

Ghelamco Group

Comm. VA

IFRS Consolidated Financial Statements at 31 December 2013

**Approved by Management
with the Independent Auditor's opinion**

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I. General information and performance

1. Business activities & profile

Ghelamco Group Comm. VA is a leading European real estate investor active in the offices, residential, retail, leisure and logistics markets. It 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. Its 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.

Over the last decade, Ghelamco has become one of the largest commercial property developers in Poland. The group's market position has been recognized by numerous prestigious awards. In 2013, Ghelamco was granted the following awards:

- ° Office Developer of the year in Poland (Construction and Investment Journal - for the seventh time in the past eight years)
- ° Essa Award for T-Mobile Office Park, in recognition of the project's sustainability performance (Construction and Investment Journal)
- ° Office Lease Award of the Year 2013 in Poland for Frontex in Warsaw Spire (Construction and Investment Journal)
- ° Office Investment Transaction of the Year in Poland for the sale of the Senator Project (Construction and Investment Journal)
- ° Business Achievement of the Year for obtaining financing for Warsaw Spire (Eurobuild)
- ° Green Office Building of the Year in CEE for T-Mobile Office Park (EUROPA Property magazine)
- ° BREEAM Post Construction Assessment for the Senator Project (EUROPA Property magazine)
- ° Most green building in Poland for T-Mobile Office Park (Prime Property Price by PTWP)
- ° Men of the year for Jeroen van der Toolen, MD Central and Eastern Europe of Ghelamco (Prime Property Price by PTWP)





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 the realisation of real estate projects in Belgium, France, Poland, Russia and Ukraine and the intra-group Financing Vehicles;
- **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 beneficial owners.

2. Legal status

Ghelamco Group Comm. VA (the "Company") is the holding company of the **Investment Holding** that, together with its direct and indirect legal subsidiaries (Note 5), constitute the reporting entity for the purpose of these financial statements.

Ghelamco Group Comm. VA is a limited partnership ("commanditaire vennootschap op aandelen") registered under Belgian law, with its registered office at Zwaanhofweg 10, 8900 Ieper, Belgium.

The Company is registered in the Belgian commercial register under the number BE 0879.623.417.

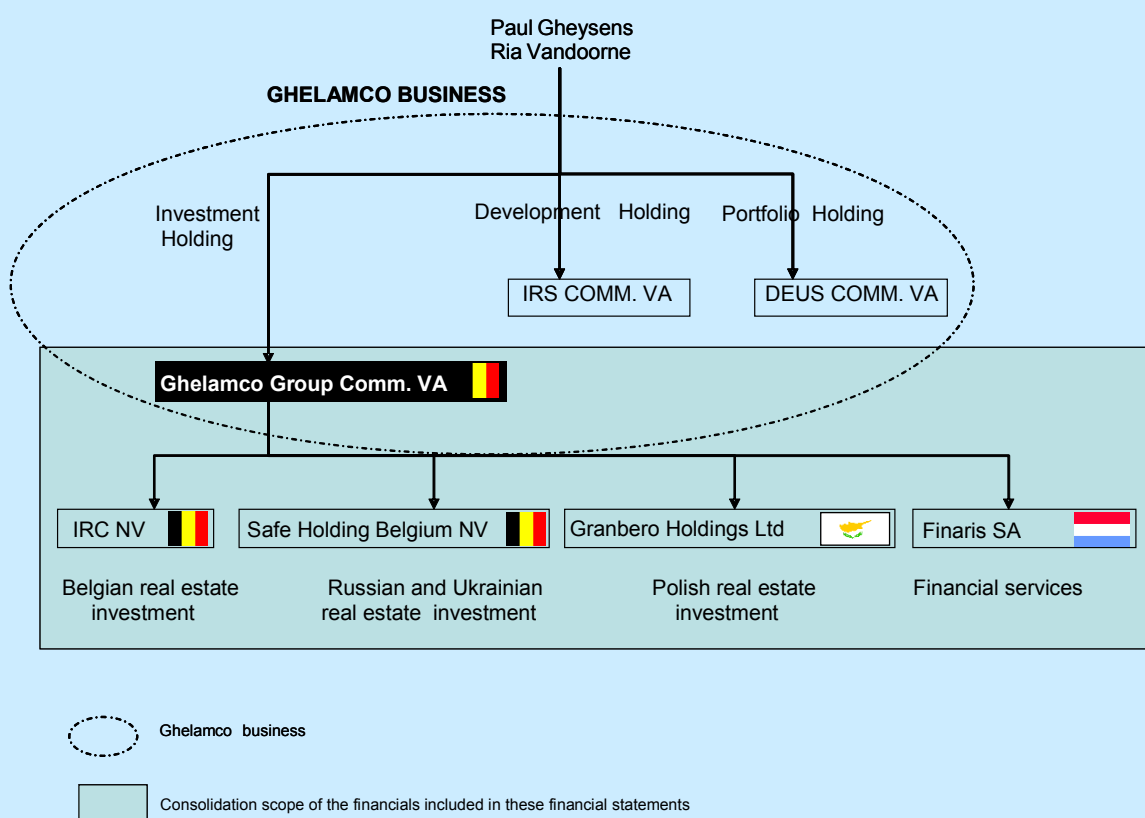


3. Consolidation scope

These consolidated financial statements comprise the resources and activities of the Investment Holding (i.e. of the Company and its direct and indirect legal subsidiaries).

At 31 December 2013 (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 Investment Holding activities, are included in the accounts of the legal subsidiaries of the Company at 31 December 2013 and at 31 December 2012.

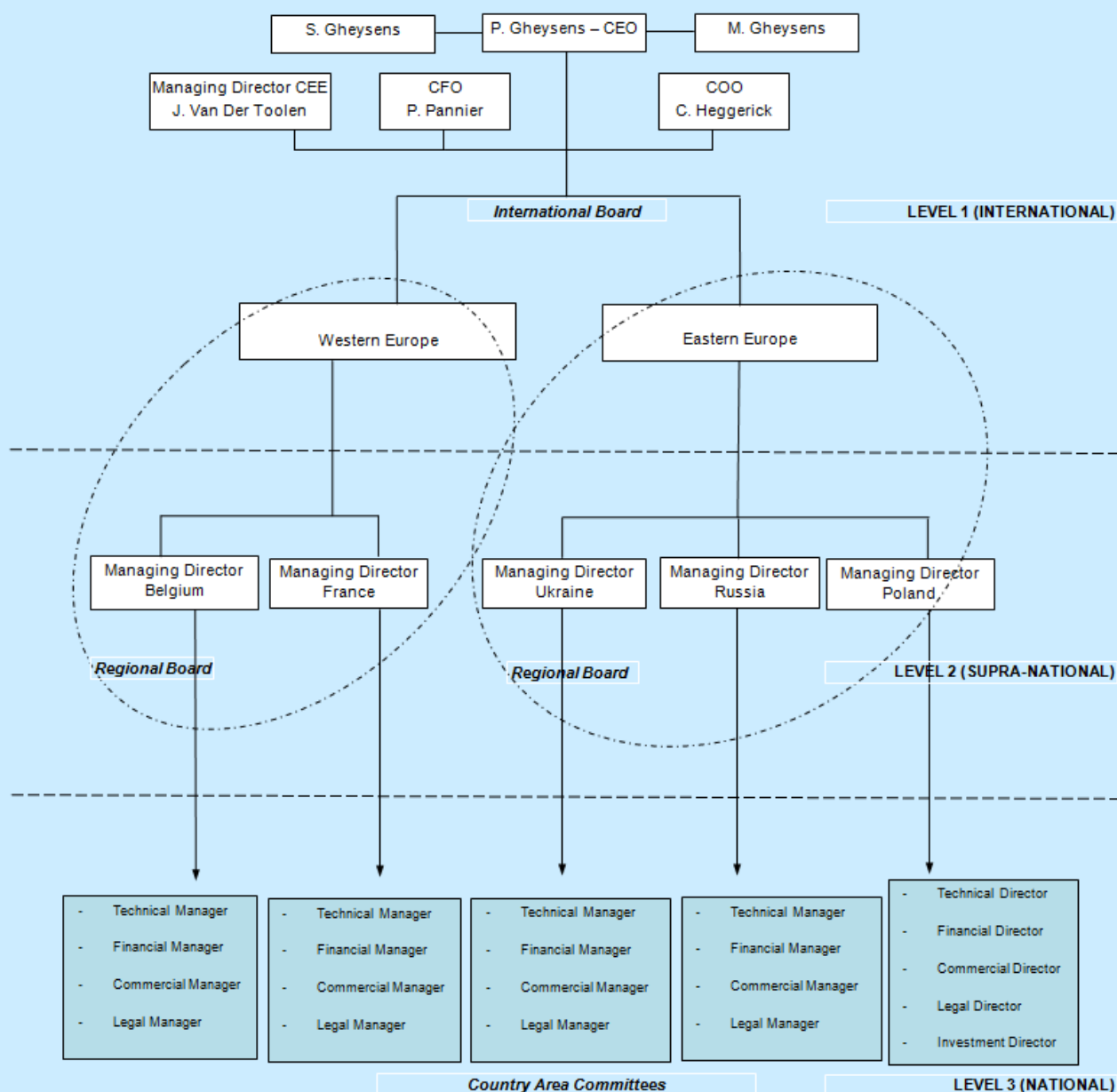


4. Staffing level

The Investment Holding employed 43 people on 31 December 2013 (41 on 31 December 2012). The construction, engineering and other related services are mainly provided to the Investment Holding by the Development Holding's legal subsidiaries. The parent company of the Development Holding (International Real Estate Services Comm. VA – abbreviated IRS Comm. VA), together with all its direct and indirect legal subsidiaries, employed 226 people on 31 December 2013 (223 on 31 December 2012).



5. Management committee



Ghelamco's Management Committee consists of:

Mr. Paul Gheysens (Chief Executive Officer)
 Simon Gheysens (board member)
 Michael Gheysens (board member)
 Mr. Philippe Pannier (Chief Financial Officer)
 Mr. Chris Heggerick (Chief Operational Officer)
 Mr. Jeroen Van Der Toolen (Managing Director CEE)

The Committee actively coordinates and supervises the different group country management teams and supports them in all commercial, legal, financial and technical aspects of their activities.

All local teams consist of a technical, commercial, legal & financial department. The Managing Directors are granted a large degree of autonomy to support their area/country strategy and development.

The statutory board consists of 4 directors (of which the CEO) for most of the Belgian entities, the Managing Director Eastern Europe and 5 local Polish directors for the Polish entities and the CFO with the



local general manager for the other countries. The reason lies mostly in local regulations and practical solutions.

6. Business environment and results

2013 performance and results

The Investment Holding closed its 2013 accounts with an operational profit of 55,280 KEUR, resulting from its continued investment efforts. Thanks to these efforts the Investment Holding managed to partly realize previously created value while further investing in existing and new projects. This is reflected in a balance sheet total of 1,269,175 KEUR and an equity of 567,303 KEUR. The solvency ratio remained stable at 45%.

In Belgium, The Investment Holding has over the past years intensified its investment activities (with currently over 40 projects in portfolio). As a consequence, significant part of the Belgian portfolio has recently (in the course of last year and during the current year) evolved to the realization and/or completion phase. In this respect, significant further construction efforts have been done on the Artevelde Park/Ghelamco Arena project in Gent, resulting in the successful completion and opening of the Ghelamco Arena mid July and the advanced construction status of the Blue Towers per year-end (28,600 sqm office space in total, of which per date of the current report significant parts have already been pre-leased).

2013 expansion and investment activities mainly related to:

- Completion, delivery and further commercialization of the mixed L-Park project at Leuven Vaartkom (3,335 m² retail, 13,806 m² office space and approx. 300 parkings). In the first half of 2013, first office tenants actually moved in and per date of this report, over 80% of the project has been leased.

- Continuation of construction works on the Artevelde Park/Ghelamco Arena project in Gent; project which comprises besides the pre-sold football accomodation approx. 13,500 sqm office space, 3,000 sqm congress space, 16,000 sqm multifunctional space, 250 parkings, and – on the adjacent plots – a 14,000 sqm retail hall, approx. 1,500 parking spaces, 2 office buildings (28,600 sqm office space in total) and a hotel project. This resulted in the completion and formal opening on 17 July 2013 of the Ghelamco Arena and the advanced construction status of the Blue Towers per year-end.

- Further realisation of high-end residential/leisure projects at the Belgian coast side (mainly “Le 8300”, luxurious wellness hotel in Knokke-Zoute and residential project Farida in Knokke)

- As of 31/05/13 the Investment Holding acquired 100% of the shares of De Nieuwe Filature NV (total share price of 8.5 MEUR, 2.1 MEUR advance payments already done in 2012); company which holds title to a 24,000 sqm brownfield site, in view of the development of a mixed project (approx. 35,000 sqm gross leasable/sellable residential, student flat and retail space).

- Signing of a leasehold right/right to build contract and a put/call contract mid 2013 with a third party on a 30,580 sqm plot on the Duinenwater site in Knokke, for the realisation of a residential project (24 plots of land). Final deed has been signed in February 2014.

- Signing of a preliminary leasehold right/right to build contract in Q4 2013 with the City of Leuven on a 8,526 sqm plot in the Vaartkom, in view of the realisation of the Waterview Project (+/- 460 student homes, +/- 5,000 sqm retail space and +/- 1,000 parking spaces; i.e. third phase of the Vaartkom project). Construction works have actually started in Q4 2013.

As to divestures/revenues:

- The Wevelgem Retail Park has per end March 2013 been sold to an investor at a (share) price of approx. 5 MEUR.

- First parts of the Artevelde Park/Ghelamco Arena project have been sold for a total sales value of 10.7 MEUR. Also, and per date of the current report, further parts have been pre-sold for a total sales value of 3.5 MEUR. In addition, (preliminary) rent agreements and/or letters of intent have been signed for a significant part of the still remaining space in the Artevelde Park/Ghelamco Arena.

- Sale of some residential projects at the Belgian coast (5.1 MEUR, mainly Farida and Zegemeer, Knokke)



In Poland, the Investment Holding in first instance invested its existing land bank but also took advantage of some expansion opportunities.

Development and construction

The investing activities in Poland during 2013 have to a significant extent been focused on the further construction (until delivery in Q2 2013) of the Marynarska 12 office project (+/- 41,000 sqm) and the Lopuszanska office project (+/- 16,500 sqm) and the kick-off of the construction works (after already some limited underground works in 2012) of the Warsaw Spire (+/- 108,000 sqm of office space).

(Pre-)leasing and occupation of projects:

-Per date of the current report, the Marynarska 12 office project and the Lopuszanska office project (both delivered in 2013) have already been leased for resp. 78% (+/- 32,000 m²) and 93% (+/- 15,600 m²).

Divestures

As to divestures, the Senator project, office project in the CBD of Warsaw with a total net leasable area of approx. 25,000 sqm, has in May 2013 been sold to an investor (Union Investment Real Estate GmbH), resulting in a net cash-inflow of about 60 MEUR. In addition, also the Mokotow Nova office project in the Mokotow Business Region of Warsaw with a total net leasable area of approx. 42,000 sqm, has in September 2013 been sold to an investor (Tristan Capital Partners, with headquarters in London), again resulting in a net cash-inflow of approx. 60 MEUR.

In Russia, the construction works of the second phase (building B, approx. 68,000 m²) of the Dmitrov Logistics Park project, class A warehouse complex of four buildings totalling approx. 227,000 m² of lettable area in the northern part of the Moscow Region, has started and well progressed. Per date of the current report, significant part of the lettable space has been pre-leased.

In Ukraine, the Kopylov Logistics Park project (in the Makariv District of the Kyiv Region) has an occupation rate of over 90%. The investment is kept in portfolio.

Main post balance sheet events

No significant events to be mentioned.

