

# **Ghelamco Group**

## **Comm. VA**

### **IFRS Consolidated Financial Statements at 31 December 2015**

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

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## I. General information and performance

### 1. Business activities & profile

Ghelamco Group Comm. VA is a leading European real estate investor active in the offices, residential, retail, leisure and logistics markets. It maintains a high quality internal control with respect for agreed milestones over all its project development phases: land purchase, planning, coordinating the construction phase and sale or lease. Its projects combine prime and strategic locations with efficient and aesthetically inspiring designs and correct timing. Its successes on the Belgian, French, Polish, Ukrainian and Russian markets are generated by the group's professional and enthusiastic staff that is driven by the vision and passion of its management.

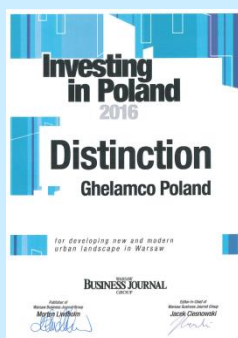
Ghelamco is one of the largest commercial property developers and investors in Poland and has, resulting from a steep growth over the last number of years, also become a significant player on the Belgian market. The group's market position has been recognized by numerous prestigious awards, collected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

In Belgium, the Ghelamco Arena was in 2014 and despite strong competition, voted 'Stadium of the year' by voters spread over many different countries through stadiumDB.com, one of the world's largest websites for football lovers. The Ghelamco Arena is a multifunctional football stadium, housing football club KAA Gent and accommodating 20,000 seats and about 50,000 m<sup>2</sup> of modern office and retail space.

In Poland, Ghelamco's founder, president and CEO Paul Gheysens received in 2014 a CEEQA award for Lifetime Achievement in Real Estate, in recognition of his services to the real estate sector, his company's extensive and award winning achievements in the Central & Eastern European market place and the kick-off of the construction of the Spire, tallest tower in CEE.

For the year 2015, Ghelamco was granted the following awards:

- Bepolux Awards for Outstanding Business Achievement in Poland (BEPOLUX – Belgian Polish Luxembourg Chamber of Commerce)
- Best Industrial Development in Russia for Dmitrov Logistics Park (International Property Awards)
- Best Industrial Development in Europe for Dmitrov Logistics Park (International Property Awards)
- World's Best Industrial Development for Dmitrov Logistics Park (International Property Awards)
- Green Building of the Future for the Warsaw Spire (EuropaProperty CEE Investment & Green Building Awards)
- Distinction for developing new and modern urban landscape in Warsaw (Warsaw Business Journal)



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

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

## 2. Legal status

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

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

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

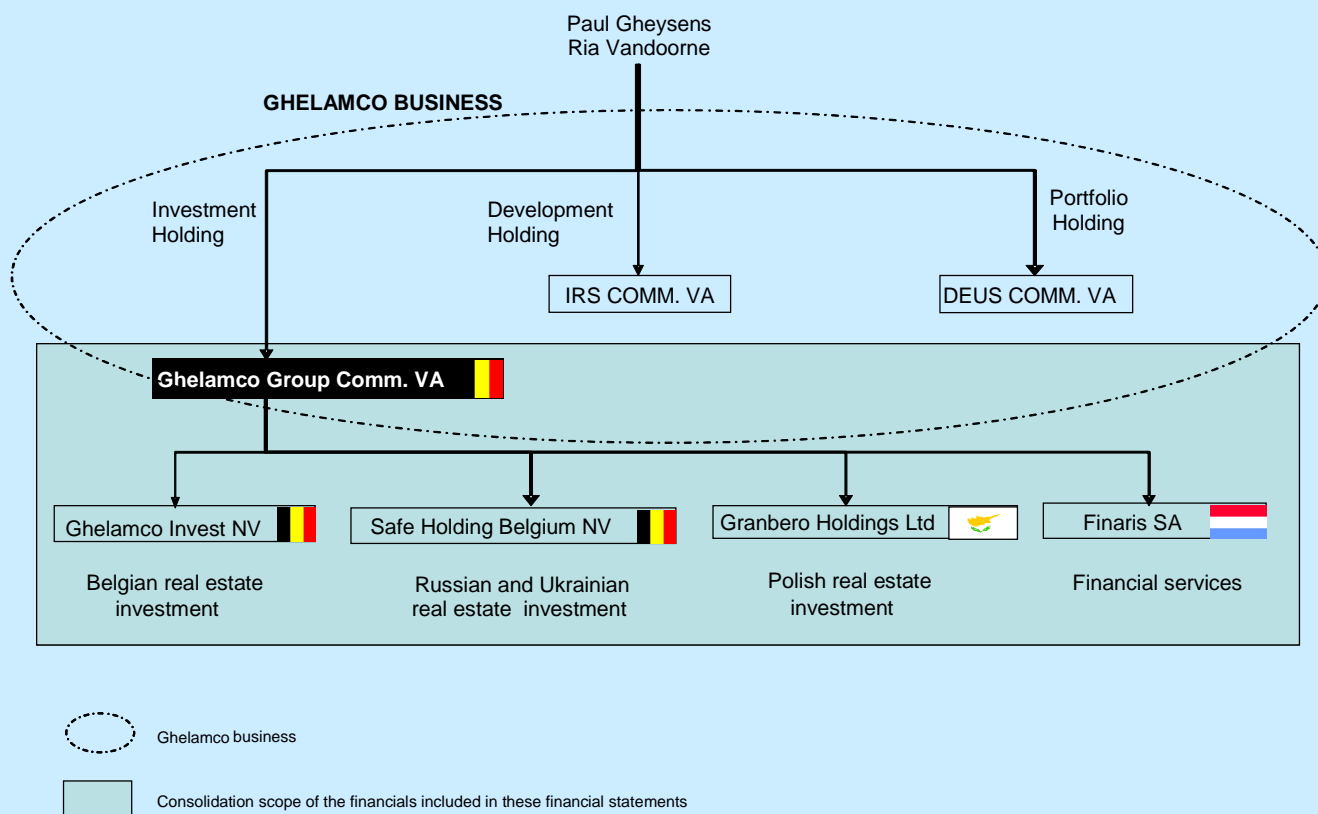
## 3. Consolidation scope

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

At 31 December 2015 (the reporting date), all the assets and liabilities of the reporting entity (the Company and its direct and indirect legal subsidiaries) are legally linked through a corporate structure that was introduced in 2006 and was accomplished prior to 31 December 2007 (overview in Note 5).

All assets, liabilities, income and expenses that represented an integral part of the Investment Holding activities, are included in the accounts of the legal subsidiaries of the Company at 31 December 2015 and at 31 December 2014.





#### 4. Staffing level

Given its nature, there is only limited employment in the Company. At 31/12/2015, Ghelamco Group Comm. VA and its subsidiaries employed 55 people (46 on 31 December 2014). The construction, engineering and other related services are mainly provided to the Investment Holding by the Development Holding's legal subsidiaries. Ghelamco as a whole employed 295 people on 31 December 2015 (vs. 273 on 31 December 2014).

#### 5. Management and Board

Ghelamco's Management consists of:

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

The Management actively coordinates and supervises the different (group country) management teams and supports them in all commercial, legal, financial and technical aspects of their activities. The local teams mainly consist of a technical, commercial, legal & financial department.

The statutory board consists of 4 directors (of which the CEO is part) for most of the Belgian entities, the Managing Director Eastern Europe and 4 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

### 2015 performance and results

The Group closed its 2015 accounts with a net profit of 90,081 KEUR, resulting from its continued investment and commercial efforts in existing and new projects. The Group realised significant residential sales on the one hand and in addition managed to create significant added value on its larger commercial projects and to achieve sustained growth.

The difficult political and economic situation in Ukraine and Russia remains but has to an extent stabilized in 2015. Still, continued pressure on the rent levels and on applied yields in those regions have resulted in a further negative fair value correction on both Ukrainian and Russian projects in portfolio.

The above is reflected in a balance sheet total of 1,653,429 KEUR and an equity of 661,374 KEUR. The solvency ratio amounts to 40% (vs. 45% at 31/12/14).

**In Belgium**, the Group has over the past years intensified its project development activities (with currently over 40 projects in portfolio). As a consequence, a significant number of Belgian projects have in the course of the last two to three years been delivered and commercialised.

Over the past year, further leasing successes have been achieved on mainly the Blue Towers (+/- 28,000 sqm office project) in Ghent, resulting in an occupation rate per date of the current report of approx. 95%. In addition, during 2015 further realisation efforts were done in the Waterview project in Leuven (mixed retail, student housing and parking space project at the Vaartkom), resulting in the delivery of the retail and parking parts of the project and the welcoming of the first tenants. The residential part of the project was delivered mid 2015 and over 75% of the available student units have per date of the current report been sold.

In the course of 2015, the Meetdistrict – innovative and high-end business and congress center in the Ghelamco Arena offering a.o. over 500 flexible office workplaces, meeting rooms and a 350 seats auditory – has been formally opened. Phase 1 of the business center is per date of the current report occupied for over 90%; phase 2 (offering approx. 250 workplaces) is currently being finalized and will be delivered in Q2 2016.

Mid March 2015 the City of Brussels has retained Eurostadium Brussels as preferred bidder for the construction of the Euro-stadium on parking C of the Heizel site. This new national stadium will amongst others comprise 60,000 seats, 6,000 VIP places and over 14,000 parking spaces. The project is expected to be realized in 2018. Contract drafting is currently being finalised.

2015 expansion and investment activities mainly related to:

- Finalisation of the construction works and delivery of the Waterview project in Leuven Vaartkom (mixed project of +/- 460 student homes, +/- 5,000 sqm retail and +/- 1,000 parking spaces), as mentioned above. Per date of the current report approx. 366 student units have already been (pre-)sold and 2,375 sqm of the available retail space has been leased.
- In addition, the Group has expanded its portfolio through a number of acquisitions:
  - mainly 2 sites located at the Louizalaan and the Boulevard Bischoffsheim in Brussels for the future development of mixed residential-office-retail projects,
  - the hotel Pomme de Pin in Courchevel, France for the future development of a residential project consisting of approx. 6,000 sqm apartments with hotel service, and
  - the shares of a company holding the long-term leasehold rights on a building at Rue de la Banque in Brussels.
- Further realisation of high-end residential/leisure projects at the Belgian coast side (mainly “Le 8300”, luxurious wellness hotel in Knokke-Zoute, expected to be opened near year-end 2016).



As to divestures/revenues:

- Except for the divestiture of the remaining office space in Ring Offices (approx. 1,250 sqm) in Ghent, which has been sold for an amount of 2,920 KEUR, there have been no other divestitures of investment property. In this respect, 2015 has for the Company in first instance been an investment and growth year, which is reflected in the above mentioned balance sheet increase.

- Sale of residential projects (56,312 KEUR): mainly apartments and student units in Blaisant Park in Ghent, student units in the Waterview project in Leuven Vaartkom and residential projects at the Belgian coast.

**In Poland**, the Group in first instance maintained its existing land bank but also took advantage of some expansion opportunities. Main 2015 land bank transactions were the acquisition of a plot located at Pl. Grzybowski, Warsaw for an amount of approx. 4.5 MEUR, last part of a plot at Grójecka, Warsaw for an amount of approx. 900 KEUR and a plot in Łódź for an amount of approx. 8 MEUR; all for the future development of office projects.

*Development and construction*

The investing activities in Poland during 2015 have mainly been focused on the further realisation of the Warsaw Spire (+/- 108,000 sqm of office space) and on the construction of the Woloska 24 project (approx. 20,000 sqm office project in the Warsaw Mokotow District). In the course of 2015 satellite building C of Warsaw Spire has been finalized and delivered while per year-end the tower building is close to finalisation.

*(Pre-)leasing and occupation of projects:*

Continued and successful leasing efforts on the Warsaw Spire project have resulted in the fact that the project on the whole is per 31 December 2015 leased for over 70%. In this respect, the Group signed in April 2015 an anchor tenant lease agreement for aprox. 22,000 sqm of space with Samsung. The deal is being seen as the largest office lease transaction ever in the Warsaw city centre, as well as one of the biggest in the country.

*Divestures*

No divestures of investment property have taken place in 2015.

**In Russia**, the first (building A, approx. 60,000 sqm) and second phase (building B, approx. 76,000 sqm) of the Dmitrov Logistics Park – class A warehouse complex of four buildings totalling approx. 243.000 m<sup>2</sup> of lettable area (including ancillary office accommodations) in the northern part of the Moscow Region – have in the past years been delivered and are currently leased for resp. over 90% and 70%. The political and economic situation and its effects on markets and (warehouse) tenant activity is closely monitored, in view of further construction of building C (approx. 46,000 sqm).

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



Main post balance sheet events

- In February 2016, the Group signed a conditional share purchase agreement for the acquisition of a company holding a +/- 13,000 sqm plot in Berchem, for a transaction value of +/- 9.9 MEUR. On this site, the Company foresees to develop 2 office buildings with a total leasable area of +/- 26,000 sqm. Closing of the deal is expected for Q3 2016.

- Also in February 2016, a preliminary agreement has been signed with the City of Brussels for the sale of the De Ligne building at Rue de la Banque, for a transaction amount of 27 MEUR. The notary deed will be signed within the prevailing 4 month-delay.

- On 29 January 2016, the Financial Supervision Commission (Komisja Nadzoru Finansowego) has approved Ghelamco Invest Sp. z o.o.'s base prospectus for the issue of a total amount of 350 MPLN public retail bonds in connection with its Bond Issue Programme IV. In March 2016 bonds (series PPE) have been publicly offered and allocated to institutional and retail investors for an amount of 50.000 KPLN. The bond issue will be formalized on 30 March 2016. The bonds have as maturity date 30 March 2020 and bear an interest of Wibor 6 months + 4%. Expected trading introduction date is 7 April 2016. Also in March 2016 another tranche of bonds (series PPF) has been publicly offered and allocated to institutional and retail investors for an amount of 30.000 KPLN. The bond issue will be formalized early April 2016. The bonds have as maturity date 30 March 2020 and bear an interest of Wibor 6 months + 4%. Expected trading introduction date is 14 April 2016. Both bonds series are secured by a guarantee granted by Granbero Holdings Ltd.

Outlook

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

For 2016, the Investment Holding will continue this strategy. In addition, it will closely monitor specific evolutions in its active markets and real estate segments. Considering its sound financial structure and the expected further market evolutions (in terms of tenant activity and evolution in yields), the Investment Holding is confident to achieve its goals for 2016 in general.

## 7. Notice to the reader

This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2015, assuming the going concern of the Investment Holding companies.

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

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

As such, residential properties are presented as Property Development Inventories.

Most of the commercial property is presented as Investment Property. We refer to the Notes 6 and 9 in Part II for more details on their presentation.





## II. IFRS Consolidated Financial Statements

These IFRS consolidated financial statements at 31 December 2015 were approved by Investment Holding Management on 25 March 2016. The amounts in this document are expressed in thousands of EUR (KEUR), unless stated otherwise.

