

Ghelamco Group

Comm. VA

IFRS Consolidated Financial Statements at 31 December 2012

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

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I. General information and performance

1. Business activities & profile

Ghelamco Group is a leading European real estate investor and developer 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, Dutch, 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 2012, Ghelamco was granted the following awards:

- ° Best Office Development in Poland for 2012 for the Senator project (European Property Awards)
- ° Best Office Development in Europe for 2012 for the Senator project (European Property Awards)
- ° Best International Office Development for 2012 for the Senator project (European Property Awards)
- ° Office Development of the Year in Poland for Senator project (Construction and Investment Journal)
- ° Essa Award for the Senator Building, in recognition of the project's sustainability performance (Construction and Investment Journal)
- ° Office Lease Award of the Year 2012 in Poland for T-Mobile in Marynarska 12 (Construction and Investment Journal)
- ° Office Developer of the year in Poland (Construction and Investment Journal - for the sixth time in the past seven years)
- ° The Best Belgian Exporter Award 2012 (The Belgian Business Chamber in Poland)
- ° Belgian Business Chambre Award 2012 (The Belgian Business Chamber in Poland)
- ° Office Developer of the Year in CEE (Eurobuild)
- ° New Office Award of the Year in Poland for the Senator project (Eurobuild)





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

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



2. Legal status

Ghelamco Group Comm. VA (the “Company”) is the holding company of the **Investment & Development Group** 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.

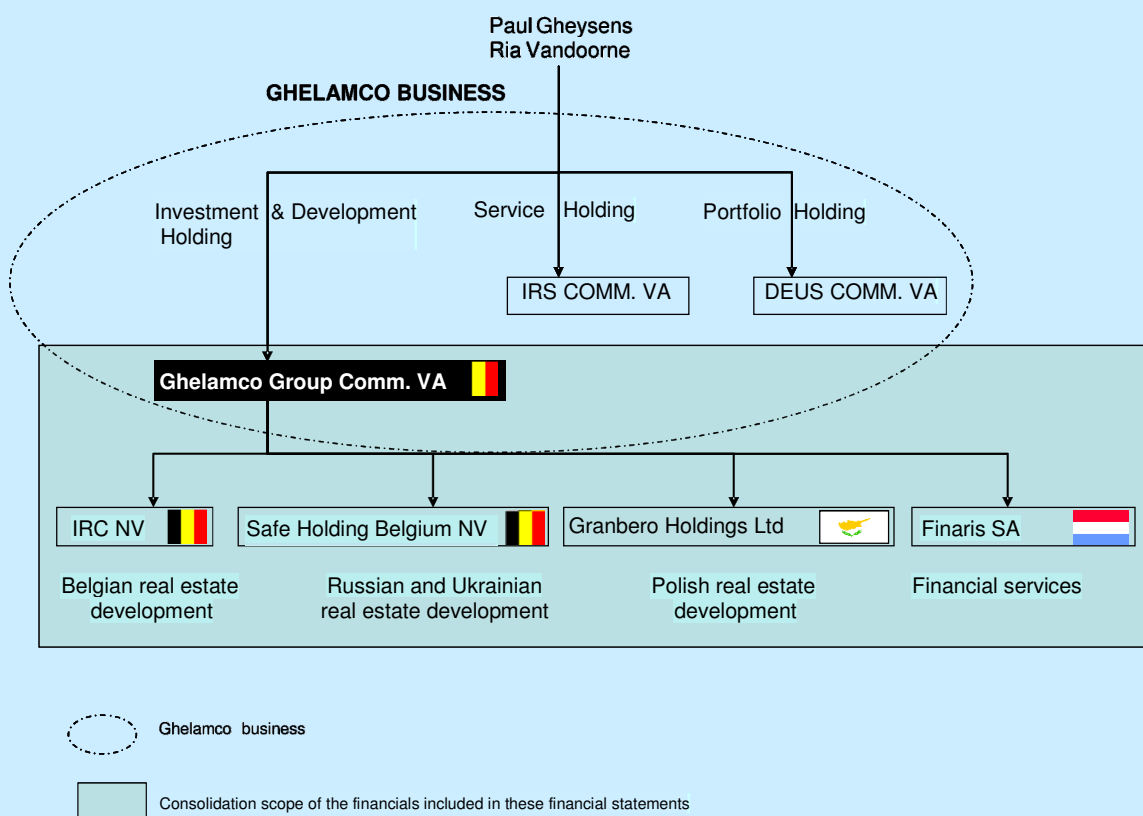
The Company is registered in the Belgian commercial register under the number BE 0879.623.417.

3. Consolidation scope

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

At 31 December 2012 (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).

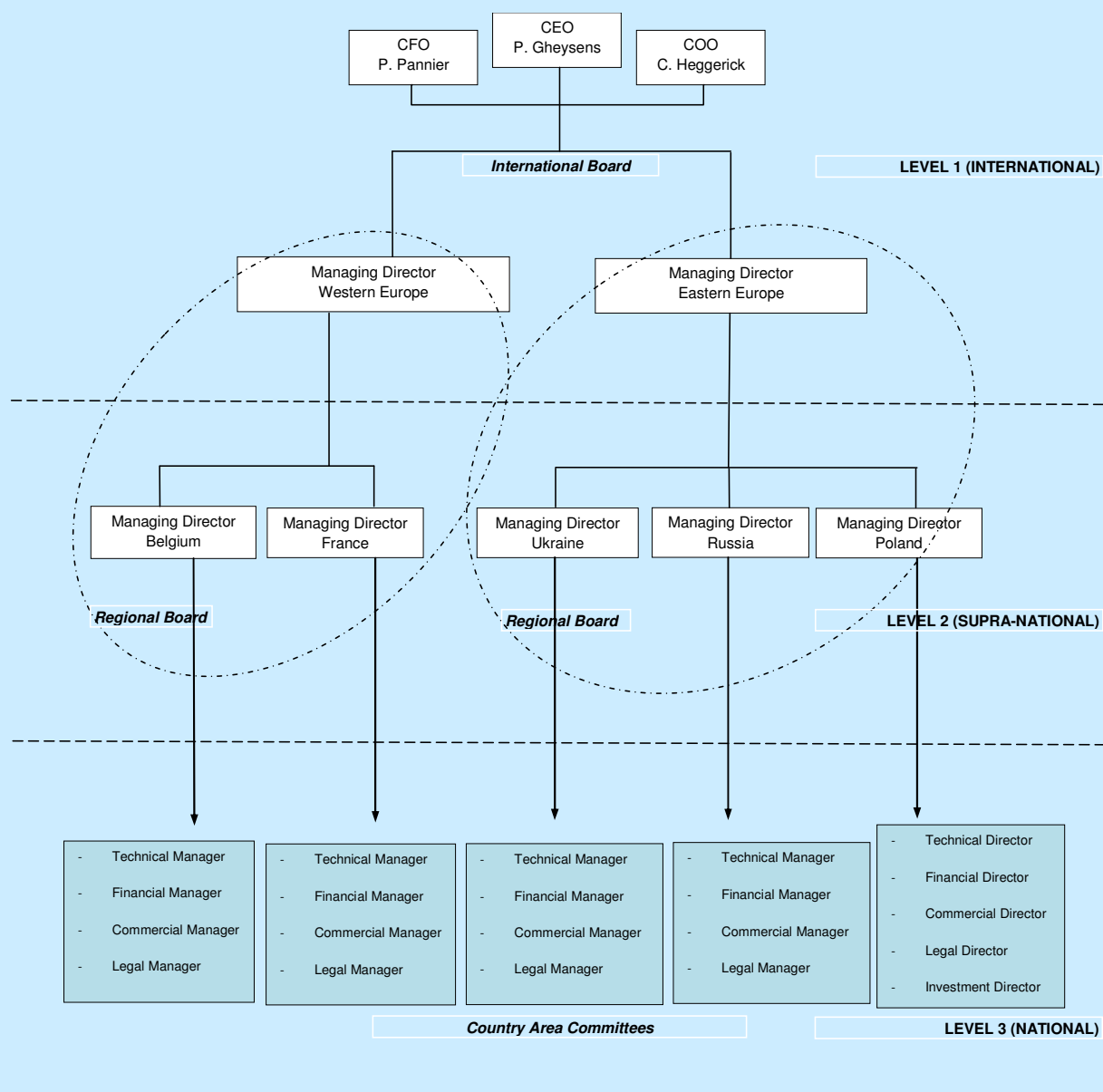
All assets, liabilities, income and expenses that represented an integral part of the Investment & Development Group activities, are included in the accounts of the legal subsidiaries of the Company at 31 December 2012 and at 31 December 2011.



4. Staffing level

The Group employed 41 people on 31 December 2012 (44 on 31 December 2011). The construction, engineering and other related services are mainly provided to the Group by the Service Holding's legal subsidiaries. The parent company of the Service Holding (International Real Estate Services Comm. VA – abbreviated IRS Comm. VA), together with all its direct and indirect legal subsidiaries, employed 223 people on 31 December 2012 (196 on 31 December 2011).

5. Management committee



The Group's Management Committee consists of:

Mr. Paul Gheysens (Chief Executive Officer)
 Mr. Philippe Pannier (Chief Financial Officer)
 Mr. Chris Heggerick (Chief Operational Officer)
 Managing Director Western Europe
 Managing Director Eastern Europe



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

2012 performance and results

The Group closed its 2012 accounts with a net profit of 57,169 KEUR, resulting from its continued development, construction and commercialisation efforts. Thanks to these efforts the Group managed to achieve sustained growth, reflected in an increased balance sheet total of 1,233,705 KEUR (+ 32%) and an equity of 554,820 KEUR (+ 11%). The solvency ratio amounted to 45%. The increase of the balance sheet has mainly been financed through a net increase of loans and borrowings (233,344 KEUR net) and the reservation of the full amount of current year's net result (57,169 KEUR).

In Belgium, the Group has over the past years intensified its project development activities (with currently approx. 40 projects in portfolio). As a consequence, significant part of the Belgian portfolio has during the current year evolved to the realisation phase. In this respect, the Artevelde Multifunctional Football Stadium project in Gent and the urban development project in Leuven Vaartkom are fully under construction, for being delivered in 2013 and 2014 and with first sale and lease contracts already signed. In addition, a number of residential projects (mainly in Brussels and at the Belgian coast) and commercial projects (mainly the Gucci shop in Knokke) have been sold.

Main 2012 expansion and development activities related to:

- Further development and commercialisation of the mixed project at Leuven Vaartkom. In this respect, construction works of the mixed L-Park project (3,335 m² retail, 13,806 m² office space and approx. 300 parkings) have continued for being finalised early 2013. End 2012, the retail part which was fully pre-leased to Dreamland, has been delivered. In addition, preliminary rent agreements and/or letters of intent have been signed for a significant part of the office space. Also, firm interest is already being shown by investors.
- Continuation of construction works of the Artevelde Multifunctional Football Stadium 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. On 27 September 2012, the retail hall, leased to Brico Plan-It, has formally been opened, in the presence of the city mayor. Per date of this report, significant other parts of the project have been pre-sold and/or pre-leased and interest is being shown by investors.
- Further development/construction of high-end (residential/leisure) projects at the Belgian coast side (Zoute Wellness, East Dune, Farida)
- Signing of a cooperation agreement with a third party for the development of an elderly home project (115 beds) in Wezembeek-Oppem. In this respect, the Company holds some options to acquire land plots. In the same respect, an intention agreement has been signed with another third party for the operating (under 27 years leasehold) of the project upon completion. In addition, also investors have already shown their interest to take over the completed project at attractive yields.
- Signing of a share purchase agreement (transfer of ownership conditional upon payment) for the acquisition of the shares of a 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)



As to revenues:

- Successful commercialisation of the Brussels Kanonstraat project. During 2012, all (of 28) apartments have been sold.
- Sale of the Gucci shop in Knokke-Zoute. The asset deal was realised at a yield of 3,5%, resulting in a sales price of 4.5 MEUR.
- Sale of the Institut Jaspas site in Kraainem for a sales price of 3.3 MEUR
- Sale of some high-end residential projects in Knokke (White House, Sylt, Zegemeer, Zeewind, Beau Site)

In Poland, the Group in first instance maintained its existing land bank but also took advantage of some expansion opportunities and divested the Dystrykt plot in Q3 2012, upon management's decision not to further develop the site. Sales price amounted to 1,575 KEUR.