Outlook

It is the Investment Holding's strategy to further diversify its investment portfolio in mainly Belgium and Poland by spreading its investments over different real estate segments.

For 2014, the Investment Holding will continue its sustained growth. 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 Investment Holding is confident to achieve this growth and its goals for 2014 in general.



7. Notice to the reader

This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2013, assuming the going concern of the Investment Holding companies.

As per today, the Investment Holding's core business is the investment in commercial and residential properties. The Investment Holding'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), on the other hand, 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 9 in Part II for more details on their presentation.



II. IFRS Consolidated Financial Statements

These IFRS consolidated financial statements at 31 December 2013 were approved by Investment Holding Management on 24 March 2013. The amounts in this document are expressed in thousands of EUR (KEUR), unless stated otherwise.

A. Consolidated statement of financial position (in KEUR)

	Note	31/12/2013	31/12/2012
ASSETS			
Non-current assets			
Investment Property	6	854,311	858,699
Property, plant and equipment	7	457	541
Intangible assets	8	4,788	
Investments in associates	4	1,380	1,380
Receivables and prepayments	10	65,665	46,456
Deferred tax assets	18	2,840	4,005
Other financial assets	4.4-4.7	2,951	842
Restricted cash	12	471	705
Total non-current assets		932,863	912,628
Current assets			
Property Development Inventories	9	178,071	192,920
Trade and other receivables	10	82,701	54,385
Current tax assets		41	52
Derivatives	11	1,842	1,922
Assets classified as held for sale	6	3,475	6,700
Restricted cash		0	0
Cash and cash equivalents	13	70,182	65,098
Total current assets		336,312	321,077
TOTAL ASSETS		1,269,175	1,233,705



Consolidated statement of financial position (cont'd)

	Note	31/12/2013	31/12/2012
Capital and reserves attributable to the Investment Holding's equity holders			
Share capital	14	73,194	73,194
CTA	15	8,214	1,937
Retained earnings	15	489,941	475,122
		<u>571,349</u>	<u>550,253</u>
Non-controlling interests	14.2	4,954	4,567
TOTAL EQUITY		<u>576,303</u>	<u>554,820</u>
Non-current liabilities			
Interest-bearing loans and borrowings	16	431,687	433,942
Deferred tax liabilities	18	23,925	17,539
Other non-current liabilities	8	2,500	0
Long-term provisions	17	178	67
Total non-current liabilities		<u>458,290</u>	<u>451,548</u>
Current liabilities			
Trade and other payables	19	53,377	73,872
Current tax liabilities	20	2,353	2,530
Interest-bearing loans and borrowings	16	178,852	150,935
Short-term provisions		0	0
Total current liabilities		<u>234,582</u>	<u>227,337</u>
Total liabilities		<u>692,872</u>	<u>678,885</u>
TOTAL EQUITY AND LIABILITIES		<u>1,269,175</u>	<u>1,233,705</u>



B. Consolidated income statement and consolidated statement of comprehensive income

Consolidated Income Statement

	Note	2013	2012
Revenue	21	50,062	42,110
Other operating income	22	5,312	3,199
Cost of Property Development Inventories	23	-20,986	-18,263
Employee benefit expense	22	-1,161	-1,268
Depreciation amortisation and impairment charges	7	-621	-114
Gains from revaluation of Investment Property	6	52,137	38,546
Other operating expense	22	-29,463	-18,502
Share of results of associates			
Operating profit - result		55,280	45,708
Finance income	24	3,563	13,182
Finance costs	24	-34,228	-19,181
Profit before income tax		24,615	39,709
Income tax expense	25	-9,206	17,460
Profit for the year		15,409	57,169
Attributable to:			
Equity holders of parent		15,017	56,642
Non-controlling interests		392	527



Consolidated statement of comprehensive income - items recyclable to the income statement

		2013	2012
Profit for the year		15,409	57,169
Exchange differences on translating foreign operations	15	6,277	-987
Other		-186	
Other comprehensive income of the period		6,092	-987
Total Comprehensive income for the year		21,501	56,182
Attributable to:			
Equity holders of the parent		21,109	55,655
Non-controlling interests		392	527



C. Consolidated statement of changes in equity

		Attributable to the equity holders		Non-controlling interests	Total Equity	
	Note	Share capital	Cumulative translation reserve	Retained earnings		
Balance at 1 January 2012		73,194	2,924	418,480	4,040	498,638
Other comprehensive income			-987			-987
Profit/(loss) for the year				56,642	527	57,169
Capital decrease						
Change in non-controlling interests						
Change in the consolidation scope						
Other						
Balance at 31 December 2012		73,194	1,937	475,122	4,567	554,820
Other comprehensive income	15		6,277			6,277
Profit/(loss) for the year	15			15,017	392	15,409
Capital decrease						
Dividend distribution				-13		-13
Change in non-controlling interests				5	-5	0
Change in the consolidation scope				-181		-181
Other				-9		-9
Balance at 31 December 2013		73,194	8,214	489,941	4,954	576,303



D. Consolidated cash flow statement

Consolidated cash flow statement for 2013 and 2012

		<u>2013</u>	<u>2012</u>
Operating Activities			
Profit / (Loss) before income tax		24,615	39,709
<i>Adjustments for:</i>			
- Share of results of associates			
- Change in fair value of investment property	6	-52,137	-38,546
- Gain on disposal of subsidiary			
- Gain on disposal of interest in former associates			
- Depreciation, amortization and impairment charges	7	321	97
- Result on disposal investment property	22	-1,849	-997
- Change in provisions		111	10
- Net interest charge	24	20,414	14,203
- Movements in working capital:			
- Change in inventory		-1,351	-7.881
- Change in trade & other receivables		-28,316	-24.034
- Change in trade & other payables		-19,180	30.442
- Change in MTM derivatives	11	80	878
- Movement in other non-current liabilities		2,500	0
- Other non-cash items		217	22
Income tax paid		-1,821	-2.467
Interest paid (**)	24	-25,292	-17.158
Net cash from/(used in) operating activities		-81,688	-5,722
Investing Activities			
Interest received	24	3,563	2.955
Purchase of property, plant & equipment and intangibles	7-8	-5,034	-10
Purchase of investment property (*)	6	-181,257	-197,477
Proceeds from disposal of investment property	6	253,178	6,375
Net cash outflow on acquisition of subsidiaries			
Net cash inflow on disposal of subsidiary			
Net cash inflow on disposal of associate			
Net cash outflow on other non-current financial assets		-21,318	5,652
Net cash inflow/outflow on NCI transactions			
Change in trade & other payables			
Movement in restricted cash accounts	12	234	575
Net cash flow used in investing activities		49,366	-181,930



Financing Activities

Proceeds from borrowings	16	177,237	255,531
Repayment of borrowings	16	-151,575	-22,187
Dividends paid		-13	
Net cash inflow from / (used in) financing activities		25,649	233,344
Net increase/decrease in cash and cash equivalents		-6,673	45,692
Cash and cash equivalents at 1 January of the year		65,098	29,146
Effects of exch. rate changes, mainly on EUR/USD balances in non-EUR countries		11.757	-9,740
Cash and cash equivalents at 31 December of the year		70,182	65,098

(*): Purchase and expenditure re. investment property includes capitalized borrowing costs

(**): Interests directly capitalised in IP not included (2013: 10,572 KEUR; 2012: 9,407 KEUR)



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 “Organisational chart” of these financial statements for more information on the business activities and the structure of the Investment Holding and its position within the Ghelamco business.

These financial statements are IFRS consolidated financial statements that include the resources and activities of Ghelamco Group Comm. VA and its legal subsidiaries that are part of the Investment Holding at 31 December 2013.

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

1.2. Basis of preparation

The Investment Holding’s consolidated financial statements include those of the Ghelamco Group Comm. VA and its subsidiaries (together referred to as the “Investment Holding”). The consolidated financial statements were approved for issue by Management on March 24, 2014. 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 2013. The Investment Holding has adopted all new and revised standards and interpretations relevant for its activities and which became applicable for the financial year starting 1 January 2013.

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 2013

Standards and Interpretations that the Investment Holding anticipatively applied in 2012 and 2013:

- None

Standards and Interpretations that became effective in 2013

- IFRS 13 Fair Value Measurement (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009-2011) (normally applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2013)

Standards and Interpretations which became effective in 2013 but which are not relevant to the Investment Holding:

- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards – Government Loans (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 19 Employee Benefits (applicable for annual periods beginning on or after 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013)

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 authorised for issue but not yet mandatory and have not been early adopted by the Investment Holding:

- IFRS 9 Financial Instruments and subsequent amendments (not yet endorsed in EU)
- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2014)



- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016)
- IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2014)
- Improvements to IFRS (2010-2012) (normally applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)
- Improvements to IFRS (2011-2013) (normally applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 19 Employee Benefits – Employee Contributions (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in EU)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 – Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 21 – Levies (applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)

At this stage, the Investment Holding 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. With respect to the changes in IFRIC 21, the Investment Holding is still evaluating the potential impact.

1.5. Principles of consolidation

1.5.1. Consolidation scope

The entities included in the consolidation scope are those that are part of Ghelamco's Investment Holding on 31 December 2013 and on 31 December 2012 (see Notes 4 and 5).

The transactions, balances and unrealized gains and losses between these legal entities are deemed to be intra-group transactions and are eliminated in full.

The transactions with other entities owned directly or indirectly by the ultimate beneficial owners of the Investment Holding are deemed transactions with related parties and are not eliminated, but are presented as balances and transactions with related parties in Note 28.



1.5.2. Acquisition of subsidiaries

Although the Investment Holding obtained control over several subsidiaries over the past years, these transactions are not considered to be business combinations as defined under IFRS 3 “Business Combinations”. In these transactions, the Investment Holding 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 2013 and 2012, there were no acquisitions of subsidiaries that qualified as an acquisition of a business as defined in IFRS 3 “Business Combinations”, except for the following in 2013: Acquisition by Signal Bud Sp. z o.o of shares of 9 entities (of which 6 belonging to the Development Holding), and subsequent merger, resulting in a receivable towards the Development Holding of +/- 3 MEUR. In this respect, further reference is made to section 4.6 below.

However, all of those transactions qualify as ‘transactions under common control’ (as all combined entities are controlled ultimately by the same party before and after the transaction, cfr Ghelamco Group description in general information above), and are therefore outside the scope of IFRS 3. The Investment Holding has elected not to apply IFRS 3, but to recognise assets and liabilities acquired based on their carrying amounts in the IFRS consolidated financial statements of the previous shareholder as of acquisition date (a method often described as ‘predecessor accounting’).

1.5.3. Sale of subsidiaries

As was the case in the past, the 2013 and 2012 business of the Investment Holding consists of investing in commercial and the creation of residential real estate projects. Commercial properties are held for lease. 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 2013

In March 2013 and upon an attractive bid by an investor, the Wevelgem Retail Park has been sold. The sale of this project was structured as a share deal (i.c. sale of 100% of the shares of project SPV Klippan Cabs NV), in line with the general approach to sell commercial projects. The transaction has in the financial statements been presented as a disposal of IP.

On the other hand, first parts of the Ghelamco Arena project (for a total sales value of 10.7 MEUR) have been sold through asset deals.

No residential SPVs have been sold, in line with the general approach to sell residential projects through asset deals.

Comments 2012

In August 2012 and upon an attractive bid by an investor, the Docora (Gucci-shop) retail project in Knokke-Zoute was sold. While generally the sale of a commercial project is structured as a share deal, this one was structured as an asset deal (and the transaction has in the financial statements been presented as a disposal of IP).

No residential SPVs were sold, in line with the general approach to sell residential projects through asset deals.



1.5.4. Increase in ownership interests in subsidiaries

The Investment Holding applies the parent company model to transactions with minority shareholders. The difference between the cost of additional interest in the subsidiary and the carrying amount of the minority interest reflected in the consolidated balance sheet is allocated to the Property Development Inventories or Investment Properties.

1.5.5. Foreign currency translation

The individual financial statements of each Group's 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 Investment Holding 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 Investment Holding 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 Investment Holding's "Cumulative translation reserve". Such translation differences are recognised 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:

	2013		2012	
	Closing rate at 31 December	Average rate for 12 months	Closing rate at 31 December	Average rate for 12 months
Polish Zloty (PLN)	4.1472	4.1976	4.0882	4.1850
Russian Rouble (RUB)	44.9699	42.4001	40.2286	39.9333
United States Dollar (USD)	1.3791	1.3281	1.3194	1.2848
Ukrainian Hryvnia (UAH)	11.0415	10.6122	10.5372	10.2706

1.5.6. Hyperinflationary economies

None of the Investment Holding entities operated in a hyperinflationary economy in 2013 and 2012.



1.6. Property, plant and equipment

Property, plant and equipment is 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	Years
Buildings	20 to 40
Vehicles	5
Equipment	5 to 10

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 Investment Holding reviews the carrying amounts of its property, plant and equipment 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 Investment Holding 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 Investment Holding.



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.

The Investment Holding distinguishes 4 different stages for Investment Property:

- A. Land without building 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:

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 m²;
- 3. Based on residual method.

In assessing the fair value, the Investment Holding 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



Completed Investment Properties (D)

Investment Properties are considered completed:

- In Ukraine, Russia and Poland as from the moment the project received its exploitation permit;
- In Belgium and France as from the signature of the delivery protocol between investor and general contractor.

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 recognised 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 recognised 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), an active program to locate a buyer and to complete the plan should have been initiated, and the asset (or disposal group) should be actively marketed at a price which is reasonable in relation to its current fair value, and the sale should be expected to be completed within one year from the date of classification.

Assets 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 realisable value at the balance sheet date.

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 capitalised. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. Capitalisation 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 capitalisation 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 Investment Holding as from that date.

Net realisable 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 realisable value at balance sheet date is lower than the carrying value. The Investment Holding performs regular reviews of the net realisable value of its Property Development Inventory.

The most recent review indicated that the global net realisable value of the Property Development Inventory of the Investment Holding exceeded its carrying amount measured on a historical cost basis in these IFRS consolidated financial statements (Note 9).

Perpetual usufruct and operating lease contracts of land

The Investment Holding 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.

The Investment Holding holds land in Russia and Ukraine under operating lease contracts covering a 49-year period. These contracts are quite similar in substance to the perpetual usufruct contracts in Poland.

Payments, including prepayments, made under the perpetual usufruct contracts are capitalised 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 amortised 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 Investment Holding 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 reorganisation 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 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 Investment Holding 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 amortised 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 beneficial owners of the Investment Holding 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 section 1.20 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, is recognized as a change in equity.

Dividends are recognized as a liability only in the period in which they are approved by the Investment Holding’s shareholders.

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 Investment Holding will be realized through asset deals. Sales through asset deals however mainly apply to the residential projects held by the Investment Holding (which are classified as inventory; which is not subject to fair value accounting).

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 Investment Holding 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 connection with the acquisition in Poland of closed-end funds in 2011 and the related transfer process of SPVs to those funds, outstanding deferred tax balances of entities which were transferred to the funds were released (9.3 MEUR per end 2011 and 21.9 MEUR per end 2012) (and no further deferred taxes were set up in 2011, 2012 and 2013), as the funds-structure was under the Polish tax regulations exempt from tax. Also refer to section 4.7.



Within the framework of a change in Polish tax legislation and the resulting abolishment from 1 January 2014 onwards of tax transparency of the Polish project companies (SKAs) under the above closed-end funds, a fiscal step-up operation has been organized and accomplished before year-end 2013. In this respect, the Company has in the course of 2013 acquired new shelf companies (SKAs), to which the existing project companies have in December 2013 sold their real estate projects, at market value. In total, 15 projects have been subject to this step-up exercise. This way, market value per 31/12/2013 of the involved projects has been definitively fiscally exempted.

Currently or substantially enacted tax rates are used to determine deferred income tax. Under this method, the Investment Holding 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 utilised. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized (Note 18).

