31/12/2017, the trade payables include 12,740 KEUR towards related parties (vs. 1,155 KEUR last year), as follows:

- Apec Ltd: 260 KEUR (195 KEUR last year)
- Ghelamco Poland Sp. z o.o: 11,756 KEUR (887 KEUR last year)
- Others: 789 KEUR (73 KEUR last year)

Outstanding balance on related parties C/A payable (3,934 KEUR) is almost fully towards Ghelamco Poland Spzoo.

Miscellaneous current liabilities mainly relate to interest payable (11.9 MEUR in total, of which 3.6 MEUR to related and 8.3 MEUR to third parties), rental guarantee provisions (4.3 MEUR in total), VAT payable (0.4 MEUR), and some accruals and others.

As was also the case last year, the outstanding deferred income balance mainly relates to deferred income from pre-sales in the Woronicza QBik residential project (946 KEUR).

Trade payables are non-interest bearing and are settled in accordance with the contractual terms. The carrying amounts of trade and other payables approximate their fair value as those balances are short-term.

18. CURRENT TAX LIABILITIES

Current tax payables can be allocated to the following countries (in KEUR):

- Luxembourg: 288 KEUR (vs 494 KEUR in 2016)
- Cyprus: 1,069 KEUR (vs 935 KEUR in 2016)
- Poland: 25 KEUR (vs zero in 2016)

19. REVENUE

REVENUE IS MAINLY GENERATED FROM THE FOLLOWING SOURCES:

in thousands €	31/12/2017	31/12/2016
Sales of Residential Projects	5,138	5,498
Rental Income	16,563	15,205
TOTAL REVENUE	**21,701**	**20,703**

Rental income as of 31 December 2017 relates to rent from commercial projects (mainly Warsaw Spire for 6 months period, Woloska 24 and Przystanek mBank). In connection with the disposal of the Warsaw Spire end of June 2017 rental income is from Q3 2017 onwards impacted accordingly. Warsaw Spire (building A) was delivered in May 2016.

The residential projects sales as of 31 December 2017 relate to:
- Soft loft apartments in the Woronicza QBik project, Warsaw (3,981 KEUR)
- Matejki plot (1,157 KEUR)

OVERVIEW OF FUTURE MINIMUM RENTAL INCOME

The cash value of future minimum rental income until the first expiry date of the non-cancellable leases is subject to the following collection terms:

in thousands €	31/12/2017	31/12/2016
Future minimum rental income:		
Less than 1 year	5,228	18,572
Between 1 and 2 years	8,231	24,522
Between 2 and 3 years	8,527	24,940
Between 3 and 4 years	7,737	25,251
Between 4 and 5 years	5,990	25,008
More than five years	3,841	75,598
TOTAL FUTURE MINIMUM RENTAL INCOME	**39,554**	**193,891**

The decrease compared to last year is mainly related to the disposal of the the Warsaw Spire project per end of June 2017.

20. OTHER ITEMS INCLUDED IN OPERATING PROFIT/LOSS

OTHER OPERATING INCOME AND EXPENSES IN 2017 AND 2016 INCLUDE THE FOLLOWING ITEMS:

Other operating income	2017	2016
Net gains on disposal of investment property	8,047	
Other	5,933	6,505
Net gains on disposals of property, plant and equipment		
TOTAL	**13,980**	**6,505**

Current year's other operating income mainly relates to the gain on disposal of the Warsaw Spire (6.5 MEUR), the gain on disposal of the Przystanek mBank project (1.5 MEUR), some fit-out recharges to tenants (3.0 MEUR) and re-charges to related parties (1.2 MEUR)

	2017	2016
Gains from revaluation of Investment Property	30,427	131,050

Fair value adjustments over 2017 amount to 30,427 KEUR, which is mainly the result of current year's further development, construction and leasing efforts (mainly on the Wronia, the Woloska 24 and the HUB (Sienna Towers) projects), in combination with evolution in market conditions (yield and rent level evolution).

