GHELAMCO

GHELAMCO INVEST NV

IFRS CONSOLIDATED FINANCIAL STATEMENTS AT
31 DECEMBER 2017

Approved by the Board of Directors
with the Independent Auditor's opinion

CONTENTS

I

GENERAL INFORMATION AND PERFORMANCE

1. BUSINESS ACTIVITIES AND PROFILE

Ghelamco Invest NV (as the Belgian legal entity with all its subsidiaries) represents the Belgian and Western European activities of Ghelamco Group Comm. VA, a leading European real estate investor active in the offices, residential, retail and logistics markets.

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.

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

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

Per end 2016 an additional holding was created, called the **Ghelamco European Property Fund**. The fund is not (yet) regulated but acts as a seperate legal entity within the group. The purpose of this fourth holding company is in first instance be to keep real estate projects as income generating products in portfolio for a longer time period. This allows the Investment Holding to 'realise' and sell delivered projects, for which the occupation rate and lease status has been optimized is the past years, at an optimal market value. This longer-term strategy demands a specific (long-term) financing structure.

2. LEGAL STATUS

Ghelamco Invest NV is the holding company of the Belgian and Western European activities of Ghelamco Group Comm. VA, which is in turn the holding company of the **Investment Holding**. Besides its holding activities, Ghelamco Invest also has direct stakes in real estate projects.

Ghelamco Invest, together with its subsidiaries (jointly referred to as the "**Company**") (Note 5), constitute the reporting entity for the purpose of these financial statements.

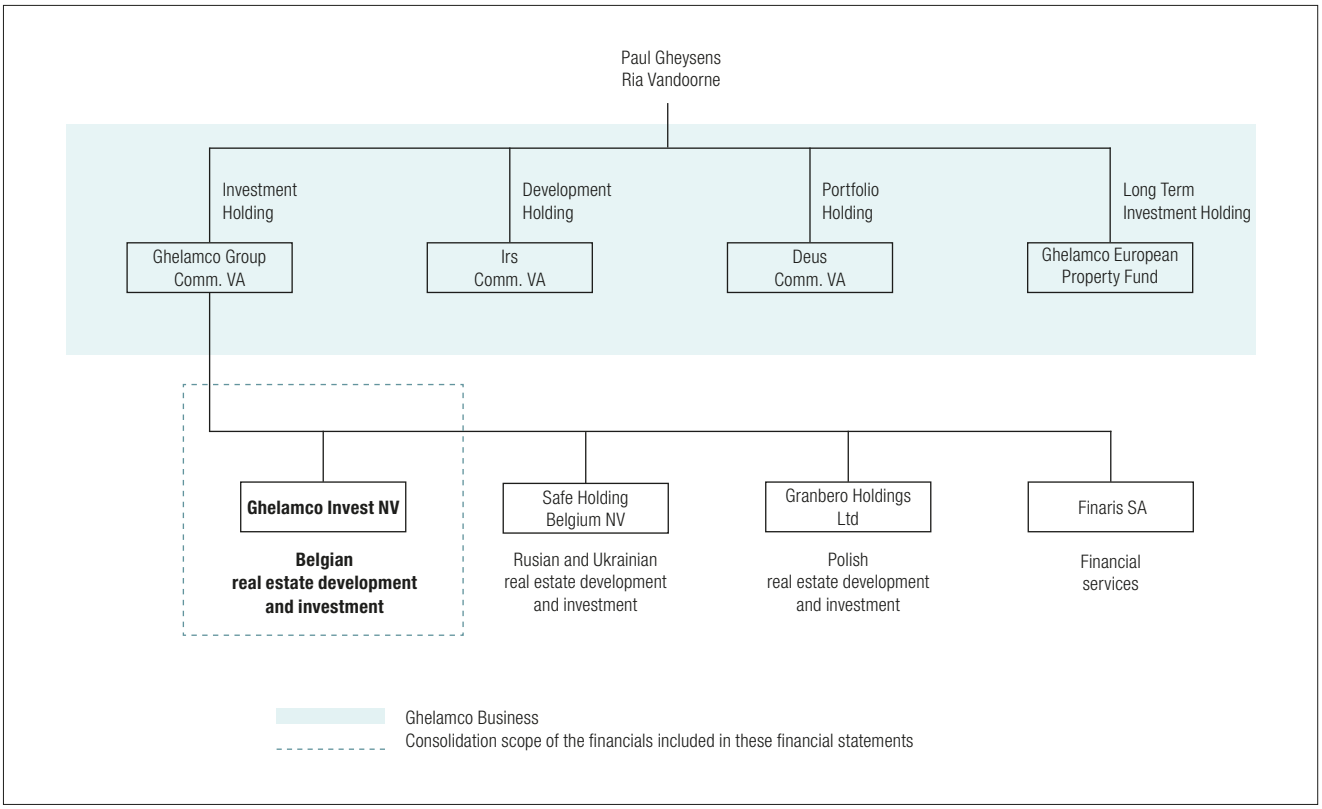
Ghelamco Invest is a limited liability company registered under Belgian law, with its registered office at Zwaanhofweg 10, 8900 Ieper, Belgium. Ghelamco Invest is registered in the Belgian commercial register under the number BE0431.572.596.