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 Investment Holding 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 recognised 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 recognised 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 Investment Holding 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” (part of other operating income) in the income statement.



1.20. Financial instruments

The table below summarises 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)	31.12.2013				
	At fair value through P/L-held for trading	Available for sale	Loans and receivables at amortised cost	Fair value	Fair value level
Other financial investments					
Other financial assets		2,451	500	2,951	2
Non-current receivables					
Receivables and prepayments			65,665	65,665	2
Restricted cash			471	471	2
Current receivables					
Trade and other receivables			82,701	82,701	2
Derivatives	1,842			1,842	2
Cash and cash equivalents			70,182	70,182	2
Total Financial Assets	1,842	2,451	219,519	223,812	
Interest-bearing borrowings - non-curr.					
Bank borrowings			311,198	311,198	2
Bonds Poland			41,044	41,044	2
Bonds Belgium			77,509	77,509	2
Other borrowings			1,914	1,914	2
Finance lease liabilities			22	22	2
Interest-bearing borrowings - current					
Bank borrowings			123,616	123,616	2
Bonds Poland			48,225	48,225	2
Other borrowings			7,000	7,000	2
Finance lease liabilities			10	10	2
Current payables					
Trade and other payables			53,377	53,377	2
Total Financial Liabilities	-	-	663,915	663,915	



Financial instruments (x € 1 000)	31.12.2012				
	At fair value through P/L-held for trading	Available for sale	Loans and receivables at amortised cost	Fair value	Fair value level
Other financial investments					
Other financial assets		429	413	842	2
Non-current receivables					
Receivables and prepayments			46,456	46,456	2
Restricted cash	705			705	2
Current receivables					
Trade and other receivables			54,385	54,385	2
Derivatives	1,922			1,922	2
Cash and cash equivalents			65,098	65,098	2
Total Financial Assets	2,627	429	166,352	169,408	
Interest-bearing borrowings - non-curr.					
Bank borrowings			307,895	307,895	2
Bonds Poland			81,448	81,448	2
Bonds Belgium			40,486	40,486	2
Other borrowings			4,081	4,081	2
Finance lease liabilities			32	32	2
Interest-bearing borrowings - current					
Bank borrowings			141,656	141,656	2
Other borrowings			9,269	9,269	2
Finance lease liabilities			10	10	2
Current payables					
Trade and other payables			72,328	72,328	2
Total Financial Liabilities	-	-	657,205	657,205	

The above table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value (recognised 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.
- Other financial assets AFS are participations at cost. The fair value of these assets cannot be measured reliably as these concern unlisted entities

We also refer to note 16.4 and 10 for the description of the fair value determination

2. Financial risk management

2.1 Financial risk factors

Due to its activities, the Investment Holding 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 Investment Holding 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 Investment Holding as a whole.

Financial risks are managed by Ghelamco'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 Investment Holding operates internationally and enters into transactions in currencies (US Dollar, Polish Zloty, Russian Rouble and Ukrainian Hryvnia) other than the Investment Holding's functional currency being Euro. The major part of the Investment Holding's financial assets and financial liabilities are however denominated in Euro.

Within the Eurozone, the Investment Holding concludes all engineering and architectural contracts, main construction contracts and main part of (project) financing contracts in Euro. On the other hand, the Investment Holding has in the period July-August 2011 and via its financial vehicle Ghelamco Invest Sp. z o.o., issued Polish bearer bonds for a total amount of 200 MPLN. And additional tranches for a total amount of 137.1 MPLN have been issued in 2012 and 2013 (ut infra). 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 mainly related to the mentioned PLN bond issue, some local construction contracts and the sale amounts of residential projects.

For Ukraine, external financing is organized in US Dollar as well as engineering, architectural, construction and leasing contracts. The Investment Holding manages the US Dollar versus Euro risk internally.

Up till end 2011, Russian projects have mostly been financed through semi equity expressed in Euro. Bank financing for the construction of the first phase of the Dmitrov Logistics Park Project, which was formalised early 2012, is expressed in USD. The same risk mitigation as for Ukraine applies.

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

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



Over 2012, Ghelamco Poland Sp. z o.o (belonging to the Development Holding) hedged the sale of an amount of EUR into PLN with its counterpart Granbero Capital. In practice, Granbero Capital covered the currency exposure for Ghelamco Poland Sp. z o.o for an amount of 1,088 KEUR on the Mokotow Nova project (Kalea SKA) at a fixed rate of 3.95 PLN/EUR, for an amount of 19,720 KEUR on the Senator project (HQ SKA) at a fixed rate of 3.90 PLN/EUR, for an amount of 44,443 KEUR on the M12 project (Kappa SKA) at a fixed rate of 3.8 PLN/EUR and for an amount of 11,624 KEUR on the Lopuszanska project (Focus SKA) at a fixed rate of 3.9 PLN/EUR. These hedging transactions resulted in a gain for Granbero Capital for an amount of 6,308 KEUR.

The remaining amounts covered by the above contracts for 2013 consisted of 420 KEUR on the Mokotow Nova project, 576 KEUR on the Senator project, 10,566 KEUR on the M12 project and 9,254 KEUR on the Lopuszanska project. The market value of these contracts amounted to 1,525 KEUR as of balance sheet date; value which has been recognised through the profit and loss statement.

Over 2013, Ghelamco Poland Sp. z o.o again hedged the sale of an amount of EUR into PLN with its counterpart Granbero Capital. In practice, Granbero Capital covered the currency exposure for Ghelamco Poland Sp. z o.o for an amount of 420 KEUR on the Mokotow Nova project (Kalea SKA) at a fixed rate of 3.95 PLN/EUR, for an amount of 576 KEUR on the Senator project (HQ SKA) at a fixed rate of 3.90 PLN/EUR, for an amount of 9,790 KEUR on the M12 project (Kappa SKA) at a fixed rate of 3.8 PLN/EUR, for an amount of 8,324 KEUR on the Lopuszanska project (Focus SKA) at a fixed rate of 3.9 PLN/EUR and for an amount of 38,435 KEUR on the Warsaw Spire project (Ghelamco Warsaw Spire SKA) at a fixed rate of 3.9 PLN/EUR. These hedging transactions resulted in a gain for Granbero Capital for an amount of 4,754 KEUR.

The remaining amounts covered by the above contracts for 2014 consist of 777 KEUR on the M12 project, 3,949 KEUR on the Lopuszanska project and 23,644 KEUR on the Warsaw Spire project. The market value of these contracts amounted to 1,445 KEUR as of balance sheet date; value which has been recognised through the profit and loss statement. These derivatives were classified as held for trading under IFRS.

A weakening/strengthening of the PLN (average and 31/12/13 spot) exchange rates versus the EUR by 5% would, as a consequence of the above hedging, have resulted in a 1,731 KEUR higher/lower profit before tax for 2013.

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

2.1.2 Interest rate risk

The Investment Holding actively uses external and internal borrowings to finance its property projects in Belgium, France, Poland, Russia and Ukraine. A property project's external financing is usually in the form of a bank loan denominated in Euro or US Dollars (see Note 16). Since the 337.1 MPLN bearer bond issue by Ghelamco Invest Sp. z o.o., Polish projects can also be partly financed through the proceeds of these bonds. The same goes for Belgium since the private bond issues for a total amount of 79.8 MEUR

Except for some ad-hoc past interest hedging, the Investment Holding 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 Investment Holding's management closely monitors the short-term floating rate borrowings and medium term fixed interest rates.

The financing structure reflects major project investment phases (acquisition of land, construction 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.
- Construction loans provided until completion of construction and obtaining of the exploitation permit (usually for a term of about two years). The interest is calculated at market floating rates (from 1 up to 6 months) increased by a margin and mostly capitalised in the construction loan. The land acquisition loan is at this stage integrated in the construction loan.



- Once the property is completed, leased and meets all ongoing covenants, the construction financing is swapped into an investment loan, usually provided for a period of five years beginning from the signing of the investment loan agreement and repayable gradually with rental income or fully upon sale of the property. The banks are usually willing to offer investment loans up to an amount that reflects 65% to 70% of the property's market value. 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), usually payable on a quarterly basis together with the accrued interest.
- For the Polish projects: 372.8 MPLN bond issues with a term of 3 years and bearing an interest of Wibor 6 months + 5% to 6% (depending on the tranches); proceeds of which can be used over the resp. project investment stages.
- For the Belgian and French projects: 42 MEUR bond issue due 13 December 2015 (60%) and due 13 December 2017 (40%) and bearing an interest of resp. 7% and 7.875%; 37.8 MEUR bond issues due 28 February 2018, bearing an interest of 6.25%; proceeds of which can be used over the resp. project investment stages.

The Investment Holding actively uses intra-group borrowings provided by the Financing Vehicles acting as financial intermediaries (mainly Peridot SL and Salamanca Capital Services Ltd at 31 December 2013 and 31 December 2012) to finance the property projects in Poland, France, Belgium, Russia and Ukraine. These intra-group loans bear interest at market floating interest rates and are fully eliminated from these IFRS consolidated financial statements.

For sensitivity analysis, reference is made to disclosure 16 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 process constitute a major part of the property development assets capitalized in the accounts of the Investment Holding's project companies.

Although construction prices may substantially vary during each accounting year, the Investment Holding 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 projects are realized in cooperation with parties related to the Investment Holding (see Note 28.2).

Market research

Before starting an investment, the Investment Holding'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 Investment Holding'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 the Consortium 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 the Consortium. This avoids cost overruns and delivery delays for the Investment Holding.



The Investment Holding also maintains full control over the building site coordination of (sub)contractors.

Engineering risk

The Investment Holding has to remain in control for the design, lay-out and structural or finishing elements of the building. Any change in engineering automatically leads to cost increases or decreases. That is why the Investment Holding hardly ever outsources these tasks.

Financing risk

The Investment Holding relies since 10 years on framework agreements with the majority of its banking partners. The parameters of the framework can vary due to economic circumstances, but remain workable as a whole. Before starting up the construction works (or contracting with subcontractors), the Investment Holding expects to have received already a (non-)binding term sheet from its banking relations.

In the past three years, the Investment Holding in addition proved to be able to call upon alternative financing through the issue of bonds in Belgium (79.8 MEUR unsecured bonds in total as of 31 December 2013; ut infra) and Poland (372.8 KPLN bearer bonds in total as of 31 December 2013).

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 Consortium's internal commercial departments and its external brokers. So far, the Investment Holding's track record shows at least a 50% (or more) leasing level before the end of construction works.

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 Investment Holding 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 renown international companies) and outstanding balances with related parties. The Investment Holding's 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 10.

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 Investment Holding's liquidity needs. Due to the dynamic nature of the underlying business activities, the Investment Holding actively uses external and internal funds to ensure that adequate resources are available to finance the Investment Holding's capital needs. The Investment Holding'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 16.

We also refer to note 13 and 16 where the available financing is described.



2.1.6 Foreign political and economic risk

Significant part of projects operated through subsidiaries of the Investment Holding are located and operated in Poland, Russia and Ukraine and are held through Belgian and Cypriot holding structures. 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 management

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

As all profits of the last years are being re-invested into the Investment Holding, the management's focus is mainly set on financial support of its expansion plans. In order to maintain or optimize the capital structure, the Investment Holding may decide to issue bonds or similar financial instruments in the international financial markets. Group management closely monitors solvency, liquidity, return on invested capital and profitability levels .

The Investment Holding monitors capital primarily on the basis of the solvency ratio. This ratio is calculated as total equity divided by the balance sheet total. The solvency ratios at 31 December 2013 and 2012 were as follows:

	2013	2012
Equity	576,303	554,820
Total assets	1,269,175	1,233,705
Solvency ratio	45%	45%

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 inventory

The risk of impairment arises from uncertainties typical to the real estate industry. At the balance sheet date impairment losses/write-offs to net realisable value have been recognized on the inventory in the following SPVs:

- Signal Bud Sp. z o.o: 141 KEUR
- Expert Invest Sp. z o.o: 220 KEUR
- IRC NV (Zegemeer project): 300 KEUR (project which has in Q1 2014 actually been sold
- Others (immaterial impairments): 85 KEUR

Last year's Key Office Invest write-off has (after the merger of the company with Signal Bud; refer to section 4.6 below) been transferred to Signal Bud and has in 2013 partly been released (by 154 KEUR to 141 KEUR). Remaining outstanding impairment loss balance has remained stable compared to last year. No additional impairments were deemed necessary in 2013

Income taxes

Given the diversity of its geographical locations, the Investment Holding 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):

Belgium:	33.99 %
Poland:	19 %
Russia:	20 %
Ukraine:	18 % (i.e. from 2013 onwards; 2012: 19%)
Cyprus:	12,5 % (i.e. from 2013 onwards; 2012: 10%)
Luxemburg:	21.84 % (exceptions for financial rulings)
Spain:	30%

In connection with the transfer of SPVs to closed-end investment funds, deferred tax balances for a total amount of 21.9 MEUR have in 2012 (and 9,3 MEUR in 2011) been released through the profit and loss statement, as the investment funds were under the Polish tax regulations tax exempted. Also refer to section 1.16 and note 18.

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 Investment Holding for similar financial instruments.

In conformity with IAS 39, 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 Group Comm. VA subsidiaries included in these IFRS consolidated financial statements are as follows:

Entity description	Country	31/12/2013 % voting rights	31/12/2012 % voting rights	Remarks
Ghelamco Capital (Branch)	LU	n/a	n/a	
I.R.C. NV	BE	99	99	*
The White House Zoute NV	BE	99	99	*
Dock-Site NV	BE	99	99	*
Klippan Cabs NV	BE	n/a	99	4.3
Dianthus NV	BE	99	99	*
Nepeta NV	BE	99	99	*
Rubia NV	BE	99	99	*
De Leewe III NV	BE	99	99	*
Immo Simava 13 NV	BE	99	99	*
Leisure Property Invest NV	BE	99	99	*
Waterview NV	BE	99	99	*
Ring Multi NV (former Ring Retail NV)	BE	99	99	*
Artevelde Stadion CVBA	BE	57	57	**
Wavre Retail Park NV	BE	99	99	*
L-Park NV	BE	99	99	*
Docora NV	BE	99	99	*
RHR-Industries NV	BE	99	99	*
Zeewind NV	BE	99	99	*
Retail Gent NV	BE	99	99	*
Parking Estates NV	BE	99	99	*
Parking Gent NV	BE	99	99	*
Arte Offices NV	BE	99	99	*
Schelde Offices NV	BE	99	99	*
Ring Offices NV	BE	99	99	*
Ring Hotel NV	BE	99	99	*
Parking Leuven NV (former Ring Congress Centre NV)	BE	99	99	*
Forest Parc NV	BE	99	99	*
De Nieuwe Filature NV	BE	99	n/a	4.1
GRANBERO HOLDINGS Ltd.	CY	100	100	
Granbero Capital (branch)	LU	n/a	n/a	
Apollo Invest Sp. z o.o	PL	40	40	***
Expert Invest Sp. z o.o	PL	100	100	
Industrial Invest Sp. z o.o	PL	100	100	
Prima Bud Sp. z o.o.	PL	100	100	
Signal Bud Sp. z o.o	PL	100	100	
Key Office Invest Sp. z o.o (merged with Signal Bud Sp. z o.o.)	PL	n/a	100	4.6
Prime Invest Sp. z o.o (merged with Signal Bud Sp. z o.o.)	PL	n/a	100	4.6
Leader Invest Sp. z o.o.	PL	100	100	4.6
Proud Invest Sp. z o.o	PL	100	100	4.6
Quality Invest Sp. z o.o	PL	100	100	4.6
Expansion Invest Sp. z o.o	PL	100	100	4.6