Development and construction

The investing activities in Poland during 2012 have to a significant extent been focused on the further construction (until delivery end of June 2012) of the Senator office project (over 80% leased per date of the current report), the kick-off of the construction works of the Marynarska 12 office project (after the closing of a 27,000 m² leasing contract with anchor tenant T-Mobile in April 2012) and the Lopuszanska office project (16,500 m² lettable office space in the Warsaw Wlochy district) and the further construction (until delivery in Q3 2012) of the Warsaw residential project Q-Bik.

(Pre-)leasing and occupation of projects:

- Early 2012 the second phase of the Mokotow Nova project (15,600 m² on the total of 42,000 m²) has been delivered and the exploitation permit has been received. Per date of the current report, over 90% of the available space of phase 1 has been leased and +/- 70% of the lettable space of phase 2.
- Per date of the current report, the Senator project, which has been delivered end of June 2012, has been leased out for over 80%.
- The Marynarska 12 office project and the Lopuszanska office project (both under construction) have per date of this report already been pre-leased for resp. 68% (+/- 27,000 m²) and 91% (+/- 15,250 m²).
- In December 2012, the Group was able to sign a lease contract with EU agency Frontex for 14,600 m² in the Warsaw Spire project (currently under construction, still limited to underground works in 2012), project which is to offer a total of approx. 100,000 m² of office space.

In Russia, the construction of the first phase (building A, approx. 60,000 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, was continued for being delivered in September 2012. Phase 1 has been fully leased.

In Ukraine, and after the lease of an additional 1,800 m² warehouse space early 2013, the Kopylov Logistics Park project (in the Makariv District of the Kyiv Region) has an occupation rate of over 90%.



Main post balance sheet events**Belgium:**

- Sale of the Wevelgem Airport Retail Park, retail project with a leasable area of +/- 4.600 m², per end March 2013 to an investor. The sales transaction was structured as a share deal, in which the property was valued at a yield of +/- 7%, resulting in a share price of 5 MEUR and a net cash-in for the Company of 2 MEUR.

Outlook

It is the Group's strategy to further diversify its development portfolio in mainly Belgium and Poland by spreading its developments over different real estate segments.

For 2013, the Group 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 Group is confident to achieve this growth and its goals for 2013 in general.

7. Notice to the reader

This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2012, assuming the going concern of the Group companies.

As per today, the Group's core business is the development of commercial and residential properties. The Group'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 8 in Part II for more details on their presentation.



II. IFRS Consolidated Financial Statements

These IFRS consolidated financial statements at 31 December 2012 were approved by Group Management on 28 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	31/12/2012	31/12/2011
ASSETS			
Non-current assets			
Investment Property	6	858,699	626,004
Property, plant and equipment	7	541	647
Investments in associates	4	1,380	1,380
Receivables and prepayments	9	46,456	50,898
Deferred tax assets	17	4,005	2,922
Other financial assets	4.5	842	2,052
Restricted cash	11	705	1,280
Total non-current assets		912,628	685,183
Current assets			
Property Development Inventories	8	192,920	185,039
Trade and other receivables	9	54,385	30,351
Current tax assets	9	52	16
Derivatives	10	1,922	2,800
Assets classified as held for sale	6	6,700	0
Cash and cash equivalents	12	65,098	29,146
Total current assets		321,077	247,352
TOTAL ASSETS		1,233,705	932,535



Consolidated statement of financial position (cont'd)

	Note	31/12/2012	31/12/2011
Capital and reserves attributable to the Group's equity holders			
Share capital	13	73,194	73,194
CTA	14	1,937	2,924
Retained earnings	14	475,122	418,480
		<u>550,253</u>	<u>494,598</u>
Non-controlling interests	13.2	4,567	4,040
TOTAL EQUITY		<u>554,820</u>	<u>498,638</u>
Non-current liabilities			
Interest-bearing loans and borrowings	15	433,942	264,181
Deferred tax liabilities	17	17,539	36,231
Long-term provisions	16	67	57
Total non-current liabilities		<u>451,548</u>	<u>300,469</u>
Current liabilities			
Trade and other payables	18	73,872	43,430
Current tax liabilities	19	2,530	2,646
Interest-bearing loans and borrowings	15	150,935	87,352
Total current liabilities		<u>227,337</u>	<u>133,428</u>
Total liabilities		<u>678,885</u>	<u>433,897</u>
TOTAL EQUITY AND LIABILITIES		<u>1,233,705</u>	<u>932,535</u>



B. Consolidated income statement and consolidated statement of comprehensive income

Consolidated Income Statement

	Note	2012	2011
Revenue	20	42,110	35,025
Other operating income	21	3,199	3,004
Cost of Property Development Inventories	22	-18,263	-18,341
Employee benefit expense	21	-1,268	-1,070
Depreciation amortisation and impairment charges	7	-114	-295
Gains from revaluation of Investment Property	6	38,546	69,093
Other operating expense	21	-18,502	-15,538
Share of results of associates			
Operating profit		45,708	71,878
Finance income	23	13,182	5,800
Finance costs	23	-19,181	-16,492
Profit before income tax		39,709	61,186
Income tax income/(expense)	24	17,460	2,593
Profit for the year		57,169	63,779
Attributable to:			
Equity holders of parent		56,642	63,228
Non-controlling interests		527	551



Consolidated statement of comprehensive income

		2012	2011
Profit for the year		57,169	63,779
Exchange differences on translating foreign operations	14	-987	1,486
Other			128
Other comprehensive income of the period		-987	1,614
Total Comprehensive income for the year		56,182	65,393
Attributable to:			
Equity holders of the parent		55,655	64,842
Non-controlling interests		527	551



C. Consolidated statement of changes in equity

	Note	Attributable to the equity holders			Non-controlling interests	Total Equity
		Share capital	Cumulative translation reserve	Retained earnings		
Balance at 1 January 2011		82,094	1,438	355,124	3,501	442,157
Other comprehensive income			1,486			1,486
Profit/(loss) for the year				63,228	551	63,779
Capital decrease		-8,900				-8,900
Change in non-controlling interests					-12	-12
Change in the consolidation scope						
Other				128		128
Balance at 31 December 2011		73,194	2,924	418,480	4,040	498,638
Other comprehensive income	14		-987			-987
Profit/(loss) for the year	14			56,642	527	57,169
Capital decrease						
Dividend distribution						
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



D. Consolidated cash flow statement

Consolidated cash flow statement for 2012 and 2011

		<u>2012</u>	<u>2011</u>
Operating Activities			
Profit / (Loss) before income tax		39,709	61,186
<i>Adjustments for:</i>			
- Share of results of associates			
- Change in fair value of investment property	6	-38,546	-69,093
- Gain on disposal of subsidiary			
- Gain on disposal of interest in former associates			
- Depreciation, amortization and impairment charges	7	97	295
- Result on disposal investment property		-997	
- Change in provisions		10	11
- Net interest charge	23	14,203	6,184
- Movements in working capital:			
- Change in inventory		-7,881	-41,650
- Change in trade & other receivables		-24,034	25,838
- Change in trade & other payables		30,442	6,654
- Change in MTM derivatives	10	878	-2,800
- Movement in other non-current liabilities		0	-1,320
- Other non-cash items		22	164
Income tax paid		-2,467	-1,718
Interest paid (**)		-17,158	-9,410
Net cash from operating activities		-5,722	-25,659
Investing Activities			
Interest received	23	2,955	3,226
Purchase of property, plant & equipment	7	-10	-73
Purchase of investment property (*)	6	-197,477	-108,387
Proceeds from disposal of investment property	6	6,375	61,816
Net cash outflow on acquisition of subsidiaries			-1,380
Net cash inflow on disposal of subsidiary			
Net cash inflow on disposal of associate			
Net cash outflow on other non-current financial assets		5,652	-15,305
Net cash inflow/outflow on NCI transactions			
Change in trade & other payables			
Movement in restricted cash accounts	11	575	5,449
Net cash flow used in investing activities		-181,930	-54,654



Financing Activities

Proceeds from borrowings	15	255,531	174,823
Repayment of borrowings	15	-22,187	-73,048
Capital decrease			-8.900
effects of exch. rate changes on EU/USD balances in non-EUR countries			
Other non-cash items, realized CTA			
Net cash inflow from / (used in) financing activities		233,344	92,875
Net increase/decrease in cash and cash equivalents		45,692	12,562
Cash and cash equivalents at 1 January of the year		29,146	11,841
effects of exch. rate changes on EUR/USD balances in non-EUR countries		-9.740	4,743
Cash and cash equivalents at 31 December of the year		65,098	29,146

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

(**): Interests directly capitalised in IP not included (2012: 9,407 KEUR; 2011: 7,824 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 & Development Group 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 Ghelamco Investment & Development Group at 31 December 2012.

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 Group’s consolidated financial statements include those of the Company and its subsidiaries (together referred to as the “Group”). The consolidated financial statements were approved for issue by Management on March 28, 2013. 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 2012. The Group has adopted all new and revised standards and interpretations relevant for its activities and which became applicable for the financial year starting 1 January 2012.

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 2011

Standards and Interpretations that the Company anticipatively applied in 2011 and 2012:

- None

Standards and Interpretations that became effective in 2012

- Amendments to IFRS 7 Financial Instruments: Disclosures – Derecognition (applicable for annual periods beginning on or after 1 July 2011)

Standards and Interpretations which became effective in 2012 but which are not relevant to the Company:

- None

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 Company:

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2015)
- 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 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 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 IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (applicable for annual periods beginning on or after 1 January 2014)
- 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 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)
- Amendments to IAS 19 Employee Benefits (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013)

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

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 & Development Group" on 31 December 2012 and on 31 December 2011 (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 shareholders of the Group are deemed transactions with related parties and are not eliminated, but are presented as balances and transactions with related parties in Note 27.

1.5.2. Acquisition of subsidiaries

Although the Group 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 Group 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 2012 and 2011, 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 2011:

-Acquisition in April 2011 of 2 Polish close-ended funds through the purchase of certificates. Acquisition price amounted to 40 KPLN each. Capital of those funds was in August 2011 increased through the issue of new certificates for 750 KPLN each. Capital increases were fully underwritten by the Company. These funds have been acquired for contributing the respective SPVs of the Company to, within the framework of the legal restructuring of the Company in view of future financial and commercial transactions. This operation has in 2012 to a large extent been realised (ut infra).



1.5.3. Sale of subsidiaries

As was the case in the past, the 2012 and 2011 business of the Group consists of developing commercial and 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 2011

Per end January 2011 the Company sold its Crown Square project, office project in the Wola district of Warsaw with a total net leasable area of approx. 16,000 m², upon an attractive bid by an investor (Invesco Real Estate, international property investment manager). While the sale was structured as a share deal, the transaction was in the financial statements presented as a disposal of IP in the financial statements.

No residential SPVs were sold, in line with the general approach to sell residential projects through asset deals – except for Gentiana NV, residential project (apartment) in Knokke which was sold per end of August 2011 under the structure of a share deal. This transaction was in the profit and loss statement presented on a gross basis (revenue from the sale of inventories and cost of sales) and not on a net basis (gain or loss on the disposal of a subsidiary).

There were in the course of 2011 also some transfers of Cypriot shelf holding shares from the Ghelamco Group (Investment and Development Holding) to IRS NV, related party and parent entity of the Service Holding. It concerns Impetira Holdings Ltd, Gogo Investments Ltd, Kostello Holdings Ltd, Pessano Holdings Ltd, Serlota Holdings Ltd and Erevoc Investments Ltd; transfer of which resulted in the 2011 profit and loss statement in only limited gains/losses on the disposal of financial assets, seen their role as (empty) shelf companies.

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 have been sold, in line with the general approach to sell residential projects through asset deals.

1.5.4. Increase in ownership interests in subsidiaries

The Group 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 Group and the presentation currency for the IFRS consolidated financial statements.



Foreign currency transactions

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

Foreign entities

In consolidation, the assets and liabilities of the Group companies using a different functional currency than the Euro are expressed in Euro using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified in equity and transferred to the Group'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:

	2012		2011	
	Closing rate at 31 December	Average rate for 12 months	Closing rate at 31 December	Average rate for 12 months
Polish Zloty (PLN)	4.0882	4.1850	4.4168	4.1198
Russian Rouble (RUB)	40.2286	39.9333	41.6714	40.9038
United States Dollar (USD)	1.3194	1.2848	1.2939	1.3920
Ukrainian Hryvnia (UAH)	10.5372	10.2706	10.2981	11.0926

1.5.6. Hyperinflationary economies

None of the Group entities operated in a hyperinflationary economy in 2012 and 2011.