3. CONSOLIDATION SCOPE

These consolidated financial statements comprise the resources and activities of Ghelamco Invest and its legal subsidiaries (the Company).

At 31 December 2017 (the reporting date), all the assets and liabilities of the reporting entity (Ghelamco Invest 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 Company activities, are included in the accounts of the legal subsidiaries of Ghelamco Invest at 31 December 2017 and at 31 December 2016.



4. STAFFING LEVEL

Given its nature, there is only limited employment in the Company. At 31/12/2017, Ghelamco Invest and subsidiaries employed 12 people. 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 294 people on 31 December 2017 (vs. 299 on 31 December 2016).

Mr. Paul Gheysens
Chief Executive Officer

Mr. Simon Gheysens
Chief Business Intelligence, Technology and Project Design Officer

Mr. Michael Gheysens
Chief Commercial and Business Development Officer

Mr. Philip Neyt
non-executive board member

Mr. Jurgen Ingels
independent board member

Mr. Philippe Pannier
Chief Financial Officer

Mr. Chris Heggerick
Chief Operational Officer

Mrs. Barbara De Saedeleer
Chief Investments and Operations Officer

Mrs. Petra Sobry
General Counsel and Secretary General

WE CREATE THE FUTURE TODAY

5. BOARD AND MANAGEMENT COMMITTEE

In connection with the growing importance which management attaches to corporate governance and the further professional structuring of the Company, the Board of Directors of Ghelamco Invest has since end May 2015 been extended with a non-executive member and an independent member. In addition, the Board has formally installed an audit committee.

Members of the board as of 31 December 2017:

- BVBA Opus Terrae, represented by mr. Paul Gheysens
- Mr. Paul Gheysens
- Mr. Simon Gheysens
- Mr. Michael Gheysens
- BVBA Pure F, represented by mr. Philip Neyt (non-executive board member)
- BVBA JINVEST, represented by mr. Jurgen Ingels (independent board member)

The Company's Management as of 31 December 2017 consists of:

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

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

The statutory board of Ghelamco Invest's subsidiaries usually consists of 4 directors.

6. BUSINESS ENVIRONMENT AND RESULTS

2017 performance and results

The Company closed its 2017 accounts with an operating profit of 39,417 KEUR, resulting from its continued development, construction and commercial efforts. Thanks to these efforts, the Company again realized significant residential sales, disposed of some investment property and in addition managed to achieve further growth, reflected in an increased balance sheet total of 752,357 KEUR and an equity of 232,112 KEUR. The solvency ratio evolved from 34% to 30.5% per 31/12/17.

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

In this respect, the delivered and operational Dacar projects (consisting of the Blue Towers, the Brico Retail hall and Parking Gent) were per end 2016 sold to the Ghelamco European Property Fund; transaction which allowed the Company to divest these projects for which the occupation rate and lease status was optimized during the past years, at an optimal market value. In connection with this sales transaction, formerly recognized gains (through fair value accounting) for an amount of +/- 31 MEUR have actually been realised.

In June 2017, the Retail Leuven project (5,435 sqm retail space at the Vaartkom in Leuven) has been sold to a third party investor. This transaction resulted in a gain on disposal of 1.1 MEUR.