Ghelamco Invest Sp. z o.o	PL	100	100	
CC 26 F.I.Z.	PL	100	100	
Ghelamco GP 1 Sp z o.o	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Axiom SKA	PL	100	100	
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Konstancin SKA	PL	100	n/a	4.2
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Dystryvest SKA	PL	100	100	
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Port Żerański SKA	PL	100	n/a	4.2
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Dahlia SKA	PL	100	100	****
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Tillia SKA	PL	100	100	****
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Innovation SKA	PL	100	100	
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Sobieski Towers SKA	PL	100	n/a	4.2
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Office SKA	PL	100	100	
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Matejki SKA	PL	100	n/a	4.2
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Market SKA	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Erato SKA	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Pattina SKA	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością UNIQUE SKA	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością PIB SKA	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Callista SKA	PL	100	100	
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Vogla SKA	PL	100	n/a	4.2
Ghelamco GP 5 Sp. z o.o. (former Fusion Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 5 Spółka z ograniczoną odpowiedzialnością Capital SKA	PL	100	100	
Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością Sienna Towers SKA	PL	100	n/a	4.2
Ghelamco GP 5 Spółka z ograniczoną odpowiedzialnością Pro Business SKA	PL	100	100	
Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością SBP SKA	PL	100	n/a	4.2
Ghelamco GP 5 Spółka z ograniczoną odpowiedzialnością Creative SKA	PL	100	100	
Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością Foksal SKA	PL	100	n/a	4.2
Ghelamco GP 3 Sp. z o.o. (former Belle Invest Sp. z o.o)	PL	100	100	
Bellona Grzybowska 77 Sp. z o.o.	PL	100	100	
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Grzybowska 77 SKA	PL	100	n/a	4.2
Bellona Logistyka Sp. z o.o.	PL	100	100	
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Wronia SKA	PL	100	n/a	4.2
Ghelamco GP 7 Sp. z o.o. (former Power Invest Sp. z o.o)	PL	100	100	
Business Bud Sp. z o.o	PL	100	100	
Ghelamco GP 7 spółka z ograniczoną odpowiedzialnością Postępu SKA	PL	100	n/a	4.2
CC 28 F.I.Z.	PL	100	100	
Ghelamco GP 2 Sp z o.o	PL	100	100	
Ghelamco GP 2 Spółka z ograniczoną odpowiedzialnością Excellent SKA	PL	100	100	
Ghelamco GP 2 spółka z ograniczoną odpowiedzialnością KBP SKA	PL	100	n/a	4.2
Ghelamco GP 2 Spółka z ograniczoną odpowiedzialnością Primula SKA	PL	100	100	
Ghelamco GP 2 Spółka z ograniczoną odpowiedzialnością Kalea SKA	PL	100	100	
Ghelamco GP 2 Spółka z ograniczoną odpowiedzialnością Proof	PL	100	100	



SKA				
Ghelamco GP 4 Sp. z o.o. (former Betula Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 4 Spółka z ograniczoną odpowiedzialnością Kappa SKA	PL	100	100	
Ghelamco GP 4 spółka z ograniczoną odpowiedzialnością M12 SKA	PL	100	n/a	4.2
Ghelamco GP 3 Spółka z ograniczoną odpowiedzialnością Focus SKA	PL	100	100	
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością ŁBP SKA	PL	100	n/a	4.2
Ghelamco Warsaw Spire Sp. z o.o. (former Immediate Investment Sp. z o.o)	PL	100	100	
Ghelamco Warsaw Spire Spółka z ograniczoną odpowiedzialnością SKA (former Eastern Europe Bud Sp. z o.o)	PL	100	100	
Ghelamco Warsaw Spire spółka z ograniczoną odpowiedzialnością WS SKA	PL	100	n/a	4.2
Ghelamco GP 6 Sp. z o.o. (former Opportunity Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 2 Spółka z ograniczoną odpowiedzialnością HQ SKA	PL	100	100	
Creditero Holdings Ltd.	CY	100	100	
Bellona Bema 87 Sp. z o.o.	PL	100	100	
Portfolio Invest Ltd.	UA	99	99	*
Preferent Invest Ltd.	UA	99	99	*
SAFE HOLDING BELGIUM NV	BE	99	99	*
Motaro Holdings Ltd.	CY	99	99	*
Challenge Invest Ltd.	UA	99	99	*
Vision Invest Ltd.	UA	99	99	*
Algowood Investments Ltd.	CY	99	99	*
Instant Invest Ltd.	UA	99	99	*
Urban Invest Ltd.	UA	99	99	*
Goronin Holdings Ltd.	CY	99	99	*
Hybrid Invest Ltd.	UA	99	99	*
Field Invest Ltd.	UA	99	99	*
Farota Trading Ltd.	CY	99	99	*
Corporate Invest Ltd.	UA	99	99	*
Success Invest Ltd.	UA	99	99	*
Creletine Ltd.	CY	99	99	*
Logistic Park Ermolino Ltd.	RU	99	99	*
Millor Enterprises Ltd.	CY	99	99	*
Belyrast Logistics Ltd.	RU	99	99	*
Finaris SA	LU	100	100	
Salamanca Capital Services Ltd.	CY	100	100	
Peridot SL	ES	48	48	*****

(*): the 1% remaining voting rights are owned directly or indirectly by Mr. P. Gheysens, the ultimate beneficial owner

(**): included in the Ghelamco Group consolidated financial statements under the equity method

(***): Although the Investment Holding does not dispose of the majority of the SPV's voting rights, in practice it does have control over the SPV. Therefore, the SPV has been included in the consolidated financial statements applying the full consolidation method.

(****): Subsidiaries were (as shelf entities) already controlled in 2012 but only have been consolidated for the first time in 2013.

(*****): On 10 July 2009, the Investment Holding transferred 52% of its shares in Peridot SL, Spain based entity and financing vehicle of the Consortium, to the Development Holding (26%) and the Portfolio Holding (26%), related parties and holding companies of the Development Holding and the Portfolio Holding respectively. Although as a result of this transfer, the Investment Holding no longer disposes of the majority of the voting rights of Peridot, in practice it still does have control over the subsidiary. Therefore, the subsidiary has been included in the consolidated financial statements applying the full consolidation method.



A brief description of the main subsidiaries' business activities is given below:

- **International Real Estate Construction NV** (IRC) is an investment holding in **Belgian** real estate entities and directly has a number of own real estate projects on its balance sheet.
- **Granbero Holdings Ltd** is an investment holding company that directly and indirectly owns equity interests in **Polish** real estate entities of the Investment Holding.
- **Safe Holding Belgium NV** is an investment holding company with (indirect) equity interests in **Russian and Ukrainian** real estate entities (via a number of intermediate holding entities incorporated in Cyprus).
- Finaris SA, Peridot SL, Salamanca Capital Services Ltd, Ghelamco Capital (branch of Ghelamco Group Comm. VA) and Granbero Capital (branch of Granbero Holdings Ltd) are all Financing Vehicles used in the Consortium's financial activities .

Real estate acquisitions and disposals (including plots of land) often involve the transfer of a company that holds the property.

Most Investment Holding entities (except for the Holdings, Sub-holdings and Financing Vehicles) are such special purpose real estate entities created to structure real estate transactions (acquisition of land and real estate investment activities).

Summary of incorporations, acquisitions and disposals of subsidiaries (and other business units) realized by the Investment Holding during the year ended on 31 December 2013. These acquisitions and disposals of 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 of De Nieuwe Filature NV

As of 31/05/13 IRC acquired 100% of the shares of De Nieuwe Filature NV (total share price of 8.5 MEUR, 2.1 MEUR advance payments already done in 2012); company which holds title to a 24,000 sqm brownfield site, in view of the realisation of a mixed project (approx. 35,000 sqm gross leasable/sellable residential, student flat and retail space). This acquisition has been recognized as an acquisition of assets and not as a business combination.

4.2 Other acquisitions of subsidiaries

- Within the framework of a change in Polish tax legislation and the resulting abolishment from 1 January 2014 onwards of the tax transparency of the Polish project companies (SKAs = joint stock partnerships) under the closed-end investment funds of the Investment Holding, a fiscal step-up operation has been organized and accomplished before year-end 2013.

In this respect and in the course of 2013, new shelf companies (SKAs) have been acquired, to which the existing project companies have in December 2013 sold their real estate projects. In total, 15 projects have been subject to this step-up exercise. As stated above, market values as determined per 31/12/2013 have this way been definitively tax-exempted.

Involved newly acquired shelf entities, all with a share capital of 50 KPLN, are the following:

Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Konstancin SKA
 Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Port Żerański SKA
 Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Sobieski Towers SKA
 Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Matejki SKA



Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Vogla SKA
 Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością Sienna Towers SKA
 Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością SBP SKA
 Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością Foksal SKA
 Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Grzybowska 77 SKA
 Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Wronia SKA
 Ghelamco GP 7 spółka z ograniczoną odpowiedzialnością Postępu SKA
 Ghelamco GP 2 spółka z ograniczoną odpowiedzialnością KBP SKA
 Ghelamco GP 4 spółka z ograniczoną odpowiedzialnością M12 SKA
 Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością ŁBP SKA
 Ghelamco Warsaw Spire spółka z ograniczoną odpowiedzialnością WS SKA

4.3 Disposal of subsidiaries

In March 2013 the Wevelgem Retail Park, retail project with a leasable area of +/- 4,600 sqm, has been sold to an investor. The sale of this project was structured as a share deal (i.c. sale of 100% of the shares of project SPV Klippan Cabs NV). The share price amounted to 5 MEUR.

4.4 Incorporation of new Belgian shelf companies

In October 2013, 3 new Belgian SPVs have been incorporated for the development of future real estate development projects.

For the respective (limited liability) entities, all shares (250) but one have been subscribed by IRC and one by mr. P. Gheysens. Each of the entities has a share capital of 250 KEUR, of which 63.5 KEUR has been paid in.

Given their limited size as of 31 December 2013, the concerned entities have not yet been consolidated in these consolidated financial statements. The participating interests which IRC holds in these entities have been kept at cost.

4.5 Asset Acquisitions and disposals of IRC NV (and subsidiaries)

Main acquisitions:

- Acquisition of land plots (by SPV Leisure Property Invest NV) in Knokke for a total amount of 3 MEUR, for the future development of the Golf Village project.

Main divestures:

- Blaisantpark, sale of 30 apartments (of 67 in total) and 32 parkings (per 31/12/13 15% invoiced, under Breyne legislation) in the mixed project in Gent
- Farida, sale of 9 apartments (of 12 in total) in the residential project in Knokke
- Waterside Leuven, sale of 2 commercial units (over 65% of commercial units sold) and 22 parkings (over 80% of parking spaces sold)
- Beau Site, sale of 1 apartment in the residential project in De Panne
- Zegemeer, sale of 1 villa-apartment in the residential project in Knokke
- East Dune, sale of 1 apartment in the residential project in Oostduinkerke

4.6 Mergers and liquidations of subsidiaries

- In the course of 2013, Signal Bud Sp. z o.o has acquired related party entities Key Office Invest Sp. z o.o and Prime invest Sp. z o.o (for 12 KEUR each). Subsequently, the latter 2 entities have been liquidated through merger with Signal Bud. This merger operation had no impact on the Investment Holding's 2013 consolidated financial statements.



- In addition, and in connection with a clean-up and simplification exercise on the Consortium level, Signal Bud Sp. z o.o has in the course of 2013 acquired 9 entities (of which 6 belonging to the Development Holding), for a total amount of approx. 550 KPLN (135 KEUR). Subsequently (i.e. on 30 October 2013) involved entities have been liquidated through merger into Signal Bud; operation which has resulted in a receivable on Signal Bud level of approx. 3 MEUR towards the Development Holding.

- Also, 100% of the shares of 4 related party entities (Leader Invest, Proud Invest, Quality Invest, Expansion Invest) have in 2013 been transferred from Granbero Holdings to Signal Bud. Purchase price amounted to 50 KPLN each. Involved entities have in January 2014 been liquidated through merger into Signal Bud. This operation had no impact on the Investment Holding's 2013 consolidated financial statements.

4.7 Polish SPVs: transfer to closed-end investment funds and legal transformation

In connection with the decision to restructure Polish operations for fiscal optimization and potential future financing transactions, 2 Polish closed-end investment funds were acquired in 2011 (CC 26 F.I.Z. and CC 28 F.I.Z.).

In the same respect, 20 Polish SPVs were in the course of 2012 transferred to the funds and afterwards transformed from limited liability companies (LLCs) to joint-stock partnerships (JSPs or SKAs).

In the course of 2013 the last 3 Polish SPVs have been transferred from Granbero Holdings Ltd. to the funds.

Under Polish tax law, JSPs were income tax transparent entities and any profits derived (from e.g. divestment by means of an asset deal) by them were allocated mainly to the funds, being exempt from income tax. As stated above, tax transparent nature of the JSPs has come to an end from 1 January 2014 onwards. For that, per end 2013 a fiscal step-up operation was organized in order to safeguard the contemplated fiscal position by the Investment Holding.

The activities of investment funds and management companies in Poland are regulated by the Investment Fund Law and are subject to public supervision by the Financial Supervision Committee.

4.8 Transfer of Subsidiaries

2012

During 2012 – and except for the transfer of 50% participating interest in Focus Invest as described in the 2012 Financial Statements – there were no subsidiary transfers within the Investment Holding or between the Investment Holding and IRS Comm. VA or Deus Comm. VA, related parties and holding companies of the Development Holding and the Portfolio Holding respectively.

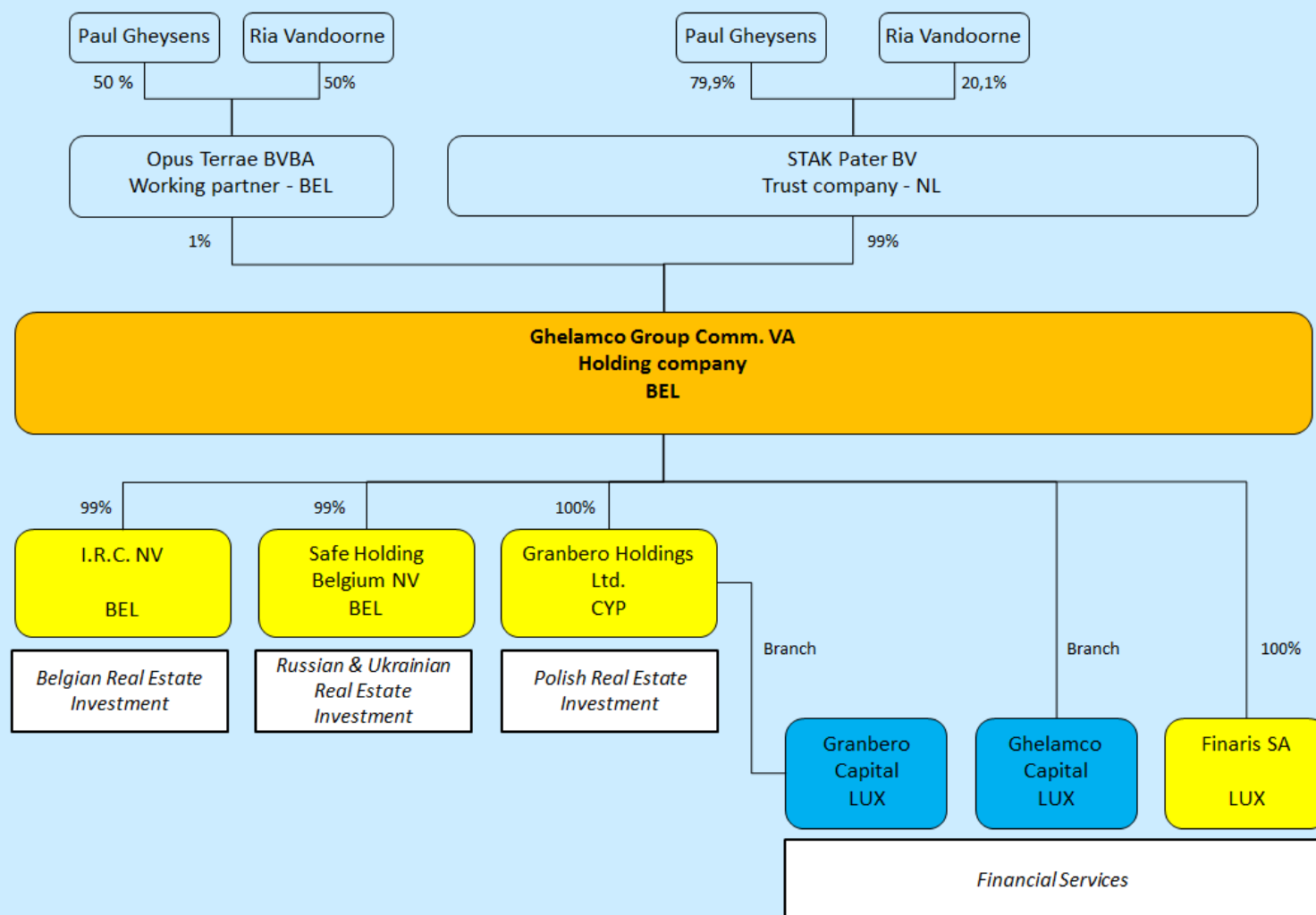
2013

During 2013 there were no subsidiary transfers within the Investment Holding or between the Investment Holding and IRS Comm. VA or Deus Comm. VA, related parties and holding companies of the Development Holding and the Portfolio Holding respectively.



