

Granbero Holdings Ltd

IFRS Consolidated Financial Statements at 31 December 2016

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

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I. General information and performance

1. Business activities & profile

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

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

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

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

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

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

Warsaw Spire, the tallest tower in CEE, was awarded by the Warsaw Business Journal for Investment of the Year and by the International Property Awards for Highly Commended Commercial High-rise Development in Poland.

In addition, during the CIJ Awards, the Spire was also chosen as Best Office Development and Leading Green Building Development. At the same occasion, Ghelamco received an award for Developer of the Year, which was also received during the Eurobuild Awards and the EuropaProperty CEE Investment & Green Building Awards.

And in March 2017, the Spire received the main award in Best Office & Business Development at the MIPIM Awards, the world's most prestigious competition in the real estate industry. The Spire won in the best office investment category, ahead of projects from London, Rome, and Shenzhen. The award was collected during a formal gala held on 16th March in Cannes.

Furthermore, Ghelamco was during the current year and in connection with its Polish activities also granted the following awards:

- Best Office Lease of the Year for the mBank project (CIJ Awards Poland)
- City Space of the Year for the European Square (CIJ Awards Poland) and Prize for the best Urban Public Space in 2016
- Winner of the Belgian Business Chamber Award 2016 in Poland
- Most Innovative Developer in the 'Book of lists' of Warsaw Business Journal





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

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

And per end 2016 the **Property Fund** has been put in place. The purpose of this new, fourth holding company will in first instance be to keep real estate projects as income generating products in portfolio for a longer time period. This will allow the Investment Holding to 'realise' and sell delivered projects, for which the occupation rate and lease status has been optimized during the past years, at an optimal market value. Furthermore this longer-term strategy demands a different financing structure. For that, these projects are transferred from the Investment Holding to the Property Fund.

2. Legal status

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

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

The Company is registered in the Cypriot commercial register under the number 183542.

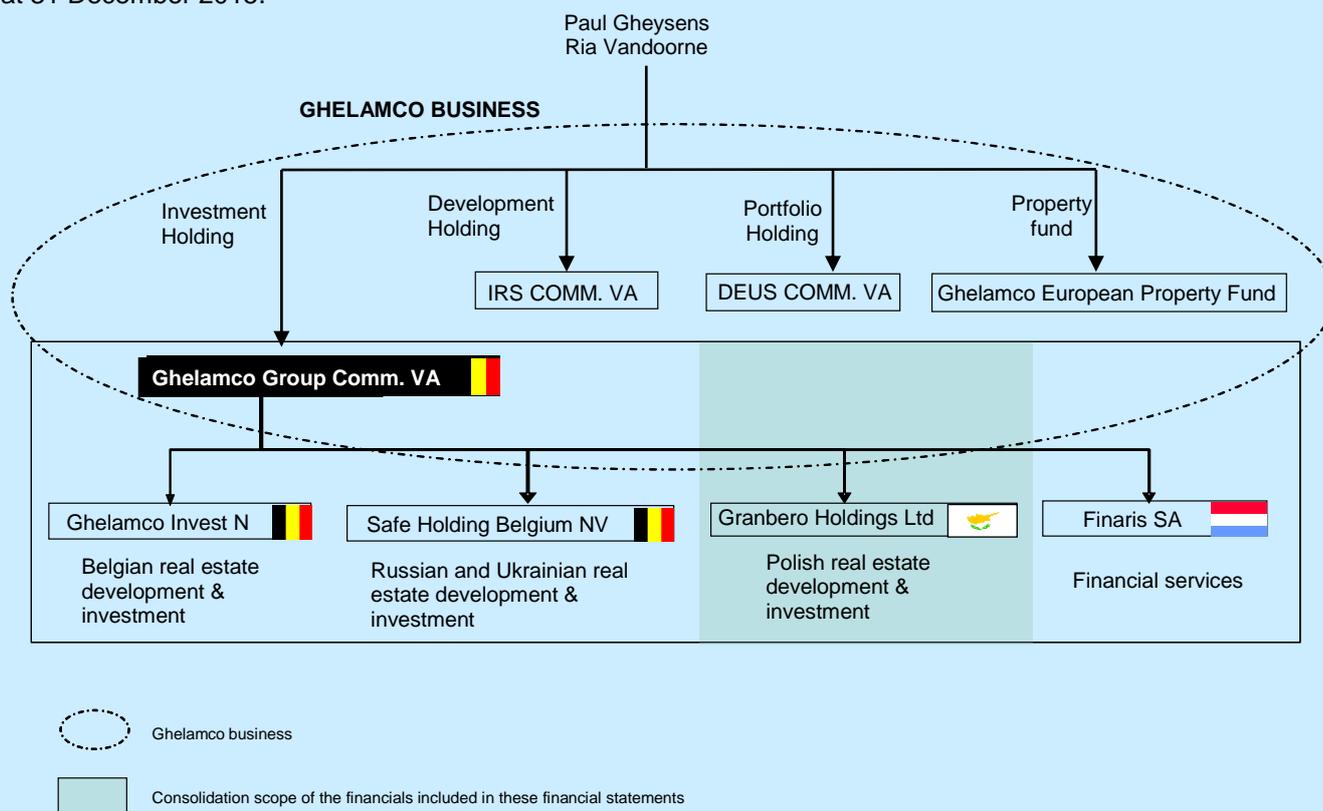
3. Consolidation scope

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

At 31 December 2016 (the reporting date), all the assets and liabilities of the reporting entity (the Company and its direct and indirect legal subsidiaries) are legally linked through a corporate structure that was introduced in 2006 and was accomplished prior to 31 December 2007 (overview in Note 5).



All assets, liabilities, income and expenses that represented an integral part of the Granbero Holdings activities, are included in the accounts of the legal subsidiaries of the Company at 31 December 2016 and at 31 December 2015.



4. Staffing level

Given its nature, there is no employment in the Company. The construction, engineering and other related services are mainly provided to the Company by the Development Holding's legal subsidiaries. Ghelamco as a whole employed 299 people on 31 December 2016 (vs. 295 on 31 December 2015).

5. Board and management committee

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

The Company's Management consists of:

Mr. Paul Gheysens (Chief Executive Officer)
 Mr. Simon Gheysens
 Mr. Michael Gheysens
 Mr. Philippe Pannier (Chief Financial Officer)
 Mr. Chris Heggerick (Chief Operational Officer)
 Mr. Jeroen Vander Toolen (Managing Director Eastern Europe)
 The Financial, Commercial, Legal and Investment Directors

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

The Polish teams consist of a technical, commercial, legal & financial department.



6. Business environment and results

2016 performance and results

The Company closed its 2016 accounts with a net profit of 92,317 KEUR, mainly as a result from its continued development, construction and commercialisation efforts. Thanks to these efforts, the Company once again managed to achieve sustained growth and create significant added value. This is reflected in an increased balance sheet total of 1,604,868 KEUR and an equity of 687,535 KEUR. The solvency ratio amounted to 42.8% (vs. 47.7% at 31 Dec. 2015).

Land bank

In Poland, the Company in first instance maintained its existing land bank but also again took advantage of some expansion opportunities. Main 2016 land bank transactions were the acquisition of a plot located in Lodz for the amount of approx. 85 MPLN for the future development of an office/multifunctional project, a plot located in Warsaw, Powisle for an amount of approx. 6.6 MPLN for the future development of an office project and a plot in Nowa Iwiczna for an amount of approx. 9.9 MPLN (5.2 MPLN already paid in 2016, the remaining conditional and still to be paid in 2017), for the future development of a commercial/retail project.

Development and construction

The investing activities in Poland during 2016 have mainly been focused on:

- The further realisation of the Warsaw Spire (+/- 108,000 sqm of office space in the Warsaw Wola District), resulting in the finalisation and delivery of tower building A;
- The finalisation of the construction of the Woloska 24 project (approx. 20 Ksqm office project in the Warsaw Mokotow District). The occupation permit was received and first tenants moved in in March 2016.
- The start of the construction works on the Przystanek mBank project (25,600 sqm office space) in Lodz, which is already pre-leased to mBank (for approx. 95% of the lettable area).
- The receiving of the building permit of the Warsaw Hub and subsequent start of the constructions works of this 3 towers (on a podium) multifunctional project of approx. 113,000 sqm in Warsaw CBD.
- Further constructions works of the Wronia projects (approx. 16,000 sqm office project in the Warsaw Wola District); structure and elevation currently being finalized.

(Pre-)leasing and occupation of projects:

Continued and successful leasing efforts on the Warsaw Spire project, for which the grand opening in the presence of the mayor of Warsaw and numerous other leading dignitaries took place in May, have resulted in the fact that the project on the whole is currently leased for approx. 90% (and that another 9% of available space is currently under reservation or firm negotiation with potential tenants).

In addition, the mBank project in Lodz, which is under construction, is already pre-leased to mBank for approx. 95% of the lettable area. In turn, the delivered Woloska 24 project is per date of the current report leased for over 50%; while the Plac Vogla retail project is leased for approx. 60% (and the remaining 40% of leasable space is currently under negotiation).

In addition, the residential Woronicza Qbik project was further commercialised in a way that currently approx. 95% of available soft lofts have been sold.

Divestures

No divestures of investment property have taken place in 2016.

Outlook

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

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



7. Notice to the reader

This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2016, assuming the going concern of the consolidated companies.

