
GHELAMCO GROUP COMM. VA

IFRS CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2018

Approved by Management with the independent Auditor's opinion



CONTENTS

I. ANNUAL REPORT OT THE MANAGER	3
II. IFRS CONSOLIDATED FINANCIAL STATEMENTS	11
A. Consolidated statement of financial position	12
B. Consolidated statement of profit or loss and other of comprehensive income	13
C. Consolidated statement of changes in equity	14
D. Consolidated cash flow statement	15
E. Segment reporting	16
1. Summary of significant accounting policies	18
2. Financial risk management	33
3. Critical accounting estimates and judgements	38
4. List of subsidiaries	40
5. Group structure	45
6. Investment Property	49
7. Property, plant and equipment	54
8. Intangible assets	55
9. Equity accounted investees	56
10. Property Development Inventory	57
11. Non-current receivables & prepayments and current trade & other receivables	60
12. Derivatives	63
13. Cash and cash equivalents	63
14. Share capital	63
15. Reserves and retained earnings	64
16. Interest-bearing loans and borrowings	65
17. Financial instruments	70
18. Deferred taxes	72
19. Trade and other payables	74
20. Current tax liabilities	75
21. Revenue	75
22. Other items included in operating profit/loss	76
23. Cost of Property Development Inventories	79
24. Finance income and finance costs	79
25. Income taxes	80
26. Contingent liabilities and contingent assets	82
27. Commitments	84
28. Related party transactions	86
29. Events after balance sheet date	90
30. Audit Fees	91
31. Auditor's Report	92

Annex 1: Independent Appraiser Reports (available on request)



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ANNUAL REPORT
OF THE MANAGER¹

¹ This report has been prepared in accordance with article 119 of the Belgian Companies' Code and approved by the Manager on 28 March 2019.

1. BUSINESS ACTIVITIES AND PROFILE

Ghelamco Group Comm. VA is a leading European real estate investor mainly 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 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 Belgium and Poland and has realised a steep growth over the last number of years. The group's market position has been recognized by numerous prestigious awards, collected over several years and granted both to the company and to many of its projects.

In Poland, Ghelamco received three awards at CIJ Awards 2018. Wronia 31 office project was chosen as 'Leading Green Building Development'. The sale of Warsaw Spire, the tallest tower in CEE, was chosen as the 'Best Investment Transaction' of the year. The jury also recognised Ghelamco's social activity on Plac Europejski, which has – thanks to the developer's efforts – become an important cultural and entertainment centre of Warsaw's Wola district.

In addition, the Warsaw HUB, multifunctional project of 117,000 sqm, has been awarded as the 'Best commercial High-Rise Development' together with a 'Five Star Award' at the prestigious European Property Awards.

And in Russia, the Dmitrov Logistic park received the award as "Most Stable Development in Logistics 2018".

Ghelamco's business activities are structured in four 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.
- **Ghelamco European Property Fund:** keeps in first instance real estate projects as income generating products in portfolio for a longer time period. This allows the Investment Holding to realise and sell delivered projects, for which the occupation rate and lease status has been optimized in the past years, at an optimal market value. This longer-term strategy also demands a specific (long-term) financing structure. The fund is not regulated but acts as a separate legal entity within the group.

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 Ypres, Belgium.

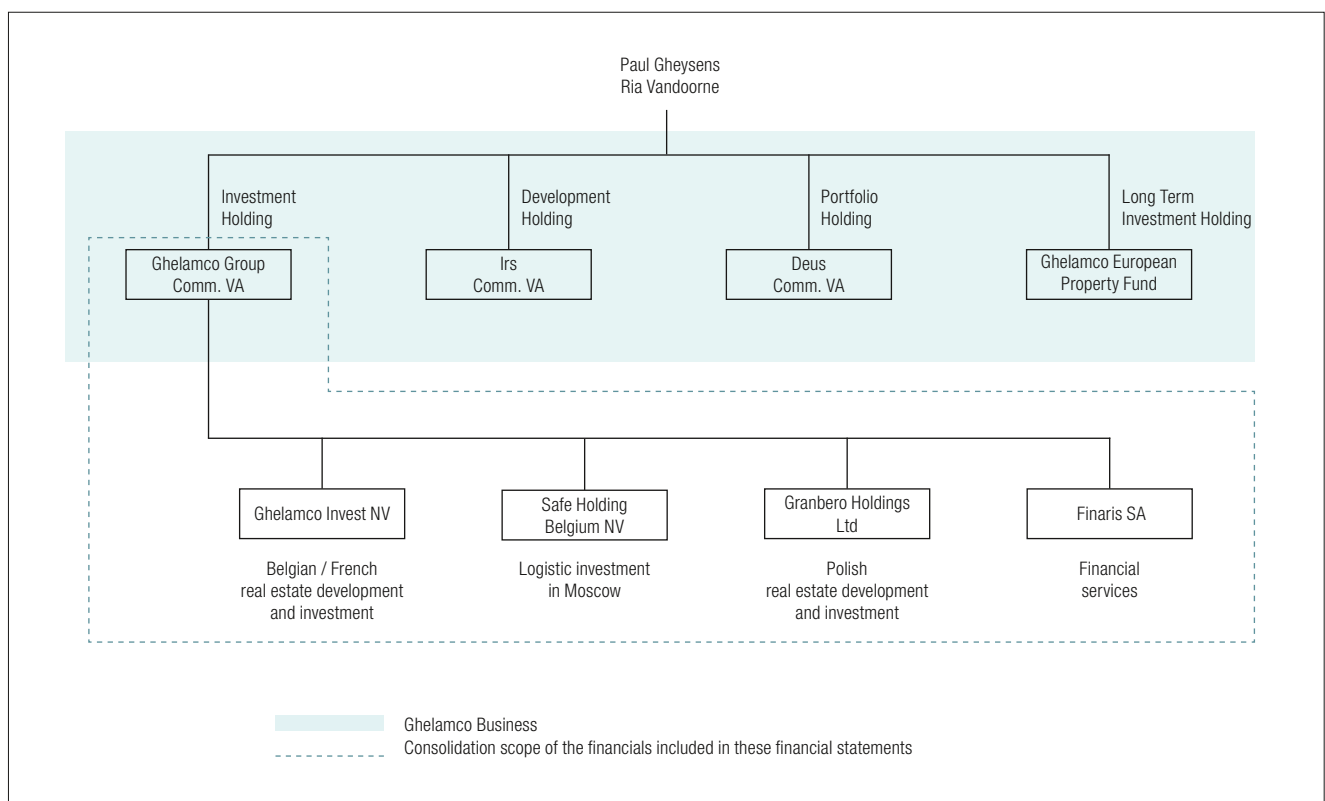
The Company is registered in the Belgian commercial register under the number BE 0879.623.417.

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 2018 (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 2018 and at 31 December 2017.



4. STAFFING LEVEL

Given its nature, there is only limited employment in the Company. At 31 December 2018, Ghelamco Group Comm. VA and its subsidiaries employed 56 people (56 on 31 December 2017). 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 304 people on 31 December 2018 (vs. 294 on 31 December 2017).

5. MANAGEMENT AND BOARD

Ghelamco's Management consists of:

- Mr. Paul Gheysens (Chief Executive Officer)
- Mr. Simon Gheysens (Chief Business Intelligence, Technology and Project Design Officer)
- Mr. Michael Gheysens (Chief Commercial and Business Development Officer)
- Mr. Philippe Pannier (Chief Financial Officer)
- Mr. Chris Heggerick (Chief Operational Officer)
- Mrs. Barbara De Saedeleer (Chief Investments and Operations 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

6.1. 2018 PERFORMANCE AND RESULTS

The Group closed its 2018 accounts with a net profit of 38,405 KEUR. While paying thorough and still increasing attention to (amongst others technical and environmental) innovation and sustainability, the Group continued its development, investment and commercial efforts. As a result, the Group again realised significant residential sales, disposed of some investment property projects and in addition managed to create significant added value on existing projects. This is reflected in a growing qualitative and green project portfolio and appears from an increased balance sheet total of 1,901,918 KEUR and an equity of 763,227 KEUR. The solvency ratio evolved from 41% end of last year to 40.1% per 31 December 2018. The Group realised a profit for the year of 38,405 KEUR, an increase of 64% compared to prior year. There is currently no intention to distribute a dividend over 2018.

BELGIUM

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 years been delivered and commercialised.

2018 development activities mainly related to:

- The construction works of phase 3 of the Tribeca project in Ghent (offering 91 apartments and some smaller retail units) have been finalized. While this last

phase of this affordable, contemporary, green project is being delivered, currently over 90% of total available residential units (163 apartments, 13 houses and 5 lofts) have been sold. Also approx. 50% of the available retail space was sold.

- The construction works in the Brussels Edition and Spectrum projects have continued and are well advanced. Construction progress is for both projects respectively at 90% (and the deliveries are currently ongoing) and 55%. Per end 2018, all available residential units (except for the penthouse) in the Edition project (offering 59 luxurious apartments, underground parking spaces and retail space on the ground floor) have been sold, while in the Spectrum project (mixed project offering 15,000 sqm office space, 22 apartments and approx. 170 underground parking spaces) 100% of the apartments have been sold. In addition, over 50% of leasable space in the offices-part of the Spectrum project has been pre-leased, while also well advanced lease negotiations are ongoing for significant parts of the remaining space.
- Also, the construction of the The Link office project in Berchem, Antwerp (27,000 sqm leasable space and approx. 540 underground parking spaces, divided over 2 buildings) has been finalised and the building was per end 2018 in the delivery phase. Parallel marketing efforts have in addition resulted in a lease rate of over 95%.

In addition, the Group has expanded its portfolio through a number of acquisitions:

- On 17 September 2018, the Group signed a share purchase agreement with AG Real Estate for the acquisition of the shares of the company holding the Silver Tower site in Brussels, in view of the future development of an office project offering approx 54,280 sqm gross leasable space. The shares transaction was based on a transaction value of 22.2 MEUR.
- On 19 December 2018, the Group acquired the shares of Domein Culligan bvba, holding a site in Machelen, Culliganlaan, for the future development of an office project offering approx. 30,000 sqm gross leasable space. The transaction value of the site in the share deal amounted to 9.5 MEUR.
- On 29 December 2018, the Group signed a put option contract with the Brussels Region for the acquisition of part (+/- 63,000 sqm) of the Communicatiecentrum Noord building in Schaarbeek. Depending on the realisation of the conditions precedent as set forth in the contract and the exercising of the put option, the deal will be closed by end of April 2019, with a postponed payment until end of June 2021. The acquisition price amounts to 66.5 MEUR (acte en main).

As to divestures/revenues:

- In June 2018, the Wavre Retail Park (site in Wavre for the realisation of an SME-park (warehousing, showroom and offices) of over 27,000 sqm) has been sold to a third party investor. The sales price amounted to 8.0 MEUR, equalling the carrying value per books. The transaction was structured as a share deal. The preliminary contract was signed in 2017, while the deal was closed in 2018.
- Also in June 2018, approx. half of the available retail units (+/- 2,500 sqm) and 95 adjacent parkings in the Tribeca project in Ghent have been sold to a third party investor, for a net sales price of 6.1 MEUR.
- On 27 August 2018, the City Council of Leuven decided to purchase the Waterview Parkings project (585 parkings tower in the Vaartkom, Leuven) for an amount of 6.5 MEUR. The sales transaction was closed on 7 December 2018.
- Other, residential sales related mainly to apartments and parking spaces in (phase 3 of) the Tribeca project in Ghent and apartments and parking spaces in the Edition and Spectrum projects in Brussels.

POLAND

In Poland, the Group has in the current period mainly invested in a number of existing projects (mainly the Warsaw HUB, Big in Krakow and the Warsaw Unit) and was able to create considerable added value on its projects portfolio.

Land bank

The Group in first instance maintained its existing land bank but also took advantage of some expansion opportunities. In this respect, on 5 July 2018 Ghelamco GP 1 Azalia signed a preliminary purchase agreement for the acquisition of a land plot in Warsaw CBD. Closing of the acquisition is expected in the coming months.

Development and construction

The investing activities in Poland during 2018 have mainly been focused on:

- The continued design activities, engineering and construction of the Warsaw HUB project at Rondo Daszynskiego, comprising 3 towers on a podium with retail function of approx. 117,000 sqm in Warsaw CBD. The delivery is expected by end of Q1 2020.
- The further construction works and finalisation of the Big project (Krakow), totalling approx. 10,200 sqm of office space and two levels of underground parking lots (141 parking spaces). In September 2018, the building occupation permit has been received. Per end 2018, over 90% of the available office space has been leased and shortly after year-end the project has been sold to a third party investor.
- The progressed construction works on the Foksal project, including the renovation of the historic buildings, located in the historic heart of Warsaw. The project comprises the realisation of 55 high-class apartments (approx. 6,424 sqm in total) and commercial space of approx. 595 sqm. Per date of the current report, approx. 30% of available residential units have already been pre-sold.
- Finalisation of the underground works and start of the above ground construction works of the Warsaw Unit, 59,000 sqm offices project at Rondo Daszynskiego in Warsaw. The project is expected to be delivered in Q1 2021.
- In the course of 2018, building permit(s) have been received for the construction of Nowe Soho previously called Nowe Centrum Łodzi, approx. 78,400 sqm phased project which will offer office, hotel, retail and residential space in Lodz.

(Pre-)leasing and occupation of projects:

Continued leasing efforts have resulted in an occupation rate of approx. 89% (signed expansion options included) for the recently delivered Wronia project in the close vicinity of the Warsaw Spire and Plac Europejski Square and a lease rate of approx. 90% for the delivered Woloska 24 project located in the Mokotow district of Warsaw.

In addition the Big project in Krakow has per end December 2018 been leased for over 91% and the Vogla (retail project) is leased at approx. 88%.

In the Warsaw HUB project, in addition to the hotel contract, lease agreements with a fitness club operator, agreements for a co-working space, office space, cafeteria and restaurant have been signed, while negotiations with potential tenants of commercial and office sections are pending. In total, lease agreements were signed for approx. 37,300 sqm (and taking into account extension options signed, the level of rented space is approx. 41,200 sqm).

Divestures

There have been no divestures of investment property projects in Poland during 2018.

Current period's residential sales revenues mainly related to the further commercialisation of the Woronicza Qbik project (355 residential soft lofts and 16 ground floor commercial units, in the Mokotow District of Warsaw). Per end December 2018 over 98% of available units have been sold.

RUSSIA

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. 240,000 sqm 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. 70% and 90%. The occupation permit of building C1 (20,000 sqm) was received early 2017 and buildings C2 and C3 (26,000 sqm) were delivered in September 2017. The C buildings are currently leased for approx. 60%. Finally, construction works for (first 7,500 sqm part of) building D have been kicked off near year-end.

The political and economic situation and its effects on markets and (warehouse) tenant activity is further closely monitored. In Russia, the yields remained quite stable; the RUB and the market rental levels for (refrigerated) warehousing are however still under pressure. This has resulted in the recognition of further negative fair value adjustments on mainly the Dmitrov project in portfolio.

Main post balance sheet events

On 17 January 2019, a lease contract has been signed with PWC for the lease of 23,000 sqm office space and 700 parking spaces in the building to be raised on the recently acquired Culligan site in the Brussels region. The project will going forward be referred to as the PWC Offices. The lease agreement will start on 1 May 2021, with a duration of 15 years. Considering fit-out works starting at inception of the lease agreement, it is expected that PWC will actually move in into the premises end of 2021.

On 27 February 2019, the 'The Link' project in Antwerp has been sold to Baloise for a total sales value (acte en main) of 89,250 KEUR. The transaction has been realized at a new prime yield for office investments in Flanders of 5.2% and resulted in the realization of previously recognized fair value adjustments of +/- 24 MEUR. At the moment of sale, the related bank financing of 55 MEUR has been reimbursed.

The Big project (10,200 sqm office space in Krakow) has on 17 January 2019 been sold to Crédit Suisse. The sale was structured as an enterprise deal (assets and related liabilities), based on a transaction value of the project of 32.9 MEUR and a yield of 5.59%. At moment of sale, the related bank financing (16.6 MEUR) has been reimbursed.

In Q1 2018 early redemption of Polish bonds has been done for a total amount of 6,370 KPLN.

On the other hand, end February 2019 Ghelamco Invest Sp. z. o. o. issued bonds to institutional investors (series PK) for a total amount of 138,188 KPLN. Additionally in March 2019, bonds to institutional investors (series PL) were issued for a total amount of 49,350 KPLN. These bonds have a 3-year maturity and bear an interest rate of wibor 6m + 4.5%. Also early March 2019, the decision was taken to issue 60 MPLN retail bonds under the Company's current prospectus. Per date of the current report, these bonds were fully subscribed (PPM series of 34,878 KPLN and PPN series of 24,924 KPLN, both with a 3-year maturity and a wibor 6m + 4.25% interest). Issue date is on 29 March 2019.