	2017	2016
Other operating expenses		
Operating lease/ rental expenses	93	72
Taxes and charges	1,524	845
Insurance expenses	65	103
Audit, legal and tax expenses	1,199	877
Promotion	505	804
Sales expenses (agency fees and w/o agency fees)	1,675	5,933
Rental guarantee expenses	2,691	908
Maintenance and repair expenses (projects)	1,878	976
Operating expenses with related parties	8,392	9,190
w/o remaining Sentor earn-out	223	
w/o TPIII earn-out		842
w/o VAT receivable	2,337	
Merger losses	247	
Miscellaneous	2,576	1,686
Total	**23,405**	**22,237**

Other operating expenses with related parties to a significant extent concern fit-out expenses charged by Ghelamco Poland (and afterwards further re-charged to tenants). In addition, rental guarantee expenses towards to SPVs holding the Warsaw Spire (building A and C) are included for an amount of 3.8 MEUR. Also refer to note 26.3.

Current year's maintenance expenses and taxes and charges have increased, mainly in connection with the delivery and opening of the Warsaw Spire (building A, in May 2016).

Current year's rental guarantee expenses mainly relate to the recognition of a rental guarantee provision for an amount of 2.3 MEUR in connection with the Warsaw Spire project, which has per mid year been sold to the Ghelamco European Property Fund.

Current period's other operating expenses also include the write-off of a doubtful VAT receivable.

Last year's proportional high sales expenses included the release to the income statement of capitalized agency fees on the Warsaw Spire, in connection with the internal sales transaction which took place (in view of the separation the Warsaw Spire project and the Chopin project).

21. COST OF PROPERTY DEVELOPMENT INVENTORIES

The various items comprising the costs of Property Development Inventories are as follows:

	2017	2016
Movement in inventory	4,939	6,772
Purchases (*)	-10,130	-13,832
	-5,191	**-7,060**

(*) See Note 27.2: Purchases (mainly from related parties) related to Investment Property projects are not included in the above purchases, as those have directly been recorded on IP. It concerns an amount of 69,039 KEUR (vs. 77,500 KEUR in 2016).

22. FINANCE INCOME AND FINANCE COSTS

The various items comprising the financial income and financial costs are as follows:

	2017	2016
Foreign exchange gains	4,684	0
Interest income	20,331	13,114
Other finance income		
Total finance income	**25,015**	**13,114**
Interest expense	-27,143	-30,528
Other interest and finance costs	-3,037	-5,414
Foreign exchange losses		-15,078
Total finance costs	**-30,180**	**-51,020**

It is to be noted that interest expenses related to (not yet delivered) Investment Property projects are not included in the above 2017 and 2016 figures, as those have directly been capitalized on IP. It concerns an amount of 8,490 KEUR (vs. 8,600 KEUR last year).

Interest expenses mainly relate to interests on bank loans, bonds and on other (Peridot, related party) loans.

Interest income mainly includes interests on loans to related parties.

It is to be mentioned that main part of the exchange differences is unrealized (and connected with the conversion of outstanding loans). It concerns a snapshot per year-end, impact of which mainly depends on the evolution of the EUR/PLN exchange rate. Current period's financial result includes an amount of (mainly unrealized) FX gains, connected with the relative strengthening of the PLN vs. the EUR; while last year's financial result was significantly impacted by FX losses (mainly related to the conversion at spot rate of the (EUR) bank loan on Warsaw Spire).

Current year's other finance costs mainly include (the amortization of capitalized) bond issue and bank (re-)financing expenses.

All financial income and expenses mentioned in the table above are related to financial instruments measured at amortized cost.

23. INCOME TAXES

Income tax expense recognized in the consolidated income statement:

	31.12.2017	31.12.2016
Current income tax	1,872	1,024
Deferred tax	5,817	-2,621
Total	**7,689**	**-1,597**

The tax charge on the Company's result before taxes differs from the theoretical amount that would have resulted from applying the average applicable tax rates to the profits of the consolidated companies.