### A. Consolidated statement of financial position (in KEUR)

	Note	31/12/2015	31/12/2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment Property	6	1,117,224	820,414
Property, plant and equipment	7	221	391
Intangible assets	8	3,822	4,299
Investments in associates	4	0	590
Receivables and prepayments	10	73,307	58,896
Deferred tax assets	19	9,742	6,432
Non-current assets held for sale			
Other financial assets	4	4,000	1,582
Restricted cash	12	0	256
<b>Total non-current assets</b>		<b>1,208,316</b>	<b>892,860</b>
<b>Current assets</b>			
Property Development Inventories	9	260,300	182,917
Trade and other receivables	10	99,624	91,810
Current tax assets		27	19
Derivatives	11	0	290
Assets classified as held for sale	6	575	975
Restricted cash		0	0
Cash and cash equivalents	13	84,587	98,955
<b>Total current assets</b>		<b>445,113</b>	<b>374,966</b>
<b>TOTAL ASSETS</b>		<b>1,653,429</b>	<b>1,267,826</b>



## Consolidated statement of financial position (cont'd)

	Note	31/12/2015	31/12/2014
<b>Capital and reserves attributable to the Group's equity holders</b>			
Share capital	14	73,194	73,194
CTA	15	12,131	12,198
Retained earnings	15	569,802	480,283
		<u>655,127</u>	<u>565,675</u>
Non-controlling interests	14.2	6,247	5,508
<b>TOTAL EQUITY</b>		<b><u>661,374</u></b>	<b><u>571,183</u></b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	16	778,984	440,187
Deferred tax liabilities	19	41,483	23,770
Other non-current liabilities		0	2,500
Long-term provisions	18	140	178
<b>Total non-current liabilities</b>		<b><u>820,607</u></b>	<b><u>466,635</u></b>
<b>Current liabilities</b>			
Trade and other payables	20	40,010	46,458
Current tax liabilities	21	3,889	2,307
Interest-bearing loans and borrowings	16	127,549	181,243
<b>Total current liabilities</b>		<b><u>171,448</u></b>	<b><u>230,008</u></b>
<b>Total liabilities</b>		<b><u>992,055</u></b>	<b><u>696,643</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1,653,429</u></b>	<b><u>1,267,826</u></b>



## B. Consolidated income statement and consolidated statement of comprehensive income

**Consolidated Income Statement**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
Revenue	22	99,436	69,579
Other operating income	23	5,949	13,951
Cost of Property Development Inventories	24	-48,965	-36,151
Employee benefit expense	23	-1,058	-1,190
Depreciation amortisation and impairment charges	7	-553	-588
Gains from revaluation of Investment Property	6	114,412	11,335
Other operating expense	23	-40,756	-36,502
Share of results of associates		0	-790
<b>Operating profit - result</b>		<b>128,465</b>	<b>19,644</b>
Finance income	25	6,427	4,298
Finance costs	25	-26,372	-31,536
<b>Profit before income tax</b>		<b>108,520</b>	<b>-7,594</b>
Income tax expense	26	-18,439	-1,468
<b>Profit for the year</b>		<b>90,081</b>	<b>-9,062</b>
<b>Attributable to:</b>			
Equity holders of parent		89,348	-9,693
Non-controlling interests		733	631



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

		<b>2015</b>	<b>2014</b>
<b>Profit for the year</b>		<b>90,081</b>	<b>-9,062</b>
Exchange differences on translating foreign operations	14	-67	3,984
Other		171	35
<b>Other comprehensive income of the period</b>		<b>104</b>	<b>4,019</b>
<b>Total Comprehensive income for the year</b>		<b>90,185</b>	<b>-5,043</b>
<b>Attributable to:</b>			
Equity holders of the parent		89,452	-5,674
Non-controlling interests		733	631



## C. Consolidated statement of changes in equity

	Note	Attributable to the equity holders		Non-controlling interests	Total Equity
		Share capital	Cumulative translation reserve		
<b>Balance at 1 January 2014</b>		<b>73,194</b>	<b>8,214</b>	<b>4,954</b>	<b>576,303</b>
Foreign currency translation (CTA)			3,984		<b>3,984</b>
Profit/(loss) for the year			-9,693	631	<b>-9,062</b>
Capital decrease					
Dividend distribution					
Change in non-controlling interests			77	-77	<b>0</b>
Change in the consolidation scope			-33		<b>-33</b>
Other			-9		<b>-9</b>
<b>Balance at 31 December 2014</b>		<b>73,194</b>	<b>12,198</b>	<b>5,508</b>	<b>571,183</b>
Foreign currency translation (CTA)	15		-67		<b>-67</b>
Profit/(loss) for the year	15		89,348	733	<b>90,081</b>
Capital decrease					
Dividend distribution					
Change in non-controlling interests				6	<b>6</b>
Change in the consolidation scope			171		<b>171</b>
Other					
<b>Balance at 31 December 2015</b>		<b>73,194</b>	<b>12,131</b>	<b>6,247</b>	<b>661,374</b>

## D. Consolidated cash flow statement



**Consolidated cash flow statement for 2015 and 2014**

		<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Operating Activities</b>			
<b>Profit / (Loss) before income tax</b>		<b>108,520</b>	<b>-7,594</b>
<i>Adjustments for:</i>			
- Share of results of associates		0	790
- Change in fair value of investment property	6	-114,412	-11,335
- Gain on disposal of subsidiary			
- Gain on disposal of interest in former associates			
- Depreciation, amortization and impairment charges	7	553	588
- Result on disposal investment property	23	-510	-8,160
- Change in provisions		-38	0
- Net interest charge	25	17,123	21,105
- Movements in working capital:			
- Change in inventory		-78,971	-7.691
- Change in trade & other receivables		-7,814	-9.109
- Change in trade & other payables		-21,311	-5.422
- Change in MTM derivatives	11	290	1.552
- Movement in other non-current liabilities		-2,500	0
- Other non-cash items		74	-122
Income tax paid		-2,462	-5.239
Interest paid (**)		-22,924	-24.281
<b>Net cash from operating activities</b>		<b>-124,382</b>	<b>-54,918</b>
<b>Investing Activities</b>			
Interest received	25	5,429	4.298
Purchase of property, plant & equipment and intangibles	7-8	-25	-25
Purchase of investment property (*)	6	-134,326	-141,643
Capitalized interest paid in investment property		-19,634	-14,323
Proceeds from disposal of investment property	6	2,920	229,759
Net cash outflow on acquisition of subsidiaries			
Net cash inflow on disposal of subsidiary			
Net cash inflow on disposal of associate			
Cash inflow/outflow on other non-current financial assets		-16,239	8,138
Net cash inflow/outflow on NCI transactions			
Change in trade & other payables			
Movement in restricted cash accounts	12	256	215
<b>Net cash flow used in investing activities</b>		<b>-161,619</b>	<b>86,419</b>

**Financing Activities**

Proceeds from borrowings	16	377,953	259,350
Repayment of borrowings	16	-92,850	-248,459
Capital decrease			
Dividends paid			
Other non-cash items, realized CTA			
<b>Net cash inflow from / (used in) financing activities</b>		<b>285,103</b>	<b>10,891</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>-898</b>	<b>42,392</b>
<b>Cash and cash equivalents at 1 January of the year</b>		<b>98,955</b>	<b>70,182</b>
Effects of exch. rate changes, mainly on EUR/USD balances in non-EUR countries		-13,470	-13,619
<b>Cash and cash equivalents at 31 December of the year</b>		<b>84,587</b>	<b>98,955</b>

(\*): Interests directly capitalized in IP not included (2014: 19,634 KEUR; 2013: 14,323 KEUR) – separately presented under investing activities

## E. Segment reporting

A segment is a distinguishable component of the Group which is engaged either in providing products or services (business segment), or in providing products or services within a particular economic area (geographic segment) and which is subject to risks and rewards that are different to those of other segments. As the majority of the assets (and resulting income) of the Group is geographically located in Europe (Belgium and Poland) and considering the specifics of the assets located in Russia and Ukraine and the economic and political risks and circumstances in those regions, a distinction between Europe and Russia & Ukraine has been made.

The segment assets, liabilities and income statement components include all items directly attributable to the segments, as well as those elements which can reasonably be allocated to a segment. Unallocated amounts (mainly related to (non-)current receivables and prepayments, loans and borrowings and trade & other payables on the balance sheet level and financial result and taxes on the income statement level) are shown separately.



	2015				2014			
	Europe	Russia/ Ukraine	unallo- cated	TOTAL	Europe	Russia/ Ukraine	unallo- cated	TOTAL
<b>ASSETS</b>								
<b>Non-current assets</b>								
Investment Property	925,439	191,785		1,117,224	640,913	179,501		820,414
Property, plant and equipment	219	2		221	388	3		391
Intangible assets	3,822	-		3,822	4,299	-		4,299
Investments in associates	-	-		-	590	-		590
Receivables and prepayments			73,307	73,307			58,896	58,896
Deferred tax assets	8,099	1,643		9,742	5,806	626		6,432
Non-current assets held for sale	-	-		-	-	-		-
Other financial assets	4,000	-		4,000	1,582	-		1,582
Restricted cash	-	-		-	256	-		256
<b>Total non-current assets</b>	<b>941,579</b>	<b>193,430</b>	<b>73,307</b>	<b>1,208,316</b>	<b>653,834</b>	<b>180,130</b>	<b>58,896</b>	<b>892,860</b>
<b>Current assets</b>								
Property Development	260,297	3		260,300	182,903	14		182,917
Inventories								
Trade and other receivables			99,624	99,624			91,810	91,810
Current tax assets	14	13		27	1	18		19
Derivatives	-	-		-	290	0		290
	575	-		575	975	0		975
Assets classified as held for sale								
Restricted cash	-	-		-	0	0		0
Cash and cash equivalents	78,896	5,691		84,587	93,430	5,525		98,955
<b>Total current assets</b>	<b>339,782</b>	<b>5,707</b>	<b>99,624</b>	<b>445,113</b>	<b>277,599</b>	<b>5,557</b>	<b>91,810</b>	<b>374,966</b>
<b>TOTAL ASSETS</b>	<b>1,281,361</b>	<b>199,137</b>	<b>172,931</b>	<b>1,653,429</b>	<b>931,433</b>	<b>185,687</b>	<b>150,706</b>	<b>1,267,826</b>





	2015				2014			
	Europe	Russia/ Ukraine	unallo- cated	TOTAL	Europe	Russia/ Ukraine	unallo- cated	TOTAL
<b>EQUITY AND LIABILITIES</b>								
<b>Capital and reserves attributable to the Group's equity holders</b>								
Share capital			73,194	73,194			73,194	73,194
CTA	4,522	7,609		12,131	6,705	5,493		12,198
Retained earnings	575,123	-5,321		569,802	481,920	-1,637		480,283
	579,645	2,288	73,194	655,127	488,625	3,856	73,194	565,675
Non-controlling interests	6,253	-6		6247	5,514	-6		5,508
<b>Total equity</b>	<b>585,898</b>	<b>2,282</b>	<b>73,194</b>	<b>661,374</b>	<b>494,139</b>	<b>3,850</b>	<b>73,194</b>	<b>571,183</b>
<b>Non-current liabilities</b>								
Interest-bearing loans and borrowings			778,984	778,984			440,187	440,187
Deferred tax liabilities	36,194	5,289		41,483	19,151	4,619		23,770
Other non-current liabilities	0	0		0	2,500	0		2,500
Long-term provisions	140	0		140	178	0		178
<b>Total non-current liabilities</b>	<b>36,334</b>	<b>5,289</b>	<b>778,984</b>	<b>820,607</b>	<b>21,829</b>	<b>4,619</b>	<b>440,187</b>	<b>466,635</b>
<b>Current liabilities</b>								
Trade and other payables	40,010			40,010			46,458	46,458
Current tax liabilities	3,889	0		3,889	2,307	0		2,307
Interest-bearing loans and borrowings	127,549			127,549			181,243	181,243
Short-term provisions	0			0	0	0		0
<b>Total current liabilities</b>	<b>171,448</b>	<b>0</b>	<b>0</b>	<b>171,448</b>	<b>2,307</b>	<b>0</b>	<b>227,701</b>	<b>230,008</b>
<b>Total liabilities</b>	<b>207,782</b>	<b>5,289</b>	<b>778,984</b>	<b>992,055</b>	<b>24,136</b>	<b>4,619</b>	<b>667,888</b>	<b>696,643</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>793,680</b>	<b>7,571</b>	<b>852,178</b>	<b>1,653,429</b>	<b>518,275</b>	<b>8,469</b>	<b>741,082</b>	<b>1,267,826</b>



INCOME STATEMENT	2015				2014			
	Europe	Russia/ Ukraine	unallo- cated	Total	Europe	Russia/ Ukraine	unallo- cated	Total
Revenue	81,484	17,952		99,436	54,552	15,027		69,579
Other operating income	5,744	205		5,949	13,904	47		13,951
Cost of Property Development Inventories	-48,896	-69		-48,965	-36,028	-123		-36,151
Employee benefit expense	-1,021	-37		-1,058	-1,156	-34		-1,190
Depreciation amortisation and impairment charges	-552	-1		-553	-587	-1		-588
Gains/losses from revaluation of Investment Property	119,558	-5,146		114,412	31,657	-20,322		11,335
Other operating expense	-36,972	-3,784		-40,756	-31,784	-4,718		-36,502
Share of results of associates	0			0	-790			-790
<b>Operating profit - result</b>	<b>119,345</b>	<b>9,120</b>	<b>0</b>	<b>128,465</b>	<b>29,768</b>	<b>-10,124</b>	<b>0</b>	<b>19,644</b>
Finance income			6,427	6,427			4,298	4,298
Finance costs			-26,372	-26,372			-31,536	-31,536
<b>Profit before income tax</b>				<b>108,520</b>				<b>-7,594</b>
Income tax expense	-19,255	816		-18,439	-5,702	4,234		-1,468
<b>Profit for the year</b>				<b>90,081</b>				<b>-9,062</b>
<b>Attributable to:</b>								
Equity holders of parent	-733	0		89,348	-631	0		-9,693
Non-controlling interests	733	0		733	631	0		631



## 1. Summary of significant accounting policies

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

### 1.1. Introduction

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

These financial statements are IFRS consolidated financial statements that include the resources and activities of Ghelamco Group Comm. VA and its legal subsidiaries that are part of the Investment Holding at 31 December 2015.

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

### 1.2. Basis of preparation

The Investment Holding’s consolidated financial statements include those of the Ghelamco Group Comm. VA and its subsidiaries (together referred to as the “Investment Holding”). The consolidated financial statements were approved for issue by Management on March 25, 2016. 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 2015. The Investment Holding has adopted all new and revised standards and interpretations relevant for its activities and which became applicable for the financial year starting 1 January 2015.

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 2015

Standards and Interpretations that the Investment Holding anticipatively applied in 2014 and 2015:

- None

Standards and Interpretations that became effective in 2015

- Improvements to IFRS (2011-2013) (applicable for annual periods beginning on or after 1 January 2015)
- IFRIC 21 *Levies* (applicable for annual periods beginning on or after 17 June 2014)

Standards and Interpretations which became effective in 2015 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 authorized for issue but not yet mandatory and have not been early adopted by the Investment Holding:

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 38 Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 19 Employee Benefits - Employee Contributions (applicable for annual periods beginning on or after 1 February 2015)
- Amendments to IAS 27 Separate Financial Statements - Equity Method (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)



- IFRS 16 Leases (applicable for annual periods beginning on 1 January 2019, but not yet endorsed in EU).

At this stage, the Investment Holding does not expect the first adoption of these Standards and Interpretations to have any material financial impact on the financial statements at the moment of initial application. With respect to the changes in IFRS 9, 15 and 16, the company is still evaluating the potential impact.

## 1.5. Principles of consolidation

### **1.5.1. Consolidation scope**

The entities included in the consolidation scope are those that are under control of the Company on 31 December 2015 and on 31 December 2014 (see Notes 4 and 5). Control is achieved when the Company

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

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

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

The transactions with other entities owned directly or indirectly by the ultimate beneficial owners of the Investment Holding are deemed transactions with related parties and are not eliminated, but are presented as balances and transactions with related parties in Note 29.

### **1.5.2. Acquisition of subsidiaries**

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

During the course of 2015 and 2014, there were no acquisitions of subsidiaries that qualified as an acquisition of a business as defined in IFRS 3 “Business Combinations”.

### **1.5.3. Sale of subsidiaries**

As was the case in the past, the 2015 and 2014 business of the Investment Holding consists of investing in commercial and the creation of residential real estate projects. Commercial properties are held for lease. Residential properties are offered for sale.

General rule:

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



#### Comments 2015

In 2015 no commercial projects have been sold through share deals. On the other hand, the remaining office space in Ring Offices (approx. 1,250 sqm) in Ghent, has been sold for an amount of 2,920 KEUR, through an asset deal.

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

#### Comments 2014

In November 2014 and upon an attractive bid by an investor, the L-Park mixed office and retail project in Leuven was sold. The sales transaction was structured as a share deal (i.e. 100% of the shares of the project SPV L-Park NV), in line with the general approach to sell commercial projects. The transaction has in the financial statements been presented as a disposal of IP.

In October and November 2014 the subsidiaries Rubia NV (holding an exploitation licence for 115 senior home (bed-)places) and RPI NV (holding land positions) were sold to resp. a third party operator and a third party investor. Both sales transactions were connected with the Wezembeek-Oppem senior homes project the Company is realising in a joint venture structure. These sales transactions were structured as share deals, while they have in the financial statements been presented on a gross basis (i.e. revenue and cost of sales).

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

#### **1.5.4. Increase in ownership interests in subsidiaries**

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

#### **1.5.5. Foreign currency translation**

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

##### *Foreign currency transactions*

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

##### *Foreign entities*

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



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

	2015		2014	
	Closing rate at 31 December	Average rate for 12 months	Closing rate at 31 December	Average rate for 12 months
Polish Zloty (PLN)	4.2615	4.1839	4.2623	4.1845
Russian Rouble (RUB)	79.6972	67.9915	68.3427	50.9928
United States Dollar (USD)	1.0887	1.1095	1.2141	1.3285
Ukrainian Hryvnia (UAH)	26.2231	24.2287	19.2329	15.7159

### **1.5.6. Hyperinflationary economies**

None of the Investment Holding entities operated in a hyperinflationary economy in 2015 and 2014.

### **1.6. Property, plant and equipment**

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

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

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

The applicable useful lives are:

Tangible fixed assets	Years
Buildings	20 to 40
Vehicles	5
Equipment	5 to 10

### **1.7. Finance leases**

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

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

### **1.8. Impairment of assets**

At each balance sheet date, the Investment Holding reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss.



If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Investment Holding estimates the recoverable amount of the unit to which the asset belongs.

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

### 1.9. Investment Property

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

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

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

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

The Investment Holding distinguishes 4 different stages for Investment Property:

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

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

#### **Investment Properties under construction (A), (B), (C)**

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

- 1. Based on comparative method;
- 2. Based on realizable m<sup>2</sup>;
- 3. Based on residual method.