Risk factors

Due to its activities, the Group is exposed to a variety of risks: market risk (including exchange rate risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. We refer to section 2 of the Consolidated Financial Statements for a detailed description of those risk factors. With respect to the status of the Eurostadium project, we refer to note 10 of the Consolidated Financial Statements.

Outlook

It is the Investment Group's strategy to further diversify its investment portfolio in mainly Belgium and Poland by spreading its investments over different real estate segments. For 2019, the Group will continue this strategy. In addition, it will closely monitor specific evolutions in its active markets and real estate segments and has already secured some important positions for sizable new projects. 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 2019 in general.

Ghelamco will also continue to focus on R&D and innovation to monitor and improve the realisation of its development projects.

7. OPINION ON THE FAIR PRESENTATION IN ACCORDANCE WITH THE ROYAL DECREE OF 14 NOVEMBER 2007

The Manager, hereby declares, to the best of his knowledge, that:

- the consolidated financial statements give a true and fair view of the Group's net worth and financial position and of its results in accordance with International Financial Reporting Standards;
- the annual report gives a true and fair view of the developments and results of the Group and its subsidiaries included in the consolidated financial statements, as well as a description of the main risks and uncertainties which the Group is facing.



II
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IFRS
CONSOLIDATED
FINANCIAL
STATEMENTS

This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2018, assuming the going concern of the consolidated companies and which were approved by the Investment Holding Management on 28 March 2019. The amounts in this document are expressed in thousands of EUR (KEUR), unless stated otherwise.

A. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN KEUR)

ASSETS	Note	31/12/2018	31/12/2017
Non-current assets			
Investment Property	6	1,034,988	910,579
Property, plant and equipment	7	515	527
Intangible assets	8	3,651	3,708
Equity accounted investees	9	14,485	6,340
Receivables and prepayments	11	236,239	250,911
Deferred tax assets	18	10,997	11,845
Non-current assets held for sale		0	0
Other financial assets	4	3,961	4,155
Restricted cash		0	0
Total non-current assets		1,304,836	1,188,065
Current assets			
Property Development Inventories	10	249,039	285,581
Trade and other receivables	11	162,073	187,898
Current tax assets		31	163
Derivatives	12	0	0
Assets classified as held for sale	6	126,867	575
Restricted cash		0	0
Cash and cash equivalents	13	59,072	129,526
Total current assets		597,082	603,743
TOTAL ASSETS		1,901,918	1,791,808
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Group's equity holders			
Share capital	14	28,194	28,194
CTA	15	2,749	7,147
Retained earnings	15	724,329	687,402
		755,272	722,743
Non-controlling interests	14.2	7,955	6,746
TOTAL EQUITY		763,227	729,489
Non-current liabilities			
Interest-bearing loans and borrowings	16	750,274	694,110
Deferred tax liabilities	18	46,617	29,106
Other non-current liabilities		7,029	2,249
Long-term provisions		0	0
Total non-current liabilities		803,919	725,465
Current liabilities			
Trade and other payables	19	93,802	133,289
Current tax liabilities	20	6,056	2,947
Interest-bearing loans and borrowings	16	234,914	200,618
Short-term provisions		0	0
Total current liabilities		334,772	336,854
TOTAL LIABILITIES		1,138,691	1,062,319
TOTAL EQUITY AND LIABILITIES		1,901,918	1,791,808

B. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	Note	2018	2017
Revenue	21	69,211	103,506
Other operating income	22	28,126	28,991
Cost of Property Development Inventories	23	-28,431	-51,409
Employee benefit expense	22	-1,161	-1,339
Depreciation amortisation and impairment charges	7	-817	-805
Gains from revaluation of Investment Property	6	56,524	45,731
Other operating expense	22	-52,842	-54,559
Share of results of associates		1,738	793
Operating profit - result		72,348	70,909
Finance income	24	17,970	15,187
Finance costs	24	-29,930	-51,542
Profit before income tax		60,388	34,554
Income tax expense	25	-21,983	-11,096
Profit for the year		38,405	23,458
Attributable to:			
Owners of the Company		37,221	22,058
Non-controlling interests		1,184	1,400

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Note	2018	2017
Profit for the year		38,405	23,458
Exchange differences on translating foreign operations	15	-4,398	-14,144
Other		-31	-74
Other comprehensive income of the period		-4,429	-14,218
Total Comprehensive income for the year		33,976	9,240
Attributable to:			
Owners of the Company		32,792	7,840
Non-controlling interests		1,184	1,400

C. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to the Owners of the Company			Non-controlling interests	TOTAL EQUITY
		Share capital	Cumulative translation reserve	Retained earnings		
Balance at 1 January 2017		73,194	21,291	665,418	5,379	765,282
Foreign currency translation (CTA)						
Profit/(loss) for the year			-14,144			-14,144
Capital decrease				22,058	1,400	23,458
Dividend distribution		-45,000				-45,000
Change in non-controlling interests						
Change in the consolidation scope				-74	-33	-107
Other						
Balance at 31 December 2017		28,194	7,147	687,402	6,746	729,489
Foreign currency translation (CTA)	15		-4,398			-4,398
Profit/(loss) for the year	15			37,221	1,184	38,405
Capital decrease						0
Dividend distribution						
Change in non-controlling interests	14.2				25	25
Change in the consolidation scope	15			-252		-252
Other				-42		-42
Balance at 31 December 2018		28,194	2,749	724,329	7,955	763,227

D. CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT FOR 2018 AND 2017	Note	2018	2017
Operating Activities			
Profit / (Loss) before income tax		60,388	34,554
Adjustments for:			
• Share of results of associates		-1,738	-793
• Change in fair value of investment property	6	-56,524	-45,731
• Depreciation, amortization and impairment charges	7	817	805
• Result on disposal investment property	22	647	-15,710
• Change in provisions			-120,177
• Net interest charge	24	11,962	26,278
• Movements in working capital:			
- Change in prop. dev. inventories		7,678	-30,568
- Change in trade & other receivables		20,037	-5,542
- Change in trade & other payables		-36,675	51,558
• Movement in other non-current liabilities		4,780	333
• Other non-cash items		-118	92
Income tax paid		-384	-6,592
Interest paid (*)		-26,825	-43,344
Net cash from operating activities		-15,955	-34,780
Investing Activities			
Interest received	24	18,060	539
Purchase of property, plant & equipment and intangibles	7-8	-748	-863
Purchase of investment property	6	-176,262	-109,227
Capitalized interest in investment property paid		-17,300	-13,848
Proceeds from disposal of investment property	6	20,966	625,365
Net cash inflow/outflow on acquisition of subsidiaries		1,689	-5,547
Net cash inflow on disposal of subsidiary			
Cash inflow/outflow on other non-current financial assets		14,866	-161,719
Net cash flow used in investing activities		-138,729	334,699
Financing Activities			
Proceeds from borrowings	16	207,495	252,768
Repayment of borrowings	16	-117,035	-415,133
Capital decrease			-45,000
Net cash inflow from / (used in) financing activities		90,460	-207,365
Net increase/decrease in cash and cash equivalents		-64,224	92,554
Cash and cash equivalents at 1 January of the year		129,526	59,001
Effects of exch. rate changes, mainly on EUR/USD balances in non-EUR countries (**)		-6,230	-22,030
Cash and cash equivalents at 31 December of the year		59,072	129,526

(*): Interests directly capitalized in IP not included (2018: 17,300 KEUR; 2017: 13,848 KEUR) – separately presented under investing activities

(**): In 2017 to a significant extent related to realized FX gains in connection with the disposal of the Warsaw Spire project.

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.

ASSETS	2018				2017			
	Europe	Russia/ Ukraine	unallocated	TOTAL	Europe	Russia/ Ukraine	unallocated	TOTAL
Non-current assets								
Investment Property	888,526	146,462		1,034,988	754,190	156,389		910,579
Property, plant and equipment	515			515	527			527
Intangible assets	3,651			3,651	3,708			3,708
Equity accounted investees	14,485			14,485	6,340			6,340
Receivables and prepayments			236,239	236,239			250,911	250,911
Deferred tax assets	6,634	4,363		10,997	10,139	1,706		11,845
Non-current assets held for sale				-				-
Other financial assets	3,961			3,961	4,155			4,155
Restricted cash				-				-
Total non-current assets	917,772	150,825	236,239	1,304,836	779,059	158,095	250,911	1,188,065
Current assets								
Property Development Inventories	249,036	3		249,039	285,577	4		285,581
Trade and other receivables			162,073	162,073			187,898	187,898
Current tax assets	26	5		31	148	15		163
Derivatives				-				-
Assets classified as held for sale	126,867			126,867	575			575
Restricted cash				-				-
Cash and cash equivalents	56,022	3,050		59,072	117,690	11,836		129,526
Total current assets	431,951	3,058	162,073	597,082	403,990	11,855	187,898	603,743
TOTAL ASSETS	1,349,723	153,883	398,312	1,901,918	1,183,049	169,950	438,809	1,791,808

EQUITY AND LIABILITIES	2018				2017			
	Europe	Russia/ Ukraine	unallocated	TOTAL	Europe	Russia/ Ukraine	unallocated	TOTAL
Capital and reserves attributable to the Group's equity holders								
Share capital			28,194	28,194			28,194	28,194
CTA	866	1,883		2,749	-2,573	9,720		7,147
Retained earnings	763,876	-39,547		724,329	718,764	-31,362		687,402
	764,742	-37,664	28,194	755,272	716,171	-21,622	28,194	722,743
Non-controlling interests	7,961	-6		7,955	6,752	-6		6,746
Total equity	772,703	-37,670	28,194	763,227	722,923	-21,628	28,194	729,489
Non-current liabilities								
Interest-bearing loans and borrowings			750,274	750,274			694,110	694,110
Deferred tax liabilities	46,617			46,617	29,106	0		29,106
Other non-current liabilities	7,029			7,029	2,249			2,249
Long-term provisions								
Total non-current liabilities	53,645	0	750,274	803,919	31,355	0	694,110	725,465
Current liabilities								
Trade and other payables			93,802	93,802			133,289	133,289
Current tax liabilities	6,056			6,056	2,947			2,947
Interest-bearing loans and borrowings			234,914	234,914			200,618	200,618
Short-term provisions								0
Total current liabilities	6,056	0	328,716	334,772	2,947	0	333,907	336,854
Total liabilities	59,701	0	1,078,990	1,138,691	34,302	0	1,028,017	1,062,319
TOTAL EQUITY AND LIABILITIES	832,404	-37,670	1,107,184	1,901,918	757,225	-21,628	1,056,211	1,791,808

INCOME STATEMENT	2018				2017			
	Europe	Russia/ Ukraine	unallocated	TOTAL	Europe	Russia/ Ukraine	unallocated	TOTAL
Revenue	59,527	9,684		69,211	89,213	14,293		103,506
Other operating income	27,075	1,051		28,126	21,732	7,259		28,991
Cost of Property Development Inventories	-28,431			-28,431	-51,393	-16		-51,409
Employee benefit expense	-1,157	-4		-1,161	-1,288	-51		-1,339
Depreciation amortisation and impairment charges	-817			-817	-805			-805
Gains/losses from revaluation of Investment Property	74,323	-17,799		56,524	57,487	-11,756		45,731
Other operating expense	-47,559	-5,283		-52,842	-53,441	-1,118		-54,559
Share of results of joint-ventures	1,738			1,738	793			793
Operating profit - result	84,699	-12,351	0	72,348	62,298	8,611	0	70,909
Finance income			17,970	17,970			15,187	15,187
Finance costs			-29,930	-29,930			-51,542	-51,542
Profit before income tax				60,388				34,554
Income tax expense	-24,519	2,536		-21,983	-12,246	1,150		-11,096
Profit for the year				38,405				23,458
Attributable to:								
Owners of the Company				37,221		0		22,058
Non-controlling interests	1,184			1,184	1,400	0		1,400

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” of the Managers’ annual report on the consolidated financial statements 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.

As per today, the Group’s core business is the investment in commercial and residential properties. The Group’s strategy is to keep commercial property in portfolio for rental purposes while residential properties are dedicated for sale. According to IAS 2, Property Development Inventories have to be measured at the lower of cost and net realizable value. Investment Properties (Under Construction) 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 10 for more details on their presentation.

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 2018.

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 28, 2019. 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 2018. 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 2018.

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 2018

Standards and Interpretations that the Company anticipatively applied in 2017 and 2018:

- None

Standards and Interpretations that became effective in 2018:

- Amendments to IAS 40 Transfers of Investment Property
- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 1 and IAS 28
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 9 Financial Instruments and subsequent amendments
- IFRS 15 Revenue from Contracts with Customers

IFRS 9 Financial Instruments published in July 2014 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new Expected Credit Loss (ECL) model for calculating impairment on financial assets, and the new general hedge accounting requirements, which align hedge accounting more closely with risk management. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Company applied this standard as from 1 January 2018. This adoption had no significant impact on the financial statements of 31 December 2018.

IFRS 9 requires the Company to recognize expected credit losses on its financial assets through the application of default impairment percentages on (mainly trade) receivables. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The Company has encountered no or very limited defaults and has opted for the simplified approach. Loss allowances for trade receivables and contract leases are therefore always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. In determining the amount of credit losses the Company has considered both quantitative and qualitative information and prepared an analysis, based on the Company's historical experience and macro-economic information including forward-looking information. Based on the analysis performed, the Company did not identify material impairment losses on the date of initial application or at year-end.

The ECL model is not applicable for non-current receivables, as most of the outstanding non-current receivables are linked to related parties, having a low credit risk.

IFRS 15 Revenue from Contracts with Customers, establishes a unique and all-encompassing model of principles that an entity must apply to account for income arising from a contract with a customer. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and their corresponding interpretations. IFRS 15 is effective for the annual reports beginning on or after 1 January 2018, with early adoption permitted, and has been endorsed by the EU, so as its clarifications (issued on 12 April 2016).

The Company has adopted this standard as from 1 January 2018, according to the retrospective method without practical exemptions. This adoption has not created any significant impact on the balance sheet or the income statement of the Company. The various flows of income for the Company mainly relate to rental incomes that are covered by IFRS 16 (in 2018 still IAS 17), and residential sales which are covered by IFRS 15.

Belgium: Analysis of the new IFRS 15 criteria has indicated that land and construction related to a residential unit both together constitute a single performance obligation. In addition, in accordance with Belgian Breyne legislation (for off-plan apartment sales), it is assessed that sold assets have no alternative use and that right to payment for the Company exists. For that, revenue re. residential sales (which is in the income statement shown on the line item Revenue) is recognized over-time; i.e. through percentage of completion.

Poland: Analysis of the new IFRS 15 criteria has indicated that land and construction related to a residential unit both together constitute a single performance obligation. In addition, in accordance with relevant local laws and regulations, transfer of control for residential units is at delivery; for that revenue is recognized at delivery or completion of contract.

Standards and Interpretations which became effective in 2018 but which are not relevant to the Company:

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

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:

- Amendments to IAS 1 and IAS 8 Definition of Material (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 28 Long term interests in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2019, endorsed in the EU in February 2019)
- Amendments to IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (applicable for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, and therefore the endorsement in the EU has been postponed)
- Amendments to references to the Conceptual Framework in IFRS standards (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Annual improvements to IFRS Standards 2015-2017 Cycle (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- IFRIC 23 Uncertainty over Income Tax Treatments (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 14 Regulatory Deferral Accounts (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 or after 1 January 2019)

- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)

At this stage, the Company does not expect the first adoption of these Standards and Interpretations to have any material financial impact on the financial statements at the moment of initial application. Except for what is stated below on IFRS 16.

IFRS 16 introduces significant changes in accounting for leases for the lessee, removing the distinction between operating and finance leases and recognising assets and liabilities for all leases (aside from exemptions for short-term leases or low-value assets). Unlike accounting for leases by the lessee, IFRS 16 keeps almost all provisions from IAS 17 Leases regarding accounting for leases by the lessor. This means that lessors must continue to classify leases as operating or finance leases. The Company will apply the 'modified retrospective approach'. The comparative figures will not be adapted.

As the Group is mainly property owner and thus acting as a lessor, no changes are triggered and the Company will continue to value its investment property portfolio at fair value in accordance with IAS 40.

Still, in Poland and Russia, the Group holds significant part of its land positions through long-term leaseholds (i.e. 'perpetual usufructs') and not full property. For these contracts, a right of use and related liability will have to be recognised by the Company in the consolidated 2019 financial statements. The total impact will be processed as an increase of assets and liabilities, which is estimated within a range of 25 MEUR and 28 MEUR. The impact on the 2019 income statement is expected to be limited.

The Company is currently assessing the possible impact, if any, of standards to be applied as from 2020.

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 (see Notes 4 and 5). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Control is achieved when the Company:

- has power over the investee; and
- 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 28.