The income tax expense for the period can be reconciled to the accounting profit as follows:

in thousands €	31.12.2017	31.12.2016
Result before income taxes	32,014	90,270
Income tax expense/gain calculated at 19%	6,083	17,237
Effect of different tax rates in other jurisdictions	1,426	373
Effect of non-deductible expenses	2,705	1,078
Effect of revenue that is exempt from taxation	-5,437	-1,600
Effect of use/recognition of previously unrecognized tax losses	-413	
Effect of current year losses for which no DTA is recognized	72	
Effect of tax incentives not recognized in the income statement	-715	-130
Effect of under/over-accrued in previous years	4,058	55
Effect of change in local tax rates		
Effect of other tax increases		
Release of cumulated DTL balance re. step-up operation H1 2016		-18,753
Other	-90	143
INCOME TAX EXPENSE RECOGNISED IN INCOME STATEMENT	**7,689**	**-1,597**

The theoretical tax rate used for the above reconciliation is the (Polish) statutory corporate tax rate of 19% payable by corporate entities in Poland on taxable profits under tax law.

Last year's release of DTL balances to the P&L related to the step-up operation (see also note 1.16) which took place during the first half of 2016. Released balances related to the accumulated deferred tax liabilities which were formerly recognized on the fair values of the Warsaw Spire and Grzybowska 77 projects at the moment of the step-up operation.

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

24.1. (BANK) GUARANTEES

All external borrowings of the subsidiaries are secured by corporate guarantees and/or surety ship agreements issued by Granbero Holdings Ltd. These guarantees cover cash deficiency risk, cost overrun, completion risk and interest & repayment shortfall risk. No calls on the guarantees were made in 2017 and 2016.

Company	Project name	Amount of bank loan-books (KEUR)		Corporate guarantees as per 31/12/2017 (KEUR)	
POLAND					**Guarantee by Granbero Holdings Ltd.**
The HUB SKA	HUB	EUR	9,241	9,241	Corporate guarantee
Wronia SKA	Wronia	EUR	24,400		Suretyship, cash deficiency
SBP SKA	Wroclaw Business Park	EUR	5,850	5,850	Corporate guarantee, cash deficiency
Foksal SKA	Foksal	EUR	4,276	4,276	Corporate guarantee, cash deficiency
Sobieski Sp.k.	Sobieski Towers	EUR	1,914		Suretyship, cash deficiency
Isola SKA	Grzybowska 77	EUR	4,210		Suretyship agreement
Vogla SKA	Plac Vogla	EUR	4,706	4,706	Corporate Guarantee
Dahlia SKA	Woloska 24	EUR	32,680		Suretyship and cash deficiency
Postepu SKA	Postepu	EUR	3,357		Suretyship agreement

(*): Bank loan itself is denominated in PLN

No corporate guarantees were given by the Company to ensure repayment of the bank loans of the related parties (under the common control of the ultimate shareholders) at 31 December 2017 (but not subsidiary of the Company).

The Company does not apply cross liability, meaning that Granbero Holdings Ltd does not guarantee loans of affiliates belonging to other Ghelamco holdings.

24.2. REPRESENTATIONS AND WARRANTIES PROVIDED WITH RESPECT TO THE REAL ESTATE PROJECTS SOLD

As a seller of shares of its subsidiaries, the Company acts as a guarantor with respect to the representations and warranties contained in the real estate sales contracts concluded in the past. This mainly concerns representations regarding the title on shares, property, financial matters, tax matters and contractual matters. The Company's liability for the breach of these representations and warranties generally covers a period of 2 to 3 years from the date of sale (except representations regarding the tax matters covering the period of five to seven years in accordance with local statutory requirements).

Management's past experience shows that the Company receives very limited amounts of warranty claims on its properties. Based on its assessment of the risk, the Company has not deemed it necessary to recognize any provision for representations and warranty obligations.