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 Group 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 Group 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 Group.

Investment Property is carried at fair value. Fair value is determined by external appraisers or by management. 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 Group 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 Group 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 Group 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 Group 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 Group exceeded its carrying amount measured on a historical cost basis in these IFRS consolidated financial statements (Note 8).

Perpetual usufruct and operating lease contracts of land

The Group 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 Group holds land in Russia and Ukraine under operating lease contracts covering a 49-year period. These contracts are 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 Group 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 Group 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 shareholders of the Group 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.

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 Group'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 Group will be realized through asset deals. Sales through asset deals however mainly apply to the residential projects held by the Group (which are classified as inventory).

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 Group 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, except for the Polish fund structure, as referred to below, where no deferred tax liabilities have been recognised.

We in this respect refer to the Crown Square share deal of January 2011, which resulted in a DTL release to the P/L (income) of approx. 3.7 MEUR.

In connection with the acquisition of closed-end funds in 2011 and the related transfer process of Polish SPVs to those funds, outstanding deferred tax balances of entities which have been (decided to be) transferred to the funds have been released (9.3 MEUR per end 2011 and 21.9 MEUR per end 2012) (and no further deferred taxes are set up), as the funds are exempt from tax under the current Polish tax regulation. Also refer to section 4.8.

Currently or substantially enacted tax rates are used to determine deferred income tax. Under this method, the Group 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 Group 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 Group 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.



2. Financial risk management

2.1 Financial risk factors

Due to its activities, the Group 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 Group 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 Group as a whole.

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

2.1.1 Foreign exchange risk

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

Within the Eurozone, the Group concludes all engineering and architectural contracts, main construction contracts and main part of (project) financing contracts in Euro. On the other hand, the Group 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 (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 smaller local 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 Group 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 Group 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 Service Holding is exposed to eventual currency risks, the Group may choose to enter into an intra group hedging.

Over 2011, Ghelamco Poland Sp. z o.o (belonging to the Service 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 114 KEUR on the Katowice project (Excellent Bud Sp. z o.o) at a fixed rate of 3.90 PLN/EUR, for an amount of 33 KEUR on the Crown Square project (Best Invest Sp. z o.o) at a fixed rate of 3.90 PLN/EUR, for an amount of 38,851 KEUR on the Mokotow Nova (Kalea Investments Sp. z o.o) at a fixed rate of 3.95 PLN/EUR and for an amount of 20,954 KEUR on the Senator (HQ Invest Sp. z o.o) at a fixed rate of 3.90 PLN/EUR. These hedging transactions resulted in a gain for Granbero Capital for an amount of 2,533 KEUR.

The remaining amounts covered by the above contracts for 2012 consisted of 1,507 KEUR on the Mokotow Nova project and 20,296 KEUR on the Senator project. The market value of these contracts amounted to 2,800 KEUR as of balance sheet date; value which was recognised through the profit and loss statement.

Over 2012, 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 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 consist 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. These derivatives were classified as held for trading under IFRS.

A weakening/strengthening of the PLN (average and 31/12/12 spot) exchange rates versus the EUR by 5% would, as a consequence of the above hedging, have resulted in a 2,805 KEUR higher/lower profit before tax for 2012.

Also, the Alior Bank loan on the level of Creditero Holdings Ltd (8.339 KEUR outstanding as of 31 december 2012) has been hedged through a Currency Interest Rate Swap (CIRS), which swaps the principal amount of the loan from PLN to EUR and the interest rate from Wibor-based to Euribor-based. The market value of this contract amounted to 397 KEUR as of balance sheet date; value which has been recognised through the profit and loss statement.

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

2.1.2 Interest rate risk

The Group actively uses external and internal borrowings to finance its property development projects in Belgium, France, Poland, Russia and Ukraine. A property development project's external financing is usually in the form of a bank loan denominated in Euro or US Dollars (see Note 15). 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.

Except for the above described CIRS, the Group did not enter into external interest rate hedging transactions to eliminate exposure arising from the long term investment loans over the last 4 years. The Group's management closely monitors the short-term floating rate borrowings and medium term fixed interest rates.

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

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



- For the Polish projects: 337.1 MPLN bond issue with a term of 3 years and bearing an interest of Wibor 6 months + 5%/6%; proceeds of which can be used over the resp. project development stages
- For the Belgian and French projects: 42 MEUR bond issue with a term of 3 year (60%) and 5 year (40%) and bearing interest of 7% (3yr) and 7,875% (5yr); proceeds of which can be used over the resp. project development stages.

The Group 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 2012 and 31 December 2011) to finance the property development 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 15 on interest-bearing loans and borrowings.

2.1.3 Operational risk (price risk in first instance)

Price risk

Raw materials, supplies, labour and other costs directly related to the construction projects constitute a major part of the property development assets capitalized in the accounts of the Group's property development companies.

Although construction prices may substantially vary during each accounting year, the Group succeeds in reducing its operational risk by either entering into fixed price contracts or into open book contracts with related and unrelated companies.

Most property development projects are realized in cooperation with parties related to the Group (see Note 27.2).

Market research

Before starting an investment, the Group'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 Group's policy to closely monitor new construction regulations or esthetical preferences of the city authorities. One should of course differentiate between the type of projects, their location and specific country principles.

Construction risk

Construction risks are monitored by the Group's 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 Group. This avoids cost overruns and delivery delays.

The Group also maintains full control over the building site coordination of (sub)contractors through its team of site managers.

Engineering risk

The Group 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 Group hardly ever outsources these tasks.



Financing risk

The Group 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 Group expects to have received already a (non-)binding term sheet from its banking relations.

In the current year, the Group in addition proved to be able to call upon alternative financing through the issue of bonds in Belgium (42 MEUR bearer bonds; ut infra) and Poland (137.1 MPLN additional bearer bonds; ut infra).

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 Group's internal commercial departments and its external brokers. So far, the Group'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 Group 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 Group'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 9.

2.1.5 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet the Group's liquidity needs. Due to the dynamic nature of the underlying business activities, the Group actively uses external and internal funds to ensure that adequate resources are available to finance the Group's capital needs. The Group'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 15.

2.1.6 Foreign political and economic risk

Significant part of projects operated through subsidiaries of the Group 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. refer to the expected changes to the Polish tax law related to fund structures, as described in section 4.8 below.



2.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to support the strategic growth plans of the (Investment & Development) Group.

As all profits of the last years are being re-invested into the Group, the management's focus is mainly set on financial support of its expansion plans. In order to maintain or optimize the capital structure, the Group 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 Group 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 2012 and 2011 were as follows:

	2012	2011
Equity	554,820	498.638
Total assets	1,233,705	932.535
Solvency ratio	45%	53%

3. Critical accounting estimates and judgements

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

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

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

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

Impairment of assets

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

- Key Office Invest Sp. z o.o: 295 KEUR
- Expert Invest Sp. z o.o: 220 KEUR
- Others (immaterial impairments): 85 KEUR

The Key Office Invest write-off has in 2012 partly been released (by 469 KEUR to 295 KEUR) after the sale of some inventory. Remaining outstanding impairment loss balance has remained stable compared to last year. No additional impairments were deemed necessary in 2012.

Income taxes

Given the diversity of its geographical locations, the Group 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:	19 % (from 2013 onwards; 2012: 21%)
Cyprus:	10 %
Luxemburg:	21.84 % (exceptions for financial rulings)
Spain:	30%

In connection with the transfer of SPVs to close-ended investment funds in Poland, deferred tax balances for a total amount of 21.9 MEUR have in the current year (and 9.3 MEUR in 2011) been released through the profit and loss statement, as the investment funds are under the Polish tax regulations tax exempt. Also refer to section 4.8 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 Group for similar financial instruments.

In conformity with IAS39, 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	31/12/2012 % voting rights	31/12/2011 % 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	99	99	*
Dianthus NV	BE	99	99	*
Nepeta NV	BE	99	99	*
Rubia NV	BE	99	99	*
De Leewe 3 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	*
Ring Congress Centre NV	BE	99	99	*
Forest Parc NV	BE	99	99	*
GRANBERO HOLDINGS Ltd.	CY	100	100	
Granbero Capital (branch)	LU	n/a	n/a	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Axiom SKA	PL	100	100	
Apollo Invest Sp. z o.o	PL	40	40	***
Ghelamco GP 3 Sp. z o.o. (former Belle Invest Sp. z o.o	PL	100	100	
Ghelamco GP 4 Sp. z o.o. (former Betula Invest Sp. z o.o)	PL	100	100	
Business Bud Sp. z o.o	PL	100	100	
Capital Bud Sp. z o.o	PL	100	100	
Creative Invest Sp. z o.o	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Dystryvest SKA	PL	100	100	
Eastern Europe Bud Sp. z o.o	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Erato SKA	PL	100	100	
Ghelamco GP 2 Spolka z ograniczona odpowiedzialnoscia Excellent SKA	PL	100	100	
Expansion Invest Sp. z o.o	PL	100	100	
Expert Invest Sp. z o.o	PL	100	100	
Ghelamco GP 3 Spolka z ograniczona odpowiedzialnoscia Focus SKA	PL	100	50	4.3
Fusion Invest Sp. z o.o	PL	100	100	
Ghelamco GP 2 Spolka z ograniczona odpowiedzialnoscia HQ SKA	PL	100	100	



Ghelamco Warsaw Spire Sp. z o.o. (former Immediate Investment Sp. z o.o.)	PL	100	100	
Industrial Invest Sp. z o.o	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Innovation SKA	PL	100	100	
Ghelamco GP 2 Spolka z ograniczona odpowiedzialnoscia Kalea SKA	PL	100	100	
Key Office Invest Sp. z o.o	PL	100	100	
Leader Invest Sp. z o.o	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Market SKA	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia Office SKA	PL	100	100	
Opportunity Invest Sp. z o.o	PL	100	100	
Patina Invest Sp. z o.o	PL	100	100	
PIB Sp. z o.o	PL	100	100	
Power Invest Sp. z o.o	PL	100	100	
Ghelamco GP 2 Spolka z ograniczona odpowiedzialnoscia Primula SKA	PL	100	100	
Prime Invest Sp. z o.o	PL	100	100	
Pro Business Invest Sp. z o.o	PL	100	100	
Ghelamco GP 2 Spolka z ograniczona odpowiedzialnoscia Proof SKA	PL	100	100	
Proud Invest Sp. z o.o	PL	100	100	
Quality Invest Sp. z o.o	PL	100	100	
Signal Bud Sp. z o.o	PL	100	100	
Callista Invest Sp. z o.o	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia UNIQUE SKA	PL	100	100	
Ghelamco Invest Sp. z o.o	PL	100	100	
CC 26 F.I.Z.	PL	100	100	
CC 28 F.I.Z.	PL	100	100	
Ghelamco GP 1 Sp z o.o	PL	100	100	
Ghelamco GP 2 Sp z o.o	PL	100	100	
Ghelamco GP 4 Spolka z ograniczona odpowiedzialnoscia Kappa SKA	PL	100	n/a	4.4
Creditero Holdings Ltd.	CY	100	100	
Portfolio Invest Ltd.	UA	99	99	*
Preferent Invest Ltd.	UA	99	99	*
Bellona SA	PL	n/a	96,6	4.7
Bellona Bema 87 Sp. z o.o.	PL	100	n/a	4.7
Bellona Grzybowska 77 Sp. z o.o.	PL	100	n/a	4.7
Bellona Logistyka Sp. z o.o.	PL	100	n/a	4.7
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	****
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(*): the 1% remaining voting rights are owned directly or indirectly by Mr. Gheysens, the ultimate beneficial owner

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

(***): Although the Group 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.

(****): On 10 July 2009, the Group transferred 52% of its shares in Peridot SL, Spain based entity and financing vehicle of the Group, to IRS Comm. VA (26%) and Deus Comm. VA (26%), related parties and holding companies of the Service Holding and the Portfolio Holding respectively. Although as a result of this transfer, the Group 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) owns equity interests in other **Belgian** real estate entities and has a number of property development projects.
- **Granbero Holdings Ltd** is an investment holding company that directly owns equity interests in **Polish** real estate entities of the Group.
- **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 Group's financial activities .