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

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

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



II. IFRS Consolidated Financial Statements

These IFRS consolidated financial statements at 31 December 2016 were approved by the Company's Management on 27 March 2017. The amounts in this document are expressed in thousands of EUR (KEUR), unless stated otherwise.

A. Consolidated statement of financial position

	Note	31/12/2016	31/12/2015
ASSETS			
Non-current assets			
Investment Property	6	907,171	660,290
Property, plant and equipment		240	32
Receivables and prepayments	8	397,784	263,266
Deferred tax assets	15	3,391	2,918
Other financial assets		109	363
Restricted cash		0	0
Total non-current assets		1,308,695	926,869
Current assets			
Property Development Inventories	7	68,860	53,666
Trade and other receivables	8	189,545	141,696
Current tax assets		205	0
Derivatives		0	0
Restricted cash		0	0
Cash and cash equivalents	10	37,564	42,683
Total current assets		296,174	238,045
TOTAL ASSETS		1,604,868	1,164,914



Consolidated statement of financial position (cont'd)

	Note	31/12/2016	31/12/2015
Capital and reserves attributable to the Group's equity holders			
Share capital	11	67	10
Share premiums	11	495,903	32,664
CTA	12	12,504	4,526
Retained earnings	12	179,053	516,782
		<u>687,527</u>	<u>553,982</u>
Non-controlling interests	11.2	7	1,902
TOTAL EQUITY		<u>687,535</u>	<u>555,884</u>
Non-current liabilities			
Interest-bearing loans and borrowings	13	797,680	484,894
Deferred tax liabilities	15	21,199	23,377
Other non-current liabilities		1,916	0
Long-term provisions		0	0
Total non-current liabilities		<u>820,795</u>	<u>508,271</u>
Current liabilities			
Trade and other payables	16	39,073	51,060
Current tax liabilities	17	1,430	893
Interest-bearing loans and borrowings	13	56,036	48,806
Short-term provisions			
Total current liabilities		<u>96,539</u>	<u>100,759</u>
Total liabilities		<u>917,334</u>	<u>609,030</u>
TOTAL EQUITY AND LIABILITIES		<u>1,604,868</u>	<u>1,164,914</u>



B. Consolidated income statement and consolidated statement of comprehensive Income
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Consolidated Income Statement

	Note	2016	2015
Revenue	18	20,703	16,850
Other operating income	19	6,505	2,999
Cost of Property Development Inventories	20	-7,060	-9,413
Employee benefit expense		-306	-289
Depreciation amortisation and impairment charges		-30	0
Gains from revaluation of Investment Property	6	131,050	97,547
Other operating expense	19	-22,237	-12,089
Share of results of associates			
Operating profit – result		128,626	95,605
Finance income	21	13,114	11,423
Finance costs	21	-51,020	-10,578
Profit before income tax		90,720	96,450
Income tax expense/income	22	1,597	-18,196
Profit for the year		92,317	78,254
Attributable to:			
Equity holders of parent		92,317	78,254
Non-controlling interests			



Consolidated statement of comprehensive income – items recyclable to the profit & loss statement**Consolidated statement of comprehensive income**

		2016	2015
Profit for the year		92,317	78,254
Exchange differences on translating foreign operations	12	7,978	-2,182
Other		-46	170
Other comprehensive income of the period		7,932	-2,012
Total Comprehensive income for the year		100,249	76,242
Attributable to:			
Equity holders of the parent		100,249	76,242
Non-controlling interests			



C. Consolidated statement of changes in equity
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Consolidated statement of changes in equity per 2016

	Note	Attributable to the equity holders		Non-controlling interests	Total Equity	
		Share capital + share premium	Cumulative translation reserve			Retained earnings
Balance at 1 January 2015		32,674	6,708	438,358	1,901	479,641
Foreign currency translation (CTA)			-2,182			-2,182
Profit/(loss) for the year				78,254		78,254
Dividend distribution						
Change in non-controlling interests					1	1
Change in the consolidation scope				170		170
Other						0
Balance at 31 December 2015		32,674	4,526	516,782	1,902	555,884
Capital increase	11	463,297				463,297
Foreign currency translation (CTA)	12		7,978			7,978
Profit/(loss) for the year	12			92,317		92,317
Dividend distribution				-430,000		-430,000
Change in non-controlling interests	11.2				-1,895	-1,894
Change in the consolidation scope	12			-73		-73
Other				27		27
Balance at 31 December 2016		495,971	12,504	179,053	7	687,535



D. Consolidated cash flow statement
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Consolidated cash flow statement for 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Activities		
Profit / (Loss) before income tax	90,720	96,450
<i>Adjustments for:</i>		
- Share of results of associates		
- Change in fair value of investment property	6	-131,050
- Gain on disposal of subsidiary		
- Gain on disposal of interest in former associates		
- Depreciation, amortization and impairment charges		30
- Result on disposal investment property		0
- Change in provisions		
- Net interest charge	21	17,414
- Movements in working capital:		
- Change in inventory		-24,676
- Change in trade & other receivables		-47,849
- Change in trade & other payables		-922
- Change in MTM derivatives	9	0
- Movement in other non-current liabilities		1,916
- Other non-cash items		-49
Income tax paid		-721
Interest paid (**)		-4,459
Net cash from operating activities	-121,855	-25,111
Investing Activities		
Interest received	21	13,114
Purchase of property, plant & equipment		-238
Purchase of investment property	6	-91,044
Capitalized interest in investment property (paid)	6	-8,600
Proceeds from disposal of investment property	6	-16,500
Net cash outflow on acquisition of subsidiaries		
Net cash inflow on disposal of subsidiary		
Net cash inflow on disposal of associate		
cash outflow on other non-current financial assets		-134,263
Net cash inflow/outflow on NCI transactions		0
Change in trade & other payables		
Movement in restricted cash accounts		0
Net cash flow used in investing activities	-221,031	-143,637



Financing Activities

Proceeds from borrowings	13	366,007	187,184
Repayment of borrowings	13	-45,991	-19,038
Capital increase			
Other non-cash items, realized CTA			
Net cash inflow from / (used in) financing activities		320,016	168,146
Net increase/decrease in cash and cash equivalents		-22,870	-602
Cash and cash equivalents at 1 January of the year		42,683	46,755
Effects of exch. rate changes (mainly on EUR/USD balances in non-EUR countries)		17,751	-3,470
Cash and cash equivalents at 31 December of the year		37,564	42,683

(**): Interests directly capitalized in IP not included (2016: 8,600 KEUR; 2015: 16,500 KEUR) – separately presented under investing activities



1. Summary of significant accounting policies

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

1.1. Introduction

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

These financial statements are IFRS consolidated financial statements that include the resources and activities of Granbero Holdings Ltd and its legal subsidiaries that are part of the Ghelamco Investment Group at 31 December 2016.

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

1.2. Basis of preparation

These consolidated financial statements include those of the Company and its subsidiaries. The consolidated financial statements were approved for issue by Management on March 27, 2017. 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 2016. The Company has adopted all new and revised standards and interpretations relevant for its activities and which became applicable for the financial year starting 1 January 2016.

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 2016

Standards and Interpretations that the Investment Holding anticipatively applied in 2015 and 2016:

- None

Standards and Interpretations that became effective in 2016

- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 38 Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 27 Separate Financial Statements – Equity Method (applicable for annual periods beginning on or after 1 January 2016)

Standards and Interpretations which became effective in 2016 but which are not relevant to the Company:

- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 19 Employee Benefits – Employee Contributions (applicable for annual periods beginning on or after 1 February 2015)

1.4. Standards and Interpretations issued but not yet effective

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

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)



- Amendments to IFRS 4 Insurance Contracts - Applying IFRS 9 Financial Instruments with IFRS 4 (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, and therefore the endorsement in the EU has been postponed)
- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in the EU)
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in the EU)

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

1.5. Principles of consolidation

1.5.1. Consolidation scope

The entities included in the consolidation scope are those that are under control of the Company on 31 December 2016 and on 31 December 2015 (see Notes 4 and 5). Control is achieved when the Company

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

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

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

The transactions with other entities owned directly or indirectly by the ultimate shareholders of the Ghelamco Consortium are deemed transactions with related parties and are not eliminated, but are presented as balances and transactions with related parties in Note 25.

1.5.2. Acquisition of subsidiaries

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

During the course of 2016 and 2015, 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 2016 and 2015 business of the Company consists of developing commercial and residential real estate projects. Commercial properties are held for lease and/or capital appreciation. Residential properties are offered for sale.



General rule:

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

Comments 2016

During 2016, no commercial project SPVs have been sold.

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

The same goes for 2015.

1.5.4. Increase in ownership interests in subsidiaries

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

1.5.5. Foreign currency translation

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

Foreign currency transactions

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

Foreign entities

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

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

	2016		2015	
	Closing rate at 31 December	Average rate for 12 months	Closing rate at 31 December	Average rate for 12 months
Polish Zloty (PLN)	4.4240	4.3625	4.2615	4.1839
United States Dollar (USD)	1.0541	1.1069	1.0887	1.1095



1.5.6. Hyperinflationary economies

None of the Company entities operated in a hyperinflationary economy in 2016 and 2015.