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

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

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

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

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

- Projects under (A): fair value of the land plus cost of in process development





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

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

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

### **Completed Investment Properties (D)**

Investment Properties are considered completed:

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

Completed Investment Properties are valued by internationally qualified appraisers as of the end of the period, based on market values in accordance with the RICS Valuation Standards.

They are recognized at fair value reflecting the market conditions at the balance sheet date. Market values of the project are calculated based on the Yield method or Discounted Cash Flow method, depending on the type of project, its status and the location.

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

#### **1.10. Non-current assets held for sale and discontinued operations**

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

For a sale to be highly probable, the entity should be committed to a plan to sell the asset (or disposal group), 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 realizable 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 capitalized. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. Capitalization commences when expenditures and borrowings are being incurred for the asset, and ceases when all the activities that are necessary to prepare the asset for its intended use or sale are complete. The capitalization criteria are usually met as from the date of acquisition of land for building purposes, as activities related to development are usually being undertaken by the Investment Holding as from that date.

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

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

#### Perpetual usufruct and operating lease contracts of land

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

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

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

### 1.12. Trade and other receivables

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

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

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



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

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

#### 1.13. Financial assets

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

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

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

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

For an overview of financial assets (and liabilities) by category in accordance with IAS39, reference is made to section 17 below.

#### 1.14. Cash and cash equivalents

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

#### 1.15. Share capital

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

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

#### 1.16. Current and deferred income taxes

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

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

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



The recognition of deferred tax liabilities on fair value adjustments is based on the assumption that the land and buildings held by the Investment Holding will be realized through asset deals. Sales through asset deals however mainly apply to the residential projects held by the Investment Holding (which are classified as inventory; which is not subject to fair value accounting).

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

In connection with the acquisition in Poland of closed-end funds in 2011 and the related transfer process of SPVs to those funds, outstanding deferred tax balances of entities which were transferred to the funds were released (9.3 MEUR per end 2011 and 21.9 MEUR per end 2012) (and no further deferred taxes were set up in 2011, 2012 and 2013), as the funds-structure was under the Polish tax regulations exempt from tax. Within the framework of a change in Polish tax legislation and the resulting abolishment from 1 January 2014 onwards of tax transparency of the Polish project companies (SKAs) under the above closed-end funds, a fiscal step-up operation was organized and accomplished before year-end 2013. In this respect, the Company acquired in the course of 2013 new shelf companies (SKAs), to which the existing project companies sold their real estate projects in December 2013, at market value. In total, 15 projects were subject to this step-up exercise. This way, market value per 31/12/2013 of the involved projects was definitively fiscally exempted. And from 2014 onwards, deferred tax liabilities are again recognized on (new) fair value adjustments.

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

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized (Note 19).

#### 1.17. Trade and other payables

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

#### 1.18. Borrowings

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

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



### 1.19. Revenue recognition

Revenue mainly includes sales of properties and rental income.

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

#### *Sale of Property Development Inventory*

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

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

The property disposals might be structured in a tax-efficient manner as a sale of shares in a legal entity that holds the property. The sales of real estate projects structured as a sale of shares are presented in these financial statements in accordance with the substance and economic reality of the transactions and not merely with their legal form. Thus, the amount of inventories recognized as an expense during the period referred to as "Cost of Property Development Inventories sold" comprises costs directly related to the property development projects sold during the year. The revenue from sales of properties reflects the market value of the properties sold.

#### *Rental income*

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

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

#### *Sale of Investment Property*

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

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

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



## 2. Financial risk management

### 2.1 Financial risk factors

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

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

#### **2.1.1 Foreign exchange risk**

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

Within the Eurozone, the Investment Holding concludes all engineering and architectural contracts, main construction contracts and main part of (project) financing contracts in Euro. On the other hand, the Investment Holding has over the past four years and via its financial vehicle Ghelamco Invest SP. z o.o., issued significant amounts of Polish bearer bonds (with an outstanding amount of 667.6 MPLN as of 31/12/15). 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 issues, some local construction contracts and the sale amounts of residential projects.

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

Up until end 2011, Russian projects have mostly been financed through semi equity expressed in Euro. Bank financing for the construction of the Dmitrov Logistics Park Project is however since 2012 expressed in USD. The same risk mitigation as for Ukraine applies.

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

As stated, main net foreign currency position which the Company holds at the reporting date relates to the:

- Polish bearer bonds in PLN for a (net) amount of 652.751 KPLN. A 10% strengthening/weakening of the EUR against the PLN rate at 31 December 2015 would resp. have increased/decreased the profit before tax and equity by approx. 15,5 MEUR. This analysis assumes that all other variables (e.g. interest rates) remain constant.

- USD bank loans in Russia for a net amount of 105,988 KUSD.

A 10% strengthening/weakening of the EUR against the USD rate at 31 December 2015 would resp. have increased/decreased the profit before tax and equity by approx. 9,8 MEUR. This analysis assumes that all other variables (e.g. interest rates) remain constant.

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

Over 2014, 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 41,387 KEUR on the Warsaw Spire project (Ghelamco Warsaw Spire SKA) at a fixed rate of 3,9 PLN/EUR. These hedging transactions resulted in a gain for Granbero Capital for an amount of 2,748 KEUR. The remaining amounts covered by the above





contract for 2014 consisted of 3,400 KEUR on the Warsaw Spire project. The market value of these contracts amounted to 290 KEUR as of balance sheet date; value which has been recognized through the profit and loss statement. These derivatives were classified as held for trading under IFRS.

Over 2015, 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 3,372 KEUR on the Warsaw Spire project (Ghelamco Warsaw Spire SKA) at a fixed rate of 3,9 PLN/EUR. These hedging transactions resulted in a gain for Granbero Capital for an amount of 213 KEUR.

Per end of December 2015, there are no remaining amounts to be covered by the above contract in 2016. The market value of derivative contracts has by consequence dropped to zero as of balance sheet date; evolution which has been recognized through the profit and loss statement.

A weakening/strengthening of the PLN (average and 31/12/15 spot) exchange rates versus the EUR by 5% would, as a consequence of the above hedging, have resulted in a 149 KEUR higher/lower profit before tax for 2015.

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

### **2.1.2 Interest rate risk**

The Investment Holding actively uses external and internal borrowings to finance its property projects in Belgium, France, Poland, Russia and Ukraine. A property project's external financing is usually in the form of a bank loan denominated in Euro or US Dollars (see Note 16). Since the 1,004.7 MPLN + 6.3 MEUR total amount of bearer bond issues (of which 667.7 MPLN + 6.3 MEUR actually still outstanding per balance sheet date) by Ghelamco Invest Sp. z o.o. over the past years, Polish projects can also be partly financed through the proceeds of these bonds. The same goes for Belgium since the private bond issues for a total amount of 262 MEUR (of which 220 MEUR actually still outstanding per balance sheet date).

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

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

- Land acquisition loans (usually provided for a term of two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin.
- Construction loans provided until completion of construction and obtaining of the exploitation permit (usually for a term of about two years). The interest is calculated at market floating rates (from 1 up to 6 months) increased by a margin and mostly capitalized in the construction loan. The land acquisition loan is at this stage integrated in the construction loan.
- Once the property is completed, leased and meets all ongoing covenants, the construction financing is swapped into an investment loan, usually provided for a period of five years beginning from the signing of the investment loan agreement and repayable gradually with rental income or fully upon sale of the property. The banks are usually willing to offer investment loans up to an amount that reflects 65% to 70% of the property's market value. The interest is usually a mix of floating and fixed rates. In addition, the capital is amortized at a level between 4% and 7% per annum (on average), usually payable on a quarterly basis together with the accrued interest.
- For the Polish projects: 667.6 MPLN + 6.3 MEUR proceeds from bond issues with a term of 3 to 4 years and bearing an interest of Wibor 6 months + 3.5%-5% and Euribor 6 months + 4,3% resp.; proceeds of which can be used over the resp. project development stages.
- For the Belgian and French projects; 70 MEUR private bond issue due 28 February 2018, bearing an interest of 6.25%; 79.1 MEUR EMTN bond issue due 3 July 2020 and bearing an interest of



4.50% and 70.9 MEUR EMTN bond issue due 14 June 2021 and bearing an interest of 4.125%; proceeds of which can be used over the resp. project investment stages.

The Investment Holding actively uses intra-group borrowings provided by the Financing Vehicles acting as financial intermediaries (mainly Peridot SL and Salamanca Capital Services Ltd at 31 December 2015 and 31 December 2014) to finance the property projects in Poland, France, Belgium, Russia and Ukraine. These intra-group loans bear interest at market floating interest rates and are fully eliminated from these IFRS consolidated financial statements.

For sensitivity analysis, reference is made to disclosure 16 on interest-bearing loans and borrowings.

### **2.1.3 Operational risk (price risk in first instance)**

#### **Price risk**

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

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

Most property projects are realized in cooperation with parties related to the Investment Holding (see Note 29.2).

#### **Market research**

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

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

#### **Permit risk**

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

#### **Construction risk**

Construction risks are monitored by the Consortium in-house engineers. They define the construction cost as from the date of the feasibility study and take full responsibility for material discrepancies. Therefore, fine-tuning of budgets, choice of materials, construction techniques and construction prices is a constant process within the Consortium. This avoids cost overruns and delivery delays for the Investment Holding.

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

#### **Engineering risk**

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

#### **Financing risk**

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





In the past four years, the Investment Holding in addition proved to be able to call upon alternative financing through the issue of bonds in Belgium (220 MEUR unsecured bonds outstanding as of 31 December 2015; ut infra) and Poland (667.6 KPLN + 6.3 MEUR bearer bonds outstanding as of 31 December 2015).

**Commercial risk**

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

**Investment market risk**

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

**2.1.4 Credit risk**

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

For further analysis, reference is made to note 10.

**2.1.5 Liquidity risk**

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

The maturity analysis for financial liabilities that shows the remaining contractual maturities is presented in Note 16.

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

**2.1.6 Foreign political and economic risk**

Significant part of projects operated through subsidiaries of the Investment Holding are located and operated in Poland, Russia and Ukraine and are held through Belgian and Cypriot holding structures. As a result, the operation of these projects and the upstreaming of related revenues are subject to certain inherent risks to these countries which may include, but are not limited to unfavourable political, regulatory and tax conditions.

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



## 2.2 Capital risk management

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

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

The Investment Holding monitors capital/balance sheet structure primarily based on the solvency ratio. This ratio is calculated as total equity divided by the balance sheet total. The solvency ratios at 31 December 2015 and 2014 were as follows:

	<b>2015</b>	<b>2014</b>
Equity	661,374	571,183
Total assets	1,653,429	1,267,826
<b>Solvency ratio</b>	<b>40,0%</b>	<b>45,1%</b>



### 3. Critical accounting estimates and judgements

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

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

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

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

#### *Impairment of assets*

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

Last year's cumulated impairment at the level of Signal Bud Sp. z o.o (141 KEUR) has been realised after the liquidation of the company.

Last year's cumulated impairment at the level of Expert Invest Sp. z o.o (220 KEUR) has been reversed after a positive settlement.

No additional impairments/write-offs to the profit and loss statement were deemed necessary in 2015.

#### *Income taxes*

Given the diversity of its geographical locations, the Investment Holding operates within a complex international legal and regulatory environment. Deferred tax is determined based on each legal entity's tax position and is reviewed on each balance sheet date to take account of the impact of changes in the tax laws and the probability of recovery.

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

Belgium:	33.99 %
Poland:	19 %
Russia:	20 %
Ukraine:	18 %
Cyprus:	12,5 %
Luxemburg:	21.84 % (exceptions for financial rulings)
Spain:	30%

#### *Fair value estimation*

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

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

In conformity with IAS 39, all derivatives are recognized at fair value in the balance sheet.

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



#### 4. List of subsidiaries

Ghelamco Group Comm. VA subsidiaries included in these IFRS consolidated financial statements are as follows:

Entity description	Country	31/12/2015 % voting rights	31/12/2014 % voting rights	Remarks
Ghelamco Capital (Branch)	LU	n/a	n/a	
<b>Ghelamco Invest NV</b>	<b>BE</b>	<b>99</b>	<b>99</b>	*
The White House Zoute NV	BE	99	99	*
Dock-Site NV	BE	99	99	*
Dianthus NV	BE	99	99	*
Nepeta NV	BE	99	99	*
Eurostadium Events NV (former De Leewe III NV)	BE	99	99	*
Eurostadium Park NV (former Immo Simava 13 NV)	BE	99	99	*
Leisure Property Invest NV	BE	99	99	*
Waterview NV	BE	99	99	*
Retail Leuven NV (former Estate of the Art NV)	BE	99	99	*
Leuven Student Housing NV	BE	99	99	*
Parking Leuven NV (former Ring Congress Centre NV)	BE	99	99	*
Wavre Retail Park NV	BE	99	99	*
RHR-Industries NV	BE	99	99	*
Zeewind NV	BE	99	99	*
Artevelde Stadion CVBA	BE	11	57	**
Docora NV	BE	99	99	*
Ring Multi NV (former Ring Retail NV)	BE	99	99	*
MeetDistrict Gent NV	BE	99	n/a	4.3
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	*
Forest Parc NV	BE	99	99	*
Belalan Bischoffsheim Leasehold NV	BE	99	n/a	4.1
Bischoffsheim Freehold NV	BE	99	n/a	4.3
Belalan Louise Leasehold NV	BE	99	n/a	4.1
Louise Freehold NV	BE	99	n/a	4.3
De Nieuwe Filature NV	BE	99	99	*
Pomme de Pin Expansion SAS	FR	100	n/a	4.1
Société Immobilière de Courchevel SARL	FR	100	n/a	4.1
Pomme de Pin SAS	FR	100	n/a	4.1
Brussels Urban Invest NV	BE	99	n/a	4.1



<b>GRANBERO HOLDINGS Ltd.</b>	<b>CY</b>	<b>100</b>	<b>100</b>	
Granbero Capital (branch)	LU	n/a	n/a	
Apollo Invest Sp. z o.o	PL	40	40	***
Expert Invest Sp. z o.o	PL	100	100	
Industrial Invest Sp. z o.o	PL	100	100	
Prima Bud Sp. z o.o.	PL	70	100	4.2
Signal Bud Sp. z o.o	PL	n/a	100	4.4
Ghelamco Invest Sp. z o.o	PL	100	100	
CC 26 F.I.Z.	PL	n/a	100	4.4
Ghelamco GP 1 Sp z o.o	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Axiom SKA	PL	n/a	100	4.4
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Konstancin SKA	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Dystryvest SKA	PL	n/a	100	4.4
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Port Żerański SKA	PL	100	100	
Ghelamco GP 8 Spółka z ograniczoną odpowiedzialnością Dahlia SKA	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Tillia SKA	PL	100	100	
Innovation Bud Bis Sp. z o.o. (former Innovation SKA)	PL	100	100	
Ghelamco GP 9 spółka z ograniczoną odpowiedzialnością Sobieski Towers SKA	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Office SKA	PL	n/a	100	4.4
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Matejki SKA	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Market SKA	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Erato SKA	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Pattina SKA	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością UNIQUE SKA	PL	70	100	4.2
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością PIB SKA	PL	100	100	
Ghelamco GP 1 Spółka z ograniczoną odpowiedzialnością Callista SKA	PL	n/a	100	4.4
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Vogla SKA	PL	100	100	
Ghelamco GP 5 Sp. z o.o. (former Fusion Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 5 Spółka z ograniczoną odpowiedzialnością Capital SKA	PL	n/a	100	4.4
Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością Sienna Towers SKA	PL	100	100	
Ghelamco GP 5 Spółka z ograniczoną odpowiedzialnością Pro Business SKA	PL	n/a	100	4.4
Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością SBP SKA	PL	100	100	
Ghelamco GP 5 Spółka z ograniczoną odpowiedzialnością Creative SKA	PL	n/a	100	4.4
Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością Foksal SKA	PL	100	100	
Ghelamco GP 3 Sp. z o.o. (former Belle Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Bellona Grzybowska 77 SKA	PL	n/a	100	4.4
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Grzybowska 77 SKA	PL	100	100	
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Logistyka SKA	PL	n/a	100	4.4
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Wronia SKA	PL	100	100	
Ghelamco GP 7 Sp. z o.o. (former Power Invest Sp. z o.o)	PL	100	100	