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

Most Group 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 development activities).



Summary of incorporations, acquisitions and disposals of subsidiaries (and other business units) realized by the Group during the year ended on 31 December 2012. 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 subsidiaries

There have been no acquisitions of subsidiaries during the year ended on 31 December 2012.

4.2 Disposal of subsidiaries

There have been no disposals of subsidiaries during the year ended on 31 December 2012.

4.3 Acquisition of remaining 50% Focus Invest shares from Elzenwalle

Per end June 2012, the Group (Granbero Holdings Ltd) acquired 255 shares (of 510 shares in total) in Focus Invest Sp. z o.o. from Elzenwalle, related party. Purchase price amounted 755 KPLN.

This way, Granbero increased its stake in Focus from 50% to 100%. Afterwards, the Focus shares have been contributed into CC 28 F.I.Z. (close-ended fund and 100% Granbero subsidiary - 99%) and Ghelamco GP 3 Sp. z o.o. (general partner and 100% Granbero subsidiary - 1%) and Focus Sp. z o.o. has been converted into Ghelamco GP 3 Sp. z o.o. Focus S.K.A (limited joint stock partnership); ut infra.

Focus S.K.A. is the SPV holding the Lopuszanska Business Park development (project under construction).

4.4 Incorporation of Kappa S.K.A.

The incorporation of Kappa S.K.A. took place on 9 January 2012. All shares (100, with face value of 500 PLN each) have been subscribed by CC 28 F.I.Z. (close-ended fund and 100% Granbero subsidiary). Still, and in accordance with applicable legislation, 1% of participation in profit is attributed to Ghelamco GP 4 Sp. z o.o. (general partner and 100% Granbero subsidiary).

Kappa S.K.A. is the SPV holding the Marynarska 12 development (project under construction).

4.5 Incorporation of new Belgian shelf companies

Early May 2012, 5 new 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 NV and one by the ultimate shareholder of the Ghelamco Group. Each of the entities has a share capital of 250 KEUR, of which 62,5 KEUR has been paid in.

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

Main acquisitions:

- Acquisition of the land plots on the Dacar site, part of the Artevelde Multifunctional Football Stadium project in Gent on 29 March 2012 for a total purchase amount of 7.5 MEUR (transaction costs excluded)
- Agreement signed for the acquisition of the shares of a 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); advance payments done per 31 December 2012 for an amount of 1.7 MEUR (on a total acquisition price of 8.5 MEUR)

Main divestures:

- Docora Gucci shop, sale of the commercial project in Knokke (through asset deal)
- Institut Jaspar, sale of the site in Kraainem
- White House, sale of 1 apartment in the residential project in Knokke
- Beau Site, sale of 2 apartments in the residential project in De Panne
- Kanonstraat Brussels, sale of the remaining 8 apartments (of 28), over 70% of parking spaces sold
- Zegemeer, sale of 1 villa-apartment in the residential project in Knokke
- Zeewind, sale of the residential project (apartment) in Knokke
- Sylt, sale of 3 villa-apartments in the residential project in Knokke
- Waterside Leuven, sale of 2 commercial units (over 60% of commercial units sold) and 14 parkings (over 75% of parking spaces sold); all residential units (113 in total) were already sold out per end of last year

4.7 Legal split of Bellona SA

Bellona SA, of which the Company (through its subsidiary Creditero Holdings Ltd) acquired a stake of 96.6% in 2011, has in the course of 2012 been legally split into Bellona Bema 87 Sp. z o.o., Bellona Grzybowska 77 Sp. z o.o., Bellona Logistyka Sp. z o.o. and Bellona SA; the latter (only) holding the publishing activity.

Per end February 2012, the shares of Bellona SA/publishing division have been sold to a third party for a sales price of 1,7 MEUR, resulting in a gain on disposal of financial assets of 187 KEUR.

The 3 remaining SPVs resulting from the above described legal split are going forward 100% (Creditero) subsidiaries.

4.8 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, following transactions have been realized in the course of 2011:

- Acquisition of 2 Polish closed-end investment funds through the purchase of (100% of the) certificates (CC 26 F.I.Z. and CC 28 F.I.Z.).
- Acquisition of (100% of the shares of) 2 fund management companies (Ghelamco GP1 and Ghelamco GP2). Fund management companies are to manage and to represent the investment funds, in compliance with the governing Polish legal requirements.

In the above respect, 20 Polish SPVs have in the course of 2012 been transferred to the funds and afterwards transformed from limited liability companies (LLCs) to joint-stock partnerships (JSPs). For another 5 SPVs formal decision has been taken to transfer and transform them in the first half of 2013.

JSPs are income tax transparent entities and any profits derived (from e.g. divestment by means of an asset deal) by them will be allocated mainly to the funds, being exempt from income tax.

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.

Also refer to note 17 on deferred taxes.

Within the framework of the expected changes to the Polish tax law (which could jeopardize the fiscal benefits of the above described funds structure in its current form), and in order to safeguard the contemplated fiscal position by the Group, different scenarios are being considered and the necessary steps are currently being taken.



4.9 Transfer of Subsidiaries

2011

Within the Group – no impact on the Group's 2011 consolidated financial statements

Transfer of Dynamic Invest Spzoo

Transfer as of 28 April 2011 of 100% of the shares of Dynamic Invest Spzoo from Finaris SA and Ghelamco Capital SA to Granbero Holdings Ltd. Transfer price amounted to 12,500 EUR. Afterwards, the name of Dynamic Invest was changed to Ghelamco Invest. This subsidiary was transferred to Granbero Holdings Ltd for serving as issuer of a bearer bond issue of 200 Mio PLN in the period July-August 2011.

Transfer of Creditero Holdings Ltd

Transfer as of 1 June 2011 of 100% of the shares of Creditero Holdings Ltd (Cyprus) from Safe Holding Belgium NV to Granbero Holdings Ltd. Transfer price amounted to 20,253.83 EUR. The Ukrainian (shelf) companies under Creditero Holdings will in a later stage be disposed outside the Group.

Outside the Group

There were in the course of 2011 some transfers of Cypriot shelf holding shares from the Ghelamco Group (Investment and Development Holding) to IRS NV, related party and parent entity of the Service Holding. It concerned Impetira Holdings Ltd, Gogo Investments Ltd, Kostello Holdings Ltd, Pessano Holdings Ltd, Serlota Holdings Ltd and Erevoc Investments Ltd; transfer of which resulted in the 2011 profit and loss statement in only limited gains/losses on the disposal of financial assets.

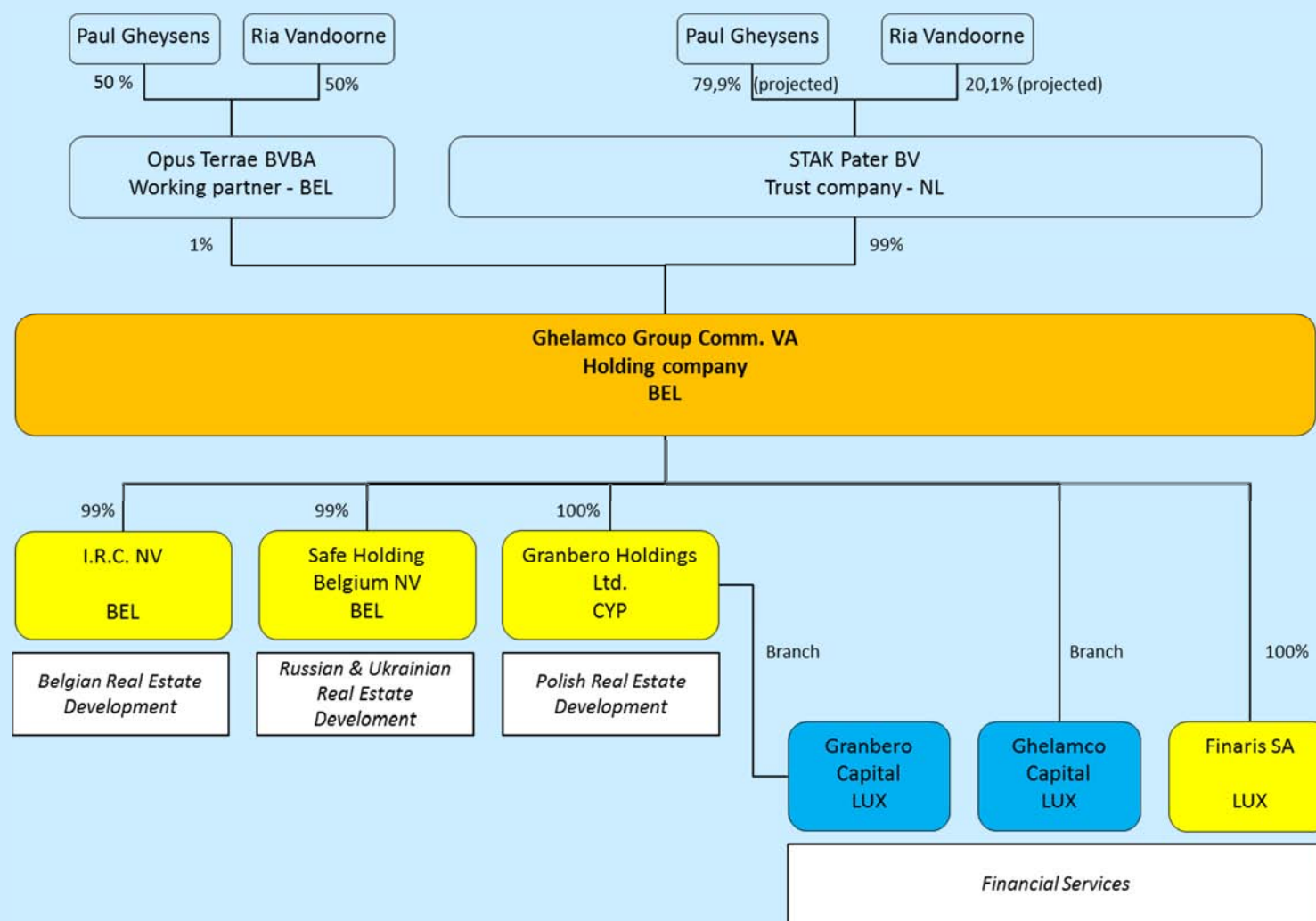
2012

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



5. Group structure

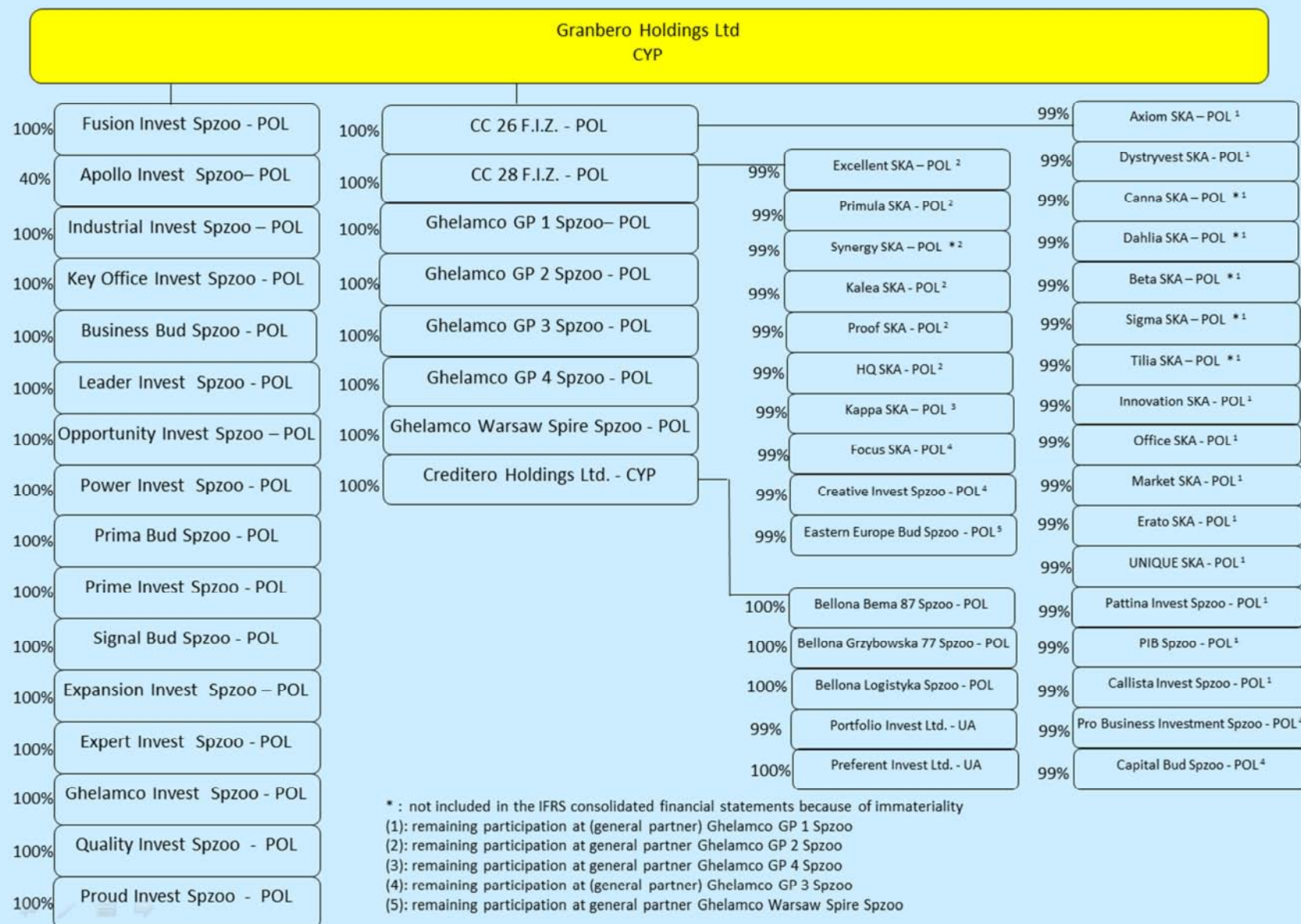
5.1. Investment & Development Holding as per December 31st, 2012