5. Group structure

5.1. Investment Holding as per December 31st, 2013

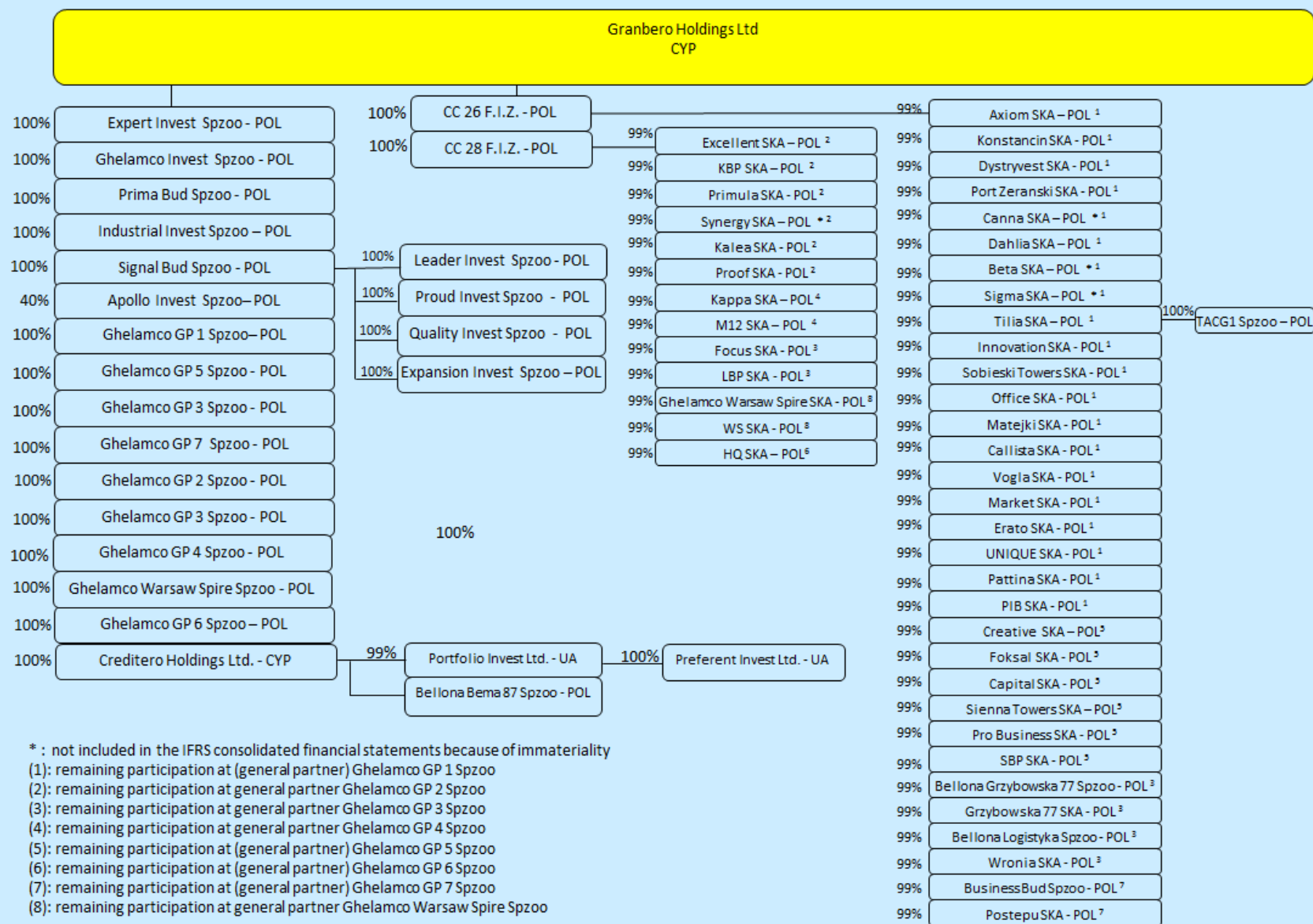


5.2. Belgian Real Estate Investment as per December 31st, 2013

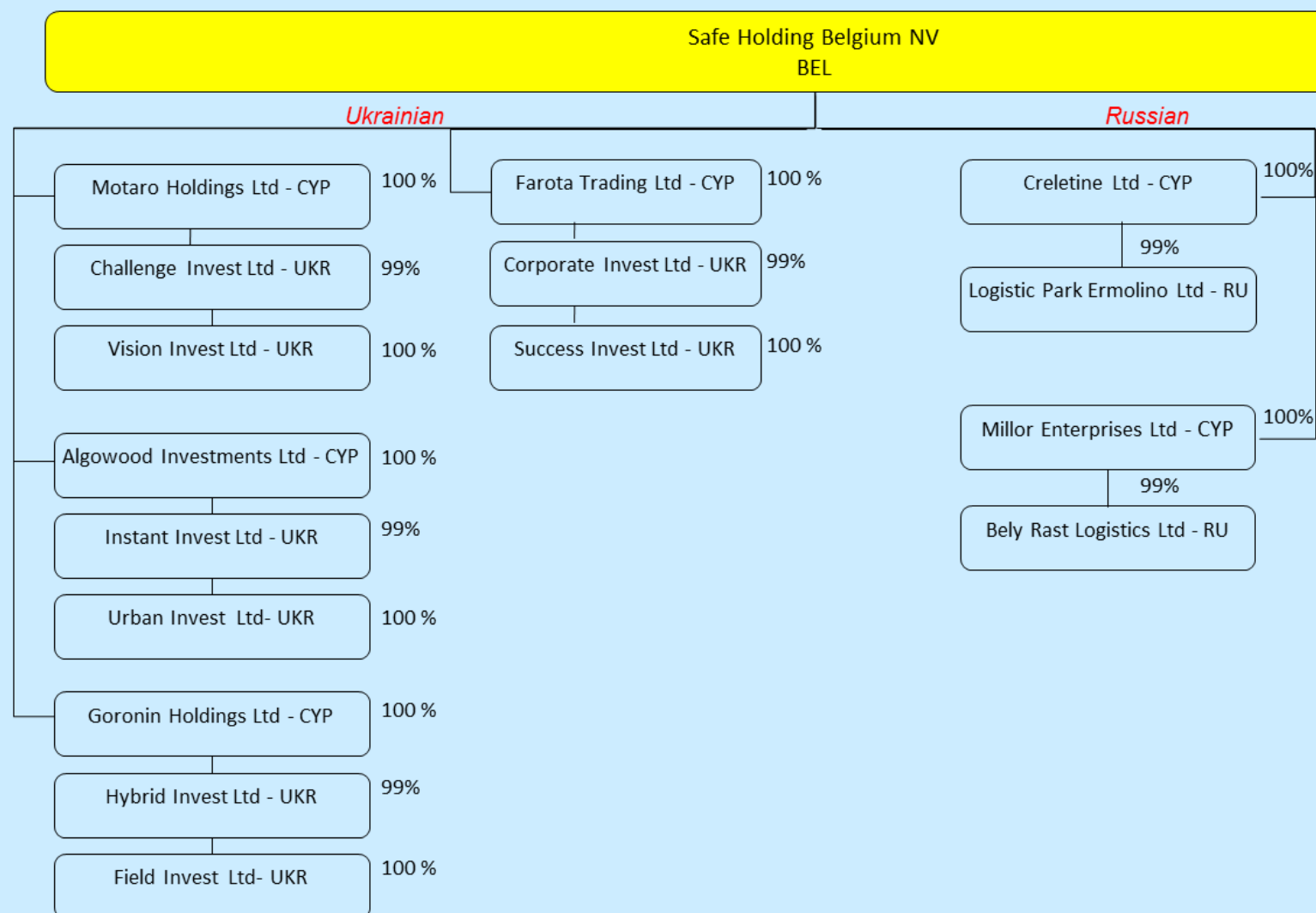


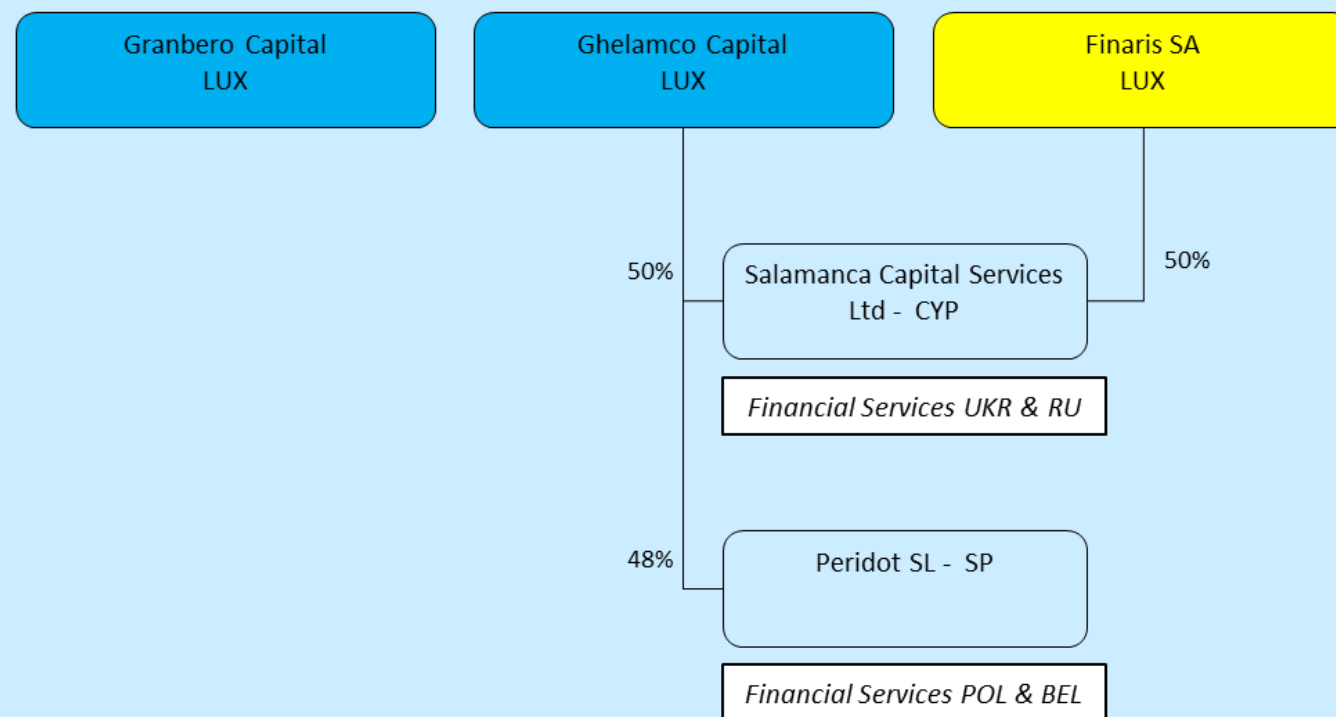
*: not included in the IFRS consolidated financial statements because of immateriality



5.3. Polish Real Estate Investment as per December 31st, 2013

5.4. Ukrainian and Russian Real Estate Investment as per December 31st, 2013



5.5. Financial Services as per December 31st, 2013

6. Investment Property

The Investment Holding'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 2013 and 31 December 2012.

Investment Properties are stated at fair value determined by either independent appraisers or by management and are classified in 4 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 held for development and investment (fair value based on the potential of constructing leasable m²);
- C. Land + Construction ongoing (fair value based on the residual method);
- D. Completed Projects held for investment.

Country + SPV	Commercial Name	Valuation	Cat	31/12/2013	31/12/2012
				KEUR	KEUR
BELGIUM					
Leisure Property Invest	Golf Knokke Zoute	Man	A	26,159	23,108
WRP	Wavre Retail Park	Man	A	12,600	12,600
L-Park	L-Park	CBRE	D	35,200	30,341
Retail Gent	Retail Gent	CBRE	D	17,450	16,211
Parking Gent	Parking Gent	CBRE	C/D	28,848	15,503
Parking Estates	Parking Estates	CBRE	C/D	2,371	2,371
Zeewind	Zeewind	Man	D	1,737	1,737
Schelde Offices	Schelde Offices	Cushman	C	20,478	2,512
Arte Offices	Arte Offices	Cushman	C	19,107	2,020
Ring Hotel	Ring Hotel	Man	B	1,155	979
Ring Multi	Ghelamco Arena Multifunctional space	Cushman	C/D	17,935	n/a
Docora	Ghelamco Arena Offices	Cushman	C/D	13,300	n/a
Ring Offices	Ghelamco Arena Offices	Cushman	C	2,350	n/a
IRC	Le 8300	Man	C	16,169	n/a

POLAND

Apollo Invest	Spinnaker Tower	KNF	B	15,728	9,556
Business Bud	Postepu Business Park	KNF	A	10,516	10,220
Capital SKA	Sienna Towers	KNF	B	45,607	41,230
Warsaw Spire SKA	Spire and Chopin Tower	KNF	C	160,555	121,488
Excellent SKA	Katowice Business Point	KNF	D	36,599	35,100
Focus SKA	Lopuszanska Bus. Park	DTZ	D	34,835	19,970
HQ SKA	Senator	n/a	n/a	0	115,000
Innovation SKA	Sobieski Tower	DTZ	B	14,360	11,560
Kalea SKA	Mokotow Nova	n/a	n/a	0	118,960



Market SKA	Mszczonow Logistics	ASB	A	2,910	2,981
Kappa SKA	Marynarska 12/T-Mobile Office Park	KNF	D	105,308	70,885
Pro Business SKA	Wroclaw Business Park	KNF	B	19,339	21,318
Bellona	Grzybowska	KNF	A	10,570	10,710
Bellona	Logistyka	KNF	A	16,555	14,070
Callista SKA	Wilanow Retail	KNF	A	7,883	0

RUSSIA

Bely Rast e.a.	Dmitrov Logistic Park	CBRE	D	129,500	117,000
Ermolino	Logistic Park Ermolino	JLL	A	9,988	9,337

UKRAINE

Success Invest	Kopylov Logistics Park	COLL	D	14,296	16,794
Urban Invest	Kopylov Logistics Park 2	UKR	A	979	1,026
Vision Invest	Warsaw Road Dev.	UKR	B	3,924	4,112

TOTAL:**854,311 858,699**

Legend : Man = Management valuation, KNF = Knight Frank, JLL = Jones Lang Lasalle, DTZ= DTZadelhof, CLL = Colliers, UKR = Ukrexprombud, CBRE = CBRE, Cushman = Cushman & Wakefield, ASB = Asbud

Balance at 1 January 2012	626,004
Acquisition of properties	9,528
Subsequent expenditure	174,538
Transfers	
- Assets classified as held for sale	-6,700
- Other transfers	1,271
Adjustment to fair value through P/L	38,546
Disposals	-5,378
CTA	20,890
other	
Balance at 31 December 2012	858,699
Acquisition of properties	12,755
Subsequent expenditure	176,249
Transfers	
- Assets classified as held for sale	-3,475
- Other transfers	16,200
Adjustment to fair value through P/L	52,137
Disposals	-244,629
CTA	-13,625
other	
Balance at 31 December 2013	854,311



<i>Categories</i>	A	B	C	D	Total
Balance at 1 January 2012	85,524	89,398	308,518	142,564	626,004
Acquisition of properties			5,668	3,860	9,528
Acquisition through business combinations					
Subsequent expenditure (*)	3,852	4,238	97,681	89,657	195,428
Transfers					
- Assets classified as held for sale				-6,700	-6,700
- Other transfers	-13,350	-4,231	-149,100	167,952	1,271
Adjustment to fair value	8,935	-650	2,323	27,938	38,546
Disposals	-909			-4,469	-5,378
Other					
Balance at 31 December 2012	84,052	88,755	265,090	420,802	858,699
Acquisition of properties	7,333	4,958		464	12,755
Acquisition through business combinations					
Subsequent expenditure (*)	297	4,032	115,647	42,648	162,624
Transfers					
- Assets classified as held for sale			-3,475		-3,475
- Other transfers			-104,996	121,196	16,200
Adjustment to fair value	6,478	2,368	19,516	23,775	52,137
Disposals			-10,669	-233,960	-244,629
Other					
Balance at 31 December 2013	98,160	100,113	281,113	374,925	854,311

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

In Belgium, first parts of the Artevelde Park/Ghelamco Arena project have in 2013 been sold for a total sales value of 10.7 MEUR. In addition, and per date of the current report, further parts have been pre-sold for a total sales value of 3.5 MEUR, and have for that as of 31/12/2013 been reclassified to assets held for sale.