Ghelamco GP 7 spółka z ograniczoną odpowiedzialnością Business Bud SKA	PL	n/a	100	4.4
Ghelamco GP 7 spółka z ograniczoną odpowiedzialnością Postępu SKA	PL	100	100	
CC 28 F.I.Z.	PL	100	100	
Ghelamco GP 2 Sp z o.o	PL	100	100	
Ghelamco GP 2 Spółka z ograniczoną odpowiedzialnością Excellent SKA	PL	n/a	100	4.4
Ghelamco GP 2 spółka z ograniczoną odpowiedzialnością KBP SKA	PL	n/a	100	4.4
Ghelamco GP 2 Spółka z ograniczoną odpowiedzialnością Primula SKA	PL	n/a	100	4.4
Ghelamco GP 2 Spółka z ograniczoną odpowiedzialnością Kalea SKA	PL	n/a	100	4.4
Ghelamco GP 2 Spółka z ograniczoną odpowiedzialnością Proof SKA	PL	100	100	
Ghelamco GP 4 Sp. z o.o. (former Betula Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 2 Spółka z ograniczoną odpowiedzialnością Kappa SKA	PL	n/a	100	4.4
Ghelamco GP 2 spółka z ograniczoną odpowiedzialnością M12 SKA	PL	100	100	
Ghelamco GP 3 Spółka z ograniczoną odpowiedzialnością Focus SKA	PL	n/a	100	4.4
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością ŁBP SKA	PL	n/a	100	4.4
Ghelamco Warsaw Spire Sp. z o.o. (former Immediate Investment Sp. z o.o)	PL	100	100	
Ghelamco Warsaw Spire Spółka z ograniczoną odpowiedzialnością SKA (former Eastern Europe Bud Sp. z o.o)	PL	100	100	
Ghelamco Warsaw Spire spółka z ograniczoną odpowiedzialnością WS SKA	PL	100	100	
Ghelamco GP 6 Sp. z o.o. (former Opportunity Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 6 Spółka z ograniczoną odpowiedzialnością HQ SKA	PL	100	100	
Ghelamco GP 2 Spółka z ograniczoną odpowiedzialnością Isola SKA	PL	100	100	
Ghelamco GP 8 Sp.z o.o.	PL	100	100	
ACG1 Sp. z o.o.	PL	100	100	
Espressivo Sp. z o.o.	PL	100	n/a	4.1
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Sigma SKA	PL	100	n/a	4.1
Ghelamco Garden Station Sp.z o.o.	PL	100	n/a	****
Ghelamco Nowa Formiarnia Sp. z o.o. (former Budomal)	PL	100	n/a	4.1
Creditero Holdings Ltd.	CY	100	100	
Bellona Bema 87 Sp. z o.o.	PL	100	100	
<b>SAFE HOLDING BELGIUM NV</b>	<b>BE</b>	<b>99</b>	<b>99</b>	*
Motaro Holdings Ltd.	CY	99	99	*
Challenge Invest Ltd.	UA	99	99	*
Vision Invest Ltd.	UA	99	99	*
Algowood Investments Ltd.	CY	99	99	*
Instant Invest Ltd.	UA	99	99	*
Urban Invest Ltd.	UA	99	99	*
Goronin Holdings Ltd.	CY	99	99	*
Hybrid Invest Ltd.	UA	99	99	*
Field Invest Ltd.	UA	99	99	*
Farota Trading Ltd.	CY	99	99	*
Corporate Invest Ltd.	UA	99	99	*
Success Invest Ltd.	UA	99	99	*



Creletine Ltd.	CY	99	99	*
Logistic Park Ermolino Ltd.	RU	99	99	*
Millor Enterprises Ltd.	CY	99	99	*
Belyrast Logistics Ltd.	RU	99	99	*
Finaris SA	LU	100	100	
Salamanca Capital Services Ltd.	CY	100	100	
Peridot SL	ES	48	48	***

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

(\*\*): In the previous year included in the Ghelamco Invest consolidated financial statements under the equity method. As in the current year the participating interest has diluted to 11%, the participation is on the balance sheet at (amortized) cost.

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

(\*\*\*\*): Subsidiaries were (as shelf entities) already controlled in 2014 but only have been consolidated for the first time in 2015.

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

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

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

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

Summary of incorporations, acquisitions and disposals of subsidiaries (and other business units) realized by the Investment Holding during the year ended on 31 December 2015. 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

End of February 2015, the Group acquired all (but one) shares of Belalan Bischoffsheim Leasehold NV (for a share price of 12,500 KEUR); company which holds a long-term leasehold right in a (plot and) building located at the Boulevard Bischoffsheim in Brussels, for the future development and realisation of a combined office-residential project (approx. 16,000 sqm office space, 22 apartments and 174 parkings).

In the same transaction, the Group also acquired all (but one) shares of Belalan Louise Leasehold NV (for a share price of 8,200 KEUR); company which holds a long-term leasehold right in a (plot and) building located at the Louizalaan in Brussels, for the future development and realisation of a combined retail-residential project (52 luxurious apartments and approx. 500 sqm of shopping space).





Mid July, the Group has acquired 100% of the shares of Pomme de Pin Expansion SAS (and its subsidiaries Société Immobilière de Courchevel SARL and Pomme de Pin SAS) for a (net) share price of 29.9 MEUR and became the owner of the hotel Pomme de Pin in Courchevel 1850 for the future development and sale of a residential project, consisting of approx. 6.000 sqm apartments with hotel service.

On 1 December 2015, the Group has acquired all (but one) shares of Brussels Urban Invest NV; company holding the long-term leasehold right on a building at Rue de la Banque in Brussels. Transaction value amounted to 24 MEUR.

In the course of 2015 some new Polish SPVs have been acquired or incorporated and are (directly or indirectly) held for 100% by the Company. All have in addition been acquired or incorporated for (directly or indirectly) holding future real estate developments. It concerns the following: Espressivo Sp. z o.o., Budomal SP. z o.o., Sigma SKA, Ghelamco Gdanska PI Sp. z o.o. and Altona SKA.

In addition, end October 2015, Ghelamco Polish Project 1 SCSp (Luxemburg special limited partnership) has been 'incorporated' between the closed-end investment fund CC28 and Finaris SA (related party and 100% subsidiary of Ghelamco Group Comm. VA, acting as managing General Partner). And afterwards, CC28 has contributed its participation in Woronicza SKA (which in turn holds 100% of the shares in Proof Sp. k.) in Ghelamco Polish Project 1 SCSp in exchange for partnership certificates. Above operation has been organized in accordance with applicable local legal and fiscal regulations and at arm's length. This operation has had no impact on the Company's 2015 consolidated financial statements.

Above acquisitions have, in accordance with what has been stated in section 1.5.2 above, been booked as the purchase of property development inventories and have been considered as operating cash (out-)flow items. Also in accordance with what has been stated in section 1.5.2, in these acquisitions no significant other assets and/or liabilities have been acquired than the items booked in inventory.

#### 4.2 Disposal of subsidiaries

There have been no disposals of subsidiaries during the year ended on 31 December 2015. Still, in the course of 2015 30% of the shares of SPVs Unique SKA, Prima Bud Sp. z o.o. and Tarima SKA has been sold to Deus Comm. VA, related party and parent company of the Portfolio Holding. The shares have been sold at arm's length and the operation had given its limited size an insignificant impact on the Company's 2015 consolidated financial statements.

#### 4.3 Incorporation of new shelf companies

In January 2015, 2 new SPVs (Louise Freehold NV and Bischoffsheim Freehold NV) have been incorporated for the acquisition of the freehold rights on resp. a building located at the Louizalaan in Brussels and a building located at the Boulevard Bischoffsheim in Brussels.

On March 31 2015, 1 new SPV (Meetedistrict NV) has been incorporated for the realisation of the Meetdistrict, innovative and high-end business and congress center in the Ghelamco Arena of which phase 1 has actually been delivered and opened in the course of the year.

In the above entities all shares (250) but one have been subscribed by Ghelamco Invest and one by Mr. P. Gheysens. The entities have a share capital of 250 KEUR, of which 63.5 KEUR has been paid in.

In addition, in January 2015, 2 new SPVs (Filature Parking NV and Filature Retail NV) and in June 2015, another six SPVs (Eurostadium Offices NV, Eurostadium Parking NV, Eurostadium Storage NV, Eurostadium Foot&Hospitality NV, Pavilion NV and Ghelamco Campus NV) have been incorporated for the development of future real estate projects. Also in these entities, all shares (250) but one have been subscribed by Ghelamco Invest and one by Mr. P. Gheysens. The entities have a share capital of 250 KEUR, of which 63.5 KEUR has been paid in.





#### 4.4 Mergers and liquidations of subsidiaries

End of August 2015 – and in connection with a restructuring of the Polish organisational structure with the purpose of achieving some more efficiency and simplification – following ‘idle’ entities have been merged into Espressivo Sp. z o.o., newly incorporated entity (see above):

- Kalea SKA
- KBP SKA
- LBP SKA

Also end of August 2015, following entities have been merged into Innovation Bud Bis Sp. z o.o.:

- Signal Bud Sp. z o.o.
- Axiom SKA
- Callista SKA
- Dystryvest SKA
- Office SKA
- Grzybowska SKA
- Logistyka SKA
- Creative SKA
- Pro Business SKA
- Capital SKA
- (and also following shelf entities which were given their limited size previously not yet consolidated financial statements of the Company: Mszczonow SKA, Qbik SKA, GH PL SKA, Services SKA)

And finally, in the course of September 2015, following entities have been merged into Ghelamco GP4 Sp. z o.o.:

- Excellent SKA
- Kappa SKA
- Primula SKA
- Focus SKA

As a result of the above mergers, the involved SPVs have been liquidated and their rights and obligations have been transferred to the merged entities. These mergers have had a limited to zero impact on the Company's consolidated financial statements as of 31 December 2015.

Still in connection with the above restructuring, the closed end fund CC26 has in the course of 2015 sold its remaining participations to the closed end fund CC28 and has, after redemption of its certificates to the Company, been dissolved. Also this operation has had an insignificant impact on the Company's consolidated financial statements as of 31 December 2015.

#### 4.5 Transfer of Subsidiaries

##### 2015

Except for the contribution by CC28 of its participation in Woronicza SKA in Ghelamco Polish Project 1 SCSp as described in section 4.1, the sale by the Company of 30% of the shares of SPVs Unique, Prima Bud and Tarima as described in section 4.2 and the mergers and liquidations of subsidiaries as described in section 4.4 of this report, there have been no other subsidiary transfers within the Investment Holding or between the Investment Holding and IRS Comm. VA or Deus Comm. VA, related parties and holding companies of the Development Holding and the Portfolio Holding respectively.

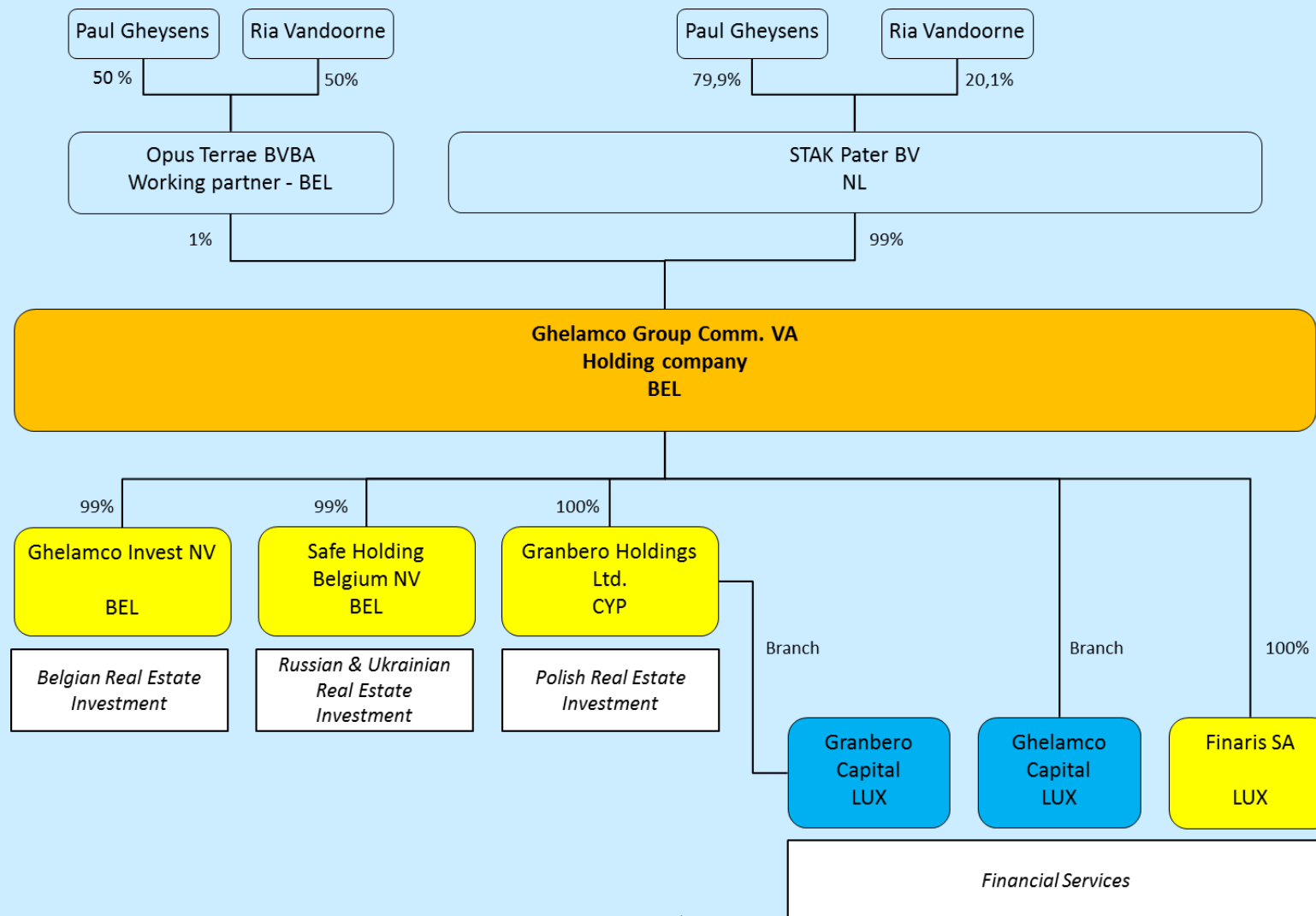
##### 2014

During 2014 – and except for Portfolio Invest Ltd. (and its subsidiary Preferent Invest Ltd.) which have been sold and transferred to Impetira Holdings Ltd., related party which makes part of the Development Holding – there were no subsidiary transfers within the Investment Holding or between the Investment Holding and IRS Comm. VA or Deus Comm. VA, related parties and holding companies of the Development Holding and the Portfolio Holding respectively.