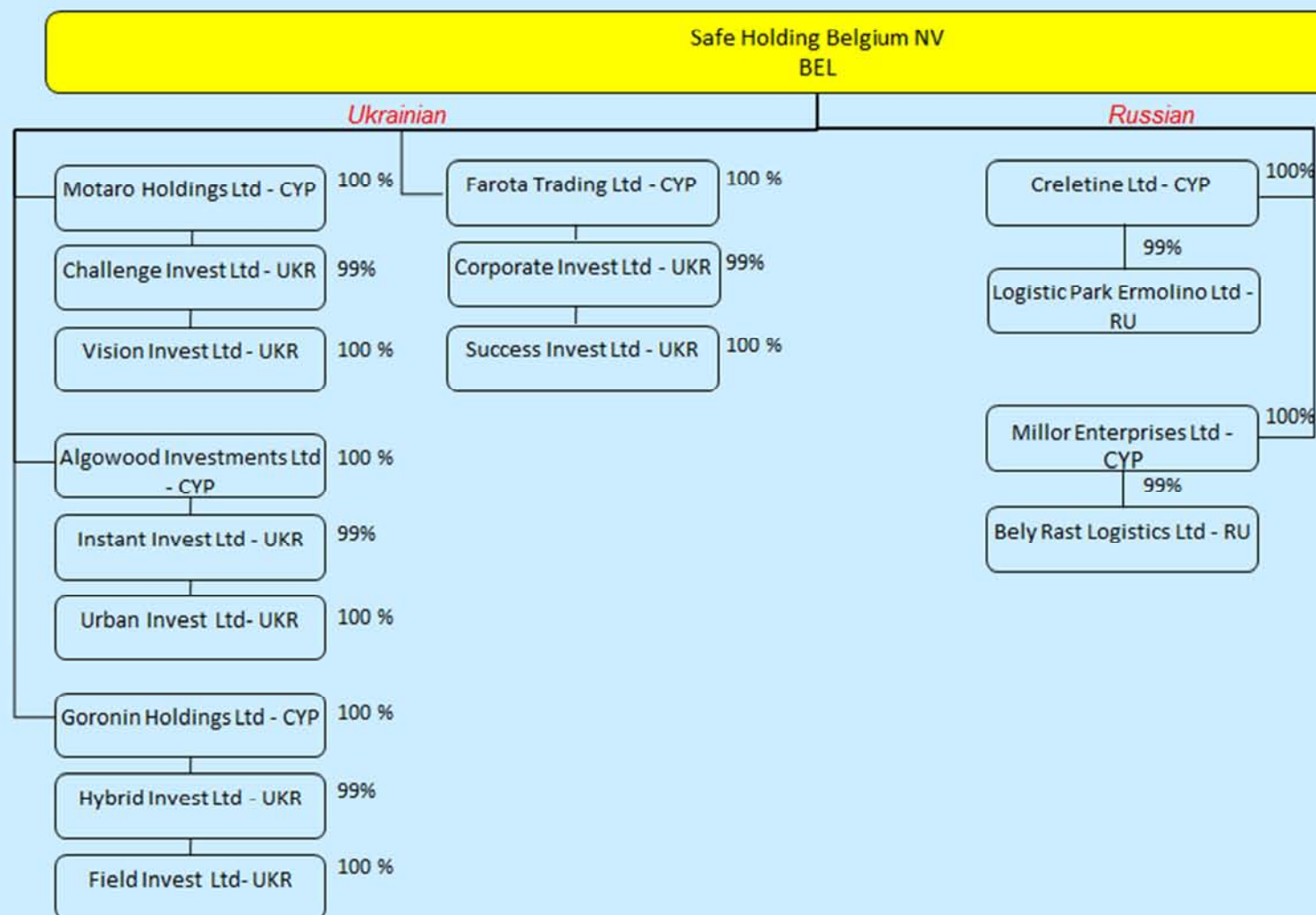
5.2. Belgian Real Estate Development as per December 31st, 2012

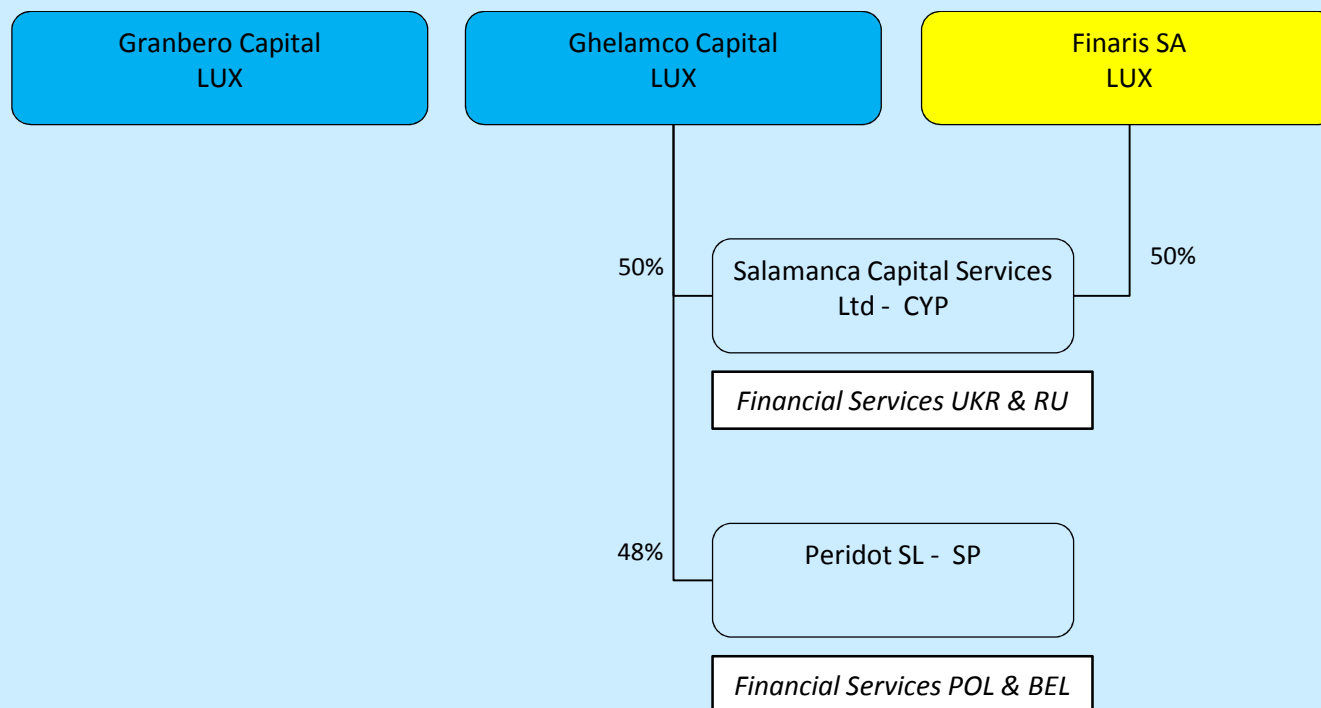


5.3. Polish Real Estate Development as per December 31st, 2012



5.4. Ukrainian and Russian Real Estate Development as per December 31st, 2012



5.5. Financial Services as per December 31st, 2012

6. Investment Property

The Group'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 2012 and 31 December 2011.

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	31/12/2012	31/12/2011
				KEUR	KEUR
BELGIUM					
Klippan Cabs	Airport Retail Park	Man	n/a	0	7,250
Leisure Property	Golf Knokke Zoute	Man	A	23,108	23,108
WRP	Wavre Retail Park	Man	A	12,600	12,600
Docora	White House shop	Man	n/a	0	2,285
L-Park	L-Park	CBRE	C	30,341	15,234
Retail Gent	Retail Gent	CBRE	D	16,211	627
Parking Gent	Parking Gent	at cost	C	15,503	2,635
Parking Estates	Parking Estates	at cost	C	2,371	3
Zeewind	Zeewind	at cost	D	1,737	1,737
Schelde Offices	Schelde Offices	at cost	C	2,512	0
Arte Offices	Arte Offices	at cost	C	2,020	0
Ring Hotel	Ring Hotel	at cost	B	979	0

POLAND

Apollo (52%)	Spinnaker Tower	KNF	B	9,556	9,632
Business Bud	Postepu Business Park	KNF	A	10,220	8,270
Capital Bud	Sienna Towers	KNF	B	41,230	38,670
Dystryvest	Logistic Rebusowa Str	n/a	n/a	0	909
Eastern Europe Bud	Spire and Chopin Tower	KNF	C	121,488	114,425
Excellent Bud	Katowice Business Point	DTZ	D	35,100	37,100
Focus Invest	Lopuszanska Bus. Park	DTZ	C	19,970	4,308
HQ Invest	Senator	KNF	D	115,000	68,834
Innovation Bud	Sobieski Tower	DTZ	B	11,560	13,393
Kalea Investments	Mokotow Nova	KNF	D	118,960	106,207
Market Invest	Mszczonow Logistics	DTZ	A	2,981	2,981
Primula Invest/Kappa Invest	Marynarska 12	KNF	C	70,885	21,620



Pro Business Invest	Wroclaw Business Park	KNF	B	21,318	19,183
Bellona	Grzybowska	KNF	A	10,710	6,290
Bellona	Logistyka	KNF	A	14,070	8,710

RUSSIA

Bely Rast e.a.	Dmitrov Logistic Park	CBRE	D	117,000	69,304
Ermolino	Logistic Park Ermolino	JLL	A	9,337	8,257

UKRAINE

Success Invest	Kopylov Logistics Park	COLL	D	16,794	17,172
Urban Invest	Kopylov Logistics Park 2	UKR	A	1,026	1,049
Vision Invest	Warsaw Road Dev.	UKR	B	4,112	4,211

TOTAL:**858,699 626,004**

Legend : Man = Management valuation, KNF = Knight Frank, JLL = Jones Lang Lasalle, DTZ= DTZadelhof, CLL = Colliers, UKR = Ukrexprombud

Balance at 1 January 2011	513,684
Acquisition of properties	12,041
Acquisition through business combinations	
Subsequent expenditure	108,292
Transfers	
- Assets classified as held for sale	
- Other transfers	3,029
Adjustment to fair value through P/L	69,093
Disposals	-61,816
CTA	-18,319
Other	
Balance at 31 December 2011	626,004
Acquisition of properties	9,528
Acquisition through business combinations	
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



<i>Categories</i>	A	B	C	D	Total
Balance at 1 January 2011	66,239	234,158	87,681	125,606	513,684
Acquisition of properties	10,304			1,737	12,041
Acquisition through business combinations					
Subsequent expenditure (*)	1,007	2,960	65,129	20,877	89,973
Transfers					
- Assets classified as held for sale					
- Other transfers		-148,290	125,209	26,110	3,029
Adjustment to fair value	7,974	570	30,499	30,050	69,093
Disposals				-61,816	-61,816
Other					
Balance at 31 December 2011	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

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

The Docora retail project (Gucci shop in Knokke-Zoute) has in August 2012 been sold to a third party. The asset deal was realised at a yield of +/- 3,5%, resulting in a sales price of 4,5 MEUR.