In Poland, the Senator project, office project in the Central Business District of Warsaw with a total net leasable area of approx 25,000 sqm, has on 22 May 2013 been sold upon an attractive bid by an investor (Union Investment Real Estate GmbH). The property was at the moment of sale leased for 80% and is occupied by renowned tenants such as Orlen, Rabobank and Bre Bank. The sale (considering a sales price of approx, 116 MEUR and the reimbursement of the related bank loan) resulted in a net cash-inflow for the Company of +/- 60 MEUR.

Also in Poland, the Mokotow Nova project, approx, 42,000 sqm office project in the Mokotow Business District of Warsaw, has on 12 September 2013 been sold upon an attractive bid by an investor (Tristan Capital Partners, with headquarters in London). The property was at the moment of sale leased for over 90% and is occupied by tenants such as Gothaer, BMW Group and LG Electronics. The sales transaction (structured as an asset deal) was closed for a (net) sales price of 118,497 KEUR and generated a (net) cash inflow of approx, 60 MEUR (after reimbursement of the related bank loan).

Current year's (net) transfers from inventory to investment property (under construction) mainly relate to the "Le 8300" project (luxurious wellness hotel in Knokke Zoute with +/- 40 rooms, currently under construction) and the office, congress and multifunctional spaces in the Ghelamco Arena.



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

	<u>2013</u>	<u>2012</u>
Rental income	26,884	13,708

Rental income mainly relates to rent agreements in Belgium (Retail Gent, Parking Gent, L-Park and Wavre Retail Park), Poland (Katowice Business Point, Lopuszanska Business Park, T-Mobile Office Park, Mokotow Nova and Senator), Russia (Dmitrov Logistics Park) and Ukraine (Kopylov Logistics Park).

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 income approach/yield/DCF method (for delivered projects).

Main part of Belgian IP(UC) relates to office and retail projects, which are valued based on the residual method (for IPUC) and income approach/DCF method (for delivered projects).

Main part of Russian and Ukrainian IP(UC) relates to logistics projects, which are valued based on the comparative method (for plots/projects in the A/B category), the residual method (for IPUC) and yield/DCF method (for delivered projects).

For IFRS 13 purposes, IP(UC) projects are categorised in level 3.

The average yields (or capitalisation rates) used in the expert valuations on 31 December 2013 are as follows:

- 6.25% to 8.50% for Polish office projects, depending on the location, specifics and nature of the project (vs. 6.25% to 8.50% last year)
- 6.00% to 6.65% for Belgian office projects, depending on the location, specifics and nature of the investment
- 6.25% to 6.5% for Belgian retail projects, depending on the location, specifics and nature of the investment
- 11.00% for Russian projects (vs. 11.00 last year)
- 14.00% for Ukrainian projects (vs. 13.80% last year).

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

- 12 EUR/sqm/mnth to 20 EUR/sqm/mnth for Polish office space, depending on the location, specifics and nature of the project
- 20 EUR/sqm/mnth to 28 EUR/sqm/mnth for Polish retail space, depending on the location, specifics and nature of the project.
- 135 EUR/sqm/year to 150 EUR/sqm/year for Belgian office space, depending on the location, specifics and nature of the project
- 78 EUR/sqm/year to 105 EUR/sqm/year for Belgian retail space, depending on the location, specifics and nature of the project
- 135 USD/sqm/year for Russian warehouse space and 275 USD/sqm/year for office space (part of the logistics projects)
- 8.0 USD/sqm/mnth for Ukrainian warehouse space and 17.5 USD/sqm/mnth for office space (part of the logistics projects)

On 31 December 2013, the Investment Holding has a number of income producing investment properties (category D) which are valued at 374,925 KEUR (Retail Gent, L-Park, Zeewind, Katowice Business Point, Lopuszanska Business Park, Marynarska 12/T-Mobile Office Park, Kopylov Logistics Park, Dmitrov Logistic Park Building A). An increase/decrease of 100 basis points in the yield, with all other variables held constant, decreases/increases the value by approx. 35,538 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.



7. Property, plant and equipment

	Property, plant and equipment	
	31.12.2013	31.12.2012
in thousands €		
Cost	1,331	1,343
Accumulated depreciation/amortisation and impairment	-874	-802
TOTAL	457	541

	Property, plant and equipment
in thousands €	
Cost	
Balance at 1 January 2012	1,422
Additions	10
Additions from internal developments	
Acquisitions through business combinations	
Disposals or classified as held for sale	-89
Revaluation increase	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2012	1,343
Additions	34
Additions from internal developments	
Acquisitions through business combinations	
Disposals or classified as held for sale	-46
Revaluation increase	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2013	1,331

Accumulated depreciation and impairment	
Balance at 1 January 2012	775
Depreciation/Amortisation expense	97
Disposals or classified as held for sale	-70
Impairment losses recognised in profit or loss	
Reversals of impairment losses recognised in profit or loss	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2012	802
Depreciation/Amortisation expense	109
Disposals or classified as held for sale	-37
Impairment losses recognised in profit or loss	
Reversals of impairment losses recognised in profit or loss	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2013	874



8. Intangible assets

The intangible assets balance relates to the naming rights which the Investment Holding has since mid 2013 on the Ghelamco Arena in Gent. Balance is amortized over the duration of the contract; i.e. 10 years. In accordance with the contractual terms, first instalment of 2.5 MEUR has been paid in Q1 2014; 2nd instalment is to be paid per mid 2016.

9. Property Development Inventory

The Property Development Inventories amount to 178,071 KEUR on 31 December 2013 (2012: 192,920 KEUR) and are detailed as follows:

	31/12/2013	31/12/2012
Property Development Inventories	177,911	192,740
Raw materials	92	93
Finished goods	68	87
	178,071	192,920

Property Development Inventories contain mainly land plots held for development of residential purposes and residential buildings either finished or still under construction.

	31/12/2013		31/12/2012	
Inventories – Poland	66,547	37%	77,550	40%
Inventories – Belgium	111,503	63%	115,345	60%
Inventories – Other countries	21		25	
	178,071	100%	192,920	100%

Major part of inventories of the Investment Holding are located in Belgium and Poland. The main assets located in Russia and Ukraine are reported under Investment Properties as they are held for investment purposes.

	Carrying value (at cost) at 31 December 2013 - KEUR	Carrying value (at cost) at 31 December 2012 - KEUR
BELGIAN PROJECTS		
I.R.C. - others	8,248	7,793
Le Valeureux Liégeois - East Dune	22,815	19,968
The White House Zoute	2,171	1,848
Locarno Knokke	6,835	7,034
Residentie Zegemeer Knokke	1,324	3,783
Blinckaertlaan Knokke	5,739	5,575
"Le 8300"	n/a	13,244
Kanonstraat Brussel	815	804
Bleko Doornstraat Kortrijk	2,036	1,802
Dock-site	2,648	2,648
"Residentie Katelijne"	9,091	8,810
"Project Waterside"	1,618	2,933
Waterview	5,253	4,710
Sylt	10,939	-
Cromme Bosh	12,497	10,646



Kinder Siska	7,164	12,194
RHR	1,737	6,860
Farida-Knokke	494	-
Artevelde Multifunctional related	n/a	1,737
De Nieuwe Filature	10,079	2,956
SUBTOTAL Belgium	111,503	115,345

With respect to current year's acquisitions and sales, reference is made to section 4.

POLISH PROJECTS

Axiom	6,103	5,530
Bellona-Bema	1,848	1,851
Callista	-	39
Creative Invest - Foksal	12,230	11,581
Dystryvest	1,211	
Erato Invest	1,513	1,423
Key Office Invest - Wroclaw apartments	-	50
Leader Invest	16	16
Office Investment	1,341	1,376
Pattina Invest	7	7
P.I.B.	2,994	2,986
Prima Bud	-	26
Prime Invest	-	495
Primula Invest	19	19
Proof Invest - Q-Bik soft lofts	36,990	52,143
Signal Bud	734	
Tilia	1,515	
Unique Invest	26	8
TOTAL POLAND	66,547	77,550

RUSSIAN PROJECTS

SUBTOTAL RUSSIA	-	-
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UKRAINIAN PROJECTS

SUBTOTAL UKRAINE	21	25
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GRAND TOTAL	178,071	192,920
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Further reference is made to section 3.



10. Non-current receivables & prepayments and current trade & other receivables

10.1 Non-current receivables & prepayments

	Note	31/12/2013	31/12/2012
Non-current			
Receivables from related parties	28.3	41,132	36,010
Trade and other receivables		24,533	10,446
Total non-current receivables and prepayments		65,665	46,456

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 2013 were as follows: Euribor/ Libor + margins in the range between 1% and 4%.

Further reference is made to Note 28.3.

Non-current trade and other receivables

Non-current trade and other receivables as of 31 December 2013 mainly consist of:

- Balance still to be received from SEB after the TP III sale: 348 KEUR
- Degi: 649 KEUR
- Earn-out and rental guarantee receivables in connection with the sale in 2013 of the Senator project: 6.2 MEUR
- Rental guarantee receivables (and other retentions) in connection with the sale in 2013 of the Mokotow Nova project: 1.5 MEUR
- Rent free and capitalized agency fees at the level of Focus S.K.A. (Lopuszanska Business Park): 2.6 MEUR
- Rent free and Capitalized agency fees at the level of Kappa S.K.A. (T-Mobile Office Park): 6.3 MEUR
- Rent free and capitalized agency fees at the level of Excellent S.K.A. (Katowice Business Point): 0.7 MEUR
- Receivable resulting from the above mentioned mergers at the level of Signal Bud for an amount of 3 MEUR; which will be recovered by the Company from the Development Holding
- Other Peridot loans: 2,107 KEUR

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.



10.2 Current trade & other receivables

	Note	31/12/2013	31/12/2012
Current			
Receivables from related parties		5,369	1,537
Receivables from third parties		4,686	7,026
Less: allowance doubtful debtors (bad debt provision)		-33	-33
Net trade receivables		10,022	8,530
Other receivables		3,343	3,621
Related party current accounts	28.3	42,991	13,001
VAT receivable		9,047	13,098
Prepayments		4,315	3,527
Interest receivable		12,983	12,608
Total current trade and other receivables		82,701	54,385

Current trade and other receivables

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 28.2.

Prepayments

Outstanding prepayments as of 31 December 2013 mainly represent:

- 196 KEUR down-payment at SPV Expert Invest for the acquisition of a land plot
- 1,176 KEUR option on a land plot at Industrial Invest
- 528 KEUR (vs. 222 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.
- 702 KEUR down-payments (and related costs) for the acquisition of a land plot (Plac Grzybowski, near the Palace of Culture in Warsaw) at SPV Unique S.K.A.
- 365 KEUR down-payment (and related costs) at SPV Pattina Invest for the acquisition of a land plot in Piaseczno, suburbs of Warsaw, for the development of a trade and services centre
- 1,428 KEUR down-payment (and related costs) at SPV Dahlia for the acquisition of a land plot (Atlantic Plot, Woloska Street), for the development of an office project (approx. 16,000 sqm GLA) located next to the recently sold Mokotow Nova project.

Interest receivable

The interest receivable consists of an amount of 12,457 KEUR from related parties (11,917 KEUR last year).

VAT receivable

The outstanding balance as of 31 December 2013 relates to VAT receivables in the following countries:

- Belgium: 1,714 KEUR (main originating projects: Blue Towers Gent)



- Poland: 5,561 KEUR (main originating projects: Warsaw Spire, Lopuszanska Business Park and Marynarska 12/T-Mobile Office Park)
- Ukraine: 340 KEUR (main originating project Kopylov Logistics Park)
- Russia: 1,433 KEUR (main originator project Dmitrov Logistic Park)

The SPV's 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 amortised 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, that, 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 Investment Holding 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 beneficial owners of the Consortium. As such, credit risk concentrations with respect to trade and other receivables are assessed as very limited.

Movement in the allowance for doubtful debts

in thousands of €	31.12.2013	31.12.2012
Balance at beginning of the year	33	33
Impairment losses recognised on receivables		
Amounts written off during the year as uncollectible		
Amounts recovered during the year		
Impairment losses reversed		
Foreign exchange translation gains and losses		
Balance at end of the year	33	33

As of 31 December 2013 and 2012, 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 Investment Holding has not recognized an allowance for doubtful receivables, as deemed necessary.

11. Derivatives

Balance as of balance sheet date of 1,842 KEUR relates to the market value of outstanding (currency and – to the extent applicable – interest) hedging contracts. Marking to market of these level 2 derivatives has been recognized through the profit and loss statement.

Also refer to section 2.1.1 above.



12. Restricted Cash

	31/12/2013	31/12/2012
Restricted cash non-current	471	705
Restricted cash current	-	-
	471	705

Outstanding balance as of 31 December 2013 (and 31 December 2012) relates to the amount on escrow and still to be released after the Trinity Park III sale (2010).

13. Cash and cash equivalents

	31/12/2013	31/12/2012
Cash at banks and on hand	70,182	65,098
Short-term deposits	-	-
	70,182	65,098

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for various periods not more than three months, depending on the Investment Holding's immediate cash requirements, and earn interest at the respective short-term deposit rates.

The Investment Holding also has access to the following additional resources of financing:

- additional capacity on the debt ratio (the Investment Holding 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 recent bonds issues in Poland (372.8 MPLN total outstanding bonds at 31 December 2013) and Belgium (79.8 MEUR total outstanding bonds at 31 December 2013).



14. Share capital

	31/12/2013	31/12/2012
Authorised		
35.908 ordinary shares without par value	73,194	73,194
issued and fully paid	73,194	73,194

At 31 December 2013, the Company's direct shareholders are:

- **Pater BV** (the Netherlands) - 99.97% (35,898 shares) (Dutch trust company)
- **Opus Terrae BVBA** (Belgium) - 0.03% (10 shares) (Belgian Ltd, acting as the working partner)

Mr. Paul Gheysens and Mrs. Ria Vandoorne are the ultimate beneficial owners of Pater BV and Opus Terrae BVBA.