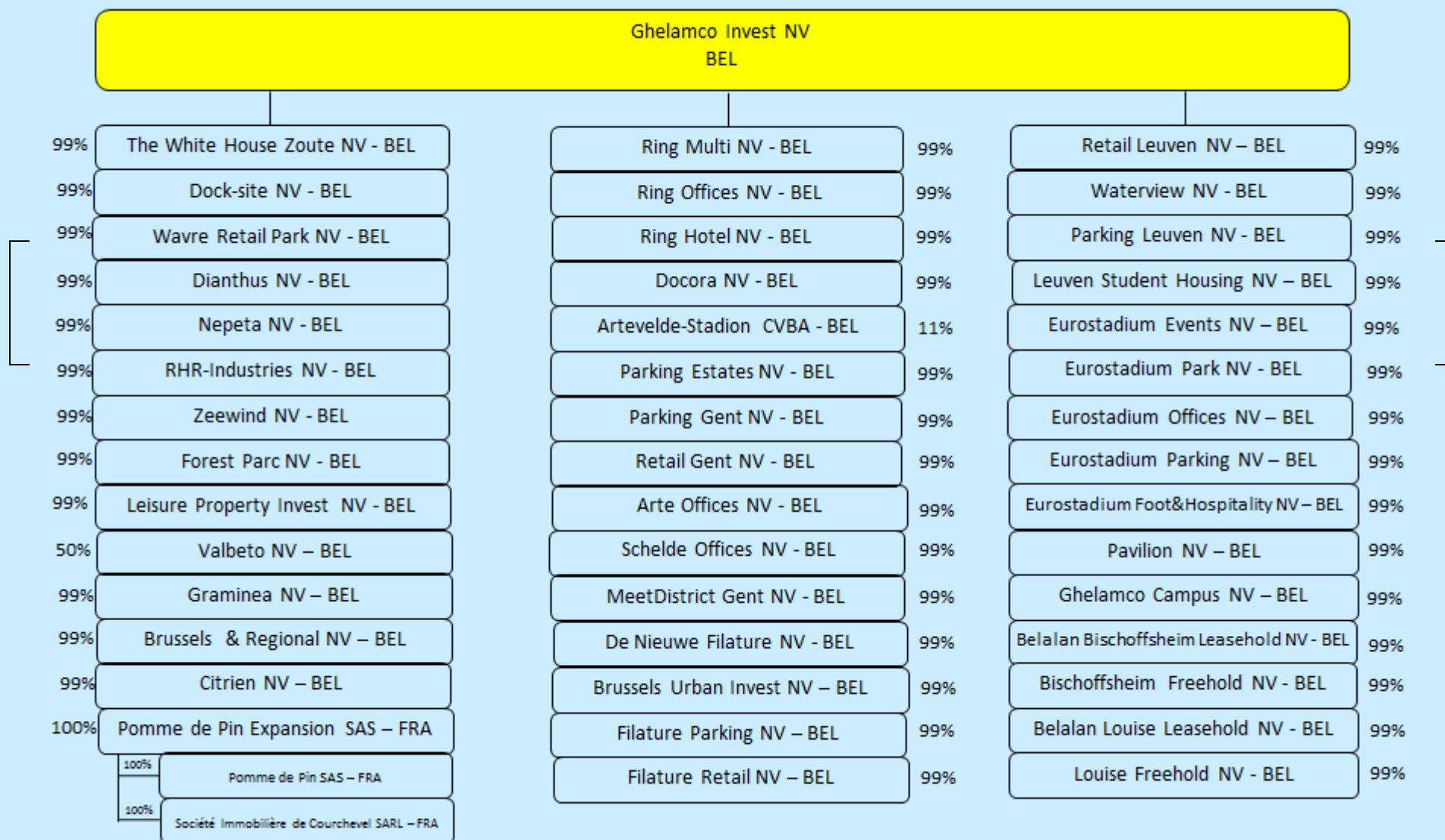


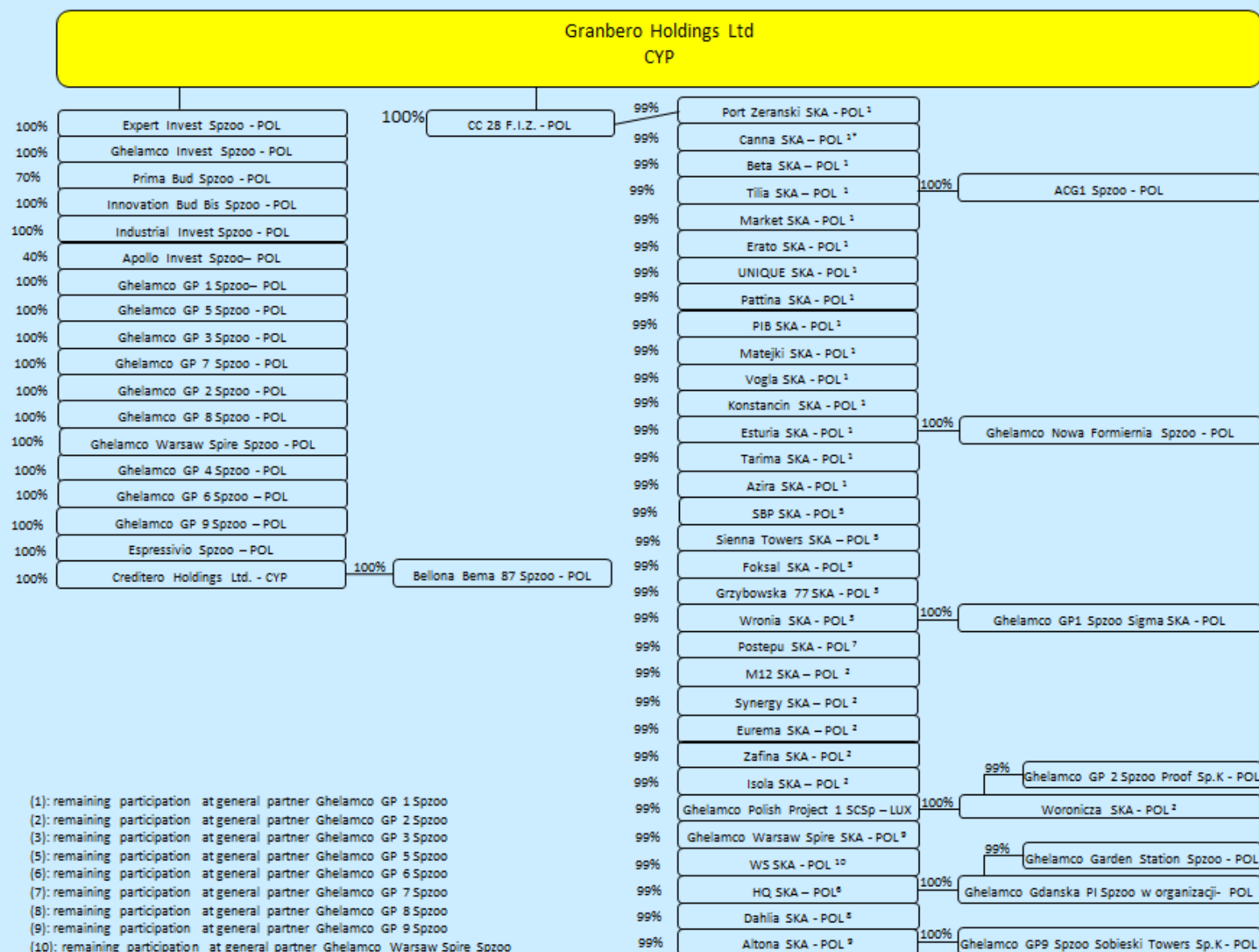
## 5. Group structure

### 5.1. Investment Holding as per December 31<sup>st</sup>, 2015

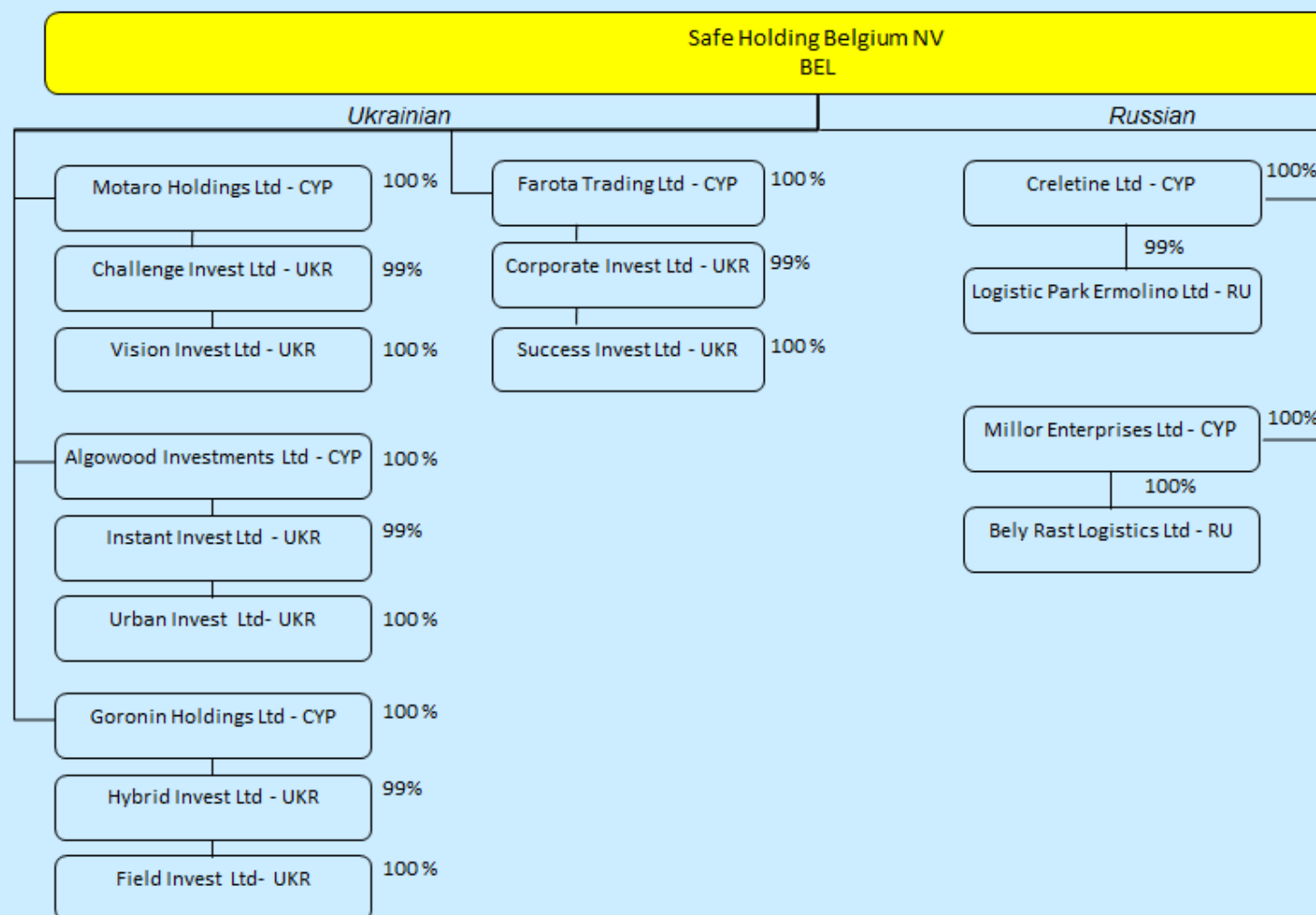


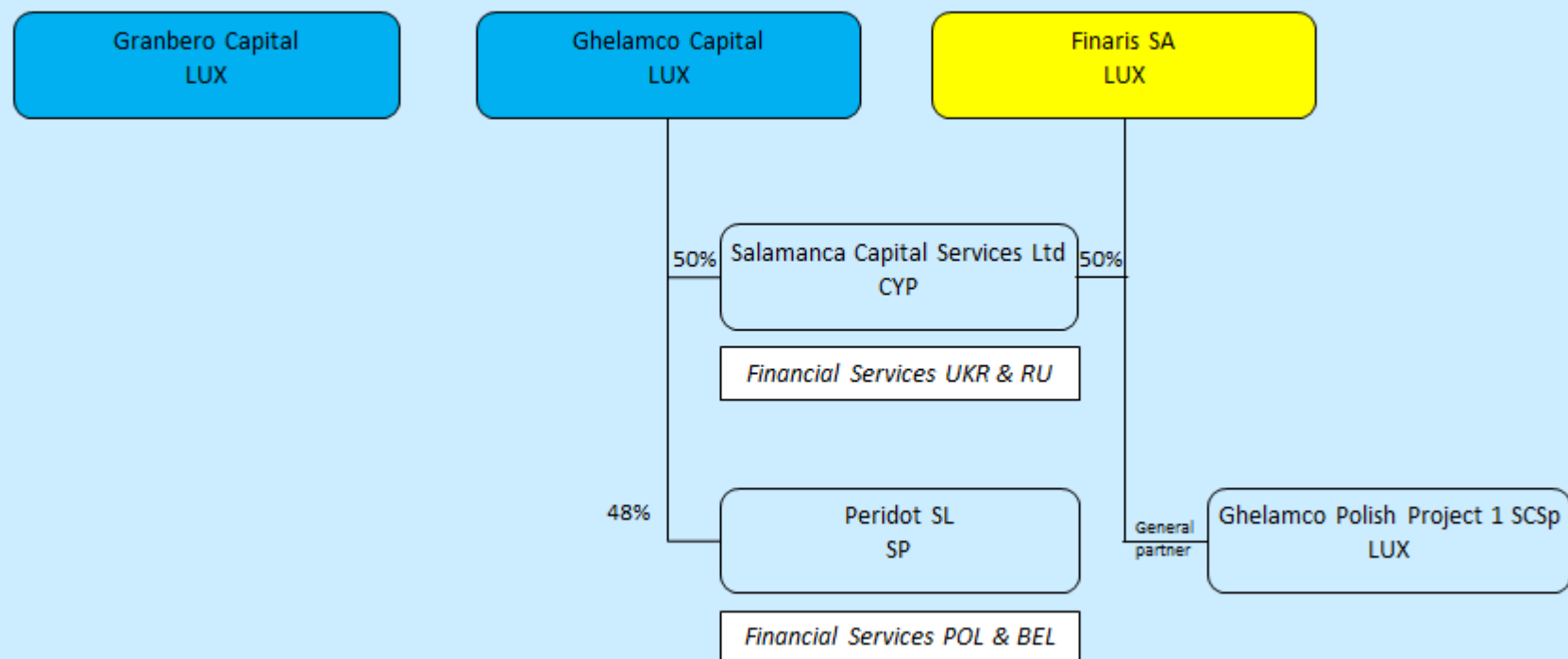
## 5.2. Belgian Real Estate Investment as per December 31st, 2015



5.3. Polish Real Estate Investment as per December 31<sup>st</sup>, 2015

## 5.4. Ukrainian and Russian Real Estate Investment as per December 31st, 2015



5.5. Financial Services as per December 31<sup>st</sup>, 2015

## 6. Investment Property

The Investment Holding's current strategy is to keep commercial property for rental purposes while residential properties are dedicated for sale.

All plots of land held for undetermined use, or where the management determines that the plot will be used in a project where the building will be rented, are classified as Investment Properties on 31 December 2015 and 31 December 2014.

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

- A. Land without pre-permit approval, held for capital appreciation or undetermined use (fair value based on comparative method);
- B. Land with pre-permit held for development and investment (fair value based on the potential of constructing leasable m<sup>2</sup>);
- C. Land + Construction ongoing (fair value based on the residual method);
- D. Completed Projects held for investment.

Country + SPV	Commercial Name	Valuation	Cat	31/12/2015	31/12/2014
				KEUR	KEUR
<b>BELGIUM</b>					
Leisure Property Invest	Golf Knokke Zoute	Man	A	36,828	31,700
WRP	Wavre Retail Park	Man	A	12,600	12,600
Retail Gent	Retail Gent	CBRE	D	15,000	17,250
Parking Gent	Parking Gent	CBRE	C/D	30,390	29,729
Parking Estates	Parking Estates	CBRE	D	2,371	2,371
Zeewind	Zeewind	Man	D	1,746	1,737
Schelde Offices	Schelde Offices	JLL	D	34,250	27,450
Arte Offices	Arte Offices	JLL	D	37,250	29,350
Ring Hotel	Ring Hotel	Man	C	5,598	5,473
Ring Multi	Ghelamco Arena Multifunctional space	Cushman	D	20,425	19,275
Docora/Meetdistrict	Meetdistrict business center	Cushman	C/D	31,000	13,926
Ring Offices	Ghelamco Arena Offices	Cushman	D	0	2,410
Ghelamco Invest	Le 8300	Man	C	21,258	19,566
Waterview/Parking Leuven	Waterview Parkings	Man	D	8,434	5,691
Waterview/Retail Leuven	Waterview Retail	Man	D	8,000	4,832

### POLAND

Apollo Invest	Spinnaker Tower	KNF	B	18,832	17,259
Postepu SKA	Postepu Business Park	KNF	A	10,030	10,043
Sienna Towers SKA	Sienna Towers	KNF	B	56,000	52,897
WS SKA	Spire A tower and Chopin Tower	KNF	C	269,019	178,443
WS SKA	Spire B and C buildings	KNF	D	154,620	65,740
Sobieski SKA	Sobieski Tower	DTZ	B	24,824	17,748
Market SKA	Mszczonow Logistics	DTZ	A	2,832	2,832



SBP SKA	Synergy Business Park Wrocław	JLL	B	21,316	20,002
Grzybowska 77 SKA + Isola	Grzybowska	KNF	A	23,500	9,700
Wronia SKA	Logistyka	KNF	C	20,778	16,650
Vogla SKA	Wilanow Retail	KNF	D	13,490	6,927
Tillia SKA/ACG1 SKA	Powisle	KNF	A	6,220	6,120
Dahlia SKA	Woloska 24	KNF	C	38,829	13,192

**RUSSIA**

Bely Rast e.a.	Dmitrov Logistic Park	JLL	C/D	169,000	153,500
Ermolino	Logistic Park Ermolino	JLL	A	8,014	7,960

**UKRAINE**

Success Invest	Kopylov Logistics Park	COLL	D	9,503	13,474
Urban Invest	Kopylov Logistics Park 2	UKR	A	942	956
Vision Invest	Warsaw Road Dev.	UKR	B	4,325	3,611

**TOTAL:****1,117,224      820,414**

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





<b>Balance at 1 January 2014</b>	<b>854,311</b>
Acquisition of properties	11,575
Subsequent expenditure	165,640
Transfers	
- Assets classified as held for sale	
- Other transfers	2,845
Adjustment to fair value through P/L	11,335
Disposals	-216,657
CTA	-8,635
other	
<b>Balance at 31 December 2014</b>	<b>820,414</b>
Acquisition of properties	3,534
Subsequent expenditure	166,963
Transfers	
- Assets classified as held for sale	
- Other transfers	1,988
Adjustment to fair value through P/L	114,412
Disposals	-2,410
CTA	12,323
other	
<b>Balance at 31 December 2015</b>	<b>1,117,224</b>

<i>Categories</i>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>Total</b>
<b>Balance at 1 January 2014</b>	<b>98,160</b>	<b>100,113</b>	<b>281,113</b>	<b>374,925</b>	<b>854,311</b>
Acquisition of properties	5,145				5,145
Subsequent expenditure (*)	3,659	6,358	106,667	46,751	163,435
Transfers					
- Assets classified as held for sale					
- Other transfers	1,515		-122,882	124,212	2,845
Adjustment to fair value	-2,991	10,519	2,852	955	11,335
Disposals				-216,657	-216,657
Other					
<b>Balance at 31 December 2014</b>	<b>105,488</b>	<b>116,990</b>	<b>267,750</b>	<b>330,186</b>	<b>820,414</b>
Acquisition of properties	3,477		57		3,534
Subsequent expenditure (*)	3,008	7,006	97,133	72,139	179,286
Transfers					0
- Assets classified as held for sale				400	400
- Other transfers	-21,989	-5,473	11,600	17,450	1,588
Adjustment to fair value	10,982	6,774	42,703	53,953	114,412
Disposals				-2,410	-2,410
Other					0
<b>Balance at 31 December 2015</b>	<b>100,966</b>	<b>125,297</b>	<b>419,243</b>	<b>471,718</b>	<b>1,117,224</b>

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



In Belgium, the remaining office space in Ring Offices (approx. 1,250 sqm) in Ghent has in the current year been sold for an amount of 2,920 KEUR. There have been no other divestures of investment property.