In Poland, the Dystryvest plot has been sold to a third party in Q3 2012. Sales price amounted to 1.575 KEUR.

The Wevelgem Airport Retail Park (Klippan Cabs), retail project with a leasable area of +/- 4.600, has per end March 2013 been sold upon an attractive bid by an investor. The sales transaction was structured as a share deal, in which the property was valued at a yield of +/- 7% (i.e. 6,7 MEUR), resulting in a share price of 5 MEUR and a net cash-in for the Company of 2 MEUR. For that reason, the property has been classified as held for sale as of 31/12/12.

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

	<u>2012</u>	<u>2011</u>
Rental income	13,708	5,860

Rental income mainly relates to rent agreements in Belgium (Wevelgem Airport Retail Park, Docora Gucci shop, Retail Gent and Wavre Retail Park), Poland (Katowice Business Point, Mokotow Nova and Senator), and Ukraine (Kopylov Logistics Park).



Significant assumptions and sensitivity analysis

The average yields used in the expert valuations (applying residual method) on 31 December 2012 are as follows:

- 6.25% to 8.50% for Polish projects, depending on the location, specifics and nature of the development (vs. 6.00% to 8.00% last year)
- 6.25% to 7.5% for Belgian projects, depending on the location, specifics and nature of the development (vs. 6.5% to 7% last year)
- 11.00% for Russian projects (vs. 11.50% last year)
- 13.8% for Ukrainian projects (vs. 13.8% last year).

On 31 December 2012, the Group has a number of income producing investment properties (category D) which are valued at 376,714 KEUR (Retail Gent, Zeewind, Katowice Business Point, Senator, Mokotow Nova, Kopylov Logistics Park, Dmitrov Logistic Park). An increase/decrease of 100 basis points in the yield, with all other variables held constant, decreases/increases the value by approx. 45,068 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	
	31.12.2012	31.12.2011
in thousands €		
Cost	1,343	1,422
Accumulated depreciation/amortisation and impairment	-802	-775
TOTAL	541	647

	Property, plant and equipment
in thousands €	
Cost	
Balance at 1 January 2011	1,504
Additions	194
Additions from internal developments	
Acquisitions through business combinations	
Disposals or classified as held for sale	-276
Revaluation increase	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2011	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

Accumulated depreciation and impairment	
Balance at 1 January 2011	674
Depreciation/Amortisation expense	256
Disposals or classified as held for sale	-155
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 2011	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 [describe]	
Balance at 31 December 2012	802



8. Property Development Inventory

The Property Development Inventories amount to 192,920 KEUR on 31 December 2012 (2011: 185,039 KEUR) and are detailed as follows:

	31/12/2012	31/12/2011
Property Development Inventories	192,740	184,891
Raw materials	93	86
Finished goods	87	62
	192,920	185,039

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

	31/12/2012		31/12/2011	
Inventories – Poland	77,550	40%	76,418	41%
Inventories – Belgium	115,345	60%	108,595	59%
Inventories – Other countries	25		26	
	192,920	100%	185,039	100%

Major part of inventories of the Group 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 2012 - KEUR	Carrying value (at cost) at 31 December 2011 - KEUR
BELGIAN PROJECTS		
I.R.C. – others	7,793	7,077
Le Valeureux Liégeois - East Dune	19,968	16,054
The White House Zoute	1,848	2,542
Locarno Knokke	7,034	6,922
Residentie Zegemeer Knokke	3,783	5,721
Blinckaertlaan Knokke	5,575	5,456
Gustave Siska	13,244	8,320
Kanonstraat Brussel	804	2,034
Bleko Doornstraat Kortrijk	1,802	1,768
Dock-site	2,648	2,648
"Residentie Katelijne"	8,810	8,810
"Project Waterside"	2,933	3,580
Waterview	4,710	4,059
Institut Jaspar	-	2,128
Sylt	10,646	5,697
Cromme Bosh	12,194	12,058
Kinder Siska	6,860	6,670
Zeewind – apartment	-	2,500
RHR	1,737	1,737
Artevelde Multifunctional related	2,956	2,814
SUBTOTAL Belgium	115,345	108,595

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



POLISH PROJECTS

Axiom	5,530	5,058
Belle Invest		
Bellona-Bema	1,851	1,828
Betula Invest		
Callista	39	
Creative Invest - Foksal	11,581	10,662
Erato Invest	1,423	1,254
Expansion Invest		
Expert Invest		
Fusion Invest		
Immediate Invest		
Industrial Invest		
Key Office Invest - Wroclaw apartments	50	1,319
Leader Invest	16	15
Office Investment	1,376	1,249
Opportunity Invest		
Pattina Invest	7	13
P.I.B.	2,986	3,018
Power Invest		
Prima Bud	26	
Prime Invest	495	495
Primula Invest	19	
Proof Invest - Q-Bik soft lofts	52,143	51,503
Proud Invest		
Quality Invest		
Stipa Invest		
Unique Invest	8	
Other		4
TOTAL POLAND	77,550	76,418

RUSSIAN PROJECTS

SUBTOTAL RUSSIA	-	-
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UKRAINIAN PROJECTS

SUBTOTAL UKRAINE	25	26
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GRAND TOTAL	192,920	185,039
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Further reference is made to section 3.



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

9.1 Non-current receivables & prepayments

	Note	31/12/2012	31/12/2011
Non-current			
Receivables from related parties	28.3	36,010	44,905
Trade and other receivables		10,446	5,993
Total non-current receivables and prepayments		46,456	50,898

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 2012 were as follows: Euribor/ Libor + margins in the range between 1% and 4%.

Further reference is made to Note 27.3.

Non-current trade and other receivables

Non-current trade and other receivables as of 31 December 2012 consist of:

- Balance still to be received from SEB after the TP III sale: 2,169 KEUR
- Ukrainian VAT to recover: 359 KEUR
- Degi: 649 KEUR
- Rent free and capitalized agency fees at the level of Kalea S.K.A. (Mokotow Nova): 2,658 KEUR
- Rent free and capitalized agency fees at the level of Excellent S.K.A. (Katowice Business Point): 1,141 KEUR
- Rent free and Capitalized agency fees at the level of HQ S.K.A. (Senator): 1,800 KEUR
- Capitalized agency fees at the level of Focus S.K.A. (Lopuszanska Business Park): 382 KEUR
- Luxus Invest Sp. Z o.o: 366 KEUR
- Mc Fitness: 65 KEUR
- Noordduinen VZW: 141 KEUR
- Other Peridot loans: 361 KEUR
- Others: 355 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.



9.2 Current trade & other receivables

	Note	31/12/2012	31/12/2011
Current			
Receivables from related parties		1,537	1,171
Receivables from third parties		7,026	2,627
Less: allowance doubtful debtors (bad debt provision)		-33	-33
Net trade receivables		8,530	3,765
Other receivables	27.1	3,621	1,528
Related party current accounts	27.3	13,001	1,804
VAT receivable		13,098	10,089
Prepayments		3,527	2,760
Interest receivable		12,608	10,405
Total current trade and other receivables		54,385	30,351

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 27.2.

Prepayments

Outstanding prepayments as of 31 December 2012 mainly represent:

- 199 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
- 228 KEUR down-payment at SPV Innovation S.K.A. for the acquisition of a land plot at Grójecka St., Warsaw
- 698 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.
- 391 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
- 402 KEUR down-payment (and related costs) at SPV Callista Invest for the acquisition of a land plot (Wilanow, ul. Syta), for the development of a trade and services centre. Deed (for a total amount of 4,1 MEUR) has been signed in Q1 2013.
- 222 KEUR 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.
- 118 KEUR down-payment at Dystryvest S.K.A. for the acquisition of a land plot. Deed (for a total amount of 548 KEUR) will be signed early Q2 2013.

Interest receivable

The interest receivable consists of an amount of 11,917 KEUR from related parties (10,144 KEUR last year).



VAT receivable

The outstanding balance as of 31 December 2012 relates to VAT receivables in the following countries:

- Belgium: 1,394 KEUR (main originating projects: L-Park and Artevelde Multifunctionl)
- Poland: 7,716 KEUR (main originating projects: Marynarska 12, Lopuszanska Business Park, Senator and Warsaw Spire)
- Ukraine: 417 KEUR (main originating project Kopylov Logistics Park)
- Russia: 3,571 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 Group does not hold any collateral as security over these balances, as a large part of accounts receivable balances are with related parties, controlled by the ultimate shareholders of the Group. 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 €	31.12.2012	31.12.2011
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 2012 and 2011, 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 Group has not recognized an allowance for doubtful receivables, as deemed necessary.

10. Derivatives

Balance as of balance sheet date of 1,922 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.



11. Restricted Cash

	31/12/2012	31/12/2011
Restricted cash non-current	705	1,280
Restricted cash current	-	-
	705	1,280

Outstanding balance as of 31 December 2012 (and 31 December 2011) relates to the amount on escrow and still to be released after the Trinity Park III sale (2010).

12. Cash and cash equivalents

	31/12/2012	31/12/2011
Cash at banks and on hand	65,098	29,146
Short-term deposits	-	-
	65,098	29,146

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 Group's immediate cash requirements, and earn interest at the respective short-term deposit rates.

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

- additional capacity on the debt ratio (the Group 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 current year's bearer bonds issues in Poland (137,1 MPLN) and Belgium (42 MEUR).



13. Share capital

	31/12/2012	31/12/2011
Authorised		
35.908 ordinary shares without par value	73,194	73,194
issued and fully paid	73,194	73,194

At 31 December 2012, 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 shareholders of Pater BV and Opus Terrae BVBA.

13.1 Distribution of dividends within the Group

End 2012, IRC NV received dividends (from available 2011 reserves) for a total amount of 3 MEUR from following subsidiaries: De Leewe III NV (500 KEUR), The White House Zoute NV (1,250 KEUR) and Immo Simava 13 (1,250 KEUR).

In the course of 2011 no dividends have been declared or distributed.

13.2 Non-Controlling Interests

	31/12/2012	31/12/2011
balance at beginning of year	4,040	3,501
share of profit for the year	527	551
acquisitions/disposals		-12
Balance at end of year	4,567	4,040



14. Reserves and retained earnings

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

	Cumulative translation reserve	Retained earnings
At 1 January 2011	1,438	355,124
Cumulative translation differences (CTA)	1,486	
Dividend distribution to the ultimate shareholders		
Other		128
Profit for the year		63,228
At 31 December 2011	2,924	418,480

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



15. Interest-bearing loans and borrowings

		31/12/2012	31/12/2011
Non-current			
Bank borrowings – floating rate	15.1	307,895	216,634
Other borrowings – floating rate	15.2/15.3	126,015	47,537
Finance lease liabilities		32	10
		433,942	264,181
Current			
Bank borrowings – floating rate	15.1	141,656	87,055
Other borrowings – floating rate	15.2	9,269	269
Finance lease liabilities		10	28
		150,935	87,352
TOTAL		584,877	351,533

15.1 Bank Borrowings

During the period, the Group obtained new secured bank loans mainly expressed in EUR and in USD and drew on existing credit facilities for a total amount of 168 MEUR (40 MEUR in Belgium, 78 MEUR in Poland, 50 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 22,2 MEUR (17,5 MEUR in Belgium, 3,5 MEUR in Poland 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 Group always negotiates long term agreements with its banks. Under these agreements, the bank swaps land acquisition loans (2 year term) into development loans (additional 2 year term) and swaps development loans into investment loans (mostly 5 years term) upon the fulfilment of pre-agreed conditions. Most banking partners of the Group have accepted the above as a “framework” for past, current and future co-operation.

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



An overview of the Bank Borrowings per 31/12/2012 is given below by country and by project.