14.1 Distribution of dividends within the Investment Holding

End 2013, IRC received an interim dividend for an amount of 996 KEUR from Rubia NV.

In the course of 2012, IRC received dividends (from available 2011 reserves) for a total amount of 3 MEUR from subsidiaries.

14.2 Non-Controlling Interests

	31/12/2013	31/12/2012
balance at beginning of year	4,567	4,040
share of profit for the year	392	527
acquisitions/disposals	-5	
Balance at end of year	4,954	4,567



15. Reserves and retained earnings

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

	Cumulative translation reserve	Retained earnings
At 1 January 2012	2,924	418,480
Cumulative translation differences (CTA)	-987	
Dividend distribution to the ultimate beneficial owners		
Other		
Profit for the year		56,642
At 31 December 2012	1,937	475,122

	Cumulative translation reserve	Retained earnings
At 1 January 2013	1,937	475,122
Cumulative translation differences (CTA)	6,277	
Dividend distribution to the ultimate beneficial owners		-13
Change in non-controlling interests		5
Change in the consolidation scope		-181
Other		-9
Profit for the year		15,017
At 31 December 2013	8,214	489,941



16. Interest-bearing loans and borrowings

		31/12/2013	31/12/2012
Non-current			
Bank borrowings – floating rate	16.1	311,198	307,895
Other borrowings	16.2/16.3	120,467	126,015
Finance lease liabilities		22	32
		431,687	433,942
Current			
Bank borrowings – floating rate	16.1	123,616	141,656
Other borrowings	16.2	55,225	9,269
Finance lease liabilities		10	10
		178,852	150,935
TOTAL		610,538	584,877

16.1 Bank Borrowings

During the period, the Investment Holding obtained new secured bank loans mainly expressed in EUR and in USD and drew on existing credit facilities for a total amount of 136.8 MEUR (36.7 MEUR in Belgium, 84.8 MEUR in Poland, 15.3 MEUR in Russia), large part of which are Euribor based. On the other hand, reimbursements (and/or refinancing) have been done for a total amount of 151.6 MEUR (10.0 MEUR in Belgium, 138.9 MEUR in Poland, 1.5 MEUR in Russia and 1.2 MEUR in Ukraine), net of prolongation of a number of borrowings.

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

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

With respect to the outstanding short-term borrowings, it is to be mentioned that, in the course of 2014, part will actually be reimbursed following the contractual terms, part will be repaid upon sale of the related project and part will be prolonged or refinanced (e.g. through a swap to investment loan).



Summary of contractual maturities of external bank borrowings and future finance lease payments, including interest payments:

	31.12.2013				31.12.2012			
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
Credit institutions withdrawn credits	141,941	263,591	89,162	494,694	157,573	184,773	166,060	508,406
Financial lease	11	22		33	11	34		45
Total	141,952	263,613	89,162	494,727	157,584	184,807	166,060	508,451
Percentage	29%	53%	18%	100%	31%	36%	33%	100%

External bank borrowings by currency

Large part of external bank borrowings are Euro denominated, except for mainly Success Invest in Ukraine (USD loan), Belyrast in Russia (USD loan), Proof and Focus in Poland (PLN loan) and Creditero Holdings in Cyprus (PLN loan, however swapped to EUR).

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.

Depending on a project's potential debt service, interest rates on investment loans are sometimes partially fixed and the remainder is floating.

On 31 December 2013, the Investment Holding had the following investment loan(s):

- Success Invest Ltd (Ukraine) USD loan (9,580 KEUR equivalent) granted by Erste Bank, bearing a fixed interest rate of 5.5%. The debt is fully serviced by the actual rental income of the property.
- Excellent S.K.A. 23.3 MEUR loan granted by Pekao SA, bearing an Euribor 1M based (+ 3.5% margin) interest rate. The debt is fully serviced by the actual rental income of the property (Katowice Business Park).
- Focus S.K.A. 23.9 MEUR (equivalent) loan granted by Alior Bank SA, bearing a Wibor 1M based (+3.05% margin) interest rate. The debt is fully serviced by the actual rental income of the Property (Lopuszanska Business Park).
- Retail Gent 13.5 MEUR loan, serviced by the actual rental income of the property (Brico Plan-It)
- Belyrast Ltd (Russia) 63 MUSD loan, bearing a Libor 3M based (+ 8.15% margin) interest rate. The debt is fully serviced by the actual rental income of phase 1 (building A) of the Dmitrov Logistic Park project.

Depending on the project and the securities required by the bank, following margins on floating rates are applicable in:

- Belgium: between 1.25% and 4%
- Poland: between 2.7% and 5.5%
- Ukraine: currently not applicable
- Russia : 8.15% (on Libor 3 mnths)

Loans for the pre-financing of VAT returns 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 4,155 KEUR lower/higher profit before tax for 2013.

16.2 Other borrowings Bonds (118,553 KEUR long-term – 48,225 KEUR short-term)

Belgium

IRC has in December 2012 issued private unsecured bonds for a total amount of 42 MEUR (25.05 MEUR bond serie A, 16.95 MEUR bond serie B). These bonds, which are secured by a first demand guarantee from Ghelamco Group Comm. VA and issue of which was coordinated by KBC Securities and Belfius Bank, have been underwritten by a select group of institutional investors and high-net-worth individuals.

Bonds serie A has as maturity date 13/12/15 and bears a fixed interest of 7.0%. Bonds serie B has as maturity date 13/12/17 and bears a fixed interest of 7.875%.

Goal of the issue is to diversify financial resources and secure the mid-term funding necessary to secure the realization of the pipeline of Belgian and French projects.

In addition, IRC has in the second half of 2013 again issued private unsecured bonds for a total amount of 37.8 MEUR, secured by a first demand guarantee from Ghelamco Group Comm. VA., having as maturity date 28/02/2018 and bearing a fixed interest rate of 6.25%. 2013 bond issues have again been coordinated by KBC Securities and Belfius Bank. These 2013 bonds have from January 2014 onwards been listed on Alternext.

Total balance of outstanding bonds per balance sheet date (77,509 KEUR) represents the amount of issue (79.8 MEUR) less capitalized issue costs (of which mainly the issuing banks' arrangement fees), which are amortized over the term of the bonds.

Poland

Ghelamco Invest Sp. z o.o. has in the period July-August 2011, issued Polish bearer bonds for a total amount of 200 MPLN. These bonds, which are secured by a redemption surety granted by Granbero Holdings Ltd., parent company of the Polish activities, have been underwritten by a select group of investors and have been listed for trading on the alternative trading system Catalyst run by BondSpot S.A. Goal of the issue is to finance the Investment Holding's further investment projects within Warsaw metropolitan area, in Wrocław or Katowice. The bonds have a term of 3 years and bear an interest of Wibor 6 months + 5%.

Above 200 MPLN 2011 bonds, which mature per end July 2014, have in these financial statements been classified as short-term (for an amount of 48,225 KEUR). Nonetheless it is to be mentioned that end of January 2014 part of these bonds (i.e. 66.7 MPLN) have been redeemed and rolled-over for a new 3-year term. In addition, the roll-over process for (part of the) remaining balance is currently still ongoing.

Also, Ghelamco Invest Sp. z o.o. issued in 2012 next Katalyst bearer bond tranches (tranche C and D, bearing an interest of Wibor 6 months + 6%) for an amount of 137.1 MPLN and in 2013 next tranches (tranche E, F and G, bearing an interest of Wibor 6 months + 5%) for an amount of 35.6 MPLN; bringing the total amount of outstanding Polish bonds per 31 December 2013 to 372.8 MPLN (or 89,270 KEUR, taking into account capitalized issue costs, which are amortised over the term of the bonds).



16.3 Other borrowings: Other

31/12/2013 8,914 KEUR

Other borrowings in EUR at 31 December 2013 include:

- Tallink Investments Ltd.: 1,436 KEUR (non-current)
- Ghelamco Poland Sp. z o. o: 205 KEUR (non-current)
- Rent deposits: 215 KEUR (non-current)
- 7 MEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 31/05/2014 and bearing an interest rate of 10%
- Others : 58 KEUR (58 KEUR non-current)

31/12/2012 13,350 KEUR

Other borrowings in EUR at 31 December 2012 include:

- Tallink Investments Ltd.: 1,436 KEUR (non-current)
- Ghelamco Poland Sp. z o. o: 207 KEUR (non-current)
- Rent deposits : 963 KEUR (non-current)
- 9 MEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 13/09/2013 and bearing an interest rate of 12%
- Others : 1,743 KEUR (1,474 KEUR non-current, 269 KEUR current)

16.4 Miscellaneous information

The fair value of interest bearing liabilities does not materially differ from carrying amount, since largest part relates to 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.

Largest part of the Investment Holding's interest bearing liabilities are floating interest bearing debts.

No defaults of payments or breaches of borrowing agreements occurred as of 31 December 2013.

Bank borrowings are secured by amongst others the respective property development projects, including land and in-process construction, pledge on the respective SPV shares, etc.

The Polish bonds are secured by a redemption surety granted by Granbero Holdings Ltd.

The Belgian bonds are secured by a first demand guarantee by Ghelamco Group Comm. VA.

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.

Also the terms and conditions of the resp. bond issues have been complied with as of balance sheet date.

At 31 December 2013, the Investment Holding has bank loans available to be drawn for a total amount of 172,230 KEUR in Poland, 36,221 KEUR in Belgium and 37,223 KUSD in Russia and has bonds which can still be tapped on its 70 MEUR Belgian bond program for an amount of 32.2 MEUR.



17. Provisions

Balance at 1 January 2012	67
Additional provisions recognised	111
Reductions	
Reversals	
Unwinding of discount	
Other	
Balance at 31 December 2013	178
<i>Non current</i>	178
<i>Current</i>	0

The long term provisions mainly relate to minor (immaterial) trade disputes.

18. 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 €	31/12/2013	31/12/2012
Deferred tax assets	2,840	4,005
Deferred tax liabilities	-23,925	-17,539
TOTAL	-21,085	-13,534



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

<i>In thousands €</i>	Temporary differences		Unused tax losses and credits	
	Investment property	Other	Tax losses	Tax credits
Balance at 1 January 2012	-34,809	-2,834	4,334	
Recognised in income statement	17,378	1,980	519	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		-102		
Balance at 31 December 2012	-17,431	-956	4,853	
Recognised in income statement	-7,556	-1,179	1,360	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		-176		
Balance at 31 December 2013	-24,987	-2,311	6,213	-

In 2012, significant deferred tax liabilities were released to the profit and loss statement: -21.9 MEUR in connection with the transfer number of Polish SPVs to the (in 2011 acquired) closed-end investment funds, which are tax exempt (ut supra, note 1.16 and 4.7).

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

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

<i>in thousands €</i>	31/12/2013	31/12/2012
DTA on unused tax losses	8,082	1,450
DTA on unused tax credits	3,387	9,180
TOTAL	11,469	10,630

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 Ukrainian SPVs can be carried forward for a period of 4 years.

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 as the Investment Holding is able to control the distribution of profits and as such distribution to the Investment Holding is not probable in the foreseeable future.

19. Trade and other payables

Trade and other payables are analysed as follows:

	31/12/2013
Trade payables: third parties	16,477
Trade payables: related parties	6,806
Related parties current accounts payable	9,585
Misc. current liabilities	15,604
Deferred income	4,812
Current employee benefits	93
Total trade and other payables	53,377

	31/12/2012
Trade payables: third parties	12,697
Trade payables: related parties	21,048
Related parties current accounts payable	12,967
Misc. current liabilities	16,436
Deferred income	10,665
Current employee benefits	59
Total trade and other payables	73,872

Trade payables towards related parties include amongst others the amounts payable to the Development Holding for construction and engineering coordination services received. On 31/12/2013, the trade payables include 6,806 KEUR towards related parties (vs. 21,048 KEUR last year), as follows:

- Apec Ltd: 795 KEUR (2,402 KEUR last year)
- Ghelamco Poland Sp. z o.o: 3,835 KEUR (14,397 KEUR last year)
- Ghelamco Russia: zero (3,580 KEUR last year)
- Others: 2,176 KEUR (669 KEUR last year)

Outstanding balance on related parties C/A payable (9,585 KEUR) is mainly towards Ghelamco Poland Spzoo (5,175 KEUR) and Elzenwalle NV (4,314 KEUR).

Miscellaneous current liabilities mainly relate to interest payable, VAT payable, accruals, rent deposits and others.

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

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.



20. Current tax liabilities

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

- Belgium: 1,437 KEUR
- Luxembourg: 828 KEUR
- Spain: 88 KEUR
- Cyprus: 0 KEUR

Total for 2013: **2,353 KEUR** (vs. 2,530 KEUR in 2012)



21. Revenue

Revenue is mainly generated from the following sources :

in thousands €	31.12.2013	31.12.2012
Sales of Residential Projects		
Projects Belgium	6,756	15,205
Projects Poland	15,822	12,943
Rental Income	26,884	13,708
Other	600	254
TOTAL REVENUE	50,062	42,110

Rental income as of 31 December 2013 relates to rent from commercial projects in Belgium (2,778 KEUR), Poland (11,038 KEUR), Russia (10,285 KEUR) and Ukraine (2,783 KEUR).

The residential projects sales as of 31 December 2013 mainly relate to:

- Villas and apartments at the Belgian coast (5,064 KEUR)
- (mainly) commercial units and parkings in the Waterside project in Leuven (836 KEUR)
- Blaisantpark Gent, 30 apartments (of 67 in total) and 32 parkings (per 31/12/13 15% invoiced under Breyne legislation; 703 KEUR)
- Soft loft apartments in the QBik project, Warsaw (15,799 KEUR)

Overview of future minimum rental income

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

in thousands €	31.12.2013	31.12.2012
Future minimum rental income:		
Less than 1 year	21,960	29,051
Between 1 and 2 years	26,393	33,858
Between 2 and 3 years	26,984	34,040
Between 3 and 4 years	26,720	34,097
Between 4 and 5 years	23,359	28,870
More than five years	109,901	80,214
TOTAL FUTURE MINIMUM RENTAL INCOME	235,316	240,130

The decrease compared with last year is mainly related to the sale of the Senator and the Mokotow Nova projects in 2013 on the one hand and the full impact of the 100% leased building A in Dmitrov Logistics Park on the other hand.



22. Other items included in operating profit/loss

Other operating income and expenses in 2013 and 2012 include the following items:

	2013	2012
Other operating income		
Net gains on disposal of investment property	1,849	997
Other	3,463	2,202
Net gains on disposals of property, plant and equipment		-
total:	5,312	3,199

Current year's other operating income includes gains on the sale of the Senator (1,376 KEUR) and the Mokotow Nova (457 KEUR) projects.

Other operating income to an extent relates to income from related parties. It concerns re-invoicing of costs within the framework of Service Level Agreements with (mainly) Ghelamco NV, Apec Ltd and IRS NV (1,932 KEUR). Also refer to note 28.3.

	2013	2012
Gains from revaluation of Investment Property	52,137	38,546

Fair value adjustments over 2013 amount to 52,137 KEUR, which is mainly the result of current year's further investment and leasing efforts in Poland (mainly on the Marynarska 12/T-Mobile Office Park project) and Belgium (mainly on the Artevelde Park/Ghelamco Arena), in combination with evolution in market conditions (yield and rent level evolution).

A detail of current year's total fair value adjustment can be given as follows:

Belgium	21,012
Poland	30,336
Russia	2,758
Ukraine	-1,969
	52,137

As stated, the favorable fair value adjustment as recognized on Belgian projects is mainly related to the additional value created on the Artevelde Park/Ghelamco Arena multifunctional project, in which the composing parts have per year-end been delivered or are in an advanced stage of completion and/or have been partly (pre-)leased.