Investments in joint-ventures are included in the consolidated financial statements in accordance with the equity method. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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 2018 and 2017, 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 2018 and 2017 business of the Investment Holding consists of investing in commercial and the creation of residential real estate projects. Commercial properties are held for rental. Residential properties are held for sale in the ordinary course of business.

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 2018

In June 2018 the Wavre Retail Park was disposed and sold to a third party investor. The transaction was structured as a share deal, in line with the general approach to sell commercial projects. The share deal was based on an underlying fair value of the property and its business potential. The transaction has in the financial statements been presented as a disposal of IP.

On the other hand, also in June 2018, two leased retail units and 95 adjacent parking spaces in the Tribeca project in Ghent were sold to a third party investor, through an asset deal.

In addition, on 7 December 2018, the City Council of Leuven purchased the Waterview Parkings project (585 parkings tower in the Vaartkom, Leuven), also through an asset deal.

In 2018, no residential SPVs have been sold, in line with the general approach to sell residential projects through asset deals.

Comments 2017

On 28 June 2017, the shares of Retail Leuven NV, holding the delivered and operational Retail Leuven project (5,435 sqm retail space at the Vaartkom in Leuven) were sold to a third party investor. The deal was structured as a share deal, in line with the general approach to sell commercial projects. The share deal was based on an underlying fair value of the property. The transaction has in the financial statements been presented as a disposal of IP.

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

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

In 2017, no residential SPVs were sold, in line with the general approach to sell residential projects through asset deals.

1.5.4. INCREASE IN OWNERSHIP INTERESTS IN SUBSIDIARIES

The Company applies the parent company model to transactions with minority shareholders. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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).

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

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. In consolidation, the assets and liabilities of the Investment Holding companies using a different functional currency than the Euro are translated 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, within 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:

	2018		2017	
	Closing rate at 31 December	Average rate for 12 months	Closing rate at 31 December	Average rate for 12 months
Polish Zloty (PLN)	4.3000	4.2617	4.1709	4.2583
Russian Rouble (RUB)	79.4605	74.1330	68.8668	66.0305
United States Dollar (USD)	1.1450	1.1810	1.1993	1.1297
Ukrainian Hryvnia (UAH)	31.7141	32.1429	33.4954	30.0042

1.5.6. HYPERINFLATIONARY ECONOMIES

None of the Investment Holding entities operated in a hyperinflationary economy in 2018 and 2017.

1.6. PROPERTY, PLANT AND EQUIPMENT

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

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

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

The applicable useful lives are:

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

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 (in other operating income or other operating expense).

The Investment Holding distinguishes 4 different stages for Investment Property:

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

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

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

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

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

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 below building permit and lease conditions are fulfilled

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 below conditions are met.

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.

2. 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.

Fair value of IP is determined as follows

- Projects under (D): fair value of the completed project

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

- Projects under (D): fair value of the completed project minus gross land cost, minus cost of the construction part

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.

Investment property which is classified as held for sale is measured at fair value. Other 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, based on feasibility studies, recent transaction data and other available information.

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 10).

[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 usually 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.

Reference is made to the impact of IFRS 16 from 2019 onwards, as described in section 1.4 above.

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.

[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.

Additionally from 1 January 2018 onwards

The Company recognises loss allowances for ECLs mainly on financial assets measured at amortised cost and contract assets.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for trade receivables and contract leases are therefore always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

In determining the amount of credit losses the Company has considered both quantitative and qualitative information and prepared an analysis, based on the Company's historical experience and macro-economic information including forward-looking information.

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.

1.13. FINANCIAL ASSETS

Before 1 January 2018

The Investment Holding classified 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.

From 1 January 2018

The Company classifies its financial assets in the following categories: measured at amortised cost, Fair Value through Other Comprehensive Income ('FVOCI') and Fair Value Through Profit and Loss ('FVTPL'). The classification is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless

the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Trade and other 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 Company, not included in the consolidation scope of these financial statements).

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

For an overview of financial assets (and liabilities) by category in accordance with IFRS 9 (from 1 January 2018) and IAS39 (before 1 January 2018), reference is made to note 15 below.

1.14. CASH AND CASH EQUIVALENTS

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

1.15. SHARE CAPITAL

Ordinary shares are classified as equity under the caption “share capital”. When share capital recognized as equity is (re)purchased, the amount of the consideration paid, including directly attributable costs and taxes, 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.

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.

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 or taxable profit; temporary differences relating to investments in subsidiaries, associates and joint arrangements to the extent that they will probably not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

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 18).

1.17. TRADE AND OTHER PAYABLES

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

1.18. BORROWINGS

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

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

1.19. REVENUE RECOGNITION

Revenue mainly includes sales of properties and rental income.

Sale of Property Development Inventory

Before 1 January 2018

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.

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.

From 1 January 2018

Revenue is recognised as control is passed to the customer, either over time or at a point in time.

Revenue is recognised in the income statement (on the line-item Revenue) based on the transaction price in the contract, which is the amount to which the Company expects to be entitled in exchange for the transfer of the property.

In accordance with Belgian Breyne legislation, it is assessed that sold properties have no alternative use and that right to payment for the Company exists. For that, revenue from off-plan apartment sales is recognized over-time; i.e. through percentage of completion.

To the extent a contract contains elements of variable or contingent consideration, the Company will estimate the amount of variable consideration to which it will be entitled under the contract. A variable consideration is only included in the transaction price and will only be recognised to the extent it is highly probable that its inclusion will not result in significant revenue reversal in the future, when the underlying uncertainty has been resolved.

The property disposals might be structured 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 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. However, no derivative financial instruments were used at the balance sheet date.

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 813.9 MPLN as of 31/12/18). 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 804,337 KPLN
A 10% strengthening/weakening of the EUR against the PLN rate at 31 December 2018 would resp. have increased/decreased the EBT by approx. 18.9 MEUR. This analysis assumes that all other variables (e.g. interest rates) remain constant.
- USD bank loans in Russia for a net amount of 86,942 KUSD.
A 10% strengthening/weakening of the EUR against the USD rate at 31 December 2018 would resp. have increased/decreased the profit before tax and equity by approx. 7.7 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 2018, there have been no such hedging transactions. Per end of December 2018, there were no outstanding amounts to be covered by hedging contracts. The same goes for 2017.

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 Ghelamco Invest Sp. z o.o. is issuing bearer bonds (of which 813.9 MPLN actually still outstanding per balance sheet date), Polish projects can also be partly financed through the proceeds of these bonds. The same goes for Belgium since the bond issues (of which 280.3 MEUR actually still outstanding per balance sheet date).

Except for some ad-hoc past interest hedging and an interest cap agreement regarding the bank financing on the The Link project (which has been sold in Q1 2019), 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 **bank financing** structure reflects major project investment phases (acquisition of land, construction and holding of the properties) as follows, and usually structured within the involved project entity:

- 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 reimbursed at a level between 4% and 7% per annum (on average), usually payable on a quarterly basis together with the accrued interest.

Bonds for the Polish projects (issued on the Ghelamco Invest Sp. z o.o. level): 813.9 MPLN proceeds from bond issues with a term of 3 to 5 years and bearing an interest of Wibor 6 months + 3.5%-5.0%; proceeds of which can be used over the resp. project development stages.

Bonds for the Belgian and French projects (issued on the Ghelamco Invest NV level):

- 79.1 MEUR EMTN bond issue due 3 July 2020 and bearing an interest of 4.5%,
- 70.9 MEUR EMTN bond issue due 14 June 2021 and bearing an interest of 4.125%,
- 54.2 MEUR EMTN bond issue due 20 November 2024 and bearing an interest of 4.8%,
- 47.4 MEUR EMTN bond issue due 20 November 2022 and bearing an interest of 4.3%,
- 33 MEUR EMTN bond issue due 23 May 2022 and bearing an interest of 4.5%.

Proceeds of the bonds 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 Milovat, Peridot SL and Salamanca Capital Services Ltd at 31 December 2018 and Peridot and Salamanca Capital Services per 31 December 2017) 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 (and in the forthcoming case timing for necessary rezoning)
- 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 Company relies since more than 10 years on framework agreements with the majority of its banking partners. The parameters of the framework can vary due to economic circumstances, but remains workable as a whole. Before starting up the construction works (or contracting with subcontractors), the Company expects to have received already a (non-)binding term sheet from its banking relations.

In the past five-six years, the Company in addition proved to be able to call upon alternative financing through the issue of bonds in Belgium (284.6 MEUR unsecured bonds outstanding as of 31 December 2018) and Poland (813.9 MPLN bearer bonds outstanding as of 31 December 2018).

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 11.

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.

The management's focus is to a significant extent set on financial support of its expansion plans. In order to maintain or optimize the capital structure, the 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.

In the same respect, the Ghelamco European Property Fund was put in place end 2016. This enables the Investment Holding to transfer delivered projects which will be kept in portfolio for a longer period; and which for that purpose require different (long-term, 'loan to value', or even mezzanine (re-) financing).

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 2018 and 2017 were as follows:

	2018	2017
Equity	763,227	729,489
Total assets	1,901,918	1,791,808
Solvency ratio	40.13%	40.7%

When also considering the cash balance of 59,072 KEUR as of 31 December 2018 (129,526 KEUR as of 31 December 2017), the (adjusted) solvency ratio would be at 41.4% (43.9% % as of 31 December 2017).

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.

Limited impairment losses have been recognized in 2018.

Per 31 December 2017, impairment losses and/or write-offs to net realizable value for an amount of 3.0 MEUR were recognized on a limited number of inventory items, related to the adjustment of some commercial parameters.

Income taxes

Given the diversity of its geographical locations, the Investment Holding operates within a thoroughly regulated 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: 29.58 % (decreasing to 25% from 2020)
- France: 33.33%
- Poland: 19% (to 15% if some conditions are met)
- Russia: 20%
- Ukraine: 18%
- Cyprus: 12.5%
- Luxemburg: 26.01% (exceptions for financial rulings, at least until 30 November 2017, date of closing the Granbero Capital, Luxemburg branch of Granbero Holdings Ltd)
- Spain: 25%

Fair value estimation

The carrying value less impairment write down of trade receivables and payables are assumed to reflect 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.

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.

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

4. LIST OF SUBSIDIARIES

Entity description	Country	31/12/2018 % voting rights	31/12/2017 % voting rights	Remarks
GHELAMCO INVEST NV	BE	99	99	*
The White House Zoute NV	BE	100	100	*
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	*
Leuven Student Housing NV	BE	99	99	*
Parking Leuven NV (former Ring Congress Centre NV)	BE	99	99	*
Wavre Retail Park NV	BE	n/a	99	4.2
RHR-Industries NV	BE	99	99	*
Zeewind NV	BE	99	99	*
Docora NV	BE	99	99	*
Ring Multi NV (former Ring Retail NV)	BE	99	99	*
MeetDistrict Gent 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	99	*
Bischoffsheim Freehold NV	BE	99	99	*
Belalan Louise Leasehold NV	BE	99	99	*
Louise Freehold NV	BE	99	99	*
De Nieuwe Filature NV	BE	99	99	*
Pomme de Pin Expansion SAS	FR	100	100	*
Société Immobilière de Courchevel SARL	FR	100	100	*
Pomme de Pin SAS	FR	100	100	*
Le Chalet 1850	FR	100	100	*
Brussels Urban Invest NV	BE	99	99	*
Construction Link NV	BE	99	99	*
Kubel NV	BE	99	99	*
Filature Retail NV	BE	99	99	*
Carlton Beach NV	BE	n/a	50	4.4
Carlton Retail NV	BE	50	50	**
Eneman & Co NV	BE	100	100	*
Graminea NV	BE	99	99	*
Citrien NV	BE	99	n/a	*
Silver Tower NV	BE	99	n/a	4.1
Caboli NV	BE	99	n/a	*
Domein Culligan bvba	BE	100	n/a	4.1

Entity description	Country	31/12/2018 % voting rights	31/12/2017 % voting rights	Remarks
GRANBERO HOLDINGS Ltd.	CY	100	100	
Apollo Invest Sp. z o.o.	PL	100	100	
Prima Bud Sp. z o.o.	PL	70	70	
Ghelamco Invest Sp. z o.o.	PL	100	100	
Ghelamco GP 1 Sp z o.o.	PL	100	100	
Ghelamco GP 1 Sp. z.o.o. Konstancin SKA	PL	100	100	
Ghelamco GP 1 Sp. z.o.o. Port Żerański SKA	PL	100	100	
Ghelamco GP 8 Sp. z.o.o. Dahlia SKA	PL	100	100	
Tilia BIS Sp. z o.o. (former Ghelamco GP 1 SP. z.o.o. Tilia SKA)	PL	100	100	
Innovation Bud Bis Sp. z o.o. (former Innovation SKA)	PL	100	100	
Ghelamco GP 9 Sp. z.o.o. Sobieski Towers Sp.k.	PL	100	100	
Ollay Sp. z.o.o. Market SKA	PL	100	100	
Erato Sp. z.o.o. (former Ghelamco GP 1 Sp. z.o.o. Erato SKA)	PL	100	100	
Oaken Sp.z.o.o. Pattina SKA	PL	100	100	
Ghelamco GP 1 Sp. z.o.o. Unique SKA	PL	70	70	
Octon Sp.z.o.o. PIB SKA	PL	100	100	
Ghelamco GP 1 Sp. z.o.o. Vogla SKA	PL	100	100	
Ghelamco GP 5 Sp. z o.o. (former Fusion Invest Sp. z o.o.)	PL	100	100	
Ghelamco GP 11 Sp. z.o.o. the HUB SKA (former Ghelamco GP 5 Sp. z.o.o. Sienna Towers SKA)	PL	100	100	
Ghelamco GP 4 Sp. z.o.o. SBP SKA	PL	100	100	
Ghelamco GP 5 Sp. z.o.o. Foksal SKA	PL	100	100	
Ghelamco GP 3 Sp. z o.o. (former Belle Invest Sp. z o.o.)	PL	100	100	
Ghelamco GP 3 Sp. z.o.o. Wronia SKA	PL	100	100	
Ghelamco GP 7 Sp. z o.o. (former Power Invest Sp. z o.o.)	PL	100	100	
Ghelamco GP 7 Sp. z.o.o. Postępu SKA	PL	100	100	
Ghelamco GP 2 Sp z o.o.	PL	100	100	
Ghelamco GP 4 Sp. z o.o. (former Betula Invest Sp. z o.o.)	PL	100	100	
Ghelamco GP 2 Sp. z.o.o. M12 SKA	PL	100	100	
WUZA1 Sp. z o.o. (former Immediate Investment Sp.z.o.o.)	PL	0	100	4.4
Ghelamco GP 6 Sp. z o.o. (former Opportunity Invest Sp. z o.o.)	PL	100	100	
Ghelamco GP 6 Sp. z.o.o. HQ SKA	PL	100	100	
Ghelamco GP 3 Sp. z.o.o. Isola SKA	PL	100	100	
Ghelamco GP 8 Sp.z o.o.	PL	100	100	
Ghelamco GP 2 Sp. z.o.o. Sigma SKA	PL	100	100	
Ghelamco Garden Station Sp.z o.o.	PL	99	99	
Creditero Holdings Ltd.	CY	100	100	
Ghelamco Gdanska Pl Sp. z o.o.	PL	100	100	
Warsaw Spire Management Sp. z o.o.	PL	100	100	
Warsaw Spire Sp. z o.o.	PL	0	100	4.4
Ghelamco GP 10 SP. z o.o. (former Chopin Project sp. z o.o.)	PL	100	100	
Ghelamco GP 2 Sp. z.o.o. Synergy SKA	PL	100	100	
Ghelamco GP 16 Sp. z.o.o. Canna SKA	PL	100	100	
Ghelamco GP 10 Sp. z.o.o. Azira SKA	PL	100	100	
Laboka Holdings Ltd	CY	100	100	
Esperola Ltd	CY	100	100	
Woronicza Sp. z.o.o.	PL	100	100	
Milovat Ltd	CY	100	100	
P22 Łódź Sp. z.o.o.	PL	50	50	**
Ghelamco GP 1 Sp. z.o.o. Azalia SKA	PL	100	n/a	

Entity description	Country	31/12/2018 % voting rights	31/12/2017 % voting rights	Remarks
SAFE HOLDING BELGIUM NV	BE	99	99	
Motaro Holdings Ltd.	CY	99	99	
Challenge Invest Ltd.	UA	99	99	
Vision Invest Ltd.	UA	99	99	
Algowood Investments Ltd.	CY	99	99	
Instant Invest Ltd.	UA	99	99	
Urban Invest Ltd.	UA	99	99	
Goronin Holdings Ltd.	CY	0	99	4.4
Farota Trading Ltd.	CY	99	99	
Corporate Invest Ltd.	UA	0	99	4.2
Success Invest Ltd.	UA	0	0.1	4.2
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	
Succes Invest Ltd.	UA	0	99.9	4.2

(*) the 1% remaining voting rights are owned directly or indirectly by Mr. P. Gheysens, the ultimate beneficial owner
(**): Held in a 50/50 joint venture structure and for that included in the financial statements under the equity method

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

- **Ghelamco Invest NV**, 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, Milovat 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 and/or real estate activities.