Over the past year, construction works of phase 3 of the Tribeca project in Ghent (affordable, contemporary, green project, consisting of 91 apartments and some smaller retail units) have continued. At the same time, commercialization of this phase of the project has been very successful, as per 31 December 2017 only less than 25% of available residential units is still available. Furthermore, construction of phase 2 (consisting of 72 apartments, 5 lofts, underground parking garages and retail units) has been finalized, while all (72 available) residential units have been sold. Also, approx. 42% of the available retail space (5,150 sqm in total in phase 2) has been leased to Lidl, which opened its new retail shop on 15 February 2017.

In addition, construction works in the Brussels Edition and Spectrum projects have been started and are well advanced in the meantime. Per date of the current report, approx. 95% of the available residential units in the Edition project (offering 59 luxurious apartments, underground parking spaces and retail space on the ground floor) have been pre-sold, while 100% of the apartments in the Spectrum project (mixed project offering 15,000 sqm office space, 22 apartments and approx. 170 underground parking spaces) have been reserved and/or presold.

Moreover, construction works in the 'The Link' project in Antwerp (27,000 sqm office space and approx. 540 underground parking spaces, divided over 2 buildings) are currently in the final stage, while marketing efforts have per date of this report already resulted in a (pre-)lease rate of approx. 85%.

2017 development activities mainly related to:

- Finalization of the construction works of phase 2 of the Tribeca project at the Nieuwevaart in Ghent (mixed project of +/- 35,000 sqm lettable/sellable area in total of which phase 2 offers 72 apartments, 5 lofts, underground parking garages and commercial units). A stated, per date of the current report 72 of 72 available units have been sold and approx. 42% of the retail space has been leased.
- Continuation of the construction works of phase 3 of the Tribeca project (offering 91 apartments and some smaller retail units). Construction progress is approx. at 75%. About 80% of availabe residential units have been (pre-)sold.
- Continuation of the construction works of the business hotel next to the Ghelamco Arena (125 hotel rooms, 83 extended stay rooms and 98 underground parking bays). Commercial negotiations for this hotel, currently in casco status, have per date of the current report well progressed.
- Stripping, demolition and fast progressing construction works in the Brussels Edition (Louizalaan) and Spectrum (Avenue Bischoffsheim) projects. As to status of the works, per date of the current report in Edition concrete works have been finalized, façade is ongoing and for Spectrum concrete works are up till the 2nd underground floor. While already 95% of the apartments in the Edition project have been (pre-)sold and 100% of the apartments in the Spectrum project have been reserved and/or pre-sold. In addition, leasing negotiations for significant areas in the offices-part of the Spectrum project are currently well advanced.
- Start and fast progress of the construction works in the The Link project in Antwerp (27,000 sqm office space and approx. 540 underground parking spaces), while parallel marketing efforts have already resulted in a (pre-)lease rate of approx. 85%. The first tenants moved in in December 2017.

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

- Early February 2017, 2nd part of land plots in the One Carlton site in Knokke-Zoute were acquired through the acquisition of (50% of) the shares of 2 companies holding these land parts. Total share price amounted 5,547 KEUR.
- In Dec 2017, the Company acquired a plot in Kortrijk for the future development of the Helix Towers, mixed residential/offices/retail project, for an amount (costs included) of 7.8 MEUR.
- On 21 Dec 2017, Ghelamco Invest NV acquired a plot of +/- 30,500 sqm in Knokke for the future development of a residential project (24 villas), for an amount of 25,000 KEUR (of which an advance of 2,500 KEUR was paid earlier).
- Land parts in Bruges, via the acquisition of the shares deal of Eneman & Co., for the future development of a mixed real estate project.

As to divestures/revenues:

- In June 2017 the Retail Leuven project at the Vaartkom in Leuven was disposed and sold to a third party investor, for an amount of 9.4 MEUR and resulting in a net gain on disposal of 1.1 MEUR; while also previously recognized gains (through fair value accounting) for an amount of +/- 2.4 MEUR have actually been realized.
- On 15 September a binding put/call agreement has been signed with a third party regarding the commercialization of the remaining 44 units in the Waterview student houses project, for a total sales amount of 4.4 MEUR. Per 31/12/2017, all but 2 units were reserved or pre-sold or sold. And shortly after year-end, the remaining 2 units have also been reserved/sold.
- On 25 Oct 2017, Ghel Invest NV sold (its 99% part in) the Cromme Bosch (high-end residential) site to Deus Comm. VA, related party, for a total amount of 12,310 KEUR.
- In the One Carlton project in Knokke (JV structure with a third party for the realization of a high-end residential project at the coast side – 10 residential units and 2 ground floor commercial units for sale), 3 units have been sold in Q4 2017, for a total sales value of 25.3 MEUR (of which 65% has been invoiced and recognized in the income statement per 31/12/17, in line with the progress of the project). In addition, still before year-end preliminary sales contracts (compromis) have been signed for 2 more residential units and early 2018 an LOI has been signed with an investor for the sale of the 2 ground floor commercial units.
- Other, residential sales mainly related to apartments and parking spaces in (phase 3 of) the Tribeca project in Ghent and apartments and parking spaces in the Edition and Spectrum projects in Brussels.