1.6. Property, plant and equipment

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

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

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

The applicable useful lives are:

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

1.7. Finance leases

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

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

1.8. Impairment of assets

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

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

1.9. Investment Property

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

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



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

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

The Company distinguishes four different stages for Investment Property:

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

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

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

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

1. Based on comparative method;
2. Based on realizable m²;
3. Based on residual method.

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

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

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

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

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

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

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

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



Completed Investment Properties (D)

Investment Properties are considered completed as from the moment the project received its exploitation permit.

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

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

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

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

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

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

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs necessary to make the sale. Any excess of the carrying amount over the fair value less costs to sell is included as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale. Comparative balance sheet information for prior periods is not restated to reflect the new classification in the balance sheet.

1.11. Property Development Inventory

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

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

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

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



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

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

Perpetual usufruct and operating lease contracts of land:

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

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

1.12. Trade and other receivables

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

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

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

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

1.13. Financial assets

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

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

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

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



For an overview of financial assets (and liabilities) by category in accordance with IAS39, reference is made to note 14 below.

1.14. Cash and cash equivalents

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

1.15. Share capital

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

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

1.16. Current and deferred income taxes

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

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

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

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

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

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

Early 2016, the shares of the project companies holding the Warsaw Spire and Grzybowska 77 projects have been contributed by the closed-end fund to Ghelamco Polish Project 1 SCSp (end 2015 established



Luxemburg special limited partnership between the closed-end investment CC28 and Finaris SA), at market value and in exchange for partnership certificates. Subsequently, these SPVs have been transformed into (transparent) sp.k.-entities. Afterwards, the involved SPVs have sold their real estate projects to newly incorporated/acquired SPVs under the Lux. limited partnership, at market value; resulting in the fiscal exemption of the resp. market values of the sold projects at that moment. This has in turn resulted in the release to the income statement of accumulated deferred tax liabilities (on the fair values of the involved projects) for an amount of 18.7 MEUR. Going forward and after another fiscal legislation change (Amendment to the CIT Law ending the beneficial tax treatment of FIZAN structures, effective 1 January 2017), deferred tax liabilities are again recognized on fair value adjustments for all Polish projects.

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

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized (Note 15).

1.17. Trade and other payables

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

1.18. Borrowings

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

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

1.19. Revenue recognition

Revenue mainly includes sales of properties and rental income.

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

Sale of Property Development Inventory

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

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



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

Rental income

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

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

Sale of Investment Property

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

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

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

2. Financial risk management

2.1 Financial risk factors

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

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

2.1.1 Foreign exchange risk

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



Within the Eurozone, the Company concludes all engineering and architectural contracts, main construction contracts and main part of (project) financing contracts in Euro. On the other hand, the Company has over the past five years and via its financial vehicle Ghelamco Invest SP. z o.o., issued significant amounts of Polish bearer bonds (with an outstanding amount of 898.9 MPLN as of 31/12/16). Leasing of the properties is Euro based and eventual later disposal of assets or shares is usually expressed or negotiated in Euro. The Polish Zloty's risk is for that limited to the mentioned PLN bond issues, some smaller local contracts and the sale prices of residential projects.

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

As stated, main net foreign currency position which the Company holds at the reporting date relates to the Polish bearer bonds in PLN for a (net) amount of 877,427 KPLN. A 10% strengthening/weakening of the EUR against the PLN rate at 31 December 2016 would resp. have increased/decreased the EBT by approx. 20.0 MEUR. This analysis assumes that all other variables (e.g. interest rates) remain constant.

In addition, trade payables in PLN are outstanding for an amount of 22.7 MPLN. A 10% strengthening/weakening of the EUR against the PLN rate at 31 December 2016 would resp. have increased/decreased the equity by approx. 0.5 MEUR. This analysis assumes that all other variables (e.g. interest rates) remain constant.

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

Over 2015, Ghelamco Poland Sp.k. (belonging to the Service Holding) hedged the sale of an amount of EUR into PLN with its counterpart Granbero Capital. In practice, Granbero Capital covered the currency exposure for Ghelamco Poland Sp.k for an amount of 3,372 KEUR on the Warsaw Spire project (Ghelamco Warsaw Spire SKA) at a fixed rate of 3.9 PLN/EUR. These hedging transactions resulted in a gain for Granbero Capital for an amount of 213 KEUR.

Per end of December 2015, there were no remaining amounts to be covered by the above contract in 2016. The market value of derivative contracts has by consequence dropped to zero as of 31 December 2015; evolution which was been recognized through the profit and loss statement.

Over 2016, there have been no further similar hedging transactions. Per end of December 2016, there were no outstanding amounts to be covered by hedging contracts.

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

2.1.2 Interest rate risk

The Company actively uses external and related party borrowings to finance its property development projects. A property development project's external financing is usually in the form of a bank loan denominated in Euro (see Note 13). Since Ghelamco Invest Sp. z o.o. is issuing bearer bonds (of which 898.9 MPLN + 6.3 MEUR actually still outstanding per balance sheet date), Polish projects can also be partly financed through the proceeds of these bonds.

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

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

- Land acquisition loans (usually provided for a term of two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin.
- Development loans provided until completion of construction and obtaining of the exploitation permit (usually for a term of about two years). The interest is payable at market floating rates (from 1 up to



- 6 months) increased by a margin. The land acquisition loan is at this stage integrated in the development loan.
- Once the property is completed, leased and meets all ongoing covenants, the development loan allocated to it can be turned into an investment loan usually provided for a period of five years beginning from the signing of the investment loan agreement and repayable upon sale or refinancing of the property. The banks are usually willing to increase development loans up to an amount that reflects 65% to 75% of the property's market value, once all ongoing covenants are met. The interest is usually a mix of floating and fixed rates. In addition, the capital is amortized at a level between 4% and 7% per annum (on average), payable on a quarterly base together with the accrued interest.
 - For the Polish projects: 898.9 MPLN + 6.3 MEUR proceeds from bond issues with a term of 3 to 4 years and bearing an interest of Wibor 6 months + 3.5%-4.5% and Euribor 6 months + 4.3% resp.; proceeds of which can be used over the resp. project development stages.

The Company actively uses related party borrowings provided by the Ghelamco Group Financing Vehicles acting as financial intermediaries (mainly Peridot SL at 31 December 2016 and 31 December 2015) to finance the property development projects in Poland. These related party loans bear interest at market floating interest rates.

For sensitivity analysis, reference is made to disclosure 13 on interest-bearing loans and borrowings.

2.1.3 Operational risk (price risk in first instance)

Price risk

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

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

Most property development projects are realized in cooperation with parties related to the Company (see Note 25.2).

Market research

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

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

Permit risk

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

Construction risk

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

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



Engineering risk

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

Financing risk

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

In the past five years, the Company in addition proved to be able to call upon alternative financing through the issue of bearer bonds (898.9 MPLN + 6.3 MEUR total outstanding as of 31 December 2016).

Commercial risk

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

Investment market risk

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

2.1.4 Credit risk

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

For further analysis, reference is made to note 8.

2.1.5 Liquidity risk

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

The maturity analysis for financial liabilities that shows the remaining contractual maturities is presented in Note 13.

We also refer to note 10 and note 13.1 where the available financing is described.

2.1.6 Economic risk

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

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



2.2 Capital risk and balance sheet structure management

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

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

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

The Company monitors capital primarily based on the solvency ratio. This ratio is calculated as total equity divided by the balance sheet total. The solvency ratios at 31 December 2016 and 2015 were as follows:

	2016	2015
Equity	687,535	555,884
Total assets	1,604,868	1,164,914
Solvency ratio	42,8%	47,7%

3. Critical accounting estimates and judgements

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

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

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

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

Impairment of assets

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

No additional impairments/write-offs to the profit and loss statement were deemed necessary in 2016 and 2015.



Income taxes

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

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

Poland :	19%
Cyprus :	12.5%
Luxemburg :	21.84% (exceptions for financial rulings)

Fair value estimation

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

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

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

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

4. List of subsidiaries

Granbero Holdings Ltd. subsidiaries included in these IFRS consolidated financial statements are as follows:

Entity description	Country	31/12/2016 % voting rights	31/12/2015 % voting rights	Remarks
Granbero Capital (branch)	LU	n/a	n/a	
Apollo Invest Sp. z o.o	PL	100	40	4.1
Expert Invest Sp. z o.o	PL	100	100	4.3
Industrial Invest Sp. z o.o	PL	n/a	100	4.3
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 spółka z ograniczoną odpowiedzialnością Konstancin SKA	PL	100	100	
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Port Żerański SKA	PL	100	100	
Ghelamco GP 8 Spolka z ograniczona odpowiedzialnoscia 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 spółka z ograniczoną odpowiedzialnością Sobieski Towers Sp.k.	PL	100	100	
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Matejki SKA	PL	100	100	
Ollay Sp. z.o.o. Market SKA	PL	100	100	
Erato Sp. z o.o.	PL	100	100	
Oaken Sp.z.o.o. Pattina SKA	PL	100	100	
Ghelamco GP 1 Spolka z ograniczona odpowiedzialnoscia UNIQUE SKA	PL	70	70	