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

	<u>2015</u>	<u>2014</u>
Rental income	30,392	22,156

Rental income mainly relates to rent agreements in Belgium (Retail Gent, Parking Gent, Blue Towers Gent, Ring Multi-retail in the Ghelamco Arena), Poland (Warsaw Spire – buildings B and C), Russia (Dmitrov Logistics Park) and Ukraine (Kopylov Logistics Park).

### Significant assumptions and sensitivity analysis

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

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

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

The average yields (or capitalization rates) used in the expert valuations on 31 December 2015 are as follows:

- 5.75% to 8.25% for Polish projects, depending on the location, specifics and nature of the project (vs. 6.50% to 8.25% last year).
- 5.50% for Belgian office projects (vs. 6.00% to 7.00% last year), depending on the location, specifics and nature of the investment
- 6.00% to 7.00% for Belgian retail projects (vs. 6.00% to 7.00% last year), depending on the location, specifics and nature of the investment.
- 12.00% for Russian projects (vs. 11.75 last year)
- 16.00% for Ukrainian projects (vs. 16.00% last year).

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

- 11 EUR/sqm/month to 25.5 EUR/sqm/month for office space (vs. 11 EUR to 18.5 EUR last year),
- 12 EUR/sqm/month to 32 EUR/sqm/month for retail space (vs. 11 EUR to 27.5 EUR last year),
- depending on the location, specifics and nature of the project.
- 140 EUR/sqm/year to 165 EUR/sqm/year for office space (same range last year),
- 74 EUR/sqm/year to 125 EUR/sqm/year for retail space (vs. 77 EUR to 120 EUR last year),
- depending on the location, specifics and nature of the project.
- 90 USD/sqm/year for Russian warehouse space and 180 USD/sqm/year for office space (part of the logistics projects) (vs. resp. 120 USD and 250 USD last year). These concern the average market rates which are applied to the void space, while contractual rates for the existing leases are significantly higher.
- 2.6 to 8.0 USD/sqm/month for Ukrainian warehouse space and 2.6 to 18.0 USD/sqm/month for office space (part of the logistics projects) (vs. resp. 5.0 to 8.0 USD and 10 to 17.5 USD last year). Low-end rates are market rates which are applied to the void space, while contractual rates for the existing leases are significantly higher.

On 31 December 2015, the Investment Holding has a number of income producing investment properties (category D) which are valued at 471,718 KEUR (Retail Gent, Blue Towers Gent, Ring Multi, Zeewind, Waterview retail and parkings, Warsaw Spire Buildings B and C, Kopylov Logistics Park, Dmitrov Logistic



Park Building A and B). An increase/decrease of 100 basis points in the yield, with all other variables held constant, decreases/increases the value by approx. 54,800 KEUR.

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

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

## 7. Property, plant and equipment

	Property, plant and equipment	
	31.12.2015	31.12.2014
in thousands €		
Cost	1,036	1,256
Accumulated depreciation/amortisation and impairment	-815	-865
<b>TOTAL</b>	<b>221</b>	<b>391</b>

in thousands €	Property, plant and equipment
<b>Cost</b>	
Balance at 1 January 2013	1,331
Additions	25
Additions from internal developments	
Acquisitions through business combinations	
Disposals or classified as held for sale	-95
Revaluation increase	
Effect of foreign currency exchange differences	-5
Other	
Balance at 31 December 2014	1,256
Additions	1
Additions from internal developments	
Acquisitions through business combinations	
Disposals or classified as held for sale	-220
Revaluation increase	
Effect of foreign currency exchange differences	-1
Other	
<b>Balance at 31 December 2015</b>	<b>1,036</b>

<b>Accumulated depreciation and impairment</b>	
Balance at 1 January 2014	874
Depreciation/Amortisation expense	78
Disposals or classified as held for sale	-87
Impairment losses recognised in profit or loss	
Reversals of impairment losses recognised in profit or loss	



Effect of foreign currency exchange differences	
Other	
<b>Balance at 31 December 2014</b>	<b>865</b>
Depreciation/Amortisation expense	54
Disposals or classified as held for sale	-103
Impairment losses recognised in profit or loss	
Reversals of impairment losses recognised in profit or loss	
Effect of foreign currency exchange differences	-1
Other	
<b>Balance at 31 December 2015</b>	<b>815</b>

## 8. Intangible assets

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

## 9. Property Development Inventory

The Property Development Inventories amount to 260,300 KEUR on 31 December 2015 (2014: 182,917 KEUR) and are detailed as follows:

	<b>31/12/2015</b>	<b>31/12/2014</b>
Property Development Inventories	260,234	182,811
Raw materials	62	58
Finished goods	4	48
	<b>260,300</b>	<b>182,917</b>

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

	<b>31/12/2015</b>		<b>31/12/2014</b>
Inventories – Poland	53,666	21%	50,183
Inventories – Belgium	206,631	79%	132,720
Inventories – Other countries	3		14
	<b>260,300</b>	<b>100%</b>	<b>182,917</b>

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



	Carrying value (at cost) at 31 December 2015 - KEUR	Carrying value (at cost) at 31 December 2014 - KEUR
<b><u>BELGIAN/FRENCH PROJECTS</u></b>		
Ghelamco Invest - others	13,425	7.012
Le Valeureux Liégeois - East Dune	25.044	25,536
The White House Zoute		840
Locarno Knokke	6,528	5.713
Blinckaertlaan Knokke	6,204	5.979
Kanonstraat Brussel	794	793
Bleko Doornstraat Kortrijk	2,375	2.281
Dock-site	2.648	2.648
"Residentie Katelijne"	9,094	9.094
Cromme Bosh	13,418	12.984
Kinder Siska	7,700	7.471
RHR	1.545	1.545
De Nieuwe Filature	15,208	10.338
Blaisantpark Gent	2,190	5.515
Belalan Louise	9,394	-
Spectre Bischoffsheim	16,459	-
Pomme De Pin - Courchevel	30,893	-
BUI De Ligne	24,000	-
<b>TOTAL</b>	<b>206.631</b>	<b>132,720</b>

**POLISH PROJECTS**

Axiom-Constancin	4,608	4,128
Bellona-Bema	1,841	1,841
Creative Invest - Foksal	9,770	8,963
Dystryvest-Port Zeranski	2,942	2,725
Erato Invest	1,781	1,646
Isola SKA	-	1,571
M12 SKA	1,361	1,361
Office Investment-Matejki	1,256	1,256
Pattina Ivest	7	7
P.I.B.	3,020	3,017
Primula Invest	-	18
Proof Invest - Q-Bik soft lofts	12,553	23,022
Innovation Bud Bis (former Signal)	495	603
Unique SKA (PI Grzybowski)	4,141	25
Budomal SKA (Lodz)	9,482	
Garden Station SP. z o.o.	354	
Other	55	-
<b>TOTAL POLAND</b>	<b>53,666</b>	<b>50,183</b>

**RUSSIAN PROJECTS**

<b>SUBTOTAL RUSSIA</b>	<b>-</b>	<b>-</b>
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**UKRAINIAN PROJECTS**

<b>SUBTOTAL UKRAINE</b>	<b>3</b>	<b>14</b>
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<b>GRAND TOTAL</b>	<b>260,300</b>	<b>182,917</b>
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In Belgium and France, main part of current year expenditures have been done on the (residential part of the) Waterview project in Leuven (461 student units) and the Blaisantvest and Tribeca projects in Ghent.

In addition, there have been some acquisitions of plots/sites:

- 2 sites located at the Louizalaan (Belalan Louise) and the Boulevard Bischoffsheim (Spectre Bischoffsheim) in Brussels
- the hotel Pomme de Pin in Courchevel, France
- and (the long-term leasehold rights on) a building at Rue de la Banque in Brussels (BUI De Ligne).

In Poland, main acquisitions related to a plot located at Pl. Grzybowski, Warsaw for an amount of approx. 4.5 MEUR and a plot in Łódź for an amount of approx. 8 MEUR (+ costs and current year expenditures).

Main divestures in Belgium:

- Blaisantpark Ghent: In 2015 14 apartments, 14 student units and 19 parkings have been sold and fully invoiced. In addition, approx. 2.2 MEUR instalments re. 2014 sales have still been invoiced. Per end 2015, the project is fully sold out, except for one apartment, some parking spaces and one commercial unit.
- Waterview Leuven: 302 student homes have been sold and fully invoiced in 2015. In addition, approx. 1 MEUR instalments re. 2014 sales have still been invoiced. Per date of the current report, over 75% of the total (461) available student units have been sold.
- Sylt, sale of 1 unit in the residential project in Knokke
- East Dune, sale of 4 apartments (and 4 storage units and 6 underground parkings) in the residential project in Oostduinkerke
- First invoicing under the Breyne legislation re. phase 1 (13 houses) in the Tribeca project in Ghent.

Inventory sales in Poland mainly related to the further commercialization of apartments in the Q-Bik project (350 residential soft lofts in Warsaw, of which per end 2015 approx. 90% have been sold).

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

### 10.1 Non-current receivables & prepayments

	Note	31/12/2015	31/12/2014
<b>Non-current</b>			
Receivables from related parties	29.3	44,070	43,168
Trade and other receivables		29,237	15,728
<b>Total non-current receivables and prepayments</b>		<b>73,307</b>	<b>58,896</b>

#### 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 2014 were as follows: Euribor/ Libor + margins in the range between 1% and 4%.

Further reference is made to Note 29.3.

#### Non-current trade and other receivables

Non-current trade and other receivables as of 31 December 2015 mainly consist of:

- Degi: 649 KEUR
- Earn-out and rental guarantee receivables in connection with the sale in 2013 of the Senator project: 4.5 MEUR



- Rental guarantee receivables at the level of Espressivo Sp. z o.o. in connection with the sale of the Mokotow Nova and Lopuszanska Business Park projects: 749 KEUR
- Master lease and rental guarantee retentions in connection with the disposal of Marynarska 12/T-Mobile Office Park: 285 KEUR
- Capitalised rent free and agency fees at the level of WS SKA, in connection with leasing of the Warsaw Spire Project: 5.45 MEUR
- Capitalised agency fees at the level of Dahlia SKA, in connection with the leasing of the Woloska 24 project: 170 KEUR
- Other Peridot loans: 16,406 KEUR

The carrying amounts of non-current receivables approximate their fair value determined based on the future cash flows discounted at the prevailing rate for a similar instrument for an issuer with a similar rating.

## 10.2 Current trade & other receivables

	Note	31/12/2015	31/12/2014
<b>Current</b>			
Receivables from related parties		1,326	3,253
Receivables from third parties		7,700	7,612
Less: allowance doubtful debtors (bad debt provision)		-31	-31
Net trade receivables		8,995	10,834
Other receivables		4,567	2,352
Related party current accounts	29.3	51,844	51,791
VAT receivable		12,887	7,462
Prepayments		1,088	3,071
Interest receivable		20,243	16,300
<b>Total current trade and other receivables</b>		<b>99,624</b>	<b>91,810</b>

### 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 29.2.

### Prepayments

Outstanding prepayments as of 31 December 2015 mainly represent:

- 703 KEUR (vs. 524 KEUR last year) down payments (and related costs) at SPV Prima Bud for the acquisition of a land plot (Lomianki), for the development of a trade and services centre.
- 383 KEUR (vs. 367 KEUR last year) 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.



Interest receivable

The interest receivable consists of an amount of 18,284 KEUR from related parties (15,816 KEUR last year).

VAT receivable

The outstanding balance as of 31 December 2015 mainly relates to VAT receivables in the following countries:

- Belgium: 1,890 KEUR (main originating projects: Meetdistrict and Ghelamco Invest)
- Poland: 10,509 KEUR (main originating projects: Woloska 24, Warsaw Spire)
- Russia: 250 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 amortized cost. The amounts presented in the balance sheet are, to the extent applicable, after allowances for doubtful receivables.

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

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

Movement in the allowance for doubtful debts

in thousands of €	31.12.2015	31.12.2014
<b>Balance at beginning of the year</b>	<b>31</b>	<b>33</b>
Impairment losses recognized on receivables		
Amounts written off during the year as uncollectible		
Amounts recovered during the year		
Impairment losses reversed		-2
Foreign exchange translation gains and losses		
<b>Balance at end of the year</b>	<b>31</b>	<b>31</b>

As of 31 December 2015 and 2014, trade and other receivables disclosed above do not include amounts which are past due at the end of the reporting period and against which the Investment Holding has not recognized an allowance for doubtful receivables, as deemed necessary.

## 11. Derivatives

There are no outstanding balances related to the market value of derivatives as of 31/12/15.

Balance of 290 KEUR per 31/12/14 was related to the market value of outstanding (currency and – to the extent applicable – interest) hedging contracts. Marking to market of these level 2 derivatives was recognized through the profit and loss statement.

Also refer to section 2.1.1 above.





## 12. Restricted Cash

	31/12/2015	31/12/2014
Restricted cash non-current	-	256
Restricted cash current	-	-
	<b>-</b>	<b>256</b>

Outstanding balance as of 31 December 2014 related to the amount on escrow and still to be released after the Trinity Park III sale (2010). Amount has in the current year been released.

## 13. Cash and cash equivalents

	31/12/2015	31/12/2014
Cash at banks and on hand	84,587	98,955
Short-term deposits	-	-
	<b>84,587</b>	<b>98,955</b>

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

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

- additional capacity on the debt ratio (the Investment Holding chooses to keep a substantial margin on the Loan to Value ratio);
- potential to take up further financing on completed projects based on Loan to Value (LTV) instead of Loan to Cost (LTC);
- access to alternative financing under the form of bond issuance and mezzanine equity financing. In this respect refer to the recent bonds issues in Poland (667.6 MPLN + 6.3 MEUR total outstanding bonds at 31 December 2015) and Belgium (220 MEUR total outstanding bonds at 31 December 2015).



## 14. Share capital

	31/12/2015	31/12/2014
Authorized		
35,908 ordinary shares without par value	73,194	73,194
issued and fully paid	73,194	73,194

At 31 December 2015, the Company's direct shareholders are:

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

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

### 14.1 Distribution of dividends within the Investment Holding

No dividends have been distributed in the course of 2015 (and 2014).

### 14.2 Non-Controlling Interests

	31/12/2015	31/12/2014
balance at beginning of year	5,508	4,954
share of profit for the year	733	631
acquisitions/disposals	6	-77
<b>Balance at end of year</b>	<b>6,247</b>	<b>5,508</b>



<b>15. Reserves and retained earnings</b>
---

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

	<b>Cumulative translation reserve</b>	<b>Retained earnings</b>
At 1 January 2014	8,214	489,941
Cumulative translation differences (CTA)	3,984	
Dividend distribution to the ultimate shareholders		
Change in non-controlling interests		77
Change in the consolidation scope		-33
Other		-9
Profit for the year		-9,693
<b>At 31 December 2014</b>	<b>12,198</b>	<b>480,283</b>

	<b>Cumulative translation reserve</b>	<b>Retained earnings</b>
At 1 January 2015	12,198	480,283
Cumulative translation differences (CTA)	-67	
Dividend distribution to the ultimate shareholders		
Change in non-controlling interests		
Change in the consolidation scope		171
Other		
Profit for the year		89,348
<b>At 31 December 2015</b>	<b>12,131</b>	<b>569,802</b>



16. Interest-bearing loans and borrowings
---

		31/12/2015	31/12/2014
<b>Non-current</b>			
Bank borrowings – floating rate	16.1	409,809	234,828
Other borrowings	16.2/16.3	369,175	205,348
Finance lease liabilities		0	11
		<b>778,984</b>	<b>440,187</b>
<b>Current</b>			
Bank borrowings – floating rate	16.1	112,191	132,651
Other borrowings	16.2	15,347	48,581
Finance lease liabilities		11	11
		<b>127,549</b>	<b>181,243</b>
<b>TOTAL</b>		<b>906,533</b>	<b>621,429</b>

16.1 Bank Borrowings
----------------------

During the year the Group obtained new secured bank borrowings mainly expressed in EUR and USD and withdraw on existing credit facilities for a total amount of 181.2 MEUR (mainly 53.1 MEUR in Belgium, 128.1 MEUR in Poland), large part of which are Euribor based. On the other hand, reimbursements and refinancings have been done for a total amount of 37.0 MEUR. Also considering conversion differences (on mainly the outstanding USD loans), this brings the total outstanding amount of bank borrowings to 522.0 MEUR (compared to 367.5 MEUR at 31/12/2014).

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

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

With respect to the outstanding short-term borrowings, it is to be mentioned that, in the course of 2016, part will actually be reimbursed following the contractual terms and part will be prolonged or refinanced (e.g. through a swap to investment loan). In this respect, a significant part of the short-term balance per books is currently in the advanced process of prolongation and/or refinancing.