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).

The summary of incorporations, acquisitions and disposals of subsidiaries (and other business units) realized by the Investment Holding during the year ended on 31 December 2018 is presented below. 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

On 17 September 2018, the Company acquired the shares of the company holding the Silver Tower project in Brussels, in view of the future realisation of an office project offering approx. 54,280 sqm gross leasable space. The shares transaction was based on a transaction value of 22.2 MEUR.

Furthermore, on 19 December 2018, the Company acquired the shares of Domein Culligan bvba, holding a site in Machelen, Culliganlaan, for the future development of an office project offering approx. 30,000 sqm gross leasable space. The transaction value of the site in the share deal amounted to 9.5 MEUR.

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

4.2. DISPOSAL OF SUBSIDIARIES

In June 2018, the shares of the Wavre Retail Park project have been sold to a third party investor. The transaction was based on a transaction value of 8.0 MEUR, equalling the carrying value per books. The preliminary contract was signed in 2017, while the deal was closed in 2018.

Empty shelf companies Corporate Invest Ltd (UA) and Success Invest Ltd (UA) have in the current year been sold for subsequently being liquidated. These (sales) transactions has no material impact on the consolidated financial statements.

4.3. INCORPORATION OF NEW SHELF COMPANIES

In 2018, no new SPVs have been incorporated.

4.4. MERGERS AND LIQUIDATIONS OF SUBSIDIARIES

In the course of 2018, Carlton Beach has been merged into Carlton Retail. Doing so, land parts of the high-end residential project in Knokke Zoute have been centralised in one entity, which is deemed necessary from a commercial point of view. This merger transaction had no material impact on the consolidated financial statements.

In Poland, Wuza 1 Sp. z o.o. and Warsaw Spire Sp. z o.o have been liquidated. These liquidations had limited to no impact on the Company's 2018 financial statements.

Also, Cypriot (empty shelf) company Goronin Holdings Ltd has been liquidated. This liquidation had no material impact on the Company's 2018 financial statements.

4.5. TRANSFER OF SUBSIDIARIES

2018

No share transactions with related parties took place in 2018.

2017

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

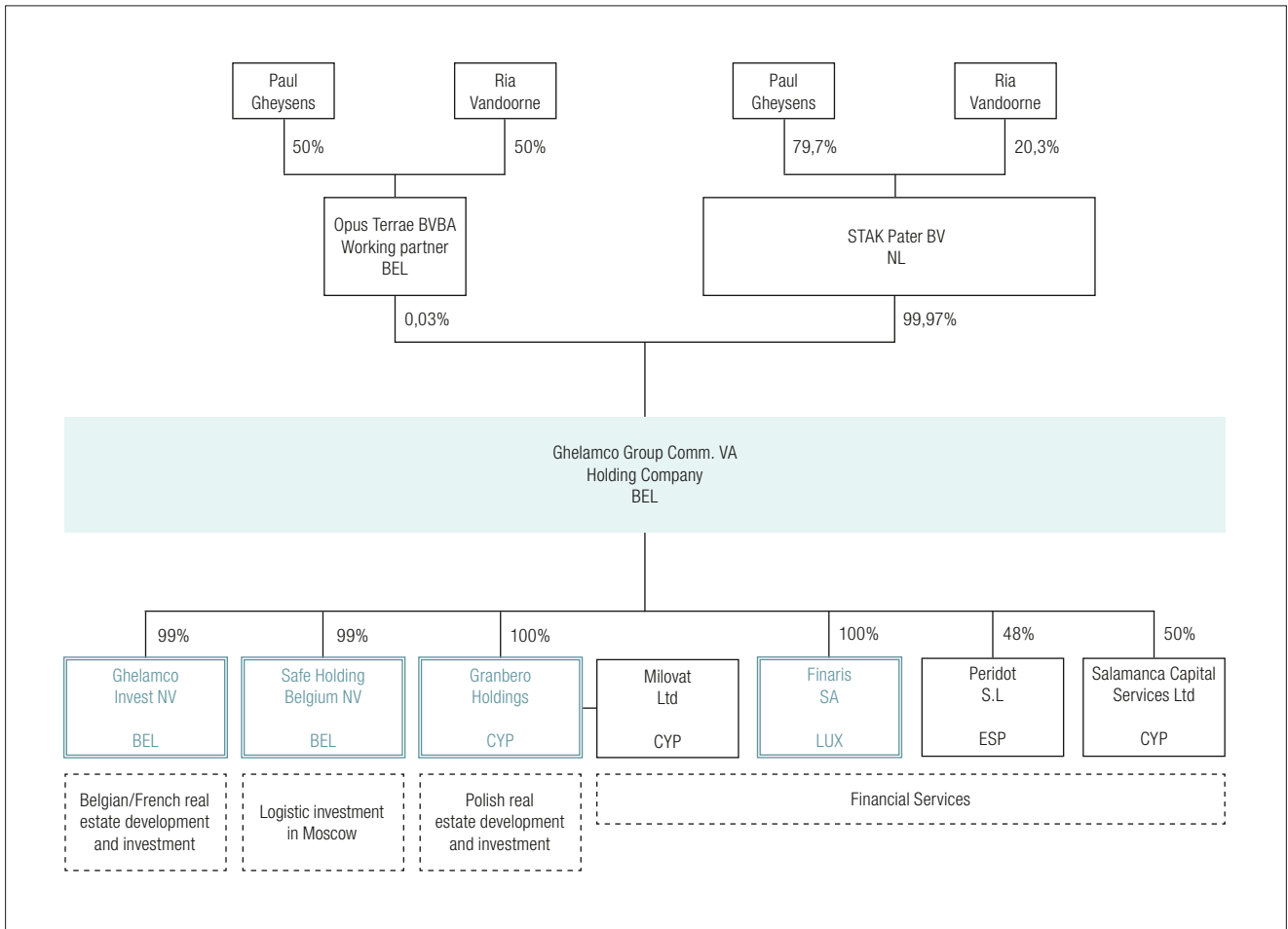
In the course of 2017 (100% of) the shares of Milovat Ltd (empty shelf company) was acquired by the Company for an amount of 1 KEUR. As of end November 2017, the capital of Milovat Ltd was increased through contribution in kind by Granbero Capital SA (Luxemburg branch of Granbero Ltd) of its portfolio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

Also, in the course of the year, 99.9% of the shares of Success Invest Ltd. were sold by Corporate Invest Ltd. to Salamanca Ltd. (for the nominal amount of 11 KEUR).

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

5.1. INVESTMENT HOLDING AS PER DECEMBER 31ST, 2018

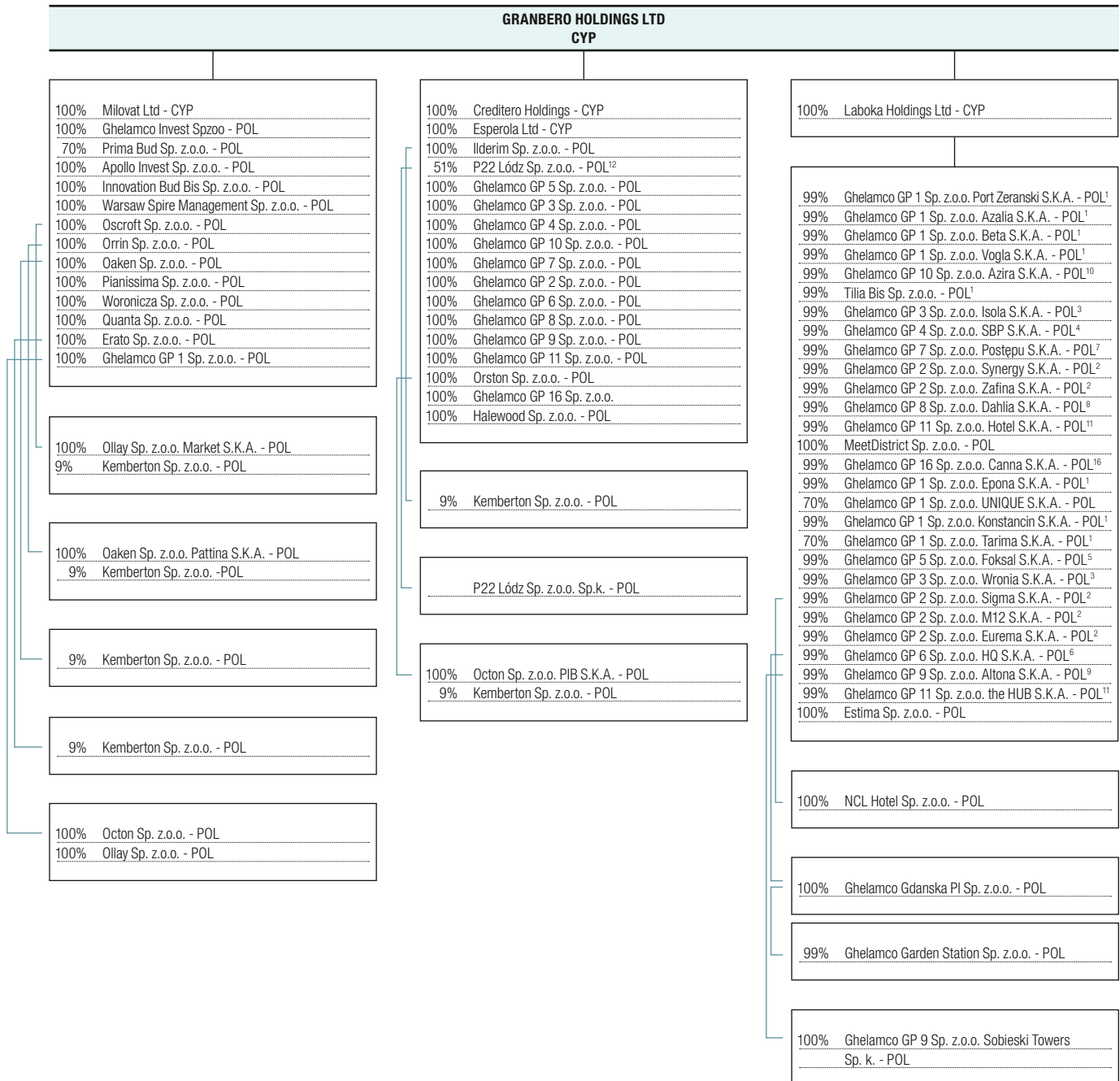
5. GROUP STRUCTURE



5.2. BELGIAN AND FRENCH REAL ESTATE DEVELOPMENT AND INVESTMENT AS PER DECEMBER 31ST, 2018

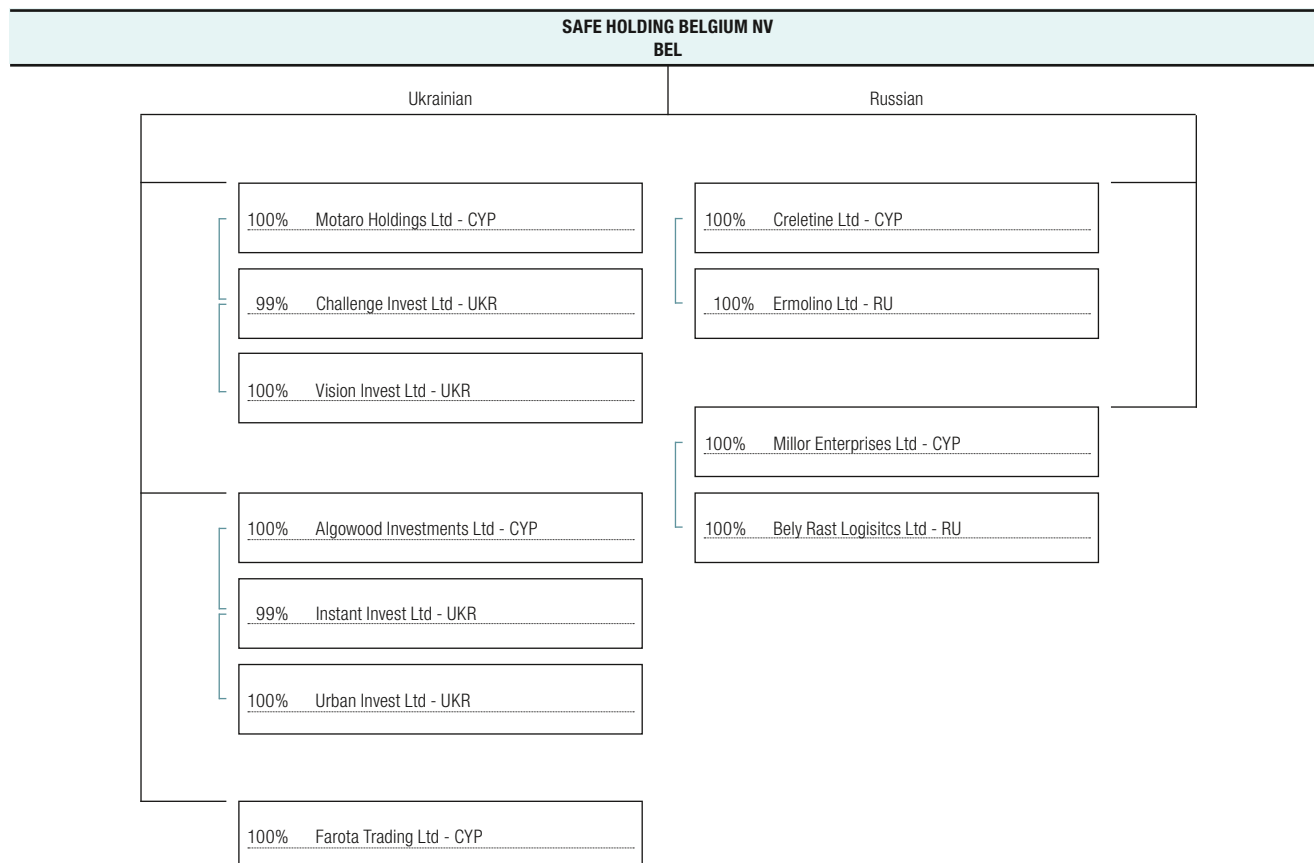
GHELAMCO INVEST NV BEL																																																																																								
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5.2. POLISH REAL ESTATE DEVELOPMENT AND INVESTMENT AS PER DECEMBER 31ST, 2018

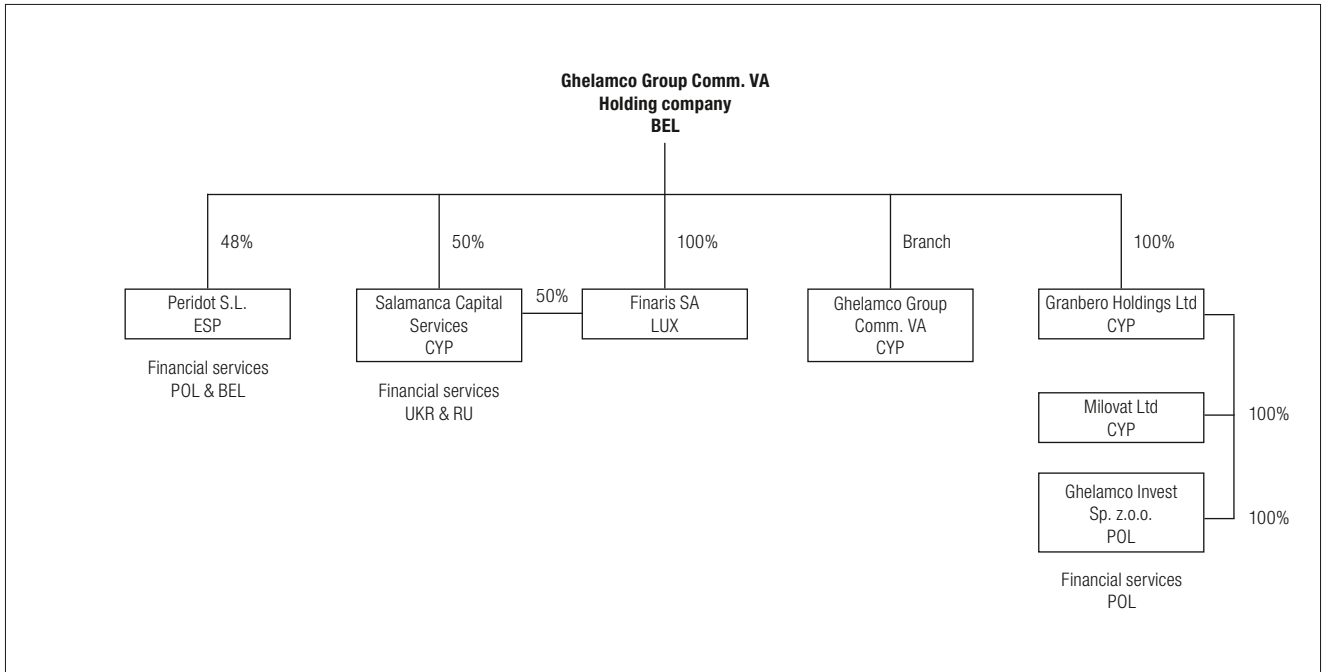


⁽¹⁾ remaining participation at general partner Ghelamco GP 1 Spzoo, ⁽²⁾ remaining participation at general partner Ghelamco GP 2 Spzoo, ⁽³⁾ remaining participation at general partner Ghelamco GP 3 Spzoo, ⁽⁴⁾ remaining participation at general partner Ghelamco GP 4 Spzoo, ⁽⁵⁾ remaining participation at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

5.4. UKRAINIAN AND RUSSIAN REAL ESTATE DEVELOPMENT AND INVESTMENT AS PER DECEMBER 31ST, 2018



5.5. FINANCIAL SERVICES AS PER DECEMBER 31ST, 2018



6. INVESTMENT PROPERTY

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

Plots of land, for which the management determines that the plot will be used in a project generating rental income, are classified as Investment Properties on 31 December 2018 and 31 December 2017.