Octon Sp.z.o.o. PIB SKA	PL	100	100	
Ghelamco GP 1 spółka z ograniczoną odpowiedzialnością Vogla SKA	PL	100	100	
Ghelamco GP 5 Sp. z o.o. (former Fusion Invest Sp. z o.o.)	PL	100	100	
Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością Sienna Towers SKA	PL	100	100	
Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością SBP SKA	PL	100	100	
Ghelamco GP 5 spółka z ograniczoną odpowiedzialnością Foksał SKA	PL	100	100	
Ghelamco GP 3 Sp. z o.o. (former Belle Invest Sp. z o.o.)	PL	100	100	
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Grzybowska 77 Sp.k.	PL	100	100	
Ghelamco GP 3 spółka z ograniczoną odpowiedzialnością Wronia SKA	PL	100	100	
Ghelamco GP 7 Sp. z o.o. (former Power Invest Sp. z o.o.)	PL	100	100	
Ghelamco GP 7 spółka z ograniczoną odpowiedzialnością Postępu SKA	PL	100	100	
CC 28 F.I.Z.	PL	n/a	100	4.1
Ghelamco GP 2 Sp z o.o	PL	100	100	
Ghelamco GP 2 Spolka z ograniczona odpowiedzialnoscia Proof SKA	PL	100	100	
Ghelamco GP 4 Sp. z o.o. (former Betula Invest Sp. z o.o.)	PL	100	100	
Ghelamco GP 2 spółka z ograniczoną odpowiedzialnością M12 SKA	PL	100	100	
WUZA1 Sp. z o.o. (former Immediate Investment Sp.z.o.o.)	PL	100	100	
WUZA1 Sp.z.o.o. Sp.k. (former Eastern Europe Bud Sp. z o.o.)	PL	100	100	
WUZA1 Sp.z.o.o. WS Sp.k. (former Ghelamco Warsaw Spire WS sp.k.)	PL	100	100	
Ghelamco GP 6 Sp. z o.o. (former Opportunity Invest Sp. z o.o.)	PL	100	100	
Ghelamco GP 6 Spolka z ograniczona odpowiedzialnoscia HQ SKA	PL	100	100	
Ghelamco GP 3 Spolka z ograniczona odpowiedzialnoscia Isola SKA	PL	100	100	
Ghelamco GP 8 Sp.z o.o.	PL	100	100	
ACG1 Sp. z o.o.	PL	n/a	100	*
Espressivo Sp. z o.o.	PL	100	100	
Ghelamco GP 10 spółka z ograniczoną odpowiedzialnością Sigma SKA	PL	100	100	
Ghelamco Garden Station Sp.z o.o.	PL	100	100	
Ghelamco Nowa Formiernia Sp. z o.o. (former Budomal)	PL	100	100	
Creditero Holdings Ltd.	CY	100	100	
Bellona Bema 87 Sp. z o.o.	PL	100	100	
Ghelamco Gdanska PI Sp. z o.o.	PL	100	100	**
Warsaw Spire Management Sp. z o.o.	PL	100	n/a	4.1
Warsaw Spire Sp. z.o.o. Sp.k.	PL	100	n/a	4.1
Warsaw Spire Sp. z o.o.	PL	100	n/a	4.1
Ghelamco GP 10 SP. Z o.o. (former Chopin Project sp. z o.o.)	PL	100	n/a	4.1
Ghelamco GP2 Spolka z ograniczona odpowiedzialnoscia Synergy SKA	PL	100	100	**
Ghelamco GP1 Spolka z ograniczona odpowiedzialnoscia Canna SKA	PL	100	100	**
Ghelamco GP1 Spolka z ograniczona odpowiedzialnoscia Azira SKA	PL	100	100	**
Laboka Holdings Ltd	CY	100	n/a	4.1
Esperola Ltd	CY	100	n/a	4.1
Stareti Holdings Ltd	CY	100	n/a	4.1
Ghelamco Polish Project 1 SCSp	LU	100	100	

(*): Subsidiary has in the current year been merged into Tilia; transaction which had an immaterial impact on the Company's 2016 consolidated financial statements.



(**): Subsidiaries were (as shelf entities) already controlled in 2015 but only have been consolidated for the first time in 2016.

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

Most subsidiaries (except for the Holding, sub-holding(s) and Financing Vehicle) are such special purpose real estate entities created to structure real estate transactions (acquisition of land and real estate development activities).

Summary of incorporations, acquisitions and disposals of subsidiaries (and other business units) realized by the Company during the year ended on 31 December 2016. The acquisitions and disposals of real estate subsidiaries are treated in accordance with the accounting policy as described in section 1.5.2 and 1.5.3 (and not in accordance with IFRS 3 on Business Combinations).

4.1 Acquisitions and incorporations of subsidiaries

In the course of 2016 some new SPVs have been acquired or incorporated and are (directly or indirectly) held for 100% by the Company. All have in addition been acquired or incorporated for (directly or indirectly) holding future real estate developments. It mainly concerns the following: Warsaw Spire Management Sp. z o.o., Warsaw Spire Sp. z o.o. sp.k., Warsaw Spire Sp. z o.o., Ghelamco GP 10 Sp. z o.o.

In addition, in Q4 2016 the Company acquired 3 Cypriot shelf companies (Esperola Ltd, Laboka Holdings Ltd and Stareti Holdings Ltd) in view of the anticipated restructuring of the Polish activities. This internal restructuring, which was formalized and finalized in December 2016, was deemed necessary by Management for reasons of (cost) optimization, efficiency improvement and simplifying of the legal structure. Summarized, main steps in this restructuring were the following:

- The closed-end investment fund CC28 has sold the Luxemburg limited partnership (SCSp) to Stareti, at market value (together with its main participating interest: Warsaw Spire Sp. z o.o., owner of the Warsaw Spire project).
- The closed-end investment fund CC28 has sold its SPVs (SKAs and Sp. z o.o.s) to Laboka, at market value.
- The closed-end investment fund was, in turn, contributed by Granbero Holdings to Esperola, at market value.
- Certificates of the closed-end investment fund CC28 have been fully reimbursed (to the new shareholder Esperola) and is currently under liquidation.

Result of this restructuring is that the relatively complex and inflexible FIZAN structure has actually been unwound, as it was no longer considered beneficial mainly from an administrative (e.g. increased operational costs) and legal perspective.

Above operation has been organized in accordance with applicable local legal and fiscal regulations and at arm's length. This operation has had limited to no impact on the Company's 2016 consolidated financial statements.

Per end September the Company 'acquired' the remaining 60% of shares of Apollo Invest Sp. z o.o. (project company holding the Spinnaker Tower development) via contribution in kind of the shares by Elzenwalle NV. Contribution value has been determined on an arm's length basis and amounted to 33.3 MEUR. Going forward, the Company owns 100% of the Apollo shares.

4.2 Disposal of subsidiaries

There have been no disposals of subsidiaries during the year ended on 31 December 2016.



4.3 Mergers and liquidations of subsidiaries

In the course of 2016, follow 'idle' entities have been liquidated:

- Expert Invest Sp. z o.o.
- Industrial Invest Sp. z o.o.

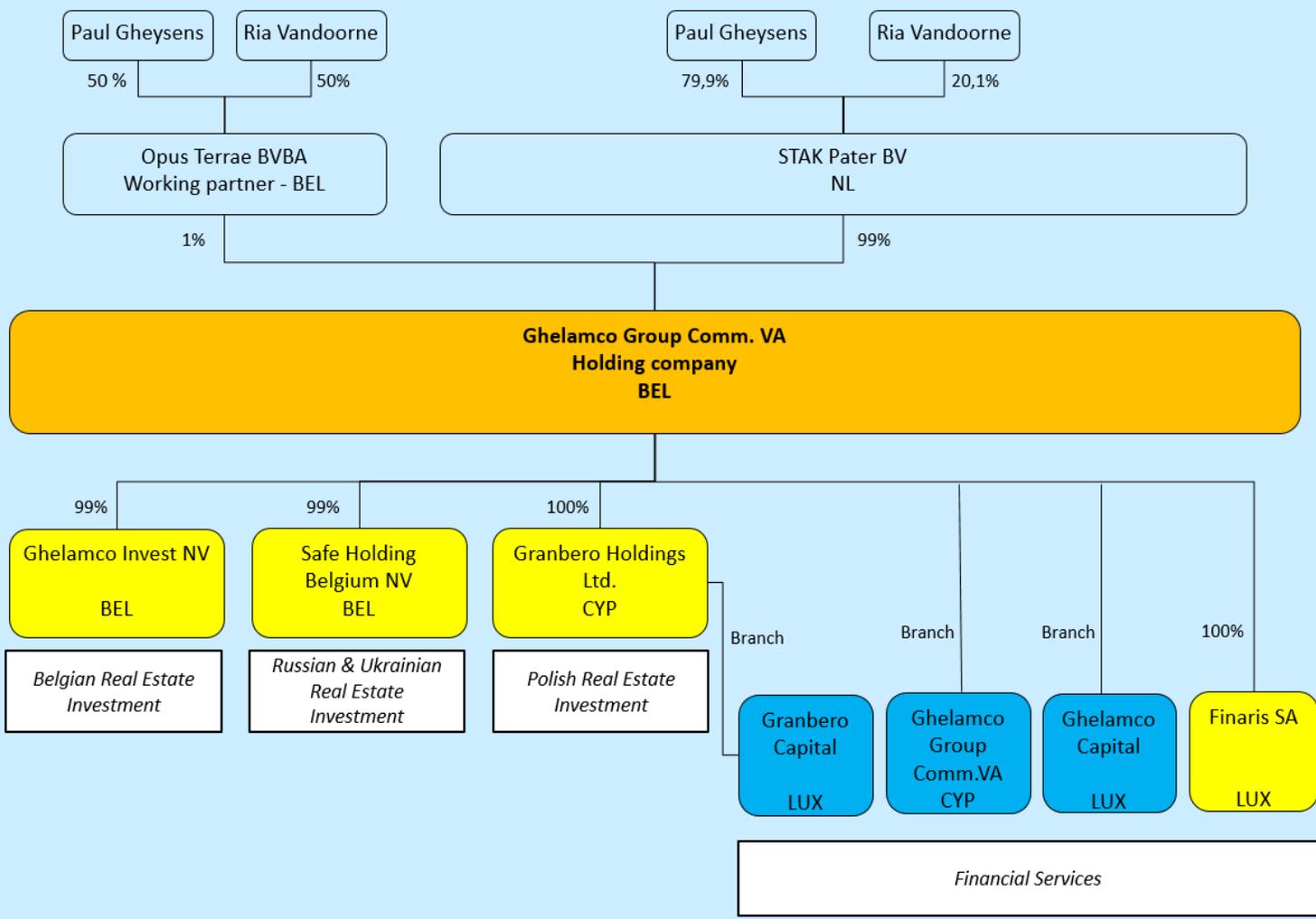
In addition, ACG1 Sp. z o.o. has been merged into Tilia SKA. Rights and obligations have to the extent applicable been transferred to the merged entity.