Main post balance sheet events

Reference is made to the Eurostadium note in section 9 of this report.
For the remainder, no significant events are to be mentioned.

Outlook

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

For 2018, 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 2018 in general.

7. NOTICE TO THE READER

This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2017, assuming the going concern of the consolidated companies.

As per today, the Company's core business is the 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 9 in Part II for more details on their presentation.

II

IFRS CONSOLIDATED FINANCIAL STATEMENTS

These IFRS consolidated financial statements at 31 December 2017 were approved by the Company's Board of Directors on 27 March 2018. The amounts in this document are expressed in thousands of EUR (KEUR), unless stated otherwise.

A. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN KEUR)

ASSETS	Note	31/12/2017	31/12/2016
Non-current assets			
Investment Property	6	317,851	225,224
Property, plant and equipment	7	1,004	589
Investments in joint-ventures	8	6,340	0
Receivables and prepayments	10	3,064	4,851
Deferred tax assets	16	4,537	4,892
Non-current assets held for sale		0	0
Other financial assets	4.3	3,961	4,272
Restricted cash		0	0
Total non-current assets		**336,756**	**239,828**
Current assets			
Property Development Inventories	9	215,187	190,634
Trade and other receivables	10	173,430	159,223
Current tax assets		0	14
Derivatives		0	0
Assets classified as held for sale	6	575	575
Restricted cash		0	0
Cash and cash equivalents	11	26,409	15,273
Total current assets		**415,600**	**365,719**
TOTAL ASSETS		**752,357**	**605,547**

Capital and reserves attributable to the Group's equity holders	Note	31/12/2017	31/12/2016
Share capital	12	146,490	146,490
CTA		0	0
Retained earnings	13	85,322	63,733
		231,812	**210,223**
Non-controlling interests	12.2	300	185
TOTAL EQUITY		**232,112**	**210,408**
Non-current liabilities			
Interest-bearing loans and borrowings	14	341,839	277,013
Deferred tax liabilities	16	19,530	19,048
Other non-current liabilities		0	0
Long-term provisions		0	120
Total non-current liabilities		**361,369**	**296,181**
Current liabilities			
Trade and other payables	17	44,437	17,789
Current tax liabilities		284	1,646
Interest-bearing loans and borrowings	14	114,154	79,523
Short-term provisions		0	0
Total current liabilities		**158,876**	**98,958**
Total liabilities		**520,245**	**395,139**
TOTAL EQUITY AND LIABILITIES		**752,357**	**605,547**

B. CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED INCOME STATEMENT	Note	2017	2016
Revenue	18	66,887	72,354
Other operating income	19	7,729	4,930
Cost of Property Development Inventories	20	-46,201	-47,187
Employee benefit expense	19	-333	-525
Depreciation amortisation and impairment charges		-227	-23
Gains from revaluation of Investment Property	6	27,060	32,484
Other operating expense	19	-16,292	-13,165
Share of results of joint-ventures		793	0
Operating profit - result		**39,416**	**48,868**
Finance income	21	3,792	3,055
Finance costs	21	-18,063	-14,006
Profit before income tax		**25,145**	**37,917**
Income tax expense/income	22	-3,409	-12,659
Profit for the year		**21,736**	**25,258**
Attributable to:			
Equity holders of parent		21,587	25,220
Non-controlling interests		149	38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - ITEMS RECYCLABLE TO THE INCOME STATEMENT	2017	2016
Profit for the year	**21,736**	**25,258**
Exchange differences on translating foreign operations	0	0
Other	0	0
Other comprehensive income of the period	**0**	**0**
Total Comprehensive income for the year	**21,736**	**25,258**
Attributable to:		
Equity holders of the parent	21,587	25,220
Non-controlling interests	149	38

C. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to the equity holders			Non-controlling interests	TOTAL EQUITY
		Share capital	Cumulative translation reserve	Retained earnings		
Balance at 1 January 2016		**146,490**	**0**	**38,527**	**176**	**185,193**
Capital increase						**0**
Profit/(loss) for the year				25,220	38	**25,258**
Dividend distribution				-10	-11	**-21**
Change in non-controlling interests						**0**
Change in the consolidation scope				-4	-18	**-22**
Balance at 31 December 2016		**146,490**	**0**	**63,733**	**185**	**210,408**
Capital increase	12					**0**
Profit/(loss) for the year	13			21,587	149	**21,736**
Dividend distribution						**0**
Change in non-controlling interests	12.2					**0**
Change in the consolidation scope	13				-34	**-34**
Other				2		**2**
Balance at 31 December 2017		**146,490**	**0**	**85,322**	**300**	**232,112**

D. CONSOLIDATED CASH FLOW STATEMENT

Cash Flow Statement for 2017 and 2016	Note	31/12/2017	31/12/2016
Operating Activities			
Profit / (Loss) before income tax		**25,145**	**37,917**
Adjustments for:			
• Share of results of associates		-793	0
• Change in fair value of investment property	6	-27,060	-32,484
• Depreciation, amortization and impairment charges	7	227	23
• Result on disposal Investment Property		-432	-1,922
• Change in provisions		-120	-20
• Net interest charge	21	12,034	9,216
• Movements in working capital:			
- Change in prop. dev. inventories		-23,435	3,241
- Change in trade & other receivables		-11,048	-56,504
- Change in trade & other payables		5,938	-3,973
- Change in MTM derivatives		0	0
• Movement in other non-current liabilities		0	
• Other non-cash items		-89	25
Income tax paid		-3,919	-12,402
Interest paid (*)		-18,234	-11,943
Net cash from operating activities		**-41,786**	**-68,826**
Investing Activities			
Interest received		633	3,055
Purchase of property, plant & equipment		-589	-532
Purchase of investment property		-48,764	-33,651
Capitalized interest in investment property (paid)	6	-4,729	-3,583
Proceeds from disposal of investment property	6	10,362	124,322
Net cash outflow on acquisition of subsidiaries		-5,547	0
Cash outflow on other non-current financial assets		2,098	-3,323
Net cash inflow/outflow on NCI transactions			
Movement in restricted cash accounts			
Net cash flow used in investing activities		**-46,536**	**86,288**
Financing Activities			
Proceeds from borrowings		169,835	57,173
Repayment of borrowings		-70,378	-94,503
Capital increase		-	0
Dividends paid			
Net cash inflow from / (used in) financing activities		**99,457**	**-37,330**
Net increase in cash and cash equivalents		**11,136**	**-19,868**
Cash and cash equivalents at 1 January		**15,273**	**35,141**
Cash and cash equivalents per end of the year		**26,409**	**15,273**

(*): Interests directly capitalized in IP not included (2017: 4,729 KEUR; 2016: 3,583 KEUR, separately presented under investing activities)

E. SEGMENT INFORMATION

Given the fact that for the time being major part of property is located in Belgium, we believe another split up into segments is not relevant. The board of directors does not use any other segment for its decision taking.

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 Ghelamco Invest NV and its legal subsidiaries that are part of the Company at 31 December 2017.

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 the Board of Directors on 27 March 2018. 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 2017. 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 2017.

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 2017

Standards and Interpretations that the Company anticipatively applied in 2016 and 2017:

- None

Standards and Interpretations that became effective in 2017:

- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 12 (applicable for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2017)

Standards and Interpretations which became effective in 2017 but which are not relevant to the Company:

- 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)

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:

- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 1 and IAS 28 (applicable for annual periods beginning on or after 1 January 2018)
- Annual improvements to IFRS Standards 2015-2017 Cycle (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018)
- 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)
- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (applicable for annual periods beginning on or after 1 January 2019, 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 19 Plan Amendment, Curtailment or Settlement (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 28 Long term interests in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 40 Transfers of Investment Property (applicable for annual periods beginning on or after 1 January 2018)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRIC 23 Uncertainty over Income Tax Treatments (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)

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

Based on an analysis of Ghelamco Invest's situation at 31 December 2017, IFRS 9 is not expected to have any significant impact on the consolidated financial statements. With regard to the special impairments on financial assets valuated at amortised cost, including trade receivables and the nature of the other receivables, the initial application of the expected credit loss model under IFRS 9 will result in early recognition of credit losses compared to the incurred loss model applied under IAS 39. Taking into account the relatively small amount of outstanding trade receivables, combined with the associated low credit risk, the Company deems the impact on the consolidated financial statements to be minor.