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 usually based on comparative method);
- B. Land with pre-permit held for development and investment (fair value based on the potential of constructing leasable sqm);
- C. Land + Construction ongoing (fair value based on the residual method);
- D. Completed Projects held for investment.

Country + SPV	Commercial Name	Valuation	Cat	31/12/2018 KEUR	31/12/2017 KEUR
BELGIUM					
Leisure Property Invest	Knocke Village	Belsq	A	59,000	44,541
WRP	Wavre Retail Park	n/a	n/a	0	8,000
Zeewind	Zeewind	Man	D	1,746	1,746
Ring Hotel	Ring Hotel	n/a	n/a	0	21,200
Ring Multi	Ghelamco Arena Multifunctional space	Cushman	D	22,675	21,720
Meetdistrict Gent	Meetdistrict business center	Cushman	D	33,950	34,750
Ghelamco Invest	Zoute House	Cushman	C	24,101	22,500
Waterview/Parking Leuven	Waterview Parkings	n/a	n/a	0	8,530
Bischoffsheim Leasehold + Freehold	Spectrum	CBRE	C	62,464	49,840
Kubel/Construction Link	The Link	n/a	n/a	0	59,453
DNF/Filature Retail	Filature/Tribeca Retail	Man	D	5,500	10,000
Docora	Rafc Tribunes	Man	D	49,696	35,571
Dianthus	Arval site	Man	B	6,000	0
Silver Tower	Silver Tower	Belsq	C	47,257	0
Domein Culligan	PWC Offices	Man	B	9,500	0
Subtotal Belgium				321,890	317,851
POLAND					
Apollo Invest Spzoo	The Warsaw UNIT	Savills	C	69,719	57,857
Postepu SKA	Postepu Business Park	KNF	B	7,246	7,120
Sienna Towers SKA/ HUB SKA	The HUB	KNF	C	199,334	101,479
Sobieski SKA	Sobieski Tower	BNP	B	33,429	31,077
Market SKA	Mszczonow Logistics	ASB	A	2,824	2,849
SBP SKA	Synergy Business Park Wroclaw	JLL	B	25,138	25,294
Grzybowska 77 Sp.k. + Isola SKA	Grzybowska	KNF	D/A	25,023	23,920
Wronia SKA	Wronia 31	KNF	D	64,386	59,265
Sigma SKA	Chopin + Stixx	KNF	B/D	41,896	40,766
Vogla SKA	Wilanow Retail	KNF	D/A	16,300	11,260
Tillia BIS Spzoo	Powisle	n/a	n/a	0	7,690
Dahlia SKA	Woloska 24	Cresa	D	56,222	56,553
Synergy SKA	Katowice	JLL	A	3,700	0
Canna SKA	.BIG, Kapelanka, Krakow	n/a	n/a	0	4,000
Azira SKA	NCL (Lodz)	BNP	B	21,419	7,209
Subtotal Poland				566,636	436,339
RUSSIA					
Bely Rast e.a.	Dmitrov Logistic Park	JLL	C/D	135,500	144,500
Ermolino	Logistic Park Ermolino	JLL	A	7,094	7,722
Subtotal Russia				142,094	152,222
UKRAINE					
Urban Invest	Kopylov Logistics Park 2	UKR	A	772	730
Vision Invest	Warsaw Road Dev.	UKR	B	3,596	3,437
Subtotal Ukraine				4,368	4,167
TOTAL				1,034,988	910,579

Legend : Belsq = Belsquare, Man = Management valuation, KNF = Knight Frank, JLL = Jones Lang Lasalle, UKR = Ukrexprombud, CBRE = CBRE, Cushman = Cushman & Wakefield, ASB = Asbud, Cresa = Cresa, BNP = BNP Paribas Real Estate, Savills = Savills

Balance at 1 January 2017	1,317,666
Acquisition of properties	3,336
Acquisition through business combinations	
Subsequent expenditure	131,138
Transfers	
• Assets classified as held for sale	
• Other transfers	4,491
Adjustment to fair value through P/L	45,731
Disposals	-602,244
CTA	10,461
other	
Balance at 31 December 2017	910,579
Acquisition of properties	32,137
Acquisition through business combinations	
Subsequent expenditure	165,426
Transfers	
• Assets classified as held for sale	-126,292
• Other transfers	20,777
Adjustment to fair value through P/L	56,524
Disposals	-21,613
CTA	-2,550
other	
Balance at 31 December 2018	1,034,988

Categories	A	B	C	D	Total
Balance at 1 January 2017	96,329	193,782	196,009	831,547	1,317,666
Acquisition of properties	3,336				3,336
Acquisition through business combinations					0
Subsequent expenditure (*)	8,950	11,271	74,472	46,906	141,599
Transfers					0
• Assets classified as held for sale					0
• Other transfers	-676	-41,500	11,009	35,658	4,491
Adjustment to fair value	-1,277	1,999	29,664	15,345	45,731
Disposals			-56,682	-545,562	-602,244
Other					0
Balance at 31 December 2017	106,662	165,552	254,472	383,894	910,579
Acquisition of properties	447	9,500	22,190	0	32,137
Acquisition through business combinations					0
Subsequent expenditure (*)	1,914	4,652	113,114	43,195	162,876
Transfers					0
• Assets classified as held for sale	0	0	-24,000	-102,292	-126,292
• Other transfers	-14,899	-31,866	-15,266	82,808	20,777
Adjustment to fair value	12,290	387	52,365	-8,518	56,524
Disposals	-8,000	0	0	-13,613	-21,613
Other					0
Balance at 31 December 2018	98,414	148,225	402,875	385,474	1,034,988

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

As stated above, in June 2018 the shares of Wavre Retail Park have been sold to a third party investor. The deal was based on a net asset value of the property of 8.0 MEUR, equaling the carrying value per books.

In addition, also per mid 2018 approx. half of the available retail units (+/- 2,500 sqm) and 95 adjacent parkings in the Tribeca/ Filature project have been sold to a third party investor, through an asset deal, for a net sales price of 6.1 MEUR.

In December 2018, the Waterview Parkings project (585 parkings tower in the Vaartkom, Leuven) has been sold to the City of Leuven for an amount of 6.5 MEUR.

The Silver Tower site and the PWC Offices site have in the current year been acquired for resp. 22.2 MEUR and 9.5 MEUR, both for the realisation of new office projects.

The transfers to assets classified as held for sale are related to Ring Hotel (preliminary agreement signed with a hotel group at a total sales value of 24,000 KEUR – closing expected in the course of 2019) and the ‘The Link’ project (73,123 KEUR, see also note 29. Events after balance sheet date) in Belgium (97,123 KEUR in total) and the Big project (10,200 sqm office space, see also note 29. Evenst after balance sheet date) in Poland (29,169 KEUR), all in connection with the (anticipated) sale of the involved projects after year-end. The carrying value per 31 December 2018 reflects the sales value.

Current year’s other transfers relate to the transfer of the parkings in the Tribeca project, the Arval site and the Polish Nowe Centrum Lodzi plot from inventory to Investment Property on the one hand (28,467 KEUR) and the transfer of the Powisle project from Investment Property to Inventories (7,690 KEUR) on the other hand.

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

- Rental income 2018: 28,610
- Rental income 2017: 35,202

Rental income mainly relates to rent agreements in Belgium (Ring Multi (retail space in the Ghelamco Arena), Filature Retail (retail units in the Tribeca project in Ghent), Meetdistrict Gent, the The Link project in Berchem and the RAFC stand in Antwerp), Poland (Woloska 24, Wronia and Vogla Retail) and Russia (Dmitrov 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/yield/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 2018 are as follows:

- 5.25% to 7.50% for Polish projects, depending on the location, specifics and nature of the project (vs. 5.25% to 8.00% last year).
- 4.25% to 8.65% for Belgian office (incl. business center) projects (vs. 4.97% to 8.75% last year), depending on the location, specifics and nature of the investment.
- 6.00% to 6.50% for Belgian retail projects (vs. 6.25% to 6.85% last year), depending on the location, specifics and nature of the investment.
- 11.25% to 15.00% DCF discount rates and 10.50% on terminal value for Russian projects (vs. 11.25% to 15.00% DCF discount rates and 10.25% on terminal value last year).

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

- 150 EUR/sqm/year to 230 EUR/sqm/year for Belgian office space (vs. 145 EUR/sqm/year to 230 EUR/sqm/year last year).
- 75 EUR/sqm/year to 155 EUR/sqm/year for Belgian retail space (vs. 75 EUR to 140 EUR last year), depending on the location, specifics and nature of the project.
- 12.5 EUR/sqm/month to 23.0 EUR/sqm/month for Polish office space (vs. 10.5 EUR to 21.5 EUR last year).
- 8.26 EUR/sqm/month to 24.21 EUR/sqm/month for Polish retail space (vs. 8.75 EUR to 32 EUR last year).
- 53 USD/sqm/year for Russian warehouse space and 108 USD/sqm/year for office space (part of the logistics projects) (vs. resp. 66 USD and 132 USD last year). These concern the average market rates which are applied to the void space, while contractual rates for the existing leases are to an extent higher.

On 31 December 2018, the Investment Holding has a number of income producing investment properties (category D) which are valued at 385,474 KEUR (Ring Multi, Zeewind, Meetdistrict Gent, Filature Retail, RAFC stand, Woloska 24, Wronia, Wilanow Retail and Dmitrov Logistic Park Building A, B and C). An increase/decrease of 100 basis points in the yield, with all other variables held constant, decreases/increases the value by approx. 38,100 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 inter-linked 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

in thousands €	Property, plant and equipment	
	31/12/2018	31/12/2017
Cost	1,459	1,418
Accumulated depreciation/amortisation and impairment	-944	-891
TOTAL	515	527

in thousands €	Property, plant and equipment	
	COST	
Balance at 1 January 2017		1,233
Additions		159
Additions from internal developments		
Acquisitions through business combinations		
Disposals or classified as held for sale		
Revaluation increase		
Effect of foreign currency exchange differences		26
Other		
Balance at 31 December 2017		1,418
Additions		54
Additions from internal developments		
Acquisitions through business combinations		
Disposals or classified as held for sale		-4
Revaluation increase		
Effect of foreign currency exchange differences		-9
Other		
Balance at 31 December 2018		1,459

in thousands €	Property, plant and equipment	
	ACCUMULATED DEPRECIATION AND IMPAIRMENT	
Balance at 1 January 2017		834
Depreciation/Amortisation expense		114
Disposals or classified as held for sale		-57
Impairment losses recognised in profit or loss		
Reversals of impairment losses recognised in profit or loss		
Effect of foreign currency exchange differences		
Other		
Balance at 31 December 2017		891
Depreciation/Amortisation expense		53
Disposals or classified as held for sale		
Impairment losses recognised in profit or loss		
Reversals of impairment losses recognised in profit or loss		
Effect of foreign currency exchange differences		
Other		
Balance at 31 December 2018		944

8. INTANGIBLE ASSETS

in thousands €		Intangible assets
	31/12/2018	31/12/2017
Cost	6,824	6,118
Accumulated depreciation/amortisation and impairment	-3,173	-2,410
Total	3,651	3,708

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 and second instalment has been paid per mid-2016.

Furthermore, the Company is currently implementing ERP system, which explains current year's significant additions.

in thousands €		Intangible assets
COST		
Balance at 1 January 2017		5,541
Additions		573
Additions from internal developments		
Acquisitions through business combinations		
Disposals or classified as held for sale		
Revaluation increase		
Effect of foreign currency exchange differences		4
Other		
Balance at 31 December 2017		6,118
Additions		709
Additions from internal developments		
Acquisitions through business combinations		
Disposals or classified as held for sale		
Revaluation increase		
Effect of foreign currency exchange differences		-3
Other		
Balance at 31 December 2018		6,824

in thousands €		Intangible assets
ACCUMULATED DEPRECIATION AND IMPAIRMENT		
Balance at 1 January 2017		1,763
Depreciation/Amortisation expense		647
Disposals or classified as held for sale		
Impairment losses recognised in profit or loss		
Reversals of impairment losses recognised in profit or loss		
Effect of foreign currency exchange differences		
Other		
Balance at 31 December 2017		2,410
Depreciation/Amortisation expense		763
Disposals or classified as held for sale		
Impairment losses recognised in profit or loss		
Reversals of impairment losses recognised in profit or loss		
Effect of foreign currency exchange differences		
Other		
Balance at 31 December 2018		3,173

9. EQUITY ACCOUNTED INVESTEES

Investments in equity accounted investees amount to 14,485 KEUR and relate to the (50%) participating interests in Carlton Retail NV, which is connected with the One Carlton high-end residential project in Knokke Zoute, and the (50%) participating interest in P22 Łódź Spzoo, which is connected to a plot for the future development of an office project

Main balance sheet and income statement captions as of 31 December 2018 for both entities are the following:

		Carlton Retail
Current assets	27,908	
of which cash and cash equivalents		1,900
Non-current assets	0	
Current liabilities	4,391	
curr. fin. liab. (excl. trade and other payables and provisions)		0
Non-current liabilities	0	
non-curr. fin. liab. (excl. trade and other pay. and provisions)		0
Revenue	16,890	
Profit before income tax	5,706	
Income tax expense (-) or income (+)	-2,053	
Profit of the year	3,653	

The share of the Group in the result of the equity accounted investees amounts to 1,827 KEUR.

		P22 Łódź
Current assets	3,102	
of which cash and cash equivalents		110
Non-current assets		
Current liabilities	492	
curr. fin. liab. (excl. trade and other payables and provisions)		492
Non-current liabilities	2,785	
non-curr. fin. liab. (excl. trade and other pay. and provisions)		2,785
Revenue	8	
Profit before income tax	-175	
Income tax expense (-) or income (+)	-1	
Profit of the year	-176	

The share of the Group in the result of the equity accounted investees amounts to -88 KEUR.

10. PROPERTY DEVELOPMENT INVENTORY

The Property Development Inventories amount to 249,039 KEUR on 31 December 2018 (2017: 285,581 KEUR) and are detailed as follows:

	31/12/2018	31/12/2017
Property Development Inventories	285,982	285,521
Raw materials	53	56
Finished goods	4	4
	249,039	285,581

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

	31/12/2018	31/12/2017
Inventories – Poland	62,058	70,390
Inventories – Belgium	186,978	215,187
Inventories – Other countries	3	4
	249,039	285,581

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 2018 - KEUR	Carrying value (at cost) at 31 December 2017 - KEUR
BELGIAN/FRENCH PROJECTS		
East Dune	12,130	13,059
Locarno Knokke	8,209	7,969
Blinckaertlaan Knokke	9,767	8,541
Kanonstraat Brussel	794	794
Bleko Doornstraat / Caboli / Senzafine	4,158	2,593
Dock-site	2,649	2,648
Katelijne parkings	6,195	6,208
Project Waterside	1,057	1,121
Waterview (student houses)	-	2,617
Sylt	-	1,799
Duinenwater	33,076	32,158
Kinder Siska	9,034	8,360
RHR-One Carlton	1,720	8,429
De Nieuwe Filature/ Tribeca	8,989	11,677
Belalan Louise/ Edition	4,719	9,260
Spectrum/ Bischoffsheim	412	4,041
Pomme De Pin - Courchevel	31,400	31,400
Eurostadium Brussels	23,648	23,648
Le Chalet 1850-Courchevel	10,503	10,503
Graminea/ Bleko Meensesteenweg/ Helix Towers	9,021	8,344
Arval site	-	4,797
Eneman	1,500	1,500
Parking Tribeca	-	2,081
Others	7,997	11,640
TOTAL BELGIUM	186,978	215,187

	Carrying value (at cost) at 31 December 2018 - KEUR	Carrying value (at cost) at 31 December 2017 - KEUR
POLISH PROJECTS		
Axiom/Konstancin	5,585	5,443
Foksal	26,403	19,532
Port Zeranski	3,427	3,334
Erato Invest	3,583	3,495
M12 SKA	-	1,391
Pattina Invest	1,720	1,642
P.I.B.	3,033	2,992
Q-Bik soft lofts	1,096	2,975
Innovation Bud Bis (former Signal)	24	24
Unique SKA (Pl Grzybowski)	7,629	7,332
Garden Station SP. z o.o.	1,375	1,382
Azira SKA – Nowe Centrum Lodzi	-	20,829
Tillia	8,134	-
Other	49	19
TOTAL POLAND	62,058	70,390

	Carrying value (at cost) at 31 December 2018 - KEUR	Carrying value (at cost) at 31 December 2017 - KEUR
RUSSIAN PROJECTS		
Subtotal Russia	-	-
UKRANIAN PROJECTS		
Subtotal Ukraine	3	4
GRAND TOTAL	249,039	285,581

In Belgium (and France), main part of current year expenditures have been done on the Tribeca project in Ghent (realisation of an approx. 35,000 sqm mixed residential and retail space project in Ghent) and the Edition and Spectrum projects in Brussels.