24.3. GUARANTEES RECEIVED FROM THE CONTRACTORS

The statutory warranty obligations born by construction service providers cover the risk of structural and other defects of the properties. Construction service providers (including related parties of the Company) in Poland have a legal obligation to remediate any construction defects that become apparent within the first five years after completion of the construction for structural elements. Shorter guarantee periods apply for other elements, depending on the nature of such elements (each sub-contractor bears similar "back-to-back" obligations).

24.4. SECURITIES ON ASSETS

Special Purpose Vehicles (SPV's) entering into external financing are offering following collateral:

- first ranking ceiling mortgage on the property belonging to the SPV (land + buildings)
- registered pledge on the borrower's shares;
- assignment of most receivables (inter alia leases, rents, sales, performance bonds, insurance income, …);
- cash deficiency/cost overrun (letter of comfort) by the shareholder (if applicable);
- submission to execution.

No cross guarantees on assets have been granted by the different SPV's, nor other types of surety ships, cost overruns or debt service commitments.

25. COMMITMENTS

25.1. (CAPITAL) COMMITMENTS

(Capital and other) expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2017	2016
Architectural and Engineering contracts	13,381	3,878
Construction contracts	163,392	225,426
Purchase of land plots		1,062
Purchase of shares (connected with landbank)		
Total	**176,774**	**230,366**

At 31 December 2017, the Company has entered into a number of contracts with third parties for the acquisition of the following assets (land plots) or shares:

BINDING CONTRACTS

- None for plots of land for residential/commercial property development.

NON-BINDING CONTRACTS

- Different other option contracts or rights to acquire property without the obligation for the Company to take up the property.

As a developer of commercial and residential properties, the Company is committed to continue development of properties under the contracts with construction companies, often in cooperation with related parties of the Company.

As to the above architectural and engineering contracts and construction contracts, expenditures are spread over the coming 2 to 3 years, depending on management decision to move forward with the involved projects.

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The Company in addition declares sufficient flexibility on the commitments, as significant part of those commitments are contracted with related party entities belonging to the Ghelamco Development Holding.

For the on-going construction contracts, the respective SPV's concluded binding construction financing contracts with different banks.

Main construction contracts in the above overview relate to the following projects:

- Wronia (approx. 15,400 sqm office space): 1,516 KEUR
- The Warsaw Hub (approx. 113,000 sqm mixed project): 161,026 KEUR

25.2. OPERATING LEASE COMMITMENTS (LAND LEASE RIGHTS)

	2017	**2016**
Within 1 year	1,102	904
After 1 year but not more than 5 years	4,481	3,687
More than 5 years	74,381	62,871
	79,964	**67,461**

The Company has entered into non-cancellable operating leases for the land rights with basic lease terms of usually 99 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

25.3. RENTAL GUARANTEES

In connection with the sale of the Warsaw Spire in June 2017, rental guarantee agreements have been closed with the SPVs holding the A and C building for a period of 60 months.

In connection with the sale of two office projects in 2014 (Marynarska 12/T-Mobile Office Park and Lopuszanska Business Park), rental guarantee and master lease agreements have been closed for resp. the (at the time of the sale) not leased office and parking space. Rental guarantee agreements have a period of 60 months, master lease agreements have a 84 months period.

In this respect, a rental guarantee provision of 4,300 KEUR in total has been recognized in the consolidated financial statements at 31/12/17 (vs. 2,000 KEUR at 31/12/16).

26. RELATED PARTY TRANSACTIONS

The Company is together with the other Ghelamco Group (sub-)holdings, the Service Holding and the Portfolio Holding – all related parties – under common control of the ultimate shareholders, Mr. & Mrs. Gheysens.

Balances and transactions between the Company and its subsidiaries have been eliminated in consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties (belonging to the Investment & Development Holding, the Service Holding and the Portfolio Holding) are described below.