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

	31.12.2015				31.12.2014			
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
Credit institutions withdrawn credits	130,787	311,413	155,275	597,475	146,707	143,577	139,834	430,118
Financial lease				0	11	11		22
<b>Total</b>	<b>130,787</b>	<b>311,413</b>	<b>155,275</b>	<b>597,475</b>	<b>146,718</b>	<b>143,588</b>	<b>139,834</b>	<b>430,140</b>
Percentage	22%	52%	26%	100%	34%	33%	33%	100%

### External bank borrowings by currency

Large parts of external bank borrowings are Euro denominated, except for mainly Belyrast in Russia (USD loan) and Postepu (and some VAT financing) in Poland (PLN loan).

### Interests on bank borrowings – interest rate risk

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

On 31 December 2015, the Investment Holding had the following investment loan(s):

- 81,071 KEUR in total on Belgian projects Retail Leuven, Retail Gent, Blue Towers, Parking Gent, Meetdistrict and Ring Multi; loans which are serviced by the actual rental income of the resp. properties
- Belyrast Ltd (Russia) 99,7 MUSD in total, bearing a Libor 3M based (+ 7.15% margin on the building A loan and + 8.15% on the building B loan) interest rate. The debt is fully serviced by the actual rental income of phase 1 (building A) and 2 (building B) 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 1.85% and 3,00%
- Poland: between 2.25% and 4.5%
- Ukraine: currently not applicable
- Russia : 7.15% (on Libor 3 months)

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

### Interest sensitivity analysis

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bank debt at the reporting date, with all variables held constant, would have resulted in a 4,440 KEUR lower/higher profit before tax for 2015.



## 16.2 Other borrowings Bonds (367,163 KEUR long-term – 8,335 KEUR short-term)

**Belgium**

Ghelamco Invest has in 2012 issued private unsecured bonds for a total amount of 42 MEUR (25.05 MEUR bond serie A, maturing on 13/12/15 and bearing a fixed interest of 7.0% - 16.95 MEUR bond serie B, maturing on 13/12/17 and bearing a fixed interest of 7.875%). These bonds were secured by a first demand guarantee from Ghelamco Group Comm. VA and were underwritten by a select group of institutional investors and high-net-worth individuals.

In December of the current year, Ghelamco Invest redeemed its 2012 private unsecured bonds for the total amount of 42 MEUR (serie A for an amount of 25.05 MEUR on its contractual maturity date 13/12/15 and serie B for an amount of 16.95 MEUR on the same date, through early redemption)

Also, Ghelamco Invest has in the second half of 2013 and the first half of 2014 again issued private unsecured bonds for a total amount of 70 MEUR, secured by a first demand guarantee from Ghelamco Group Comm. VA, having as maturity date 28/02/2018 and bearing an interest rate of 6.25%. This bond program has again been coordinated by KBC Securities and Belfius Bank.

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

In addition, Ghelamco Invest has on 24 June 2015 launched a new EMTN bonds program for a maximum amount of 150 MEUR. First tap on this program has resulted in the issue of a first tranche of 79,100 KEUR and in December the remaining amount of 70,900 KEUR has been raised. The bonds, which are listed on Euronext, have as maturity date 3/07/2020 (first tranche) and 14/06/2021 (second tranche), bear an interest rate of 4.5% (first tranche) and 4.125% (second tranche) and are secured by a first demand guarantee from Ghelamco Group Comm. VA. The program has been coordinated by Belfius, BNP and KBC. Both tranches have been underwritten by institutional investors and high-net-worth individuals. Since its bond listing on Euronext, Ghelamco Invest is formally considered as a Public Interest Entity (PIE), with related transparency, governance and reporting requirements to the benefit of the investors.

Total balance of outstanding bonds per balance sheet date (216,004 KEUR) represents the amount of issue (220 MEUR) less capitalized issue costs (of which mainly the issuing banks' arrangement fees), which are amortized over the term of the bonds.

**Poland**

Ghelamco Invest Sp. z o.o. has in 2015 issued public bonds (tranche PE) to qualified investors within its 200 MPLN program for a total amount of 50 MPLN. These bonds have a term of 4 years and bear an interest of Wibor 6 months +4.5%.

In addition, Ghelamco Invest Sp. z o.o. in 2015 issued public retail bonds (tranche PPB, PPC and PPD) within its 250 MPLN program for a total amount of 130 MPLN. These bonds have a term of 4 years and bear an interest of Wibor 6 months + 3.5%-4.0%.

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

As stated, the Ghelamco Invest Sp. z o.o. redeemed bonds in 2015 for a total amount of 59 MPLN (i.e. redemption of tranche C and D within its 200 MPLN Catalyzt bearer bonds program).

Total bonds balance outstanding per balance sheet date (159,494 KEUR) represents the amount of issue (667.6 MPLN + 6.3 MEUR) less capitalized issue costs, which are amortised over the term of the bonds.

**Interest sensitivity analysis**

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bonds debt at the reporting date, with all variables held constant, would have resulted in a 1,485 KEUR lower/higher profit before tax for 2014.



Summary of contractual maturities of (Belgian and Polish) bonds, including interest payments.

	31.12.2015			
	<1 y	between 2 and 5 y	>5y	total
Belgian2013 bonds	4,375	78,750		83,125
Belgian EMTN bonds 1st tranche	3,560	93,338		96,898
Belgian EMTN bonds 2nd tranche	2,925	11,699	72,362	86,986
Polish bonds	17,868	171,277		189,144
	<b>28,728</b>	<b>355,064</b>	<b>72,362</b>	<b>456,153</b>
	6%	78%	16%	100%

#### 16.3 Other borrowings: Other

**31/12/2015 9,024 KEUR**

Other borrowings in EUR at 31 December 2015 include:

- Tallink Investments Ltd.: 1,040 KEUR
- Ghelamco Poland Sp. z o. o: 176 KEUR
- Rent deposits: 906 KEUR (non-current)
- 7 MEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 30/06/2016 and bearing an interest rate of 4.5%

**31/12/2014 12,046 KEUR**

Other borrowings in EUR at 31 December 2014 include:

- Tallink Investments Ltd.: 1,344 KEUR
- Ghelamco Poland Sp. z o. o: 176 KEUR
- Rent deposits: 14 KEUR (non-current)
- 7 MEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 30/09/2015 and bearing an interest rate of 7%
- 3,500 KEUR debt (3,000 KEUR short, 500 KEUR long) regarding the take-over of rights&obligations on space in the Ghelamco Arena for the realization of offices
- Others 10 KEUR

#### 16.4 Miscellaneous information

No defaults of payments or breaches of borrowing agreements occurred as of 31 December 2015.

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

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

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

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

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

At 31 December 2015, the Group has bank loans available to be drawn for a total amount of 52,300 KEUR in Poland and 50,800 KEUR in Belgium.



## 17. Financial instruments

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

Financial instruments (x € 1 000)	31.12.2015				
	At fair value through P/L-held for trading	Available for sale	Loans and receivables/HTM/fin. liabilities at amortised cost	Fair value	Fair value level
Other financial investments					
Other financial assets			4,000	4,000	2
Non-current receivables					
Receivables and prepayments			73,307	73,307	2
Restricted cash			-	-	2
Current receivables					
Trade and other receivables			85,117	85,117	2
Derivatives	-			-	2
Cash and cash equivalents			84,587	84,587	2
<b>Total Financial Assets</b>	<b>0</b>	<b>0</b>	<b>247,011</b>	<b>247,011</b>	
Interest-bearing borrowings - non-curr.					
Bank borrowings			409,809	409,809	2
Bonds Poland			151,159	155,086	1
Bonds Belgium			68,987	75,424	2
Bonds Belgium (Euronext)			147,017	149,448	1
Other borrowings			2,012	2,012	2
Finance lease liabilities					
Interest-bearing borrowings - current					
Bank borrowings			112,191	112,191	2
Bonds Poland			8,335	8,417	1
Bonds Belgium			-	-	2
Other borrowings			7,012	7,012	2
Finance lease liabilities			11	11	2
Current payables					
Trade and other payables			36,066	36,066	2
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>942,599</b>	<b>955,476</b>	





Financial instruments (x € 1 000)	31.12.2014				
	At fair value through P/L-held for trading	Available for sale	Loans and receivables/HTM/fin. liabilities at amortised cost	Fair value	Fair value level
Other financial investments					
Other financial assets			1,582	1,582	2
Non-current receivables					
Receivables and prepayments			58,896	58,896	2
Restricted cash			256	256	2
Current receivables					
Trade and other receivables			82,804	82,804	2
Derivatives	290			290	2
Cash and cash equivalents			98,955	98,955	2
<b>Total Financial Assets</b>	<b>290</b>	<b>0</b>	<b>242,493</b>	<b>242,783</b>	
Interest-bearing borrowings - non-curr.					
Bank borrowings			234,828	234,828	2
Bonds Poland			117,959	117,959	2
Bonds Belgium			85,355	93,046	2
Other borrowings			2,035	2,035	2
Finance lease liabilities			10	10	2
Interest-bearing borrowings - current					
Bank borrowings			132,651	132,651	2
Bonds Poland			13,806	13,806	2
Bonds Belgium			24,764	25,212	2
Other borrowings			10,011	10,011	2
Finance lease liabilities			11	11	2
Current payables					
Trade and other payables			42,949	42,949	2
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>664,379</b>	<b>672,518</b>	

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

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



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

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

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 equivalent to their carrying amount.

Largest part of the Investment Holding's interest bearing liabilities are floating interest bearing debts. Mainly Belgian bonds are fixed interest bearing debts.

We also refer to note 10.1 for the description of the fair value determination

## 18. Provisions

<b>Balance at 1 January 2015</b>	<b>178</b>
Additional provisions recognised	
Reductions	
Reversals	-38
Unwinding of discount	
Other	
<b>Balance at 31 December 2015</b>	<b>140</b>
	<i>Non current</i>
	<b>140</b>
	<i>Current</i>
	<b>0</b>

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

## 19. 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 €	31/12/2015	31/12/2014
Deferred tax assets	9,742	6,432
Deferred tax liabilities	-41,483	-23,770
<b>TOTAL</b>	<b>-31,741</b>	<b>-17,338</b>



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

<i>In thousands €</i>	<b>Temporary differences</b>		<b>Unused tax losses and credits</b>	
	<b>Investment property</b>	<b>Other</b>	<b>Tax losses</b>	<b>Tax credits</b>
<b>Balance at 1 January 2014</b>	<b>-24,987</b>	<b>-2,311</b>	<b>6,213</b>	
Recognised in income statement	3,372	-229	1,012	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		-408		
<b>Balance at 31 December 2014</b>	<b>-21,615</b>	<b>-2,948</b>	<b>7,225</b>	
Recognised in income statement	-25,249	2,449	8,570	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		-173		
<b>Balance at 31 December 2015</b>	<b>-46,864</b>	<b>-672</b>	<b>15,795</b>	<b>-</b>

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

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

<i>in thousands €</i>	<b>31/12/2015</b>	<b>31/12/2014</b>
DTA on unused tax losses	6,194	11,937
DTA on unused tax credits	3,998	3,402
<b>TOTAL</b>	<b>10,192</b>	<b>15,339</b>

Tax losses in the Polish SPVs can be carried forward for a period of 5 years. In this respect, no deferred tax assets have been recognized on tax losses carried forward in these SPVs to the extent it is deemed not probable that sufficient taxable profit will be available to allow the benefit of part of these tax losses. Tax losses in the Ukrainian SPVs can be carried forward for a period of 4 years.

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

No deferred tax liability has been recognized on undistributed profits in the subsidiaries as the Investment Holding is able to control the distribution of profits and as such, distribution to the Investment Holding is not probable in the foreseeable future.



<b>20. Trade and other payables</b>
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Trade and other payables are analysed as follows:

	<b>31/12/2015</b>
Trade payables: third parties	13,378
Trade payables: related parties	954
Related parties current accounts payable	60
Misc. current liabilities	23,646
Deferred income	1,895
Current employee benefits	77

<b>Total trade and other payables</b>	<b>40,010</b>
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	<b>31/12/2014</b>
Trade payables: third parties	11,783
Trade payables: related parties	5,663
Related parties current accounts payable	5,254
Misc. current liabilities	20,776
Deferred income	2,901
Current employee benefits	81

<b>Total trade and other payables</b>	<b>46,458</b>
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Trade payables towards related parties include amongst others the amounts payable to the Development Holding for construction and engineering coordination services received. On 31/12/2015, the trade payables include 954 KEUR towards related parties (vs. 5,663 KEUR last year), as follows:

- Keybus: 110 KEUR
- CLD: 775 KEUR
- Others 69 KEUR
- Ghelamco Russia: zero (vs. 2,926 KEUR last year)
- Apec Ltd: zero (vs. 891 KEUR last year)
- Ghelamco Poland Sp. z o.o: zero (vs. 668 KEUR last year)

Outstanding balance on related parties C/A payable decreased by 5,194 KEUR to 60 KEUR. Previous year's outstanding balance was mainly towards Ghelamco Poland Spzoo (5,175 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.



## 21. Current tax liabilities

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

- Belgium: 2,122 KEUR
- Luxembourg: 418 KEUR
- Spain: 237 KEUR
- Cyprus: 1,112 KEUR
- Poland: 0 KEUR

Total for 2015: **3,889 KEUR** (vs. 2,307 KEUR in 2014)



## 22. Revenue

Revenue is mainly generated from the following sources:

	in thousands €	31.12.2015	31.12.2014
Sales of Residential Projects			
Projects Belgium		56,312	32,238
Projects Poland		11,329	14,835
Rental Income		30,392	22,156
Other		1,403	350
<b>TOTAL REVENUE</b>		<b>99,436</b>	<b>69,579</b>

Rental income as of 31 December 2015 relates to rent from commercial projects in Belgium (6,919 KEUR), Poland (5,521 KEUR), Russia (12,251 KEUR) and Ukraine (2,701 KEUR).

The residential projects sales as of 31 December 2015 mainly relate to:

- Blaisantpark Ghent: 14 apartments, 14 student units and 19 parkings (4,457 KEUR) and remaining instalments re. 2014 sales in accordance with the Breyne legislation (2,300 KEUR).
- Watervieu Leuven: 302 student homes and 400 parkings (41,379 KEUR) and remaining instalments re. 2014 sales in accordance with the Breyne legislation (1,019 KEUR).
- Villas and apartments at the Belgian coast (4,249 KEUR)
- First invoicing under the Breyne legislation re. phase 1 (13 houses) in the Tribeca project in Ghent.
- Soft loft apartments in the QBik project, Warsaw (11,329 KEUR)

### Overview of future minimum rental income

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

	in thousands €	31.12.2015	31.12.2014
Future minimum rental income:			
Less than 1 year		37.431	25.348
Between 1 and 2 years		42.627	29.585
Between 2 and 3 years		41.083	29.854
Between 3 and 4 years		38.416	26.943
Between 4 and 5 years		32.043	23.400
More than five years		97.715	77.297
<b>TOTAL FUTURE MINIMUM RENTAL INCOME</b>		<b>289.316</b>	<b>212.427</b>

The increase compared with last year is to a significant extent related to the evolution in the overall realisation phase in Poland (delivered buildings B and C in Warsaw Spire in 2015 vs. sale of the Katowice Business Point, Marynarska 12/T-Mobile Office Park and Lopuszanska Business Park projects in 2014). The decrease compared with last year is related to the sale of the L-Park project in Belgium and the Katowice Business Point, Marynarska 12/T-Mobile Office Park and Lopuszanska Business Park projects in Poland in the course of 2014.



<b>23. Other items included in operating profit/loss</b>
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**Other operating income and expenses in 2015 and 2014 include the following items:**

	2015	2014
<b>Other operating income</b>		
Net gains on disposal of investment property	510	9,416
Other	5,439	4,535
Net gains on disposals of property, plant and equipment	-	-
<b>total:</b>	<b>5,949</b>	<b>13,951</b>

Current year's other operating income includes the net gain on the disposal of the remaining offices space in Ring Offices for an amount of 510 KEUR.

In addition re-charges of real estate tax and fit-out expenses to tenants are included (in mainly the Blue Towers in Ghent and Warsaw Spire in Poland).

Other operating income also to an extent relates to income from related parties (1.040 KEUR). It concerns re-invoicing of costs within the framework of Service Level Agreements with (mainly) Ghelamco NV, Apec Ltd and IRS NV. Also refer to note 29.3.

Last year's other operating income included the net gain on disposal of the Katowice Business Point, Marynarska 12/T-Mobile Office Park and Lopuszanska Business Park projects in Poland (7,757 KEUR) and the L-Park project in Leuven (1,659 KEUR).

	2015	2014
<b>Gains from revaluation of Investment Property</b>	114,412	11,335

Fair value adjustments over 2015 amount to 114,412 KEUR, which is mainly the result of current year's further investment and leasing efforts in Poland (mainly on the Warsaw Spire and Grzybowska 77 projects) and Belgium (mainly on the Blue Towers and the Meetdistrict), in combination with evolution in market conditions (yield and rent level evolution).