Company	Project name	maturity date	outstanding amount at 31/12/2012 (KEUR)	Non-current (KEUR)	Current (KEUR)
POLAND					
Eastern Europe Bud	Warsaw Spire	1/10/2013	22,333	-	22,333
Capital Bud	Sienna Towers	1/10/2013	7,667	-	7,667
Best Invest	SOLD				
Proof S.K.A.	Woronicza QBIK	31/03/2014	23,734	22,649	1,085
Kalea S.K.A.	Mokotow Nova	30/06/2023	58,375	58,375	-
Pro Business Investment	Wroclaw Business Park	1/10/2013	6,984	-	6,984
Creative Invest	Foksal	1/10/2013	3,979	-	3,979
Excellent S.K.A.	Katowice Business Point	31/03/2016	23,818	23,342	476
HQ S.K.A.	Senator	01/10/2018	48,406	47,745	661
Innovation S.K.A.	Sobieski Tower	18/12/2013	3,810		3,810
Business Bud	Postepu Business Park	30/01/2015	2,283	2,205	78
Kappa S.K.A.	Marynarska 12	31/05/2014	41,482	38,120	3,362
Focus S.K.A.	Lopuszanska Bus. Park	30/11/2018	7,825	6,177	1,648
Creditero	Bellona	31/05/2026	8,339	7,480	859
SUBTOTAL			259,035	206,093	52,942



Company	Project name	maturity date	outstanding amount at 31/12/2012 (KEUR)	Non-current (KEUR)	Current (KEUR)
BELGIUM					
Ghelamco Group Comm. VA	Ghelamco Group	not defined	10,000	10,000	
IRC NV	Katelijne	30/09/2014	4,607	4,607	
IRC NV	Locarno	30/09/2013	3,140		3,140
IRC NV	Lispannenlaan/Zegemeer	31/03/2013	1,050		1,050
IRC NV	East Dune	30/09/2013	6,092		6,092
IRC NV	Bahia Ouest	31/03/2013	670		670
IRC NV	Neptune	31/03/2013	980		980
IRC NV	IRC NV	not defined	1,000	1,000	
IRC NV	Zoute Wellness	30/06/2013	3,075		3,075
IRC NV	Blinckaertlaan	30/06/2013	3,150		3,150
IRC NV	White House	30/04/2013	936		936
IRC NV	Kortrijk Leie	31/03/2013	1,120		1,120
IRC NV	Houtdokken	31/12/2013	1,880		1,880
IRC NV	Beau Site	31/03/2013	355		355
IRC NV	Parkhouse & Westkapellen	31/03/2013	750		750
IRC NV	Sylt	30/09/2013	6,402		6,402
IRC NV	Kinder Siska	30/09/2014	4,650	4,650	
IRC NV	Cromme Bosch	30/09/2013	5,000		5,000
WRP NV	Wavre Retail Park	30/10/2013	5,906		5,906
Klippan Cabs NV	Klippan Cabs	22/3/2013	4,620		4,620
Waterview NV	Waterview	31/12/2013	5,000		5,000
LPI NV	Leisure Property Invest	30/09/2013	13,500		13,500
Dianthus NV	Dianthus	30/09/2014	1,294	1,294	
Nepeta NV	East Dune	30/09/2013	2,231		2,231
L-Park NV	L-Park	30/11/2014	19,985	19,985	
Retail Gent NV	Retail Gent NV	30/09/2013	14,000		14,000
Parking Estates NV	Parking Estates NV	30/09/2013	775		775
Schelde Offices NV	Schelde Offices NV	30/09/2013	1,700		1,700
Arte Offices NV	Arte Offices NV	30/09/2013	1,870		1,870
Parking Gent NV	Parking Gent NV	30/09/2013	3,400		3,400
SUBTOTAL			129,138	41,536	87,601
UKRAINE					
Succes Invest	Kopylov Logistics Park	30/06/2014	11,151	10,038	1,113
RUSSIA					
Belyrast	Dmitrov Logistic Park	27/12/2018	50,228	50,228	
GRAND TOTAL			449,551	307,895	141,656



With respect to the outstanding short-term borrowings, it is to be mentioned that, in the course of 2013, 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 development loan). Regarding the Polish credit facilities which will mature on 1 October 2013, prolongation and/or refinancing negotiations are currently ongoing but have, at the date of this report, not yet been formalized/realized.

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

	31.12.2012				31.12.2011			
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
Credit institutions withdrawn credits	157,573	184,773	166,060	508,406	95,425	210,438	28,239	334,102
Financial lease	11	34		45	29	10		39
Total	157,584	184,807	166,060	508,451	95,454	210,448	28,239	334,141
Percentage	31%	36%	33%	100%	29%	63%	8%	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 2012, the Group had the following investment loan(s):

- Success Invest Ltd (Ukraine) USD loan (11,151 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. (Poland) 23,8 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.
- Belyrast Ltd (Russia) 67 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 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 2,5% and 5.5%
- Ukraine: currently not applicable to the Group
- 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 3,750 KEUR lower/higher profit before tax for 2012.

15.2 Bonds

Belgium

The Group has (via IRC NV, parent company of the Belgian activities) on 10 December 2012 (closing of subscription period) issued private 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 guaranty from Ghelamco Group Comm. VA and issue of which has been 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.

Balance outstanding per balance sheet date (40.486 KEUR) represents the amount of issue (42 MEUR) less capitalized issue costs (of which mainly the issuing banks' arrangement fees), which are amortized over the term of the bonds.

Poland

The Group 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. 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 Group'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%.

In addition, the Group has in 2012 been able to issue next Katalyst bearer bond tranches (tranche C and D, bearing an interest of Wibor 6 months + 6%) for an amount of 137.1 MPLN, bringing the total amount of outstanding Polish bonds per 31 December 2012 to 337.1 MPLN (or 81,448 KEUR, taking into account capitalized issue costs, which are amortised over the term of the bonds).



15.3 Other borrowings

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)

31/12/2011 3,362 KEUR

Other borrowings in EUR at 31 December 2011 include:

- Tallink Investments Ltd.: 1,461 KEUR (non-current)
- Ghelamco Poland Sp. z o. o: 1,630 KEUR (non-current)
- Others : 271 KEUR (current)

15.4 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 Group's interest bearing liabilities are floating interest bearing debts.

No defaults of payments or breaches of borrowing agreements occurred as of 31 December 2012.

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.

16. Provisions

Balance at 1 January 2011	57
Additional provisions recognised	10
Reductions	
Reversals	
Unwinding of discount	
Other	
Balance at 31 December 2012	67
<i>Non current</i>	67
<i>Current</i>	0



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

17. 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 €	31/12/2012	31/12/2011
Deferred tax assets	4,005	2,922
Deferred tax liabilities	-17,539	-36,231
TOTAL	-13,534	-33,309

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

In thousands €	Temporary differences		Unused tax losses and credits	
	Investment property	Other	Tax losses	Tax credits
Balance at 1 January 2011	-40,463	-4,046	5,912	
Recognised in income statement	5,654	979	-1,578	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		233		
Balance at 31 December 2011	-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	-

In the current year, significant deferred tax liabilities have been released to the profit and loss statement:

-21.9 MEUR in connection with the (formal decision to) transfer a number of Polish SPVs to the (in 2011 acquired) closed-end investment funds, which are tax exempt (ut supra, note 4.1).



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:

in thousands €	31/12/2012	31/12/2011
DTA on unused tax losses	1,450	8,302
DTA on unused tax credits	9,180	1,121
TOTAL	10,630	9,423

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

18. Trade and other payables

Trade and other payables are analysed as follows:

	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

	31/12/2011
Trade payables: third parties	7,060
Trade payables: related parties	10,874
Related parties current accounts payable	11,083
Misc. current liabilities	9,246
Deferred income	5,084
Current employee benefits	83
Total trade and other payables	43,430



Trade payables towards related parties include amongst others the amounts payable to the Service Holding for construction and engineering coordination services received. On 31/12/2012, the trade payables include 21,048 KEUR towards related parties (vs. 10,874 KEUR last year), as follows:

- Apec Ltd: 2,402 KEUR (350 KEUR last year)
- Ghelamco Poland Sp. z o.o: 14,397 KEUR (9,987 KEUR last year)
- Ghelamco Russia: 3,580 KEUR (zero last year)
- Others: 669 KEUR (537 KEUR last year)

Outstanding balance on related parties C/A payable (12,967 KEUR) is mainly towards Ghelamco Poland Spzoo (5,175 KEUR) and IRS NV (7,734 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.

19. Current tax liabilities

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

- Belgium: 1,420 KEUR (vs. 1,914 KEUR in 2011)
- Cyprus: 758 KEUR (vs. 464 KEUR in 2011)
- Luxembourg: 175 KEUR (vs. 66 KEUR in 2011)
- Spain: 177 KEUR (vs. 202 KEUR in 2011)

Total for 2012: **2,530 KEUR** (vs. 2,646 KEUR in 2011)



20. Revenue

Revenue is mainly generated from the following sources :

	in thousands €	31.12.2012	31.12.2011
Sales of Residential Projects			
Projects Belgium		15,205	27,478
Projects Poland		12,943	1,578
Rental Income		13,708	5,860
Other		254	109
TOTAL REVENUE		42,110	35,025

Rental income as of 31 December 2012 relates to rent from commercial projects in Belgium (1,663 KEUR), Poland (8,904 KEUR) and Ukraine (2,448 KEUR) and Russia (693 KEUR).

The residential projects sales as of 31 December 2012 mainly relate to:

- Villas and apartments at the Belgian coast (6,389 KEUR)
- (Mainly) commercial units and parkings in the Waterside project in Leuven (1,480 KEUR)
- Remaining 8 apartments in the Kanonstraat project in Brussels (2,780 KEUR)
- Institut Jaspar in Kraainem (3,300 KEUR)
- Soft loft apartments in the QBik project, Warsaw (11,179 KEUR)
- Wroclaw apartments (1,344 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 €	31.12.2012	31.12.2011
Future minimum rental income:			
Less than 1 year		29,051	12,026
Between 1 and 2 years		33,858	14,997
Between 2 and 3 years		34,040	14,930
Between 3 and 4 years		34,097	14,725
Between 4 and 5 years		28,870	13,109
More than five years		80,214	40,224
TOTAL FUTURE MINIMUM RENTAL INCOME		240,130	110,011

In the above 2012 overview no rental income from the Wevelgem Airport Retail Park project is included anymore as this project has been sold after year-end 2012.

The significant increase compared with last year mainly relates to the following projects:

Poland: Kalea (Ph2 completed early 2012 – Ph1 approx. 90% leased, Ph2 approx. 70% leased), and Senator (completed in 2012 and approx. 80% leased), Marynarska 12 (under construction and approx.. 68% pre-leased) and Lopuszanska Bus. Park (under construction and approx.. 91% pre-leased)
 Russia: Ph1 of the Dmitrov Logistic Park (60,000 m²) delivered in 2012, fully leased.



21. Other items included in operating profit/loss

Other operating income and expenses in 2012 and 2011 include the following items:

	2012	2011
Other operating income		
Net gains on disposal of investment property	997	
Other	2,202	3,004
Net gains on disposals of property, plant and equipment		-
total:	3,199	3,004

Current year's other operating income includes gains on the disposals of the Gucci shop in Knokke (235 KEUR), the sale of a plot at the level of Klippan Cabs NV and the sale of a plot at the level of Dystryvest (650 KEUR).

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 (280 KEUR). Also refer to note 27.3.

	2012	2011
Gains from revaluation of Investment Property	38,546	69,093

Fair value adjustments over 2012 amount to 38,546 KEUR, which is mainly the result of current year's further engineering, development, construction and leasing efforts in Poland (mainly on the Senator and Warsaw Spire projects), in Russia (Dmitrov Logistic Park project) and Belgium (mainly the L-Park project in Leuven Vaartkom and the Retail Gent retail hall), 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	6,807
Poland	24,040
Russia	8,004
Ukraine	-305
	38,546

The favorable fair value adjustment as recognized on Belgian projects is mainly related to the additional value created on the L-Park commercial (offices/retail) project in Leuven Vaartkom, which is per year-end partly completed and (pre-)leased to significant extent. The same goes for the Retail Gent retail hall, fully leased to Brico Plan-It, which has been completed and opened in September of the current year.

The positive net fair value adjustment as recognized on Polish projects is merely the result of significant value creation upon further engineering efforts and/or significant construction on existing projects in Warsaw (mainly Senator and Warsaw Spire).