Main divestures/sales in Belgium:

- Waterview sales Leuven: All 36 remaining student homes have been sold in 2018.
- Tribeca: 2 houses, 1 apartment and 2 parking spaces in phase 1 and 2 of this mixed project at the Nieuwevaart in Ghent. Phase 1 and 2 have been delivered and sold units have per end 2018 been fully invoiced. All 72 available apartments have been sold and a limited number of houses and lofts are still being sold.
- Tribeca: invoicing under the Breyne legislation connected to (77 of 91 available apartments and parking spaces in) phase 3 of this project. Per end 2018 phase 3 has been finalized and sold units have been 100% invoiced.
- Sylt, sale of the 2 last units (and 5 garages) in this residential project in Knokke
- Edition: Installments on previous year (39 apartments and 42 parking spaces) and current year (18 apartments, 19 parking spaces and 17 storage rooms) sales. Progress and sales invoicing is at approx. 90%, deliveries are currently ongoing.
- Spectrum: Installments on previous year (17 apartments and 20 parking spaces) and current year (remaining 5 apartments, 1 parking space and 5 storage rooms) sales. Progress and sales invoicing is at 55%.
- One Carlton: In the course of 2018, RHR-Industries NV has contributed its land parts in the project in Carlton Retail NV. Doing so, the land parts have been centralised in one company, which was necessary from a commercial point of view.

In the current year, further invoicing has been done under the Breyne legislation connected to 5 (of 9 available) apartments in this high-end residential project in Knokke-Zoute (which is structured as a 50/50 joint-venture).

In Poland, the property development inventories decreased by 8,332 KEUR compared to prior year. The main movements are noted in the Woronicza Qbik balance (-1,879 KEUR to 1,096 KEUR) in line with current year's sales of remaining units and the Foksal balance (+6,871 KEUR to 26,403 KEUR) in connection with the progress of the construction works of this high-end residential project.

In addition and as stated above, the Powisle project has in the current year been transferred from Investment Property to Inventories and the Nowe Centrum Lodzi plot has been transferred from Inventories to Investment Property.

Also, the M12 plot has in the course of the year been sold to a third party (for an amount of 1,123 KEUR).

Eurostadium Brussels

Ghelamco Invest has in 2014 subscribed to a public call to develop a stadium on Parking C.

The 99-year leasehold right has been granted to the Company through notarial deed on 25 March 2016.

The request for an environmental permit ('Omgevingsvergunning') for constructing a multifunctional stadium has been rejected by the Flemish authorities in January 2018.

An administrative appeal launched against the abolishment of a neighbourhood road impeding progress of the project ('buurtweg') was rejected by the Flemish Government on 7 December 2017.

The Company has based on extensive analysis deemed that sufficient legal means are available to appeal against the refusal of the permit. In this respect, it has submitted an appeal with the Raad van Vergunningsbetwistingen on 15 March 2018.

Given the fact that the decision of the Raad van Vergunningsbetwistingen is not expected to rule before 2020, the Company will in cooperation with the stakeholders look for solutions to the (claimed) objections in the permit decision, within the provisions/boundaries determined by the BAFO (Best and Final Offer) which has resulted in the granting of the leasehold for the development on Parking C.

In addition, the lessor (i.e. the City of Brussels) is obliged, under the leasehold agreement to actively cooperate in the realisation of a stadium, even when the stadium will not be used to host EU2020. As to mobility, the Company strives for sustainable mobility solutions on and around the leasehold area, but of course this assumes and requires an active cooperation from both the side of the Flemish and Brussels authorities regarding mobility connections and public transport around the leasehold area.

Also, the Flemish decree modifying several provisions regarding urban planning and environment, often referred to as 'Codex-trein' dd. 8 December 2017, allows that going forward the project-MER (environmental effects report) procedure is integrated in the building and environmental permit procedure. As a consequence, remarks in connection with the (MER and permit) procedure can be remediated immediately and within the (duration of the combined) procedure. This results in more legal certainty.

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

On 26 March 2018 the City Council of Brussels has granted the mandate to the College of Mayor and Aldermen to terminate the Eurostadium project. The scope and consequences of this mandate is not clear to us for the time being. On 27 March 2018, Ghelamco has received an invitation from the side of the City of Brussels and the VZW PEB for a consultation meeting on how to deal with the decision to reject the building and environmental permit. However, the City of Brussels took further legal action on 18 December 2018 with the purpose of annulling or reneging on the leasehold agreement.

The above-mentioned elements bring about some legal uncertainty on the concrete progress of the project. Despite this current uncertainty, the Board of Directors of Ghelamco Invest NV is of the opinion that the currently capitalized expenses w.r.t. the Eurostadium-file (amounting to 23.6 MEUR as of 31 December 2018 and 31 December 2017) can be recovered either in the framework of the latter proceedings, through separate legal action for damages or in execution of the leasehold agreement.

Further reference is also made to section 3 and 4.4.

11.1. NON-CURRENT RECEIVABLES & PREPAYMENTS

	Note	31/12/2018	31/12/2017
Non-current			
Receivables from related parties	28.3	172,187	197,647
Trade and other receivables		64,052	53,264
Total non-current receivables and prepayments		236,239	250,911

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 2018 were as follows: Euribor + margins in the range between 1% and 4%.

Further reference is made to Note 28.3.

The decrease compared to last year is mainly connected to the loans receivable towards Pl. Europejski 2 SKA (related party company holding the Warsaw Spire Building C), which amounted to 28 MEUR last year and which have been reimbursed in the current year, at the moment of sale of Building C to a third party investor.

NON-CURRENT TRADE AND OTHER RECEIVABLES

Non-current trade and other receivables as of 31 December 2018 mainly consist of:

- Rental guarantee retentions at the level of (formerly Espressivio Sp. z o.o. which has in 2017 been merged into) Woronicza Sp. z.o.o. in connection with the sale of the Mokotow Nova and Lopuszanska Business Park projects: 98 KEUR
- Master lease and rental guarantee retentions in connection with the disposal of Marynarska 12/T-Mobile Office Park: 285 KEUR
- Capitalised rent free and agency fees at the level of Dahlia SKA, in connection with

- the leasing of the Woloska 24 project: 872 KEUR
- Capitalised rent free and agency fees at the level of Wronia SKA, in connection with the leasing of the Wronia project (which was delivered in 2017): 3,019 KEUR
- Capitalised agency fees at the level of Canna SKA, related to the leasing of the Big project in Krakow: 530 KEUR
- Other Peridot loans receivable: 55,452 KEUR. It mainly concerns loans to related parties which are not consolidated in these financial statements and loans to affiliated parties which are not defined as related parties under IFRS.
- Other Milovat loans receivable: 2,534 KEUR. It mainly concerns loans to related parties which are not consolidated in these financial statements and loans to affiliated parties which are not defined as related parties under IFRS.

The carrying amounts of non-current receivables reflect 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.

11.2. CURRENT TRADE & OTHER RECEIVABLES

	Note	31/12/2018	31/12/2017
Current			
Receivables from related parties		11,797	5,060
Receivables from third parties		9,294	11,573
Less: allowance doubtful debtors (bad debt provision)		-	-
Net trade receivables		21,091	16,633
Other receivables		7,613	4,962
Related party current accounts	28.3	76,147	111,888
VAT receivable		21,930	7,782
Prepayments		1,920	7,473
Interest receivable		33,372	39,160
Total current trade and other receivables		162,073	187,898

CURRENT TRADE AND OTHER RECEIVABLES

The carrying amounts of trade and other receivables reflect 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 from related parties (and prepayments, see below) include invoices for construction, engineering and other services as described in Note 28.2.

Current Accounts receivable from related parties mainly consist of:

- 57.0 MEUR vs. IRS Comm. VA
- 2.6 MEUR vs. MeetDistrict NV
- 2.5 MEUR vs. Tallink Investments Ltd.
- 14.0 MEUR vs. Ghelamco European Property Fund

PREPAYMENTS

Outstanding prepayments as of 31 December 2018 mainly represent down payments (and related costs) for an amount of 1,620 KEUR (vs. 1,206 KEUR last year) at SPV Prima Bud for the acquisition of a land plot (Lomianki), for the development of a trade and service centre.

Last year also advance payments for an amount of 6,117 KEUR were included regarding construction services to be delivered at the Warsaw Hub.

INTEREST RECEIVABLE

The interest receivable consists of an amount of 27,051 KEUR from related parties (33,783 KEUR last year).

VAT RECEIVABLE

The outstanding balance as of 31 December 2018 mainly relates to VAT receivables in the following countries:

- Belgium: 9,013 KEUR.
- Poland: 11,875 KEUR (mainly on the Warsaw UNIT, the Warsaw Hub and Woloska 24).

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 amortised cost items and thus 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 that, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. In addition and from 1 January 2018 onwards, the Company recognises loss allowances for ECLs on trade and other receivables, in connection with the requirements of IFRS 9.

The maximum exposure to credit risk on the reporting date is the carrying amount of each class of financial assets mentioned above. The Company does not hold any collateral as security over these balances, as a large part of accounts receivable balances are with related parties, controlled by the ultimate beneficial owners of the Consortium.

As of 31 December 2018 and 2017, trade and other receivables disclosed above do not include significant amounts which are past due at the end of the reporting period and against which the Company has not recognized an allowance for doubtful receivables, as deemed necessary.

Based on the ECL analysis, the Company did not identify material impairment losses on the date of initial application or at year-end.

12. DERIVATIVES

There are no outstanding balances related to the market value of derivatives as of 31 December 2018 and 2017.

Also refer to section 2.1.1 above.

13. CASH AND CASH EQUIVALENTS

	31/12/2018	31/12/2017
Cash at banks and on hand	59,072	129,526
	59,072	129,526

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. In this respect reference is made to the recent bonds issues in Poland (813.9 MPLN total outstanding bonds at 31 December 2018) and Belgium (280.3 MEUR total outstanding bonds at 31 December 2018).

14. SHARE CAPITAL

	31/12/2018	31/12/2017
Authorized 35,908 ordinary shares without par value	28,194	28,194
issued and fully paid	28,194	28,194

On 12 October 2017, the capital of Ghelamco Group Comm. VA has been decreased by 45,000 KEUR through notarial deed. Payment has been done in kind in Q1 2018, through transfer of (part of) a related-party current account to the shareholders.

At 31 December 2018 and 2017, 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 BY THE INVESTMENT HOLDING

No dividends have been distributed in the course of 2018 (and 2017).

14.2. NON-CONTROLLING INTERESTS

	31/12/2018	31/12/2017
Balance at beginning of year	6,746	5,379
Share of profit for the year	1,184	1,400
Acquisitions/disposals	25	-33
Balance at end of year	7,955	6,746

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

15. RESERVES AND RETAINED EARNINGS

	Cumulative translation reserve	Retained earnings
At 1 January 2017	21,291	665,418
Cumulative translation differences (CTA)	-14,144	
Dividend distribution to the ultimate shareholders		
Change in non-controlling interests		
Change in the consolidation scope		-74
Other		
Profit for the year		22,058
At 31 December 2017	7,147	687,402
At 1 January 2018	7,147	687,402
Cumulative translation differences (CTA)	-4,398	
Dividend distribution to the ultimate shareholders		
Change in non-controlling interests		
Change in the consolidation scope		-252
Other		-42
Profit for the year		37,221
At 31 December 2018	2,749	724,329

16. INTEREST-BEARING LOANS AND BORROWINGS

		31/12/2018	31/12/2017
Non-current			
Bank borrowings – floating rate	16.1	318,042	255,712
Other borrowings	16.2/16.3	432,149	438,349
Finance lease liabilities		83	49
		750,274	694,110
Current			
Bank borrowings – floating rate	16.1	181,398	114,807
Other borrowings	16.2/16.3	53,516	85,811
Finance lease liabilities		0	0
		234,914	200,618
TOTAL		985,188	894,728

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 172.2 MEUR, large part of which are Euribor based. On the other hand, reimbursements and refinancings have been done for a total amount of 43.3 MEUR (mainly 31.4 MEUR in Belgium, 8.3 MEUR in Poland, 4.0 MUSD in Russia). This brings the total outstanding amount of bank borrowings to 499.4 MEUR (compared to 370.5 MEUR at 31/12/2017). The effect of the evolution in the USD/EUR exchange rate on the net movement amounts to 3.7 MEUR (positive, above included in the amount of new borrowings).

For all countries: When securing debt finance for its (larger) projects, the Group always negotiates long-term agreements with its banks. Under these agreements, the bank swaps land acquisition loans (2-year term) into 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 Group 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 2019, 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. In addition, the bank loans connected to the The Link project in Antwerp (55 MEUR) and the Big project in Krakow (16.6 MEUR) have actually been reimbursed at the moment of sale of these projects, shortly after year-end.

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

	31.12.2018				31.12.2017			
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
Credit institutions withdrawn credits	197,035	238,566	124,850	560,451	128,324	164,743	134,437	427,503
Financial lease				0			49	49
Total	197,035	238,566	124,850	560,451	128,324	164,743	134,486	427,552
Percentage	35%	43%	22%	100%	30%	39%	31%	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 2018, the Investment Holding had the following investment loan(s):

- 28,222 KEUR in total on Belgian projects Meetdistrict Gent and Ring Multi; loans which are serviced by the actual rental income of the resp. properties.
- 74,433 KEUR in total on Polish projects Woloska 24, Wronia 31 and Willanow Retail; loans which is serviced by the the rental income of the property.
- Belyrast Ltd (Russia) 86.9 MUSD in total, bearing a Libor 3M based (+ 6.5% margin) interest rate. The debt is fully serviced by the actual rental income of phase 1 (building A), 2 (building B) and 3 (building C) 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 1.5% and 3,00%.
- Poland: between 2.25% and 4.6%.
- Ukraine: currently not applicable.
- Russia : 6.5% (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 4,165 KEUR lower/higher profit before tax for 2018.

16.2. OTHER BORROWINGS BONDS (426,314 KEUR LONG-TERM – 41,013 KEUR SHORT-TERM)

BELGIUM

Ghelamco Invest NV has in the second half of 2013 and the first half of 2014 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 was coordinated by KBC Securities and Belfius Bank. Per 31 December 2017 only 15,770 KEUR was still outstanding on this program, after early redemption of bonds for an amount of 54,230 KEUR in November 2017. The remainder has been reimbursed on maturity date in February 2018.

Ghelamco Invest NV has on 24 June 2015 launched a new EMTN 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.

On 20 November 2017, Ghelamco Invest NV has again issued bonds for a total amount of 101,600 KEUR, within a new 250 MEUR EMTN program. First tap on this program resulted in the issue of a tranche of 54,200 KEUR with a 7 years term and bearing an interest of 4.8% and of a tranche of 47,400 KEUR with a 5 years term and bearing an interest of 4.3%. The bonds are secured by a first demand guarantee from Ghelamco Group Comm. VA. The transaction has been coordinated by KBC, BNP, Société Générale and ABN Amro as managers and has been subscribed by professionals and institutional investors.

Bond proceeds have partly (i.e. for an amount of 54,230 KEUR) been used for the early redemption of the existing 70 MEUR 2013 bonds (maturing on 28/02/2018), in connection with a tender offer on the latter bonds. In February 2018, the Company redeemed the remainder of the 2013 bonds for an amount of 15,770 KEUR.

In addition, Ghelamco Invest NV has on 23 October 2018 issued bonds for a total amount of 33,000 KEUR within the existing 250 MEUR EMTN bonds program. The bonds have as maturity date 23/05/2022, bear an interest rate of 4.5% and are secured by a first demand guarantee from Ghelamco Group Comm. VA. The transaction has been coordinated by KBC, BNP Paribas Fortis and Société Générale as managers and has been subscribed by professionals and institutional investors.