Above operations have had limited to no impact on the Company's 2016 consolidated financial statements.

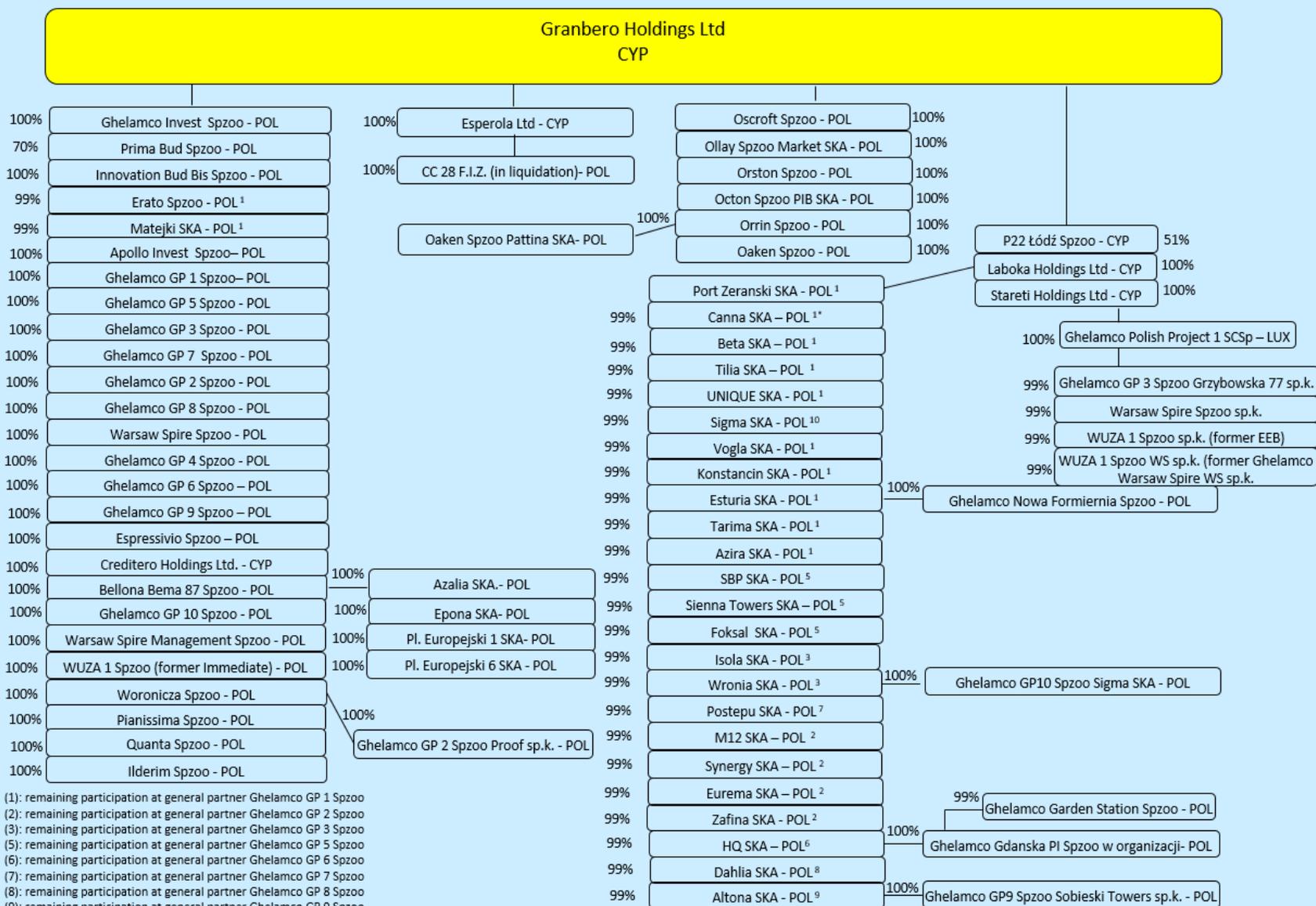


5. Company structure

5.1. Ghelamco Group (Investment & Development Holding) as per December 31st, 2016



5.2. Polish Real Estate Development as per December 31st, 2016



(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
 (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 Warsaw Spire Spzoo



6. Investment Property

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

All plots of land held for undetermined use, or where the management determines that the plot will be used in a project where the building will be rented, are classified as Investment Properties on 31 December 2016 and 31 December 2015.

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

- A. Land without pre-permit approval, held for capital appreciation or undetermined use (fair value based on comparative method);
- B. Land with pre-permit approval held for development and investment (fair value based on the potential of constructing leasable m²);
- C. Land + Construction ongoing (fair value based on the residual method);
- D. Completed Projects held for investment.

SPV	Commercial Name	Valuation	Cat	31/12/2016	31/12/2015
				KEUR	KEUR
Apollo Invest	Spinnaker Tower	JLL	B	49,937	18,832
Postepu SKA	Postepu Business Park	KNF	B	8,110	10,030
Sienna Towers SKA	Warsaw Hub	KNF	C	74,897	56,000
WS SKA/Warsaw Spire spzoo spk	Warsaw Spire	JLL	D	526,780	391,209
Ghelamco GP9 Spzoo Sobieski Towers sp.k	Sobieski Tower	BNP	B	29,595	24,824
Market SKA	Mszczonow Logistics	ASB	A	2,802	2,832
SBP SKA	Synergy Business Park Wroclaw	JLL	B	21,898	21,316
Grzybowska 77 Sp.k. + Isola SKA	Grzybowska	KNF	A	25,480	23,500
Wronia SKA	Logistyka	KNF	C	30,491	20,778
Sigma SKA	Chopin + Stixx	KNF	B/D	38,529	32,430
Vogla SKA	Wilanow Retail	KNF	D	12,360	13,490
Tillia BIS Spzoo	Powisle	KNF	A	5,930	6,220
Dahlia SKA	Woloska 24	KNF	D	44,950	38,829
Nowa Formiennia spzoo (former Budomal)	Przystanek/Mbank, Lodz	JLL	C	35,413	
TOTAL :				907,171	660,290

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



Balance at 1 January 2015	417,553
Acquisition of properties	57
Subsequent expenditure	143,495
Transfers	
- Assets classified as held for sale	
- Other transfers	1,588
Adjustment to fair value through P/L	97,547
Disposals	
CTA	50
Other	
Balance at 31 December 2015	660,290

Balance at 1 January 2016	660,290
Acquisition of properties	1,482
Subsequent expenditure	120,215
Transfers	
- Assets classified as held for sale	
- Other transfers	9,482
Adjustment to fair value through P/L	131,050
Disposals	
CTA	-15,348
Other	
Balance at 31 December 2016	907,171

<i>Categories</i>	A	B	C	D	Total
Balance at 1 January 2015	52,272	107,906	191,635	65,740	417,553
Acquisition of properties			57		57
Subsequent expenditure (*)	1,427	7,006	88,384	46,728	143,545
Transfers					
- Assets classified as held for sale					
- Other transfers	-21,989		16,650	6,927	1,588
Adjustment to fair value	10,872	6,060	31,900	48,715	97,547
Disposals					
Balance at 31 December 2015	42,582	120,972	328,626	168,110	660,290
Acquisition of properties	1,482				1,482
Subsequent expenditure (*)	1,239	34,603	39,034	29,992	104,867
Transfers					
- Assets classified as held for sale					
- Other transfers	-10,030	-13,540	-242,366	275,418	9,482
Adjustment to fair value	-1,061	6,034	15,507	110,570	131,050
Disposals					
Balance at 31 December 2016	34,212	148,068	140,801	584,090	907,171

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



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

	<u>2016</u>	<u>2015</u>
Rental income	15,205	5,521

The 2016 rental income mainly relates to rent agreements in the Warsaw Spire.

Significant assumptions and sensitivity analysis

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

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

The average yields (or capitalization rates) used in the expert valuations on 31 December 2016 are as follows:

- 5.50% to 8.00% for Polish projects, depending on the location, specifics and nature of the project (vs. 5.75% to 8.25% last year).