26.1. RELATIONSHIPS WITH THE DIRECTORS AND MANAGEMENT

For the year ending 31 December 2017, the Consortium (of which the Company is part) paid a total amount of approx. 10,000 KEUR (vs. 10,000 KEUR last year) to the members of the board and management committee. This amount includes management service fees charged by the Management Committee members to the legal entities included in the scope of these consolidated financial statements.

This amount comprises the full compensation. No other short- or long-term benefits, stock option plans or other post-employment benefits have been granted to the members of the board and the management committee.

26.2. TRADING TRANSACTIONS: PURCHASE OF CONSTRUCTION, ENGINEERING AND OTHER RELATED SERVICES FROM RELATED PARTIES

CONSTRUCTION AND DEVELOPMENT SERVICES

The Company has entered into property development and construction contracts with property development and construction companies ("Contractors") – the indirect subsidiaries of the Service Holding (International Real Estate Services Comm. VA (parent company of Ghelamco's "Service Holding")):

- Ghelamco Poland with its registered office in Warsaw;

This entity provides services to the real estate companies of the Company, in accordance with the terms of the property development contracts, including but not limited to:

- obtaining pre-approvals and design documents necessary to the development of the project;
- performing construction works in accordance with the required permits, approvals, regulations, plans and specifications;
- ordering materials and equipment necessary for completion of the construction works;
- entering into contracts with utility providers, other entities and authorities, enabling exploitation of the constructed buildings;
- obtaining required occupancy permits;
- ensuring compliance with local regulations, namely regarding safety, fire protection, labour and health conditions, construction law;
- maintaining insurance in relation to the construction works throughout the entire construction period.

In accordance with the conditions of the property development contracts, the Contractor has the right to use building sites during the entire period of construction. The Contractor transfers this right to use the site, together with the developed buildings, to the Company after the occupancy permit has been granted by the local authorities or after signature of the building's delivery protocol between the Company's real estate company and the Contractor. The Contractor retains an obligation to remedy all defects noted in the minutes of hand-over from the Company to the company and its tenants (when tenants take possession of their premises).

Construction service providers (including Contractors) in Poland have a legal obligation to bear repair costs of any construction defects that become apparent within a warranty period after the construction is completed. The Contractors have an obligation to remedy all structural construction defects that become apparent during the statutory warranty period of 5 years in Poland.

The price for the construction and other related services is the fixed price agreed at the inception of the contract. The payments are executed based on the invoices issued on a bi-weekly to monthly basis. With regards to completed and handed-over works, the parties sign a works protocol every fortnight to month after approval by an independent project monitor appointed by the external financial party. The prices for the services reflect normal commercial terms and conditions, with average margins of around 10% to 20%.

ENGINEERING AND ARCHITECTURAL DESIGN SERVICES

APEC Architectural Engineering Projects Limited (a limited liability company registered under the laws of Ireland) and Safe Invest Sp. z o.o (a limited liability company registered under the laws of Poland), both direct and indirect legal subsidiaries of International Real Estate Services Comm. VA, the parent company of Ghelamco's "Service Holding") coordinate engineering and architectural design services provided to the Company in accordance with terms of the respective contracts. Purchases of services from Apec Ltd and Safe Invest Sp. z o.o exceed 80% of all engineering, architectural design and other related services acquired by the Company. These services include:

- detailed functional, technical, structural and surface-related programmes and finishing work;
- assistance in selection of engineers in charge of assignments;
- detailed preliminary architectural project and establishment of the building project in accordance with the local statutory requirements;
- establishment of all documents, permit application and verification and obtaining all approvals required to submit a building permit application and submission of a building application;
- detailed architectural implementation plan, coordination of the technical studies, definition of specifications and details;
- supervision of the work during the entire construction period;
- assistance during the preliminary acceptance and with obtaining the operating permit;
- commercial costs;
- legal and financial advisory.