Goal of these 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.

Total balance of outstanding bonds per balance sheet date (280,272 KEUR) represents the amount of issue (284.6 MEUR) less capitalized issue costs (of which mainly the issuing banks' arrangement fees), which are amortized over the term of the bonds.

POLAND

Ghelamco Invest Sp. z o.o. has in the current period (on 16 June 2018, via Ghelamco Invest Sp. z o.o.) within its pending programmes issued public retail bonds (tranche PJ) for a total amount of 9,080 KPLN. These bonds have a term of 3 years and bear an interest of Wibor 6 months + 3.65%. The bonds series is secured by a guaranty granted by Granbero Holdings Ltd.

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

Ghelamco Invest Sp. z o.o. has in the current period redeemed outstanding bonds (partly through early redemption, partly on maturity date) for an amount of 222,260 KPLN and 6,320 KEUR.

The effect of the evolution in the PLN/EUR exchange rate on the net movement in outstanding bonds amounts to 7.4 MEUR (negative).

Total bonds balance outstanding per balance sheet date (187,055 KEUR) represents the amount of issue (813.9 MPLN) 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 2,209 KEUR lower/higher profit before tax for 2018.

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

	31.12.2018				31.12.2017			
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
Belgian 2013 bonds	0			0	16,756			16,756
Belgian EMTN '15 1st tranche	3,560	80,880		84,440	3,560	86,220		89,780
Belgian EMTN '15 2nd tranche	2,925	75,288		78,212	2,925	78,213		81,137
Belgian EMTN '17 1st tranche	2,038	53,515		55,553	2,038	55,553		57,591
Belgian EMTN '17 2nd tranche	2,602	10,406	56,802	69,810	2,602	10,406	59,403	72,411
Belgian EMTN '18 1st tranche	1,485	36,713		38,198	0	0		0
Polish bonds	51,703	156,846		208,550	72,750	212,458		285,208
	64,312	413,647	56,802	534,761	100,630	442,850	59,403	602,882
	12%	77%	11%	100%	17%	73%	10%	100%

16.3. OTHER BORROWINGS: OTHER

31/12/2018 - 18,421 KEUR

Other borrowings in EUR at 31 December 2018 include:

- Tallink Investments Ltd.: 897 KEUR.

- Ghelamco Poland Sp. z o.o.: 4,890 KEUR.
- 9 MEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 30/06/2019 and bearing an interest rate of 5.50%.
- 3,488 KEUR short-term loan from a third party investor, related to a specific Polish project.

31/12/2017 - 13,086 KEUR

Other borrowings in EUR at 31 December 2017 include:

- Tallink Investments Ltd.: 897 KEUR
- Wuzza 3 (formerly Ghelamco Warsaw Spire WS spk): 1,020 KEUR
- 7 MEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 30/06/2018 and bearing an interest rate of 5%.
- 3,586 KEUR short-term loan from a third party investor, related to a specific Polish project.

16.4. MISCELLANEOUS INFORMATION

No defaults of payments or breaches of borrowing agreements occurred as of 31 December 2018.

- 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. For corporate guarantees on bank loans, reference is also made to note 26.1.

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.

At 31 December 2018, the Group has bank loans available to be drawn for a total amount of 218.4 MEUR in Poland and 103.1 MEUR in Belgium.

- 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.

Also, the terms and conditions of the resp. bond issues have been complied with as of balance sheet date. For the Belgian bonds, reference is made to the related bi-annual covenant testing which is published on the Company's website.

The observed evolution in the above financial debt includes (except for the above mentioned foreign exchange movements) an immaterial amount of other non-cash movements, related to capitalized transaction costs which are amortized over the duration of the debts.

17. FINANCIAL INSTRUMENTS

The effect of initially applying IFRS 9 on the Company's financial instruments is described in note 1.3 above. Due to the transition method chosen, comparative information has not been restated to the new requirements.

Financial instruments (x € 1,000)					31/12/2018
	FVTPL	FVOCI	Measured at amortised cost/fin. liabilities measured at amortised cost	Fair value	Fair value level
Other financial investments					
Other financial assets			3,961	3,961	2
Non-current receivables					
Receivables and prepayments					
Restricted cash			236,239	236,239	2
Current receivables					
Trade and other receivables			138,141	138,141	2
Derivatives					
Cash and cash equivalents			59,072	59,072	2
Total Financial Assets	0	0	437,413	437,413	
Interest-bearing borrowings - non-curr.					
Bank borrowings			318,042	318,042	2
Bonds Poland			146,042	147,031	1
Bonds Belgium					
Bonds Belgium (Euronext)			280,272	280,185	1
Other borrowings			5,835	5,835	2
Finance lease liabilities			83	83	2
Interest-bearing borrowings - current					
Bank borrowings			181,398	181,398	2
Bonds Poland			41,013	42,388	1
Bonds Belgium					
Other borrowings			12,503	12,503	2
Finance lease liabilities					
Current payables					
Trade and other payables			88,003	88,003	2
Total Financial Liabilities	0	0	1,073,191	1,075,468	

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)	31/12/2017				
	At fair value through P/L held for trading	Available for sale	Loans and receivables/fin. liabilities at amortised cost	Fair value	Fair value level
Other financial investments					
Other financial assets			4,155	4,155	2
Non-current receivables					
Receivables and prepayments			250,911	250,911	2
Restricted cash					
Current receivables					
Trade and other receivables	-		179,260	179,260	2
Derivatives					
Cash and cash equivalents			129,526	129,526	2
Total Financial Assets	0	0	563,852	563,852	
Interest-bearing borrowings - non-curr.					
Bank borrowings			255,712	255,712	2
Bonds Poland			189,210	193,694	1
Bonds Belgium					
Bonds Belgium (Euronext)			246,688	250,491	1
Other borrowings			2,450	2,450	2
Finance lease liabilities			49	49	2
Interest-bearing borrowings - current					
Bank borrowings			114,807	114,807	2
Bonds Poland			59,455	60,228	1
Bonds Belgium			15,770	15,770	2
Other borrowings			10,586	10,586	2
Finance lease liabilities					
Current payables					
Trade and other payables			125,728	125,728	2
Total Financial Liabilities	0	0	1,020,456	1,029,515	

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 11.1 for the description of the fair value determination.

18. DEFERRED TAXES

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

in thousands €	31/12/2018	31/12/2017
Deferred tax assets	10,997	11,845
Deferred tax liabilities	-46,617	-29,106
TOTAL	-35,620	-17,261

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

In thousands €	Temporary differences		Unused tax losses and credits	
	Investment property	Other	Tax losses	Tax credits
Balance at 1 January 2017	-38,428	-1,196	14,538	
Recognised in income statement	10,362	-2,258	310	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		-589		
Balance at 31 December 2017	-28,066	-4,043	14,848	
Recognised in income statement	-12,328	-10,622	4,375	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		216		
Balance at 31 December 2018	-40,394	-14,449	19,223	-

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. Current year's increase in recognised unused tax losses is based on updated tax planning, supporting the expected recovery of these losses in the foreseeable future.

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

- a deferred tax expense of 3,557 KEUR on the one hand, and
- a gain of 13,919 KEUR which relates to the reversal of deferred tax liabilities in connection with the sale of the Warsaw Spire (12,494 KEUR) and the Przystanek mBank project (1,425 KEUR) and which has been presented in other income (as part of the net result on the sale of both projects).

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

in thousands €	31/12/2018	31/12/2017
DTA on unused tax losses	20,401	13,129
DTA on unused tax credits	-	-
TOTAL	20,401	13,129

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. The increase in not recognized deferred tax assets goes together with new and more stringent thin cap regulations which have become effective in Poland as from 1 January 2018 onwards.

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. It should in addition be noted that the distribution of dividends by Polish subsidiaries to the (Cypriot) Parent and by Belgian subsidiaries to the (Belgian) Parent would generate no tax charge.

Further reference is made to note 1.16.

19. TRADE AND OTHER PAYABLES

Trade and other payables are analysed as follows:

	31/12/2018	31/12/2017
Trade payables: third parties	19,559	36,666
Trade payables: related parties	36,863	20,140
Related parties current accounts payable	7,410	5,376
Misc. current liabilities	29,163	69,833
Deferred income	669	1,126
Current employee benefits	138	148
Total trade and other payables	93,802	133,289

Trade payables towards related parties include amongst others the amounts payable to the Development Holding for construction and engineering coordination services received. On 31/12/2018, the trade payables include 36,863 KEUR towards related parties (vs. 20,140 KEUR last year), as follows:

- CLD: 536 KEUR (562 KEUR last year)
- Ghelamco Russia: 2,352 KEUR (5,476 KEUR last year)
- Apec Ltd: 0 KEUR (260 KEUR last year)
- Ghelamco Poland Sp. z o.o: 33,485 KEUR (11,756 KEUR last year)
- Others: 490 KEUR (2,086 KEUR last year)

The increase in related parties trade payables is mainly observed in the outstanding balance with Ghelamco Poland and is mainly connected with significant construction works on projects carried out during the last months of the year (which is, in turn, related to the construction stage of the projects). Main projects under construction per year-end are The Hub and the Warsaw Unit.

Outstanding balance on related parties C/A payable is mainly towards Carlton Retail (7.3 MEUR), company which holds the land parts in the One Carlton residential project in Knokke, and which is included in these financial statements following the equity method.

Miscellaneous current liabilities mainly relate to interest payable (6.7 MEUR in total, of which 1.0 MEUR to related and 5.7 MEUR to third parties), rental guarantee provisions (1.0 MEUR in total), VAT payable (3.0 MEUR), accruals, rent deposits and others. The decrease compared to prior year is mainly related with the fact that per end 2017 an amount of 45,000 KEUR was outstanding towards the shareholders of the Group in connection with the capital decrease of October 2017. This amount has in Q1 2019 actually been paid.

As was also the case last year, the outstanding deferred income balance mainly relates to deferred income from sales in the Woronicza QBik residential project (184 KEUR) and some deferred rent income on commercial projects.

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

20. CURRENT TAX LIABILITIES

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

- Belgium: 3,467 KEUR
- Luxembourg: 443 KEUR
- Spain: 350 KEUR
- Cyprus: 1,793 KEUR
- Poland: 3 KEUR

Total for 2018: **6,056 KEUR** (vs. 2,947 KEUR in 2017).

21. REVENUE

REVENUE IS MAINLY GENERATED FROM THE FOLLOWING SOURCES:

in thousands €	31/12/2018	31/12/2017
Sales of Residential Projects		
Projects Belgium	36,470	61,924
Projects Poland	3,145	5,138
Rental Income	28,610	35,202
Other	986	1,242
TOTAL REVENUE	69,211	103,506

Rental income as of 31 December 2018 relates to rent from commercial projects in Belgium (9,696 KEUR), Poland (8,957 KEUR) and Russia (9,684 KEUR).

The residential projects sales as of 31 December 2018 mainly relate to:

- Waterview Leuven: all 36 remaining student homes (4,271 KEUR).
- Villas and apartments at the Belgian coast (5,092 KEUR, mainly on Neptune and Sylt).
- Tribeca: 2 houses, 1 apartment and 2 parking spaces in phase 1 and 2 of this mixed project at the Nieuwevaart in Ghent (+/- 1,132 KEUR). Phase 1 and 2 have been delivered and sold units have per end 2018 fully been invoiced. All 72 available apartments have been sold and a limited number of houses and lofts are still being sold.
- Tribeca: invoicing under the Breyne legislation connected to (77 of 91 available apartments and parking spaces in) phase 3 of this project (+/- 6,165 KEUR). Per end 2018 phase 3 has been finalized and sold units have been 100% invoiced.
- Edition (16,477 KEUR): Installments on previous year (39 apartments and 42 parking spaces) and current year (18 apartments, 19 parking spaces and 17 storage rooms) sales. Progress and invoicing is at approx. 90%, deliveries are currently ongoing.
- Spectrum (2,959 KEUR): Installments on previous year (17 apartments and 20 parking spaces) and current year (remaining 5 apartments, 1 parking space and 5 storage rooms) sales. Progress and invoicing is at 55%.
- the sale of residential (and some commercial) units in the Woronicza Qbik project, Warsaw (with a sales rate of over 98%) for 1,973 KEUR (vs 3,981 KEUR in prior year) and
- the sale of a plot at Marynarska 12, Warsaw for 1,172 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 €	31/12/2018	31/12/2017
Future minimum rental income:		
Less than 1 year	23,740	23,270
Between 1 and 2 years	22,962	26,044
Between 2 and 3 years	19,436	23,156
Between 3 and 4 years	17,457	19,598
Between 4 and 5 years	11,271	16,857
More than five years	49,738	52,769
TOTAL FUTURE MINIMUM RENTAL INCOME	144,604	161,694

The decrease compared to last year is to an extent connected with the sale of the 'The Link' project in Antwerp shortly after year-end. Related rental income is not included anymore in the 2018 overview.

OTHER OPERATING INCOME AND EXPENSES IN 2018 AND 2017 INCLUDE THE FOLLOWING ITEMS:

Other operating income	2018	2017
Net gains on disposal of investment property	-	20,529
Other	28,126	8,462
Net gains on disposals of property, plant and equipment		
TOTAL	28,126	28,991

Current year's other operating income mainly relates to related party recharges (9,554 KEUR study and know-how to Apec Ltd. and 2,376 KEUR fit-out to Meetdistrict NV), fit-out re-charges to tenants (7.9 MEUR, mainly on Big and Wronia), the release to the profit and loss statement of the previously booked provision for rental guarantees connected to the Warsaw Spire sale of last year (3.3 MEUR) and some re-charges to related parties (2.3 MEUR). Also included is the result of the equity accounted investees (Carlton Retail NV and P22 Lodz Sp. z o.o.) and some re-charges of real estate tax and other co-owners expenses to tenants.

Last year's other operating income mainly related to the gain on disposal of the Warsaw Spire (6.5 MEUR), the gain on disposal of the Przystanek mBank project (1.5 MEUR), a purchase price adjustment on last year's sale of the Dacar site (4.9 MEUR), the gain on disposal of Retail Leuven for an amount of 0.3 MEUR and the gain on disposal of the Kopylov Logistics Park in Kyiv (7.2 MEUR). In addition, re-charges of real estate tax and fit-out expenses to tenants were included (for +/- 4.8 MEUR in total).

22. OTHER ITEMS INCLUDED IN OPERATING PROFIT/LOSS

	2018	2017
Gains from revaluation of Investment Property	56,524	45,731

Fair value adjustments over 2018 amount to 56,524 KEUR, which is mainly the result of current year's further investment and leasing efforts in Poland (mainly on the HUB, Wronia, the .Big project and the Plac Vogla retail park) and Belgium (mainly on the Silver Tower in Brussels, Knocke Village and Ring Hotel), in combination with evolution in market conditions (yield and rent level evolution).

The Russian political and economic situation and its effects on markets and (warehouse) tenant activity is further closely monitored. In Russia, the yields remained quite stable; the RUB and the market rental levels for (refrigerated) warehousing are however still under pressure. This has resulted in the recognition of further negative fair value adjustments on the Dmitrov project in portfolio.

It is however to be noted that main part of the Group's investments in Russia consists of the largely delivered Dmitrov project, which is to a significant extent leased to mainly 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	35,910
POLAND	38,413
RUSSIA	-18,000
UKRAINE	201
	56,524

	2018	2017
Other operating expenses		
Operating lease/rental/housing expenses	2,801	1,729
Taxes and charges	4,536	4,959
Insurance expenses	1,523	1,491
Audit, legal and tax expenses	7,848	5,878
Traveling	1,234	1,040
Promotion	4,103	2,713
Bank fees	101	135
Sales/agency expenses	5,413	5,661
Rental guarantee expenses	477	3,073
Fit-out costs	2,375	-
Operating expenses with related parties	16,224	16,297
Inventory impairment (reversal)	-207	3,003
W/o remaining Sentor earn-out	-	223
W/o VAT receivable	-	2,337
Merger losses	-	247
Maintenance & management	828	1,896
PPA mBank sale	1,493	-
Liquidation losses	1,023	-
Miscellaneous	3,070	3,877
Total	52,842	54,559

Other operating expenses with related parties both concern the re-invoicing of costs within the framework of Service Level Agreements with IRS Comm. VA and Deus Comm. VA. and fit-out expenses charged by Ghelamco Poland (and afterwards further re-charged to tenants) (also refer to note 28.3).

Current year's other operating expenses include an amount of 2,375 KEUR related to fit-out expenses (which have through other operating income been re-charged to Meetdistrict NV, a related party being part of the Development Holding).

Current year's maintenance expenses and taxes and charges have decreased in connection with the sale of the Warsaw Spire mid 2017, having a full impact on the current year's other operating expenses.

Current period's other operating expenses also include the impact of a purchase price adjustment on the sale of mBank realised end of 2017 (1,493 KEUR).