The continued difficult political and economic situation in Russia and Ukraine and its related effects on the markets in those regions (with pressure on the yields and rent levels and thus on the market value of the Group's projects in both countries) has resulted in the recognition of further negative fair value adjustments of resp. 1,832 KEUR and 3,314 KEUR on the Group's Russian and Ukrainian real estate investments.

It is however to be noted that main part of the Group's investments in both regions consists of delivered projects which are to a significant extent leased to renowned multinational companies. In addition, Group management expects that the above difficult situation is of a temporary nature.

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

Belgium	22,011
Poland	97,547
Russia	-1,832
Ukraine	-3,314
	<b>114,412</b>



	2015	2014
<b>Other operating expenses</b>		
Operating lease/ rental/housing expenses	1,984	854
Taxes and charges	3,718	2,881
Insurance expenses	1,016	285
Audit, legal and tax expenses	2,559	4,368
Traveling	1,268	1,188
Promotion	1,561	1,167
Bank fees	150	480
Sales/agency expenses	15,089	8,849
Rental guarantee expenses	3,376	4,226
Operating expenses with related parties	6,465	4,236
Maintenance & management	878	1,834
Fit-out expenses Senator	-	530
Miscellaneous	2,692	5,604
<b>Total:</b>	<b>40,756</b>	<b>36,502</b>

Other operating expenses with related parties mainly concern the re-invoicing of costs within the framework of Service Level Agreements with IRS Comm. VA and Deus Comm. VA. Also refer to note 29.3.

The increased sales expenses are to a significant extent related to commission expenses in the Waterview (student houses) project.

In general, last year's other operating expenses were significantly impacted by the disposal of three large Polish projects to Starwood Capital (Katowice Business Point, Marynarska 12/T-Mobile Office Park and Lopuszanska Business Park), the disposal of the L-Park project and commission expenses paid in the Waterview (student houses) project in Belgium.

	2015	2014
<b>Employee benefit expenses</b>		
Wages and salaries	868	942
Social security costs	190	248
Other		
<b>Total:</b>	<b>1,058</b>	<b>1,190</b>

## 24. Cost of Property Development Inventories

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

	2015	2014
Movement in inventory	-5,074	26,647
Purchases	-43,891	-62,798
	<b>-48,965</b>	<b>-36,151</b>





(\*) See Note 29.2

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 170,497 KEUR (transfers of -2,410 KEUR not included).

## 25. Finance income and finance costs

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

	2015	2014
Foreign exchange gains	998	-
Interest income	5,429	4,298
Other finance income		
<b>Total finance income</b>	<b>6,427</b>	<b>4,298</b>
Interest expense	-22,552	-25,403
Other finance costs	-3,820	-5,411
Foreign exchange losses	-	-722
<b>Total finance costs</b>	<b>-26,372</b>	<b>-31,536</b>

It is to be noted that interest expenses related to Investment Property projects are not included in the above 2015 and 2014 figures, as those have directly been capitalized on IP. It concerns an amount of 19,634 KEUR (vs. 14,323 KEUR last year).

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

Interest income mainly includes interests on loans to related parties.

It is to be mentioned that a significant part of the exchange differences is unrealized (and connected with the conversion of outstanding loans). It concerns a snapshot per year-end, impact of which mainly depends on the evolution of the EUR/PLN-RUB-UAH exchange rate.

Other finance costs mainly relate to the partly release to the profit and loss statement of the capitalized bond issue expenses (which are amortized over the duration of the resp. bonds) and hedge results (mainly re. the marking to market of the as of balance sheet date outstanding (currency and interest) hedging contracts: 290 KEUR unfavourable vs. 1,552 KEUR unfavourable last year). Except for this last item, all financial income and expenses mentioned in the table above are related to financial instruments measured at amortized cost.

## 26. Income taxes

Income tax expense recognized in the consolidated income statement:

	31.12.2015	31.12.2014
current income tax	4,209	2,267
deferred tax	14,230	-799
<b>Total</b>	<b>18,439</b>	<b>1,468</b>



The tax charge on the Investment Holding's result before taxes differs from the theoretical amount that would have resulted from applying the average applicable tax rates to the profits of the consolidated companies. The analysis is as follows:

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

	in thousands €	31.12.2015	31.12.2014
<b>Result before income taxes</b>		108,520	-7,594
Income tax expense/gain calculated at 33,99%		36,886	-2,581
Effect of different tax rates in other jurisdictions		-14,600	2,000
Effect of non-deductible expenses		724	655
Effect of revenue that is exempt from taxation		-1,470	-605
Effect of use/recognition of previously unrecognized tax losses		-6,103	-341
Effect of current year losses for which no DTA is recognized		1,774	3,204
Effect of tax incentives not recognized in the income statement		-76	-264
Effect of under/over-accrued in previous years		947	-58
Effect of change in local tax rates		343	450
Effect of share deal Rubia		-	-13
Effect of share deal RPI		-	-321
Effect of share deal L-Park		-	-571
Other		14	-87
<b>INCOME TAX EXPENSE RECOGNISED IN INCOME STATEMENT</b>		<b>18,439</b>	<b>1,468</b>

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'.

## 27. Contingent liabilities and contingent assets

### 27.1 (Bank) guarantees

All external borrowings of the Investment Holding are secured by corporate guarantees and/or surety ship agreements issued by the respective sub-holding (Ghelamco Invest 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 2015 and 2014.



Company	Project name	Amount of bank loan-books (KEUR/KUSD)		Corporate guarantees as per 31/12/2015 (KEUR)	
BELGIUM		Guarantee by Ghelamco Invest NV			
Dianthus	Katelijne	EUR	778	778	Corporate Guarantee
Retail Leuven	Waterview	EUR	10,619	10,619	Cash deficiency guarantee, subordination declaration
Waterview					
Leuven Student Housing					
WRP	Wavre Retail Park	EUR	5,906	5,906	Cash deficiency guarantee
Leisure Property Invest	Golf Knokke Zoute	EUR	15,000	5,000	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Nepeta	East Dune	EUR	933	933	Corporate Guarantee, cash deficiency, cost overrun subordination declaration Peridot
Zeewind	Zeewind	EUR	428	428	Corporate Guarantee, cash deficiency
Retail Gent	Retail Gent	EUR	12,307	12,307	Corporate Guarantee, cash deficiency, subordination declaration Peridot, minimal rent guarantee
Parking Estates	Parking Estates Gent	EUR	756	14,500	Corporate Guarantee, cash deficiency, cost overrun
Schelde Offices	Blue Towers	EUR	16,283	16,283	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Arte Offices	Blue Towers	EUR	17,648	17,648	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
De Nieuwe Filature	Tribeca	EUR	4,300	4,300	Corporate Guarantee, cash deficiency
Parking Gent	Parking Gent	EUR	13,381	14,500	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Bischoffsheim Freehold	Spectrum	EUR	1,750	1,750	Corporate Guarantee, cash deficiency



Belalan Bischoffsheim Leasehold	Spectrum	EUR	8,750	8,750	Corporate Guarantee, cash deficiency
Louise Freehold	Louise 165	EUR	640	640	Corporate Guarantee, cash deficiency
Belalan Louise Leasehold	Louise 165	EUR	6,560	6,560	Corporate Guarantee, cash deficiency
MeetDistrict Gent	MeetDistrict Gent	EUR	9,454	5,000	Corporate Guarantee, cash deficiency, cost overrun
Ring Multi	part Ghelamco Arena	EUR	7,553	4,000	Corporate Guarantee, cash deficiency

<b>POLAND</b>			<b>Guarantee by Granbero Holdings Ltd,</b>		
Warsaw Spire SKA	Warsaw Spire	EUR	188,095	188,095	Corporate suretyship and guarantee agreement
Sienna Towers SKA	Sienna Towers	EUR	7,707	7,707	Corporate guarantee
Wronia SKA	Wronia	EUR	4,022		Suretyship, cash deficiency
SBP SKA	Wroclaw Business Park	EUR	7,000	7,000	Corporate guarantee, cash deficiency
Foksal SKA	Foksal	EUR	4,000	4,000	Corporate guarantee, cash deficiency
Sobieski SKA	Sobieski Towers	EUR	3,330		Suretyship, cash deficiency
Postepu SKA	Prostepu 2	EUR(*)	1,968		Suretyship, cash deficiency
Grzybowska77 SKA	Grzybowska 77	EUR	3,238		Suretyship agreement
Vogla SKA	Plac Vogla	EUR	6,331	6,331	Corporate Guarantee
Dahlia SKA	Woloska 24	EUR	11,587		Suretyship and cash deficiency

<b>RUSSIA</b>			<b>Guarantee by Safe Holding Belgium</b>		
BelyRast	Dmitrov Logistics Park Building C	USD	6,272	5,432	support deed re. cash deficiency guarantee (and in the event of default by Safe Holding Belgium, by Ghelamco Group)

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



No corporate guarantees were given by the Investment Holding to ensure repayment of the bank loans of the related parties under the common control of the ultimate beneficial owners at 31 December 2015 (but not part of the Investment Group).

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

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

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

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

## 27.3 Guarantees received from the contractors

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

## 27.4 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 surety ships, cost overruns or debt service commitments.



## 28. Commitments

### 28.1 (Capital) Commitments

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

	2015	2014
Architectural and Engineering contracts	24,801	24,541
Construction contracts	101,943	162,591
Purchase of land plots	-	2,117
Purchase of shares (connected with landbank)	-	-
<b>Total</b>	<b>126,744</b>	<b>189,249</b>

At 31 December 2015, the Investment Holding has entered into a number of contracts with third parties for the acquisition of the following assets (land plots) or shares:

#### Binding contracts

- Poland: none per end 2015 (and 2014).
- Belgium: none significant per end 2015. Per end 2014 preliminary contracts for the acquisition of some smaller plots in the Brussels periphery and in Knokke were outstanding for a total amount of 2,117 KEUR. The related deeds were actually signed in the course of Q1 2015.

#### Non-binding contracts

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

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

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

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

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

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

- Warsaw Spire: 17,995 KEUR
- Budomal project in Lodz (approx.. 25,000 sqm office space): 27,116 KEUR
- Woloska 24: 5.936 KEUR
- Tribeca mixed project in Ghent: 36.8 MEUR construction contracts in total
- Ring Hotel project in Gent: 7.3 MEUR construction contracts in total



## 28.2 Operating lease commitments (land lease rights)

	Poland		Russia	
	2015	2014	2015	2014
Within 1 year	763	688	290	313
After 1 year but not more than 5 years	2,961	2,752	1,162	1,182
More than 5 years	54,341	50,248	9,820	10,110
	<b>58,065</b>	<b>53,688</b>	<b>11,272</b>	<b>11,605</b>

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

## 28.3 Rental guarantees

## Poland:

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

In connection with the sale of two office projects in 2013 (Mokotov Nova and Senator), master lease agreements were closed for the (at the time of the sale) not leased space, for a period of 60 months.

In this respect, a rental guarantee provision of 2,000 KEUR has been recognized in the consolidated financial statements at 31/12/15.

## Belgium:

In connection with the sale of the L-Park project in 2014 to AXA Belgium, a master lease agreement has been closed for the (at the time of the sale) not leased office space. The master lease agreement has a period of 9 years. In this respect, a rental guarantee provision of 900 KEUR has been recognized in the consolidated financial statements at 31/12/15.

## 29. Related party transactions

The Investment Holding is together with the Development Holding and the Portfolio Holding – related parties – under common control of the ultimate beneficial owners, Mr. & Ms. Gheysens.

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

## 29.1. Relationships with the directors and management

For the year ending 31 December 2015, the Consortium (of which the Group is part) paid a total amount of approx. 8,000 KEUR to the members of the board and management committee. This amount includes management service fees charged by the Management Committee members to the legal entities included in the scope of these consolidated financial statements.



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

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

### *Construction and Development Services*

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

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

Each of these entities provide services to the real estate companies of the Investment Holding in their respective geographical areas, in accordance with the terms of the property development contracts, including but not limited to:

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

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

Construction service providers (including Contractors) in Belgium, Poland and other countries have a legal obligation to bear repair costs of any construction defects that become apparent within a warranty period after the construction is completed. The Contractors have an obligation to remedy all structural construction defects that become apparent during the statutory warranty period of 10 years in Belgium and Ukraine and 5 years in Poland and Russia.

The price for the construction and other related services is the fixed price agreed at the inception of the contract. The payments are executed based on the invoices issued on a bi-weekly to monthly basis. With regards to completed and handed-over works, the parties sign a works protocol every fortnight to month after approval by an independent project monitor appointed by the external financial party. The prices for the services reflect normal commercial terms and conditions in each territory, with average margins of around 15% to 20%.

### *Engineering and architectural design services*

APEC Architectural Engineering Projects Limited (a limited liability company registered under the laws of Ireland) and Safe Invest Sp. z o.o (a limited liability company registered under the laws of Poland), both direct and indirect legal subsidiaries of the Development Holding) coordinate engineering and architectural design services provided to the Investment Holding in accordance with terms of the





respective contracts. Purchases of services from Apec Ltd and Safe Invest Sp. z o.o comprise a significant part of all engineering, architectural design and other related services acquired by the Investment Holding. These services include:

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

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

### 29.3. Acquisitions and disposals of shares and other related party transactions

2015

Except for

- the contribution by CC28 of its participation in Woronicza SKA in Ghelamco Polish Project 1 SCSp as described in section 4.1,
- the sale by the Company of 30% of the shares of SPVs Unique, Prima Bud and Tarima as described in section 4.2
- the mergers and liquidations of subsidiaries as described in section 4.4 of this report, there have been no other share transactions or other significant transactions with related parties in 2015.
- The sale of the remaining office space in Ring Offices to International Real Estate Services Comm. VA (IRS) for an amount of 2.9 MEUR,

there have been no share transactions or other significant transactions with related parties in 2014.

2014

Except for the finalisation of the merger operation as described above and the sale of the shares of Portfolio Invest Ltd. to the Development Holding, there were no share transactions or other significant transactions with related parties in 2014.

*Other*

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



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

	<u>31/12/2015</u>	<u>31/12/2014</u>
Purchases of construction, engineering and architectural design:	-151,852	-128,826
related party trade receivable	1,326	3,253
related party trade accounts payable	-954	-5,663
related party non-current loans receivable	44,070	41,209
related party interests receivable	18,284	15,161
related party C/A receivable	51,844	51,791
related party non-current other receivable	-	1,960
related party non-current loans payable	-1,216	-1,572
related party interests payable	-1,891	-1,772
related party C/A payable	-60	-5,254

### 30. Events after balance sheet date

- In February 2016, the Group signed a conditional share purchase agreement for the acquisition of a company holding a +/- 13,000 sqm plot in Berchem, for a transaction value of +/- 9.9 MEUR. On this site, the Group foresees to develop 2 office buildings with a total leasable area of +/- 26,000 sqm. Closing of the deal is expected for Q3 2016.

- Also in February 2016, a preliminary agreement has been signed with the City of Brussels for the sale of the De Ligne building at Rue de la Banque, for a transaction amount of 27 MEUR. The notary deed will be signed within the prevailing 4 month-delay.

- On 29 January 2016, the Financial Supervision Commission (Komisja Nadzoru Finansowego) has approved Ghelamco Invest Sp. z o.o.'s base prospectus for the issue of a total amount of 350 MPLN public retail bonds in connection with its Bond Issue Programme IV. In March 2016 bonds (series PPE) have been publicly offered and allocated to institutional and retail investors for an amount of 50.000 KPLN. The bond issue will be formalized on 30 March 2016. The bonds have as maturity date 30 March 2020 and bear an interest of Wibor 6 months + 4%. Expected trading introduction date is 7 April 2016. Also in March 2016 another tranche of bonds (series PPF) has been publicly offered and allocated to institutional and retail investors for an amount of 30.000 KPLN. The bond issue will be formalized early April 2016. The bonds have as maturity date 30 March 2020 and bear an interest of Wibor 6 months + 4%. Expected trading introduction date is 14 April 2016. Both bonds series are secured by a guaranty granted by Granbero Holdings Ltd.



**31. Auditor's Report**

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## Ghelamco Group Comm. VA

**Independent auditor's report on the  
consolidated financial statements  
for the year ended 31 December 2015**

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 Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited





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## Ghelamco Group Comm. VA

### Independent auditor's report on the consolidated financial statements for the year ended 31 December 2015

We are pleased to report to you on the audit assignment which you have entrusted us. This report includes our opinion on the consolidated financial statements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2015, 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.

#### Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Ghelamco Group Comm. VA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of 1,653,429 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 89,348 (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 (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, 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 (ISA). 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 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 group'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.

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*Unqualified opinion*

In our opinion, the consolidated financial statements of Ghelamco Group Comm. VA give a true and fair view of the group's net equity and financial position as of 31 December 2015, 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 and with the legal and regulatory requirements applicable in Belgium.

Diegem, 31 March 2016

The independent auditor

A handwritten signature in blue ink, appearing to read "R. Neckebroeck", written over a horizontal line.

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