The positive net fair value adjustment as recognized on Polish projects is merely the result of significant value creation upon further construction and leasing efforts on mainly the Marynarska 12/T-Mobile Office Park, which has been delivered in 2013 and has been leased to a significant extent.

Fair value of projects in Ukraine has decreased to an extent, mainly because of evolutions in the economic environment and the resulting decrease of rent rate of the anchor tenant (still, this is to an extent compensated by the extension by 2 years of the lease term).



	2013	2012
Other operating expenses		
Operating lease/ rental/housing expenses	278	183
Taxes and charges	2,680	1,562
Insurance expenses	688	491
Audit, legal and tax expenses	3,232	4,005
Traveling	1,259	808
Promotion	1,344	719
Bank fees	271	529
Sales/agency expenses	7,192	1,676
Rental guarantee expenses	1,838	429
Correction earn-out Trinity Park III	560	-
Termination indemnification tenant Dmitrov Log. Park		985
Operating expenses with related parties	4,864	4,251
Maintenance & management	2,140	
Miscellaneous	3,117	2,864
Total:	29,463	18,502

Other operating expenses with related parties mainly concerns the re-invoicing of costs within the framework of Service Level Agreements with IRS Comm. VA and Deus Comm. VA. Also refer to note 28.3.

In general, the overall increase of other operating expenses goes to a significant extent together with the disposal of 2 large projects (Senator and Mokotow Nova) in 2013.

	2013	2012
Employee benefit expenses		
Wages and salaries	914	992
Social security costs	247	276
Other		-
Total:	1,161	1,268

23. Cost of Property Development Inventories

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

	2013	2012
Movement in inventory	5,917	7,485
Purchases (*)	-26,903	-25,748
	-20,986	-18,263

(*) See Note 28.2

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 189,004 KEUR (transfers of 16,200 KEUR not included).



24. Finance income and finance costs

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

	2013	2012
Foreign exchange gains	-	10,227
Interest income	3,563	2,955
Other finance income	-	-
Total finance income	3,563	13,182
Interest expense	-23,977	-17,158
Other interest and finance costs	-2,446	-2,023
Foreign exchange losses	-7,805	-
Total finance costs	-34,228	-19,181

It is to be noted that interest expenses related to Investment Property projects are not included in the above 2013 and 2012 figures, as those have directly been capitalized on IP. It concerns an amount of 10,582 KEUR (vs. 9,407 KEUR last year).

Interest expenses mainly relate to interests on bank loans and bonds.

Interest income mainly includes interests on loans to related parties.

It is in addition to be mentioned that current year's finance costs include an amount of 7.8 MEUR foreign exchange losses (while last year's finance income included an amount of 10.2 MEUR foreign exchange gains). Main part of these exchange differences are unrealised (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 year's other finance costs include hedge results and mainly include the marking to market of the as of balance sheet date outstanding (currency and interest) hedging contracts (80 KEUR unfavourable vs. 878 KEUR unfavourable last year). Except for this last item, all financial income and expenses mentioned in the table above are related to financial instruments measured at amortised cost.

25. Income taxes

Income tax expense recognized in the consolidated income statement:

	31.12.2013	31.12.2012
current income tax	1,831	2,417
deferred tax	7,375	-19,877
Total	9,206	-17,460

The tax charge on the Investment Holding'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 analysis is as follows:



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

in thousands €	31.12.2013	31.12.2012
Result before income taxes	24,615	39,709
Income tax expense calculated at 33,99%	8,367	13,497
Effect of different tax rates in other jurisdictions	-1,970	-7,380
Effect of non-deductible expenses	1,356	2,017
Effect of revenue that is exempt from taxation	-2,264	-6,274
Effect of use of previously unrecognized tax losses	-534	-39
Effect of current year losses for which no DTA is recognized	3,860	1,251
Effect of tax incentives not recognized in the income statement	-62	-85
Effect of under/over-accrued in previous years	200	404
Effect of change in local tax rates	817	-50
Release of 31/12/12 DTL re. Wevelgem Retail Park sale (shares)	-705	
Release GW re Zeewind apartment sale: 2.253 KEUR		780
Release GW re. sales White House and Waterside: 690 KEUR		235
Release of 31/12/11 DTL balance re. SPVs transferred to funds		-21,900
Other	141	84
INCOME TAX EXPENSE RECOGNISED IN INCOME STATEMENT	9,206	-17,460

The theoretical tax rate used for the above reconciliation is the statutory corporate tax rate of 33.99% payable by corporate entities in Belgium on taxable profits under tax law.

Tax incentives not recognized in the income statement mainly relate to notional interest deduction and 'DBI'.

26. Contingent liabilities and contingent assets

26.1 (Bank) guarantees

All external borrowings of the Investment Holding are secured by corporate guarantees and/or suretyship agreements issued by the respective sub-holding (IRC NV, Safe Holding Belgium NV or Granbero Holdings Ltd.). These guarantees cover mostly cash deficiency risk, cost overrun, completion risk and interest & repayment shortfall risk. No calls on the guarantees were made in 2013 and 2012.

Company	Project name	Amount of bank loan-books (KEUR)		Corporate guarantees as per 31/12/2013 (KEUR)	
BELGIUM				Guarantee by IRC NV	
Dianthus	Katelijne	EUR	950	950	Corporate Guarantee
Waterview	Waterview	EUR	5,000	5,000	Cash deficiency guarantee
WRP	Wavre Retail Park	EUR	5,906	5,906	Cash deficiency guarantee
L-Park	Wintermans Leuven	EUR	19,985	5,000	Corporate Guarantee



Leisure Property Invest	Golf Knokke Zoute	EUR	13,500	5,000	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Docora	kantoren Artevelde stadion	EUR	7,923	5,000	Corporate Guarantee, cash deficiency, cost overrun
Nepeta	East Dune	EUR	1,865	1,865	Corporate Guarantee, cash deficiency + subordination declaration Peridot
Zeewind	Zeewind	EUR	760	760	Corporate Guarantee, cash deficiency
Retail Gent	Retail Gent	EUR	13,503	13,503	Corporate Guarantee, cash deficiency, subordination declaration Peridot, minimal rent guarantee
Parking Estates	Parking Estates Gent	EUR	774	7,026	Corporate Guarantee, cash deficiency, cost overrun
Schelde Offices	Blue Towers	EUR	9,066	9,066	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Arte Offices	Blue Towers	EUR	8,636	8,636	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Parking Gent	Parking Gent	EUR	6,252	7,026	Corporate Guarantee, cash deficiency, cost overrun
Ring Multi	Ghelamco Arena	EUR	10,656	10,656	Corporate Guarantee, cash deficiency
Ring Congress Centre					
Ring Offices					

POLAND					Guarantee by Granbero Holdings Ltd.
Warsaw Spire SKA	Warsaw Spire	EUR	52,763	52,763	Corporate Guarantee, cash deficiency
Capital Bud	Sienna Towers	EUR	7,672	7,672	Corporate Guarantee, cash deficiency
Proof SKA	Woronicza QBIK	EUR (*)	14,917		Suretyship agreement
Pro Business Investment	Wroclaw Business Park	EUR	7,018	7,018	Corporate Guarantee, Cash deficiency
Creative Invest	Foksal	EUR	3,982	3,982	Corporate Guarantee, Cash deficiency



Excellent SKA	Katowice	EUR	23,336		Suretyship agreement and Suretyship for the interest
Innovation SKA	Sobieski Tower	EUR	3,530		Suretyship and cash deficiency
Business Bud	Prostepu 2	EUR(*)	2,078		Suretyship and cash deficiency
Kappa SKA	Marynarska 12	EUR	58,106		Suretyship agreement interest repayment, cash deficiency, cost overrun (**)
Focus SKA	Lopuszanska BP	EUR(*)	23,851		Equity and DSCR agreement
CYPRUS					
Creditero Holdings Ltd	Bellona	EUR (*)	7,607		Suretyship agreement

UKRAINE					Guarantee by Safe Holding Belgium
Success Invest	Kopylov Logistics Park	USD	13,250	13,250	Completion, cost overrun (**) and shortfall guarantee (subsequent Deficiency Guarantee by Ghelamco Group CVA, only upon default of Safe Holding Belgium NV)

RUSSIA					Guarantee by Safe Holding Belgium
Belyrast	Dmitrov Logistics Park	USD	23.777	7.895	cash deficiency guarantee by Safe Holding of max. 2,151 KUSD support deed re. cash deficiency guarantee of max. 7,895 by Safe Holding (and in the event of default by the latter, by Ghel Group)

(*): Bank loan itself is denominated in PLN.

(**): Cost overrun guarantee not applicable anymore given finalization of the project

No corporate guarantees were given by the Investment Holding to ensure repayment of the bank loans of the related parties under the common control of the ultimate beneficial owners at 31 December 2013 (but not part of the Investment Group).

The Investment Holding does not apply cross liability, meaning that IRC NV, Safe Holding Belgium NV and Granbero Holdings Ltd do not guarantee loans of affiliates belonging to other internal holdings.

The Investment Holding did back up the guarantee granted by Safe Holding Belgium NV for the benefit of Success Invest.



26.2 Representations and warranties provided with respect to the real estate projects sold

Each and every respective seller of shares in the Investment Holding 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 resp. sellers' 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 resp. sellers received very limited amounts of warranty claims on its properties. Based on its assessment of the risk, the Investment Holding has not deemed it necessary to recognize any provision for representations and warranty obligations.

26.3 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 Investment Holding) have a legal obligation to remediate any construction defects that become apparent within the first five years (in Poland; and up to ten years in Belgium and Ukraine) 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).

26.4 Securities on assets

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

- first ranking ceiling mortgage on the property belonging to the SPV (land + buildings) (limited mortgage amount in Belgium, combined with a power of attorney to establish further mortgages);
- 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 (only for Polish projects).

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



27. Commitments

27.1 (Capital) Commitments

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

	2013	2012
Architectural and Engineering contracts	27,196	33,414
Construction contracts	154,831	50,268
Purchase of land plots	3,136	9,420
Purchase of shares (connected with landbank)		6,992
Total	185,163	100,093

At 31 December 2013, the Investment Holding has entered into a number of contracts with third parties for the acquisition of the following assets (land plots) or shares:

Binding contracts

- Poland: plots of land for commercial property development of 2,855 KEUR, to be financed in accordance with the framework at 50%-60%.
- Belgium: none significant per end 2013. Last year's commitment related to the acquisition of shares of De Nieuwe Filature NV, company holding title to a 24,000 sqm brownfield site, in view of the development of a 35,000 sqm mixed project. Acquisition actually took place in May 2013; ut supra.

Non-binding contracts

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

As an investor in commercial and residential properties, the Investment Holding is committed to continue investment in properties in different countries under the contracts with construction companies, often in cooperation with related parties of the Investment Holding.

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.

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

- Warsaw Spire: 136,000 KEUR
- Blue Towers Gent (Arte Offices NV and Schelde Offices NV): 6.4 MEUR construction contracts in total (all third party agreements)



27.2 Operating lease commitments (land lease rights)

	Poland		Russia	
	2013	2012	2013	2012
Within 1 year	1,210	522	197	202
After 1 year but not more than 5 years	2,009	2,088	790	809
More than 5 years	37,742	39,399	6,995	7,365
	40,961	42,009	7,982	8,376

The Investment Holding has entered into non-cancellable operating leases for the land rights with basic lease terms ranging from 49 years (Russia) to 99 years (Poland). All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. No such leases occur in Belgium or in Ukraine, where land is held under freehold.



28. Related party transactions

The Investment Holding is together with the Development Holding and the Portfolio Holding – related parties – under common control of the ultimate beneficial owners, Mr. & Ms. 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 Investment Holding and other related parties (belonging to the Development Holding and the Portfolio Holding) are described below.

28.1. Relationships with the directors and management

For the year ending 31 December 2013, a total amount of approx. 5,000 KEUR was paid to the members of the 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 Management Committee.

28.2. Trading transactions: Purchase of construction, engineering and other related services from related parties

Construction and Development Services

The Investment Holding has entered into property development and construction contracts with property development and construction companies ("Contractors") – the indirect subsidiaries of the Development Holding:

- Ghelamco Belgium with its registered office in Ieper;
- Ghelamco Poland with its registered office in Warsaw;
- Ghelamco Russia with its registered office in Moscow and
- Ghelamco Ukraine with its registered office in Kiev.

Each of these entities provide services to the real estate companies of the Investment Holding in their respective geographical areas, 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 and/or socio-economical 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 constructed buildings, to the Investment Holding after the occupancy permit has been granted by the local authorities or after signature of the building's delivery protocol between the Investment Holding'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 Investment Holding to the tenants (when tenants take possession of their premises).



Construction service providers (including Contractors) in Belgium, Poland and other countries 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 10 years in Belgium and Ukraine and 5 years in Poland and Russia.

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 in each territory, with average margins of around 15% 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 the Development Holding) coordinate engineering and architectural design services provided to the Investment Holding in accordance with terms of the respective contracts. Purchases of services from Apec Ltd and Safe Invest Sp. z o.o comprise a significant part of all engineering, architectural design and other related services acquired by the Investment Holding. 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.

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 investment 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 in each territory.

28.3. Acquisitions and disposals of shares and other related party transactions

2013

Except for the finalisation of the contribution process of Polish SPV shares in closed-end investment funds as described in section 4.7 of this report, the step-up operation connected to the change in Polish tax law as described in section 4.2 of this report and the (still ongoing) merger operation connected with a simplification exercise on the Consortium level as described in section 4.6 of this report, there have been no share transactions or other significant transactions with related parties in 2013.

2012

Except for the contribution process of Polish SPV shares in close-ended investment funds and the transfer of 50% participating interest in Focus Invest, as described in detail in the 2012 report, there were no share transactions or other significant transactions with related parties in 2012.



Other

The excess cash balances generated by the Investment Holding's real estate investing activities can, besides being reinvested in the entities belonging to the Investment Holding, to an extent and within the requirements of the terms and conditions of the recent bond issues, also be invested/deposited in entities belonging to the Development 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:

	<u>31/12/2013</u>	<u>31/12/2012</u>
Purchases of construction, engineering and architectural design:	-113,105	-103,100
related party trade receivable	5,369	1,537
related party trade accounts payable	-6,806	-21,048
related party non-current loans receivable	39,172	35,017
related party interests receivable	11,890	11,436
related party C/A receivable	42,991	10,156
related party non-current other receivable	1,960	1,940
related party non-current loans payable	-1,665	-1,644
related party interests payable	-1,489	-1,198
related party C/A payable	-9,585	-12,967

29. Events after balance sheet date
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No significant events to be mentioned.



30. Auditor's Report



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Ghelamco Group Comm. VA and subsidiaries

**Independent auditor's report
on the consolidated financial statements
for the year ended 31 December 2013**

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
Société civile sous forme d'une société coopérative à responsabilité limitée
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Ghelamco Group Comm. VA and subsidiaries

Independent auditor's report on the consolidated financial statements for the year ended 31 December 2013

We are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the accompanying consolidated financial statements of Ghelamco Group Comm. VA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

The consolidated statement of financial position shows total assets of 1,269,175 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 15,017 (000) EUR.

Responsibility of the management for the preparation of the consolidated financial statements

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

Independent auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the independent auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the company's officials and the management the explanations and information necessary for performing our audit.

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

Deloitte Bedrijfsrevisoren / Révisiteurs d'Entreprises
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Unqualified opinion

In our opinion, the consolidated financial statements of Ghelamco Group Comm. VA give a true and fair view of the group's net equity and financial position as of 31 December 2013, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Diegem, 25 March 2014.

The independent auditor

A handwritten signature in blue ink, appearing to read "Rik Neckebroeck".

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