Last year's operating expenses included some impairment write-downs recognized on a limited number of inventory projects, mainly resulting from the evolution in some commercial parameters.

Last year's relatively high rental guarantee expenses mainly related to the recognition of a rental guarantee provision for an amount of 2.3 MEUR in connection with the Warsaw Spire project, which was sold mid 2017.

	2018	2017
Employee benefit expenses		
Wages and salaries	970	1,142
Social security costs	191	197
Other		
Total	1,161	1,339

23. COST OF PROPERTY DEVELOPMENT INVENTORIES

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

	2018	2017
Movement in inventory	-1,190	29,642
Purchases	-27,241	-81,051
	-28,431	-51,409

(*) See Note 28.2

Purchases (mainly from related parties) related to Investment Property projects are not included in the above purchases, as those have directly been recorded on IP. It concerns an amount of 197,563 KEUR (transfers of 20,777 KEUR not included) (vs. 134,474 KEUR last year, transfers of 4,491 KEUR not included).

24. FINANCE INCOME AND FINANCE COSTS

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

	2018	2017
Foreign exchange gains	5,698	
Interest income	12,272	15,187
Other finance income		
Total finance income	17,970	15,187
Interest expense	-24,234	-41,465
Other finance costs	-5,696	-5,591
Foreign exchange losses		-4,486
Total finance costs	-29,930	-51,542

It is to be noted that interest expenses related to Investment Property projects are not included in the above 2018 and 2017 figures, as those have directly been capitalized on IP. It concerns an amount of 17,300 KEUR (vs. 13,848 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 exchange rate.

The interest expenses decreased significantly compared to last year, mainly due to the sale of the (delivered and operational) Warsaw Spire project as per mid 2017.

Other finance costs mainly relate to the partly release to the profit and loss statement of the capitalized bond issue and bank (re-)financing expenses (which are amortized over the duration of the respective bonds and/or bank loans).

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

25. INCOME TAXES

Income tax expense recognized in the consolidated income statement:

	31.12.2018	31.12.2017
Current income tax	3,408	5,591
Deferred tax	18,575	5,505
Total	21,983	11,096

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 €	31.12.2018	31.12.2017
Result before income taxes	60,388	34,554
Income tax expense/gain calculated at 29,58% (and 33,99% in '17)	17,863	11,745
Effect of different tax rates in other jurisdictions	-4,300	-850
Effect of non-deductible expenses	6,718	4,813
Effect of revenue that is exempt from taxation	-3,528	-7,383
Effect of use/recognition of previously unrecognized tax losses	-888	-972
Effect of current year losses for which no DTA is recognized	12,116	9,187
Effect of tax incentives not recognized in the income statement	-1,961	-715
Effect of under/over-accrued in previous years	190	4,458
Effect of change in local tax rates	-1,582	-7,826
Effect of reversal DTA re. sale WRP	146	
Effect of gain on equity method entities	-540	
Effect of reversal DTL re. sale of Retail Leuven		-1,150
Effect of recognition of previously unrecognized tax losses	-2,080	
Other	-171	-211
INCOME TAX EXPENSE RECOGNISED IN INCOME STATEMENT	21,983	11,096

The theoretical tax rate used for the above reconciliation is the statutory corporate tax rate of 29.58% 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.

In connection with the change of Belgian tax rates (as from 1 January 2018 onwards) cumulated deferred tax balances have been re-calculated at the rate of 25% (vs. 34% previously). This resulted in a (deferred) tax gain of approx. 5.5 MEUR in the 2017 income statement. In addition, deferred tax impact on current year's (Belgian) timing differences is going forward recognized at 25% (with an additional impact in 2017 of 2.3 MEUR and an impact of approx. 1.6 MEUR in 2018).

The increase in effect of not recognized deferred tax assets goes together with new and more stringent thin cap regulations which have become effective in Poland as from 1 January 2018 onwards.

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

26.1. (BANK) GUARANTEES

All external borrowings of the Investment Holding are secured by corporate guarantees and/or suretyship agreements issued by the respective sub-holding (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 2018 and 2017.

Company	Project name	Amount of bank loan-books (KEUR/KUSD)		Corporate guarantees as per 31/12/2018 (KEUR/KUSD)	
BELGIUM					
Guarantee by Ghelamco Invest NV					
Leisure Property Invest	Knocke Village	EUR	17,500	5,000	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Zeewind	Zeewind	EUR	278	278	Corporate Guarantee, cash deficiency
Bischoffsheim Freehold	Spectrum	EUR	1,545	1,545	Corporate Guarantee, cash deficiency
Belalan Bischoffsheim Leasehold	Spectrum	EUR	5,804	5,804	Corporate Guarantee, cash deficiency
MeetDistrict Gent	MeetDistrict Gent	EUR	16,775	5,000	Corporate Guarantee, cash deficiency, cost overrun
Ring Multi	part Ghelamco Arena	EUR	11,447	4,000	Corporate Guarantee, cash deficiency
Silver Tower	Silver Tower	EUR	15,400	15,400	Corporate Guarantee, cash deficiency, cost overrun, shares pledge
Kubel	The Link	EUR	6,250	6,250	Corporate Guarantee, cash deficiency
Construction Link	The Link	EUR	48,750	48,750	Corporate Guarantee, cash deficiency, shares pledge
Ring Hotel	Ring Hotel	EUR	23,718	23,718	Corporate Guarantee
Dianthus	Arval Site	EUR	2,400	2,400	Corporate Guarantee, cash deficiency, shares pledge
Filature Retail	Tribeca	EUR	6,934	6,934	Corporate Guarantee, cash deficiency, shares pledge
Graminea	Helix Towers	EUR	7,500	7,500	Corporate Guarantee, shares pledge
POLAND					
Guarantee by Granbero Holdings Ltd.					
The HUB SKA	HUB	EUR	46,896	46,896	Corporate guarantee
Wronia SKA	Wronia	EUR	40,726		Suretyship, cash deficiency
SBP SKA	Wroclaw Business Park	EUR	5,850	5,850	Corporate guarantee, cash deficiency
Isola SKA	Grzybowska 77	EUR	5,700	5,700	Suretyship agreement
Vogla SKA	Plac Vogla	EUR	2,382	2,382	Corporate Guarantee
Dahlia SKA	Woloska 24	EUR	31,337		Suretyship and cash deficiency
Postepu SKA (*)	Postepu	EUR	3,256	3,256	Suretyship agreement
Azira SKA	Nowe Centrum Lodzi	EUR	8,100	8,100	Suretyship agreement
Canna SKA	.BIG	EUR	16,048	5,934	Suretyship agreement
RUSSIA					
Guarantee by Safe Holding Belgium					
BelyRast	Dmitrov Logistics Park	USD	86,942	4,000	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 2018 (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.

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

Each 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, permit matters, technical matters, 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 regulations).

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

26.3. GUARANTEES RECEIVED FROM THE CONTRACTORS

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

26.4. SECURITIES ON ASSETS

Special Purpose Vehicles (SPV's) 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.

27. COMMITMENTS

27.1. (CAPITAL) COMMITMENTS

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

	2018	2017
Architectural and Engineering contracts	20,396	16,133
Construction contracts	244,433	208,872
Purchase of land plots	-	-
Purchase of shares (connected with landbank)	-	-
Total	264,829	225,005

ACQUISITION CONTRACTS

At 31 December 2018, 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 for plots of land for residential/commercial property development
- Belgium: None significant per end 2018

Non-binding contracts

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

SERVICES AND (SUB)CONTRACTOR AGREEMENTS

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:

- Senzafine residential project in Kortrijk: 8.2 MEUR construction contracts in total
- Culligan/ PWC Offices: 3.3 MEUR architecture and engineering contracts in total
- Edition Zoute serviced apartments project in Knokke: 4.9 MEUR construction contracts in total
- Spectrum mixed offices and residential project in Brussels: 6.9 MEUR construction contracts in total

- Silver Tower office project in Brussels: 22.6 MEUR construction contracts in total.
- The Warsaw HUB (approx. 117,000 sqm mixed project): 114.9 MEUR
- Warsaw UNIT (approx. 60,000 sqm office space): 84.9 MEUR
- Foksal (residential project of high-end apartments): 7.3 MEUR

27.2. OPERATING LEASE COMMITMENTS (LAND LEASE RIGHTS)

	Poland		Russia	
	2018	2017	2018	2017
Within 1 year	1,609	1,102	210	236
After 1 year but not more than 5 years	7,089	4,481	840	943
More than 5 years	123,578	74,381	6,465	7,494
	132,276	79,964	7,515	8,673

The Investment Holding has entered into non-cancellable operating leases for the land rights with basic lease terms usually 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. The above table includes all non-cancellable lease payments, undiscounted.

No such leases occur in Belgium or in Ukraine, where land is held under freehold.

The increase compared to last year mainly goes together with some upward revisions related to a number of sizable projects in Poland (mainly Wronia, Warsaw Unit and the HUB).

Reference is also made to the impact of IFRS 16 as from 1 January 2019 onwards, as described in section 1.4. above.

27.3 RENTAL GUARANTEES

POLAND

In connection with the sale of two office projects in 2014 (Marynarska 12/T-Mobile Office Park and Lopuszanska Business Park) and the sale of the mBank project in Krakow in 2017, rental guarantee and master lease agreements have been closed for resp. the (at the time of the sale) not leased office and parking space. Rental guarantee agreements have a period of 60 months, master lease agreements have a 84 months period.

In this respect, a rental guarantee provision of 1,000 KEUR in total has been recognized in the consolidated financial statements at 31/12/18 (vs. 4,300 KEUR at 31/12/2017).

28. RELATED PARTY TRANSACTIONS

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

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

28.1. RELATIONSHIPS WITH THE DIRECTORS AND MANAGEMENT

For the year ending 31 December 2018, the Consortium (of which the Group is part) paid a total amount of approx. 12,000 KEUR (vs. 10,000 KEUR last year) to the members of the board and management committee. This amount includes management service fees charged by the Management Committee members to the legal entities included in the scope of these consolidated financial statements.

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

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

CONSTRUCTION AND DEVELOPMENT SERVICES

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

- International Real Estate Services Comm.VA with its registered office in Ypres;
- Ghelamco NV with its registered office in Ypres

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 10% to 20%.

ENGINEERING AND ARCHITECTURAL DESIGN SERVICES

APEC Architectural Engineering Projects Limited (a limited liability company registered under the laws of Ireland) and Safe Invest Sp. z o.o (a limited liability company registered under the laws of Poland), both direct and indirect legal subsidiaries of 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;
- legal and financial advisory.

The price of these services is determined during the feasibility phase of the property development project as a function of the investment value of the project (excluding cost

to acquire land) and is usually fixed at 11.5% of the construction value of the project. This fee is paid by a real estate 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 as locally in place.

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

2018

In 2018, there have been no share transactions or other significant transactions with related parties, except for the sale of the shares of Meetdistrict NV to IRS Comm. VA, parent company of the Development Holding for a total amount of 62 KEUR.

End December 2018, a significant amount of related party loans receivable (and related accrued interests, for a total combined amount of 280 MEUR) which Perdidot SL (Spain) held towards Polish SPVs, have been transferred to Milovat Ltd, Cypriot cash pool and financing entity of the Granbero group. And subsequently the resulting Peridot receivable towards Milovat has been compensated with the existing Peridot loans payable balance towards Milovat. These transactions have been executed in connection with a reorganisation process which is in first instance meant to increase interco financing efficiency and to further simplify the group structure.

2017

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

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

Also in 2017, the Cromme Bosch site (high-end residential site in Knokke-Zoute) was sold to Deus Comm. VA, for a total amount of 12,310 KEUR; an at arm's length transaction closed in the normal course of business. In addition, there was a purchase price adjustment on the sale of the Dacar site to Ghelamco European Property Fund NV for an amount of 4,935 KEUR.

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

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:

	31/12/2018	31/12/2017
Purchases of construction, engineering and architectural design:	-104,347	-129,596
related party trade receivable	11,797	5,060
related party trade accounts payable	-36,863	-19,465
related party non-current loans receivable	168,094	220,374
related party interests receivable	27,051	33,783
related party C/A receivable	76,148	111,888
related party non-current other receivable	-	-
related party non-current loans payable	-5,787	-3,094
related party interests payable	-987	-1,775
related party C/A payable	-7,410	-5,376

Last year's related party purchases were relatively high, in connection with the construction phase and timing of projects under development at that time.

With respect to the evolution non-current loans and C/A receivable balances, further reference is made to note 11.

29. EVENTS AFTER BALANCE SHEET DATE

On 17 January 2019, a lease contract has been signed with PWC for the lease of 23,000 sqm office space and 700 parking spaces in the building to be raised on the recently acquired Culligan plot. The project will going forward be referred to as the PWC Offices. The lease agreement will start on 1 May 2021, with a duration of 15 years. Considering fit-out works starting at inception of the lease agreement, it is expected that PWC will actually move in into the premises end of 2021.

On 27 February 2019, the 'The Link' project in Antwerp (27,000 sqm office space and approx. 540 underground parking spaces, divided over 2 buildings) has been sold to Baloise for a total sales value (acte en main) of 89,250 KEUR. The transaction has been realized at a new prime yield for office investments in Flanders of 5.2%. At the moment of sale, the related bank loan (55 MEUR) has been reimbursed.

The Big project (10,200 sqm office space in Krakow) has on 17 January 2019 been sold to Crédit Suisse. The sale was structured as an enterprise deal (assets and related liabilities), based on a transaction value of the project of 32.9 MEUR and a yield of 5.59%. At the moment of sale, the related bank financing (16.6 MEUR) has been reimbursed.

In Q1 2019 early redemption of Polish bonds has been done for a total amount of 6,370 KPLN.

On the other hand, end February 2019 Ghelamco Invest Sp. z. o. o. issued bonds to institutional investors (series PK) for a total amount of 138,188 KPLN. Additionally in March 2019, bonds to institutional investors (series PL) were issued for a total amount of 49,350 KPLN. These bonds have a 3-year maturity and bear an interest rate of wibor 6m + 4.5%. Also early March 2019, the decision was taken to issue 60 MPLN retail bonds under the Company's current prospectus. Per date of the current report, these bonds were fully subscribed (PPM series of 34,878 KPLN and PPN series of 24,924 KPLN, both with a 3-year maturity and a wibor 6m + 4.25% interest). Issue date is on 29 March 2019.

30. AUDIT FEES

The Statutory Auditor for the Company is KPMG Bedrijfsrevisoren, represented by Mr. Filip De Bock. For the entire Group, the mandates and remuneration can be summarized as follows:

Ghelamco Group in KEUR	2018
Remuneration of the statutory auditor	180
Other audit-related services	7
Tax services	-
Other	20
Remuneration for other services or assignments performed within the Company and its subsidiaries by the statutory auditor	27
Remuneration for persons associated to the statutory auditor for the performance of a mandate as statutory auditor	-
Other audit-related services	-
Tax services	-
Other	-
Remuneration for other services or assignments performed within the Company and its subsidiaries by persons associated to the statutory auditor	-
TOTAL	207



31. AUDITOR'S REPORT

Statutory auditor's report to the general meeting of Ghelamco Group Comm. VA on the consolidated financial statements as of and for the year ended 31 December 2018

In the context of the statutory audit of the consolidated financial statements of Ghelamco Group Comm. VA ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended 31 December 2018, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 9 June 2018, in accordance with the proposal of the manager. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2020. We have performed the statutory audit of the consolidated financial statements of Ghelamco Group Comm. VA for one financial year.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements the Group as of and for the year ended 31 December 2018, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to 1.901.918 (000) EUR and the consolidated statement of profit or loss shows a profit for the year of 38.405 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and consolidated financial position as at 31 December 2018 and of its consolidated financial performance and its consolidated 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.

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the consolidated financial statements" section of our report.

We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the manager and the Company's officials 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.

Emphasis of matter

We draw attention to note 10 of the consolidated financial statements which describes the uncertainty regarding the realization of the Eurostadium project and the manager's assessment of the recoverability of capitalized expenses related to this project. Our opinion is not modified in respect of this matter.

Manager's responsibilities for the preparation of the consolidated financial statements

The manager is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as manager determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Statutory auditor's responsibilities for the audit of the consolidated financial statements

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

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium.



As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

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

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



Report on the other legal and regulatory requirements

Responsibilities of the manager

The manager is responsible for the preparation and the content of the manager's annual report on the consolidated financial statements.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (revised in 2018) which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the manager's annual report on the consolidated financial statements, and to report on these matters.

Aspects concerning the manager's annual report on the consolidated financial statements

Based on specific work performed on the manager's annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the manager's annual report on the consolidated financial statements contains material misstatements, that is information incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated financial statements and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 134 of the Companies' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

Zaventem, 29 March 2019

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory auditor
represented by



Filip De Bock
Réviseur d'Entreprises / Bedrijfsrevisor