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

- 10.5 EUR/sqm/month to 21.5 EUR/sqm/month for office space (vs. 11.0 EUR to 25.5 EUR last year),
- 8.5 EUR/sqm/month to 32 EUR/sqm/month for retail space (vs. 12 EUR to 32 EUR last year), depending on the location, specifics and nature of the project.

On 31 December 2016, the Company has a number of income producing investment property in portfolio (category D) which are valued at 584,090 KEUR (Warsaw Spire, Woloska 24 and Wilanow Retail). An increase/decrease of 100 basis points in the yield, with all other variables held constant, decreases/increases the value by approx. 88,035 KEUR.

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

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



7. Property Development Inventory

The Property Development Inventories amount to 68,860 KEUR on 31 December 2015 (2015: 53,666 KEUR).

	Carrying value (at cost) at 31 December 2016 - KEUR	Carrying value (at cost) at 31 December 2015 - KEUR
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POLISH PROJECTS

	Carrying value (at cost) at 31 December 2016 - KEUR	Carrying value (at cost) at 31 December 2015 - KEUR
Konstancin	4,895	4,608
Bellona-Bema	1,835	1,841
Foksal	13,189	9,770
Port Zeranski	3,067	2,942
Erato	1,921	1,781
M12 SKA	1,311	1,361
Matejki	1,197	1,256
Pattina	1,502	7
P.I.B.	3,061	3,020
Proof - Q-Bik soft lofts	6,514	12,553
Innovation Bud Bis (former Signal)	23	495
Unique SKA (PI Grzybowski)	4,340	4,141
Budomal SKA (Lodz) - Mbank		9,482
Garden Station SP. z o.o.	1,148	354
Synergy SKA	2,599	
Canna SKA	3,010	
Azira SKA	19,263	
Other	-15	55
TOTAL POLAND	68,860	53,666

In the current year, the Mbank balance has been transferred from inventories to investment property, in line with the final concept of the project.

Main 2016 land bank transaction was the acquisition of a plot located in Lodz for the amount of approx. 85 MPLN (Azira SKA) for the future development of an office/multifunctional project.

Further reference is also made to section 3.

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

8.1 Non-current receivables & prepayments

	Note	31/12/2016	31/12/2015
Non-current			
Receivables from related parties	25.3	387,855	250,817
Trade and other receivables		9,928	12,449
Total non-current receivables and prepayments		397,784	263,266



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 2016 were as follows: Euribor/Libor + margins in the range between 2% and 4%.

Further reference is made to Note 25.3.

Non-current trade and other receivables

Non-current trade and other receivables as of 31 December 2016 mainly consist of:

- Earn-out and rental guarantee receivables in connection with the sale in 2013 of the Senator project: 455 KEUR
- Rental guarantee receivables at the level of Espressivio Sp. z o.o. in connection with the sale of the Mokotow Nova and Lopuszanska Business Park projects: 631 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 Warsaw Spire Sp. z o.o., in connection with the leasing of the Warsaw Spire Project: 6.39 MEUR
- Capitalised agency fees at the level of Dahlia SKA, in connection with the leasing of the Woloska 24 project: 1,099 KEUR

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

8.2 Current trade & other receivables

	Note	31/12/2016	31/12/2015
Current			
Receivables from related parties	25.3	182	1,147
Receivables from third parties		3,370	1,758
Less: allowance doubtful debtors (bad debt provision)		0	0
Net trade receivables		3,552	2,905
Other receivables		2,082	852
Related party current accounts	25.3	116,759	77,620
VAT receivable		10,168	10,509
Prepayments		1,477	1,086
Interest receivable		55,506	48,724
Total current trade and other receivables		189,545	141,696

Current trade and other receivable

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

Trade receivables with related parties (and prepayments, see below) include invoices for construction, engineering and other services as described in Note 25.2.



Outstanding balance on related party current accounts receivable (116,759 KEUR in total) is towards Ghelamco Group (114,289 KEUR) and Tallink Investments (2,470 KEUR).

Prepayments

Outstanding prepayments as of 31 December 2016 mainly represent:

- 882 KEUR (vs. 703 KEUR last year) down payments (and related costs) at SPV Prima Bud for the acquisition of a land plot (Lomianki), for the development of a trade and services centre.
- 312 KEUR (vs. zero last year) at SPV Dahlia SKA: still some advance payments for construction services to be delivered
- 189 KEUR (vs zero last year) at SPV Sienna Towers SKA: advance payments for construction services to the delivered

Interest receivable

The interest receivable balance includes interests receivable from related parties for an amount of 55,499 KEUR.

VAT receivable

The outstanding balance as of 31 December 2016 relates to VAT receivables, mainly on the following projects: Woloska 24, Warsaw Hub, Foksal, Wronia, Mbank Lodz, Warsaw Spire and Azira Lodz.

The SPVs involved may either apply to the tax authorities for an immediate cash refund of the VAT receivables or may offset the VAT receivable against any VAT payables.

VAT receivables are the result of VAT paid on their investment expenditures.

Credit risk exposure and impairment

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

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

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

As of 31 December 2016 and 2015, trade and other receivables disclosed above do not include amounts which are past due at the end of the reporting period and against which the Company has not recognized an allowance for doubtful receivables, as deemed necessary.

9. Derivatives

There are no outstanding balances related to the market value of derivatives as of 31/12/16 and 31/12/15.

Also refer to section 2.1.1 above.



10. Cash and cash equivalents

	31/12/2016	31/12/2015
Cash at banks and on hand	37,564	42,683
Short-term deposits		
	37,564	42,683

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

The Company also has access to the following additional sources of financing:

- additional capacity on the debt ratio (Ghelamco chooses to keep a substantial margin on the Loan to Value ratio);
- potential to take up further financing on completed projects based on Loan to Value (LTV) instead of Loan to Cost (LTC);
- access to alternative financing under the form of bond issuance and mezzanine equity financing. In this respect refer to the resp. bearer bonds issues in Poland (898.9 MPLN + 6.3 MEUR total outstanding bonds at 31 December 2016).

11. Share capital and share premiums

	31/12/2016	31/12/2015
Authorised capital	67	10
Share premiums	495,903	32,664
issued and fully paid	495,971	32,674

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

At 31 December 2016, the Company's direct shareholders are:

- **Ghelamco Group Comm VA** (Belgium) - 100%

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

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

11.1 Distribution of dividends

As stated above, the Company has per end November 2016 declared a dividend of 430 MEUR to its parent company; dividend which has immediately afterwards again been capitalized.



11.2 Non-Controlling Interests

	31/12/2016	31/12/2015
balance at beginning of year	1,902	1,902
share of profit for the year		
acquisitions/disposals	-1,895	
Balance at end of year	7	1,902

Current year's decrease in NCIs relates to the acquisition of the remaining 60% Apollo shares by the Company, as explained above.

12. Reserves and retained earnings

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

	Cumulative translation reserve	Retained earnings
At 1 January 2015	6,708	438,358
Cumulative translation differences (CTA)	-2,182	
Dividend distribution to the ultimate shareholders		
Change in the consolidation scope		170
Other		
Profit for the year		78,254
At 31 December 2015	4,526	516,782

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



13. Interest-bearing loans and borrowings

		31/12/2016	31/12/2015
Non-current			
Bank borrowings – floating rate	13.1	340,434	199,570
Other borrowings	13.2/3	457,246	285,324
		797,680	484,894
Current			
Bank borrowings – floating rate	13.1	45,921	37,710
Other borrowings	13.2/3	10,115	11,096
		56,036	48,806
TOTAL		853,716	533,700

13.1 Bank Borrowings

During the year the Company obtained new secured bank loans expressed in EUR and PLN and drew on existing credit facilities for a total amount of 155.8 MEUR, all Euribor and Wibor based. On the other hand, reimbursements and refinancings have been done for an amount of 6.7 MEUR, net of prolongation of a number of borrowings; bringing the total outstanding amount of bank borrowings to 386.4 MEUR (compared to 237.3 MEUR at 31/12/2015).

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

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

At 31 December 2016, the Company has bank loans available to be drawn for a total amount of 43.3 MEUR.

With respect to the outstanding short-term borrowings, it is to be mentioned that, in the course of 2017, part will actually be reimbursed following the contractual terms and part will be prolonged or refinanced (e.g. through a swap to investment loan).

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



	31.12.2016				31.12.2015			
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
Credit institutions withdrawn credits	59,315	73,471	324,561	457,346	46,519	104,133	129,578	280,230
Financial lease				0				0
Total	59,315	73,471	324,561	457,346	46,519	104,133	129,578	280,230
Percentage	13%	16%	71%	100%	17%	37%	46%	100%

External borrowings by currency

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

Interests on bank borrowings – interest rate risk

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

On 31 December 2016, the Company had one outstanding investment loan:

- Vogla SKA: 6,246 KEUR loan granted by Raiffeisen Bank, bearing an Euribor 1M based (+ 2.75% margin) interest rate. The debt is fully serviced by the rental income of the property (Plac Vogla).

Depending on the project and the securities required by the bank, following margins on floating rates are applicable in Poland: between 2.40% and 4.6%

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

Interest sensitivity analysis

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bank debt at the reporting date, with all variables held constant, would have resulted in a 3,110 KEUR lower/higher profit before tax for 2016.