The favourable fair value adjustment as recognized in Russia is the result of significant value creation on – the in 2012 delivered and fully let – phase A of the Dmitrov logistics project in the Moscow Region, in combination with improvement in market conditions (reflected in improved yield levels).



Fair value of projects in Ukraine has approx. remained stable, in line with the economic environment and the level of activity the Group currently deploys in the region.

	2012	2011
Other operating expenses		
Operating lease/ rental/housing expenses	183	158
Taxes and charges	1,562	1,177
Insurance expenses	491	296
Audit, legal and tax expenses	4,005	2,723
Traveling	808	523
Promotion	719	558
Bank fees	529	85
Sales/agency expenses	1,676	1,051
Rental guarantee expenses	429	520
Write-off free rent capitalization	-	-
Current year expenses re. Crown Square sale	-	2,160
Termination indemnification tenant Dmitrov Log. Park	985	
Operating expenses with related parties	4,251	4,330
Miscellaneous	2,864	1,957
Total:	18,502	15,538

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 27.3.

	2012	2011
Employee benefit expenses		
Wages and salaries	992	806
Social security costs	276	264
Other		-
Total:	1,268	1,070

22. Cost of Property Development Inventories

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

	2012	2011
Movement in inventory	7,485	39,533
Purchases (*)	-25,748	-57,873
	-18,263	-18,340

(*) See Note 27.2

Purchases (mainly from related parties) related to Investment Property projects are not included in the above purchases, as those have directly been recorded on IP. It concerns an amount of 184,066 KEUR (transfers of 1,271 KEUR not included).



23. Finance income and finance costs

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

	2012	2011
Foreign exchange gains	10,227	-
Interest income	2,955	3,226
Other finance income	-	2,574
Total finance income	13,182	5,800
Interest expense	-17,158	-9,410
Other interest and finance costs	-2,023	-689
Foreign exchange losses	-	-6,393
Total finance costs	-19,181	-16,492

It is to be noted that interest expenses related to Investment Property projects are not included in the above 2012 and 2011 figures, as those have directly been capitalized on IP. It concerns an amount of 9,407 KEUR (vs. 7,824 KEUR last year).

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

Interest income mainly includes interests on loans to related parties.

Current year's other finance costs relate to a significant extent to hedge results and mainly include the marking to market of the as of balance sheet outstanding (currency and interest) hedging contracts (878 KEUR unfavorable vs. 2,800 KEUR favorable 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.

24. Income taxes

Income tax expense recognized in the consolidated income statement:

	31.12.2012	31.12.2011
current income tax	2,417	2,462
deferred tax	-19,877	-5,055
Total	-17,460	-2,593

The tax charge on the Group'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 €	31.12.2012	31.12.2011
Result before income taxes		39,709	61,186
Income tax expense calculated at 33,99%		13,497	20,797
Effect of different tax rates in other jurisdictions		-7,380	-7,134
Effect of non-deductible expenses		2,017	280
Effect of revenue that is exempt from taxation		-6,274	-5,793
Effect of use of previously unrecognized tax losses		-39	-34
Effect of current year losses for which no DTA is recognized		1,251	2,110
Effect of tax incentives not recognized in the income statement		-85	-94
Effect of under/over-accrued in previous years		404	45
Effect of change in local tax rates		-50	-
Release GW re Zeewind apartment sale: 2.253 KEUR		780	-3,605
Release GW re. sales White House and Waterside: 690 KEUR		235	
Release of 31/12/12 DTL balance re. SPVs transferred to funds		-21,900	-9,325
Other		84	159
INCOME TAX EXPENSE RECOGNISED IN INCOME STATEMENT		-17,460	-2,593

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'.

25. Contingent liabilities and contingent assets

25.1 (Bank) guarantees

All external borrowings of the Group 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 2012 and 2011.

Company	Project name	Amount of bank loan (KEUR)		Corporate guarantees as per 31/12/2012 (KEUR)	
BELGIUM		Guarantee by IRC NV			
Dianthus	Katelijne	EUR	1,294	1,040	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
Nepeta	East Dune	EUR	2,231	2,231	Corporate Guarantee, cash deficiency + subordination declaration Peridot
Retail Gent	Retail Gent	EUR	14,000	15,600	Corporate Guarantee, cash deficiency, cost overrun (**), pledge on rental income, subordination declaration Peridot, minimal rent guarantee
Parking Estates	Parking Estates Gent	EUR	775	15,600	Corporate Guarantee, cash deficiency, cost overrun, pledge on rental income, subordination declaration Peridot
Schelde Offices	Schelde Toren Gent	EUR	1,700	15,600	Corporate Guarantee, cash deficiency, cost overrun, pledge on rental income, subordination declaration Peridot
Arte Offices	Leie Toren Gent	EUR	1,870	15,600	Corporate Guarantee, cash deficiency, cost overrun, pledge on rental income, subordination declaration Peridot
Parking Gent	Parking Gent	EUR	3,400	15,600	Corporate Guarantee, cash deficiency, cost overrun, pledge on rental income, subordination declaration Peridot

POLAND					Guarantee by Granbero Holdings Ltd.
Eastern Europe Bud	Warsaw Spire	EUR	22,333	22,333	Corporate Guarantee, cash deficiency
Capital Bud	Sienna Towers	EUR	7,667	7,667	Corporate Guarantee, cash deficiency
Proof Invest	Woronicza QBIK	EUR (*)	23,734	23,734	Corporate Guarantee
Kalea Investment	Mokotow Nova	EUR	58,375	58,375	Suretyship agreement interest repayment, cash deficiency, cost overrun (**)
Pro Business Investment	Wroclaw Business Park	EUR	6,984	6,984	Corporate Guarantee, Cash deficiency
Creative Invest	Foksal	EUR	3,979	3,979	Corporate Guarantee, Cash deficiency
Excellent Bud	Katowice	EUR	23,818		None
HQ Invest	Senator	EUR	48,406		Suretyship agreement interest repayment, cash deficiency, cost overrun (**)
Innovation Bud	Sobieski Tower	EUR	3,810		Suretyship and cash deficiency



Business Bud	Prostepu 2	EUR(*)	2,283		Suretyship and cash deficiency
Ghelamco GP4 Kappa	Marynarska 12	EUR	41,482	41,482	Suretyship agreement interest repayment, cash deficiency, cost overrun, corporate Guarantee
Ghelamco GP3 Focus	Lopuszanska BP	EUR(*)	7,825		Suretyship and cash deficiency
CYPRUS					
Creditero Holdings Ltd	Bellona	EUR (*)	8,339		Suretyship agreement
UKRAINE			Guarantee by Safe Holding Belgium		
Success Invest	Kopylov Logistics Park	USD	14,750	25,000	Completion, cost overrun (**) and shortfall guarantee (subsequent Deficiency Guarantee by Ghelamco Group CVA, only upon default of Safe Holding Belgium NV)

(*): 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 Group to ensure repayment of the bank loans of the related parties under the common control of the ultimate shareholders at 31 December 2012 (but not part of the Investment & Development Group).

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

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

Each and every respective seller of shares in the Group 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 Group's liability for the breach of these representations and warranties generally covers a period of 2 to 3 years from the date of sale (except representations regarding the tax matters covering the period of five to seven years in accordance with local statutory requirements).

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

25.3 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 Group) 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).

25.4 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.



26. Commitments

26.1 (Capital) Commitments

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

	2012	2011
Architectural and Engineering contracts	33,414	20,574
Construction contracts	50,268	29,469
Purchase of land plots	9,420	9,984
Purchase of shares (connected with landbank)	6,992	
Total	100,093	60,027

At 31 December 2012, the Group 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 9,420 KEUR, to be financed in accordance with the framework at 50%-60%.
- Belgium: Acquisition of shares of a company which holds title to a 24,000 sqm brownfield site, in view of the development of a 35,000 sqm mixed project, for a remaining amount of 7 MEUR, to be financed in accordance with the framework at 60%-70%.

Non-binding contracts

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

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

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

- Artevelde Multifunctional Football Stadium project: 24,4 MEUR (related party agreement with Ghelamco NV, lead coordinator/contractor in this project)
- Lopuszanska Business Park: 9,620 KEUR
- Marynarska 12: 10,558 KEUR



26.2 Operating lease commitments (land lease rights)

	Poland		Russia	
	2012	2011	2012	2011
Within 1 year	522	676	202	164
After 1 year but not more than 5 years	2,088	2,702	809	652
More than 5 years	39,399	54,430	7,365	6,017
	42,009	57,808	8,376	6,833

The Group 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.



27. Related party transactions

The Group is together with the Service Holding and the Portfolio Holding – related parties – under common control of the ultimate shareholders, 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 Group and other related parties (belonging to the Services Holding and the Portfolio Holding) are described below.

27.1. Relationships with the directors and management

For the year ending 31 December 2012, a total amount of approx. 5,000 KEUR was paid to the members of the Management Committee (the 5 top executives: the managing director Western Europe, the managing director Eastern Europe and the Group CEO, COO and CFO). 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.

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

Construction and Development Services

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

- Ghelamco 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 Group 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 developed buildings, to the Group after the occupancy permit has been granted by the local authorities or after signature of the building's delivery protocol between the Group'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 Group 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 International Real Estate Services Comm. VA, the parent company of Ghelamco's "Service Holding") coordinate engineering and architectural design services provided to the Group 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 Group. 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 development entity upon achievement by Apec Ltd or Safe Invest Sp. z o.o of the milestones agreed in the contract (approval of the preliminary design, submission of the building permit file, implementation file, achievement of commercial goals, etc). The prices for the services reflect normal commercial terms and conditions in each territory.

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

2012

Except for the contribution process of Polish SPV shares in close-ended investment funds, as described in section 4.8 of this report and the transfer of 50% participating interest in Focus Invest, as described in section 4.3 of this report, there have been no share transactions or other significant transactions with related parties in 2012.

2011

There have in the course of 2011 been some transfers of Cypriot (empty) shelf holding shares from the Ghelamco Group (Investment and Development Holding) to IRS NV, related party and parent entity of the Service Holding. It concerns Impetira Holdings Ltd, Gogo Investments Ltd, Kostello Holdings Ltd, Pessano Holdings Ltd, Serlota Holdings Ltd and Erevoc Investments Ltd; transfer of which has in the 2011 profit and loss statement resulted in only limited gains/losses on the disposal of financial assets.



Other

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

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

	<u>31/12/2012</u>	<u>31/12/2011</u>
Purchases of construction, engineering and architectural design:	-103,100	-98,181
related party trade receivable	1,537	1,171
related party trade accounts payable	-21,048	-10,874
related party non-current loans receivable	35,017	40,757
related party interests receivable	11,436	9,776
related party C/A receivable	10,156	1,804
related party non-current other receivable	1,940	2,250
related party non-current loans payable	-1,644	-3,091
related party interests payable	-1,198	-1,060
related party C/A payable	-12,967	-11,083

28. Events after balance sheet date
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Belgium:

- The Wevelgem Airport Retail Park, retail project with a leasable area of +/- 4.600, has per end March 2013 been sold upon an attractive bid by an investor. The sales transaction was structured as a share deal, in which the property was valued at a yield of +/- 7%, resulting in a share price of 5 MEUR and a net cash-in for the Company of 2 MEUR.



29. Auditor's Report

Deloitte.

Deloitte Bedrijfsrevisoren /
Reviseurs d'Entreprises
Berkelaan 8b
Belgium
Tel. + 32 2 800 20 00
Fax + 32 2 800 20 01
www.deloitte.be

Ghelamco Group Comm. VA

**Independent auditor's report
on the consolidated financial statements
for the year ended 31 December 2012**

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
Registered Office: Berkelaan 8b, B-1831 Diegem
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - ISAN BE 17 2300 0465 6121 - BIC GEBABEBB
Member of Deloitte Touche Tohmatsu Limited



Deloitte.

Deloitte Bedrijfsrevisoren /
Reviseurs d'Entreprises
Berkenlaan 8b
Belgium
Tel + 32 2 800 20 00
Fax + 32 2 800 20 01
www.deloitte.be

Ghelamco Group Comm. VA

Independent auditor's report on the consolidated financial statements for the year ended 31 December 2012

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.

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 (collectively "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. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 1,233,705 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 56,642 (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 / 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
Registered Office: Berkenlaan 8b, B-1831 Diegem
VAT BE 0429 053 863 - RPR Brussels/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited



*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 2012, 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, 29 March 2013

The independent auditor

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BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Rik Neckebroek