The price of these services is determined during the feasibility phase of the property development project as a function of the investment value of the project (excluding cost to acquire land) and is usually fixed at 11.5% of the construction value of the project. This fee is paid by a real estate development entity upon achievement by Apec Ltd or Safe Invest Sp. z o.o of the milestones agreed in the contract (approval of the preliminary design, submission of the building permit file, implementation file, achievement of commercial goals, etc.). The prices for the services reflect normal commercial terms and conditions as locally in place.

26.3. ACQUISITIONS AND DISPOSALS OF SHARES AND OTHER RELATED PARTY TRANSACTIONS

2017

On 29 June 2017, the Warsaw Spire project was sold to Ghelamco European Property Fund NV at a transaction value of 540 MEUR in total. For this purpose, Granbero Holdings Ltd entered into an agreement with Ghelamco European Property Fund NV to sell 100% of the shares in Stareti Holdings Ltd (in turn parent company of the SPVs holding the (3 parts of the) Warsaw Spire project).

In the course of 2017 (100% of) the shares of Milovat Ltd (empty shelf company) have been acquired by the Company for an amount of 1 KEUR. As of end November 2017, the capital of Milovat Ltd has been increased through contribution in kind by Granbero Capital SA (Luxemburg branch of Granbero Ltd) of its portfolio of intercompany loans receivables (and related outstanding interest receivables) by an amount of 480 MEUR. Subsequently, Granbero Capital SA has been closed, resulting in the fact that Granbero Capital's participation in Milovat has been allocated to the Company and that from 30 November 2017 onwards the former (interco) financing activities of Granbero Capital SA have been taken over by Milovat Ltd.

For the remainder, no other significant transactions with related parties took place in 2017.

2016

Except for the acquisition of the remaining 60% of Apollo shares through contribution in kind by Elzenwalle and the restructuring transactions as described in section 4.1 of last year's report, and except for the the liquidations of Expert Invest and Industrial Invest and the merger of ACG1 Sp. z o.o. into Tilia SKA, there were no other share transactions or other significant transactions with related parties in 2016.

OTHER

The excess cash balances generated by the Company's real estate development activities can, besides being reinvested in the entities belonging to the Investment and Development Holding, to an extent and within the requirements of the terms and conditions of the recent bond issues, also invested in entities belonging to the Ghelamco Service Holding and Portfolio Holding in form of short and long-term loans. These loans are granted at the arm's length conditions.

Above described related party transactions and balances can be detailed as follows:

	31/12/2017	31/12/2016
Purchases of construction, engineering and architectural design:	-81,469	-73,554
Related party trade receivable	2,442	182
Related party trade accounts payable	-12,740	-1,155
Related party non-current loans receivable	456,420	387,821
Related party interests receivable	70,299	55,499
Related party C/A receivable	112,518	116,759
Related party non-current loans payable	-163,033	-259,918
Related party interests payable	-8,272	-21,013
Related party C/A payable	-3,935	-3,957

27. EVENTS AFTER BALANCE SHEET DATE

None significant to be mentioned.

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28.
AUDITOR'S
REPORT

Deloitte.

Granbero Holdings Ltd

Independent auditor's report on the consolidated financial statements for the year ended 31 December 2017

Independent auditor's report on the consolidated financial statements of Granbero Holdings Ltd for the year ended 31 December 2017

We are pleased to report to you on the audit assignment which you have entrusted us. This report includes our report on the consolidated financial statements of Granbero Holdings Ltd ("the company") and its subsidiaries (jointly "the group"). This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These reports are one and indivisible.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 1,266,426 (000) EUR and the consolidated income statement shows a consolidated net profit (part of the group) for the year then ended of 24,325 (000) EUR.

In our opinion, the consolidated financial statements of Granbero Holdings Ltd give a true and fair view of the group's net equity and financial position as of 31 December 2017 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). We have complied with all ethical requirements relevant to the independent audit of consolidated financial statements, including those regarding independence.

We have obtained from the the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the independent auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Zaventem, 30 March 2018

The independent auditor

DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Rik Neckebroeck