13.2 Other borrowings: Bonds (197,288 KEUR long-term – 7,365 KEUR short-term)

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

The Company has in 2016 (via Ghelamco Invest SP. z o.o.) within this programme issued public bonds (tranche PPE, PPF, PPG, PPH, PPI, PPJ, PPK and PPL) for a total amount of 290 MPLN. These bonds have a term of 4 years and bear an interest of Wibor 6 months +4%.

In addition, the Company issued in December 2016 public (non-prospectus) bonds (series PF) for a total amount of 115.2 MPLN to institutional investors. These bonds also have a term of 5 years and bear an interest of Wibor 6 months +4.3%.

The bonds are secured by a guaranty granted by Granbero Holdings Ltd.

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



The Company redeemed bonds in 2016 for a total amount of 173.9 MPLN (i.e. 35.7 MPLN redemptions on maturity date and 138.2 MPLN early redemptions/refinancings).

Total bonds balance outstanding per balance sheet date (204,653 KEUR) represents the amount of issue (898.9 MPLN + 6.3 MEUR) less capitalized issue costs, which are amortised over the term of the bonds.

Summary of contractual maturities of bonds, including interest payments:

	31.12.2016				31.12.2015			
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
bonds	19,922	223,637		243,558	17,868	171,277		189,145
Total	19,922	223,637	0	243,558	17,868	171,277	0	189,145
Percentage	8%	92%	0%	100%	9%	91%	0%	100%

Interest sensitivity analysis

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bonds debt at the reporting date, with all variables held constant, would have resulted in a 1,862 KEUR lower/higher profit before tax for 2016.

13.3 Other borrowings: Other

31/12/2016 262,708 KEUR

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

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

And also:

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

31/12/2015 136,926 KEUR

Other borrowings in EUR at 31 December 2015 include following related party balances:

- Peridot SL: 132,261 KEUR
- Tallink Investments Ltd.: 143 KEUR
- Ghelamco Poland Sp. z o. o: 176 KEUR
- Salamanca Capital Services : 679 KEUR

And also:

- Rent deposits: 906 KEUR (non-current)
- 2,750 KEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 30/06/2016 and bearing an interest rate of 4.5%

Interest sensitivity analysis

An increase/decrease of 100 basis points in the (average) interest rates on the interco debt at the reporting date, with all variables held constant, would have resulted in a 1,965 KEUR lower/higher profit before tax for 2016.



13.4 Miscellaneous information

No defaults of payments or breaches of borrowing agreements occurred as of 31 December 2016.

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

The bonds are secured by a redemption surety granted by Granbero Holdings Ltd. (the Company).

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

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



14. Financial instruments

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

Financial instruments (x € 1 000)	31.12.2016				
	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			109	109	2
Non-current receivables					
Receivables and prepayments			397,784	397,784	2
Restricted cash					2
Current receivables					
Trade and other receivables			177,900	177,900	2
Derivatives					2
Cash and cash equivalents			37,564	37,564	2
Total Financial Assets	0	0	613,356	613,356	
Interest-bearing borrowings - non-curr.					
Bank borrowings			340,434	340,434	2
Bonds			197,288	202,791	1
Other borrowings			259,958	259,958	2
Interest-bearing borrowings - current					
Bank borrowings			45,921	45,921	2
Bonds			7,365	7,484	1
Other borrowings			2,750	2,750	2
Current payables					
Trade and other payables			36,020	36,020	2
Total Financial Liabilities	-	-	889,736	895,357	



Financial instruments (x € 1 000)	31.12.2015				
	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			363	363	2
Non-current receivables					
Receivables and prepayments			263,266	263,266	2
Restricted cash			-	-	2
Current receivables					
Trade and other receivables			130,101	130,101	2
Derivatives					2
Cash and cash equivalents			42,683	42,683	2
Total Financial Assets	-	-	436,413	436,413	
Interest-bearing borrowings - non-curr.					
Bank borrowings			199,570	199,570	2
Bonds			151,159	155,086	1
Other borrowings			134,165	134,165	2
Interest-bearing borrowings - current					
Bank borrowings			37,710	37,710	2
Bonds			8,335	8,417	1
Other borrowings			2,761	2,761	2
Current payables					
Trade and other payables			48,468	48,468	2
Total Financial Liabilities	-	-	582,168	586,177	

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

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

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

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward



exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

We also refer to note 8.1 for the description of the fair value determination.

15. 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 €	31/12/2016	31/12/2015
Deferred tax assets	3,391	2,918
Deferred tax liabilities	-21,199	-23,377
TOTAL	-17,808	-20,459



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

<i>In thousands €</i>	Temporary differences		Unused tax losses and credits	
	Investment property	Other	Tax losses	Tax credits
Balance at 1 January 2015	-4,784	-435	1,079	-
Recognised in income statement	-17,191	-830	1,407	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		295		
Balance at 31 December 2015	-21,975	-970	2,486	-
Recognised in income statement	3,529	-1,460	552	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		30		
Balance at 31 December 2016	-18,446	-2,400	3,038	-

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

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

	31/12/2016	31/12/2015
DTA on unused tax losses	12	15
DTA on unused tax credits		
TOTAL	12	15

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

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

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



16. Trade and other payables

Trade and other payables are analysed as follows:

	31/12/2016
Trade payables: third parties	3,984
Trade payables: related parties	1,155
Related parties current accounts payable	3,957
Misc. current liabilities	27,165
Deferred income	2,811
Current employee benefits	-
Total trade and other payables	<u>39,073</u>
	31/12/2015
Trade payables: third parties	2,149
Trade payables: related parties	17,915
Related parties current accounts payable	5,175
Misc. current liabilities	23,926
Deferred income	1,895
Current employee benefits	-
Total trade and other payables	<u>51,060</u>

Trade payables towards related parties include amongst others the amounts payable to the Service Holding for construction and engineering coordination services received. On 31/12/2016, the trade payables include 1,155 KEUR towards related parties (vs. 17,915 KEUR last year), as follows:

- Apec Ltd: 195 KEUR (581 KEUR last year)
- Ghelamco Poland Sp. z o.o: 887 KEUR (16,606 KEUR last year)
- Others: 73 KEUR (728 KEUR last year)

Outstanding balance on related parties C/A payable (3,957 KEUR) is almost fully towards Ghelamco Poland Spzoo.

Miscellaneous current liabilities mainly relate to interest payable (to related and third parties), VAT payable, accruals and others.

As was also the case last year, the outstanding deferred income balance to a significant extent relates to deferred income from pre-sales in the QBik residential project. Also some deferred rental income is included (1.2 MEUR).

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



17. Current tax liabilities

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

- Luxembourg: 494 KEUR (vs. 418 KEUR in 2015)
- Cyprus: 935 KEUR (vs. 475 in 2015)

18. Revenue

Revenue is mainly generated from the following sources:

in thousands €	31.12.2016	31.12.2015
Sales of Residential Projects	5,498	11,329
Rental Income	15,205	5,521
TOTAL REVENUE	20,703	16,850

Rental income as of 31 December 2016 relates to rent from commercial projects (mainly Warsaw Spire).

The residential projects sales as of 31 December 2016 relate to:

- Soft loft apartments in the QBik project, Warsaw (5,498 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 €	31.12.2016	31.12.2015
Future minimum rental income:		
Less than 1 year	18,572	13,239
Between 1 and 2 years	24,522	17,626
Between 2 and 3 years	24,940	17,968
Between 3 and 4 years	25,251	18,189
Between 4 and 5 years	25,008	17,832
More than five years	75,598	47,967
TOTAL FUTURE MINIMUM RENTAL INCOME	193,891	132,820

The increase compared to last year is mainly related to the finalisation of the Warsaw Spire project (building A has been delivered in May 2016; buildings B and C were delivered over the course of 2015).



19. Other items included in operating profit/loss
--

Other operating income and expenses in 2016 and 2015 include the following items:

	2016	2015
Other operating income		
Net gains on disposal of investment property		-
Other	6,505	2,999
Net gains on disposals of property, plant and equipment		
total:	<u>6,505</u>	<u>2,999</u>

Current year's other operating income to a significant extent related to the charge-through of fit-out expenses (at Warsaw Spire) to tenants.

The same goes for previous year's other operating income.

	2016	2015
Gains from revaluation of Investment Property	131,050	97,547

Fair value adjustments over 2016 amount to 131,050 KEUR, which is mainly the result of current year's further development, construction and leasing efforts (mainly on the Warsaw Spire and the Mbank project in Lodz), in combination with evolution in market conditions (yield and rent level evolution).

	2016	2015
Other operating expenses		
Operating lease/ rental expenses	72	329
Taxes and charges	845	991
Insurance expenses	103	71
Audit, legal and tax expenses	877	493
Promotion	804	670
Sales expenses	5,933	1,049
Rental guarantee expenses	908	2,476
Maintenance and repair expenses	976	810
Operating expenses with related parties	9,190	2,971
Miscellaneous	2,528	2,229
Total:	<u>22,237</u>	<u>12,089</u>

Other operating expenses with related parties to a significant extent concern fit-out expenses charged by Ghelamco Poland (and afterwards further re-charged to tenants). Also refer to note 25.3.

Current year's relatively high sales expenses mainly go together with the release to the income statement of capitalized (mainly) agency fees in connection with the step-up transaction in the first half of 2016. The decrease in rental guarantee expenses, in turn, is related to the further leasing of sold projects (which decreases the related master lease liabilities).



20. Cost of Property Development Inventories

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

	2016	2015
Movement in inventory	6,772	-6,347
Purchases (*)	-13,832	-3,066
	-7,060	-9,413

(*) See Note 26.2

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 77.500 KEUR.

21. Finance income and finance costs

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

	2016	2015
Foreign exchange gains	-	1,251
Interest income	13,114	10,172
Other finance income		
Total finance income	13,114	11,423
Interest expense	-30,528	-8,347
Other interest and finance costs	-5,414	-2,231
Foreign exchange losses	-15,078	-
Total finance costs	-51,020	-10,578

It is to be noted that interest expenses related to Investment Property projects are not included in the above 2016 and 2015 figures, as those have directly been capitalized on IP. It concerns an amount of 8,600 KEUR (vs. 16,500 KEUR last year).

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

Interest income mainly includes interests on loans to related parties.

It is to be mentioned that main part of the exchange differences is unrealized (and connected with the conversion of outstanding loans). It concerns a snapshot per year-end, impact of which mainly depends on the evolution of the EUR/PLN exchange rate. Relatively significant exchange loss in the current year goes together with the relatively weakened PLN spot rate vs. the EUR.

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

Previous year's other finance costs also included limited hedge results, mainly connected to the marking to market of the as of balance sheet date outstanding (currency and interest) hedging contracts (290 KEUR unfavourable).

Except for this last item, all financial income and expenses mentioned in the table above are related to financial instruments measured at amortized cost.



22. Income taxes

Income tax expense recognized in the consolidated income statement:

	31.12.2016	31.12.2015
current income tax	1,024	1,582
deferred tax	-2,621	16,614
Total	-1,597	18,196

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

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

	in thousands €	31.12.2016	31.12.2015
Result before income taxes		90,720	96,450
Income tax expense calculated at 19%		17,237	18,326
Effect of different tax rates in other jurisdictions		373	116
Effect of non-deductible expenses		1,078	405
Effect of revenue that is exempt from taxation		-1,600	-1,319
Effect of use/recognition of previously unrecognized tax losses			-1,000
Effect of current year losses for which no DTA is recognized			773
Effect of tax incentives not recognized in the income statement		-130	-
Effect of under/over-accrued in previous years		55	842
Effect of change in local tax rates		-	-
Effect of other tax increases		-	56
Release of cumulated DTL balance re. step-up operation H1 2016		-18,753	
Other		143	-3
INCOME TAX EXPENSE RECOGNISED IN INCOME STATEMENT		-1,597	18,196

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

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



23. Contingent liabilities and contingent assets

23.1 (Bank) guarantees

All external borrowings of the subsidiaries are secured by corporate guarantees and/or surety ship agreements issued by Granbero Holdings Ltd. These guarantees cover cash deficiency risk, cost overrun, completion risk and interest & repayment shortfall risk. No calls on the guarantees were made in 2016 and 2015.

Company	Project name	Amount of bank loan-books (KEUR)		Corporate guarantees as per 31/12/2016 (KEUR)	
POLAND					
					Guarantee by Granbero Holdings Ltd.
Warsaw Spire SKA	Warsaw Spire	EUR	300,000	300,000	Corporate suretyship and guarantee agreement
Sienna Towers SKA	Warsaw Hub	EUR	7,707	7,707	Corporate guarantee
Wronia SKA	Wronia	EUR	12,383		Suretyship, cash deficiency
SBP SKA	Wroclaw Business Park	EUR	5,850	5,850	Corporate guarantee, cash deficiency
Foksal SKA	Foksal	EUR	4,000	4,000	Corporate guarantee, cash deficiency
Sobieski Sp.k.	Sobieski Towers	EUR	3,062		Suretyship, cash deficiency
Isola SKA	Grzybowska 77	EUR	4,282		Suretyship agreement
Vogla SKA	Plac Vogla	EUR	6,246	6,246	Corporate Guarantee
Dahlia SKA	Woloska 24	EUR	29,429		Suretyship and cash deficiency
Nowa Formiernia Sp. z.o.o.	mBank	EUR	12,999		Suretyship agreement

(*): Bank loan itself is denominated in PLN

No corporate guarantees were given by the Company to ensure repayment of the bank loans of the related parties (under the common control of the ultimate shareholders) at 31 December 2016 (but not subsidiary of the Company).

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



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

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

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

23.3 Guarantees received from the contractors

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

23.4 Securities on assets

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

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

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



24. Commitments

24.1 (Capital) Commitments

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

	2016	2015
Architectural and Engineering contracts	3,878	10,591
Construction contracts	225,426	54,428
Purchase of land plots	1,062	-
Purchase of shares (connected with landbank)		-
Total	230,366	65,019

At 31 December 2016, the Company has entered into a number of contracts with third parties for the acquisition of the following assets (land plots) or shares:

Binding contracts

- None for plots of land for residential/commercial property development; except for a land plot at Piaseczno which was actually acquired in April 2016 (by the SPV Pattina) but for which a conditional purchase price adjustment (of 4.7 MPLN) is still outstanding (condition expected to be met in the course of 2017) .

Non-binding contracts

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

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

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

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

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

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

- Foksal high-end residential project: 17,790 KEUR
- Mbank project in Lodz (approx. 25,000 sqm office space): 16,197 KEUR
- Wronia (approx. 15,400 sqm office space): 10,505 KEUR
- The Warsaw Hub (approx. 113,000 sqm mixed project): 178,606 KEUR



24.2 Operating lease commitments (land lease rights)
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	2016	2015
Within 1 year	904	763
After 1 year but not more than 5 years	3,687	2,961
More than 5 years	62,871	54,341
	<u>67,461</u>	<u>58,065</u>

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

24.3 Rental guarantees

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

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

In this respect, a rental guarantee provision of 2,000 KEUR has been recognized in the consolidated financial statements at 31/12/16.



25. Related party transactions

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

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

25.1. Relationships with the directors and management

For the year ending 31 December 2016, the Consortium (of which the Company is part) paid a total amount of approx. 10,000 KEUR to the members of the board and management committee. This amount includes management service fees charged by the Management Committee members to the legal entities included in the scope of these consolidated financial statements.

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

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

Construction and Development Services

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

- Ghelamco Poland with its registered office in Warsaw;

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

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

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

Construction service providers (including Contractors) in Poland have a legal obligation to bear repair costs of any construction defects that become apparent within a warranty period after the construction is



completed. The Contractors have an obligation to remedy all structural construction defects that become apparent during the statutory warranty period of 5 years in Poland.

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

Engineering and architectural design services

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

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

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

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

2016

Except for the acquisition of the remaining 60% of Apollo shares through contribution in kind by Elzenwalle and the restructuring transactions as described in section 4.1 of this report, and except for the liquidations of Expert Invest and Industrial Invest and the merger of ACG1 Sp. z o.o. into Tilia SKA as described in section 4.3 of this report, there have been no other share transactions or other significant transactions with related parties in 2016.

2015

Except for the contribution by CC28 of its participation in Woronicza SKA in Ghelamco Polish Project 1 SCSp, the sale by the Company of 30% of the shares of SPVs Unique, Prima Bud and Tarima and the mergers and liquidations of subsidiaries as described in section 4.3 of the 2015 report, there were no other share transactions or other significant transactions with related parties in 2015.



Other

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

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

	<u>31/12/2016</u>	<u>31/12/2015</u>
Purchases of construction, engineering and architectural design:	-73,554	-122,684
related party trade receivable	182	1,147
related party trade accounts payable	-1,155	-17,915
related party non-current loans receivable	387,821	250,378
related party interests receivable	55,499	48,721
related party C/A receivable	116,759	73,620
related party non-current loans payable	-259,918	-133,259
related party interests payable	-21,013	-17,593
related party C/A payable	-3,957	-5,175

26. Events after balance sheet date
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On 16 March 2017 new public bonds (series PG, non-prospectus) have been issued to institutional and private investors for a total amount of 147,854 KPLN. These bonds have a term of 5 years and bear an interest rate of Wibor 6 months + 4.30%. 16,920 KPLN of bond proceeds have been applied for the early redemption or roll-over of existing bonds. The remaining amount is ment for further Polish investments.

For the remaining, no significant events are to be mentioned.



27. Auditor's Report

Deloitte.



Granbero Holdings Ltd

Independent auditor's report on the consolidated financial statements for the year ended 31 December 2016





Independent auditor's report on the consolidated financial statements of Granbero Holdings Ltd for the year ended 31 December 2016

We are pleased to report to you on the audit assignment which you have entrusted us. This report includes our report on the consolidated financial statements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Granbero Holdings Ltd ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The consolidated statement of financial position shows total assets of 1,604,868 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 92,317 (000) EUR.

Board of directors' responsibility for the preparation of the consolidated financial statements

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

Independent auditor's responsibility

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

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

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

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
Société civile sous forme d'une société coopérative à responsabilité limitée
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Member of Deloitte Touche Tohmatsu Limited



Granbero Holdings Ltd

Independent auditor's report on the consolidated financial statements for the year ended 31 December 2016

Unqualified opinion

In our opinion, the consolidated financial statements of Granbero Holdings Ltd give a true and fair view of the group's net equity and financial position as of 31 December 2016, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Zaventem, 27 March 2017

The independent auditor



DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Rik Neckebroeck