IFRS 15 Revenue from contracts with customers (applicable to financial years beginning

on or after 1 January 2018): IFRS 15 provides a unique and all-encompassing model of principles that an entity must apply to account for income arising from a contract with a customer. On entry into force, this new standard will replace both IAS 18 on revenue from the sale of goods and the rendering of services and IAS 11 on current construction contracts and their corresponding interpretations. Leases, which are a substantial part of the Company's revenue, do not fall under IFRS 15. However, the principles of IFRS 15 also apply to non-lease components of revenue, being residential sales. Taking into account the fact that revenue from residential sales is material, management is still assessing the possible impact of IFRS 15. Taking into account the fact that revenue from residential sales is material, management is still assessing the possible impact of IFRS 15. Based on a tentative analysis, the company does not expect the first adoption of IFRS 15 to have any material financial impact on the financial statements, but in order to ensure alignment with the industry and as this topic is still under discussion at the level of the IFRS Interpretations Committee, no final conclusion has been reached yet.

The Company is currently assessing the possible impact, if any, of IFRS 16 to be applied as from 2019.

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 2017 and on 31 December 2016 (see Notes 4 and 5). Control is achieved when the Company:

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

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

The transactions, balances and unrealized gains and losses between these legal entities are deemed to be intra-group transactions and are eliminated in full.
The transactions with other entities owned directly or indirectly by the ultimate beneficial owners of the Company are deemed transactions with related parties and are not eliminated, but are presented as balances and transactions with related parties in Note 25.

Investments in joint-ventures are included in the consolidated financial statements in accordance with the equity method. Transactions with joint-ventures are not eliminated proportionally with the share of the company in these joint-ventures.

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 2017 and 2016, 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 2017 and 2016 business of the Company consists of developing commercial and residential real estate projects. Commercial properties are held for lease. Residential properties are offered for sale.

General rule:

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

Comments 2017:

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

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

Comments 2016:

In December 2016, following subsidiaries have been sold to Ghelamco European Property Fund, newly established and fourth holding of the Ghelamco consortium:

- Schelde Offices NV (holding one of the Blue Towers, offering ± 13.5 Ksqm of office space on the Dacar site in Ghent)
- Arte Offices NV (holding the other of the Blue Towers, offering ± 14.6 Ksqm of office space on the Dacar site in Ghent)
- Parking Gent and Parking Estates (holding the full property and rights in rem of over 2,000 above and underground parking spaces on the Dacar site, around the Ghelamco Arena and under the new business hotel in Ghent)
- Retail Gent (holding the ± 12 Ksqm retail hall on the Dacar site, which is rented to Brico-Plan It)

The (combined) transaction was structured as a share deal (i.c. 100% of the shares of the respective SPVs), in line with the general approach to sell commercial projects. The share deal was based on the underlying fair values of the resp. real estate projects as of 31 December 2016. The (combined) transaction has in the financial statements been presented as disposals of IP.

In 2016, no residential SPVs were sold, in line with the general approach to sell residential projects through asset deals.

1.5.4. INCREASE IN OWNERSHIP INTERESTS IN SUBSIDIARIES

The Company applies the parent company model to transactions with minority shareholders. 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.

As Ghelamco Invest and its subsidiaries are all EU (and Eurozone) companies, with functional currency Euro, and almost exclusively involved in Euro-transactions, foreign currency impact is not applicable in the Company's financial statements.

1.5.6. HYPERINFLATIONARY ECONOMIES

None of the Company entities operated in a hyperinflationary economy in 2017 and 2016.

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 (taxes included).

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

The applicable useful lives are:

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

1.7. FINANCE LEASES

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

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

1.8. IMPAIRMENT OF ASSETS

At each balance sheet date, the 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 4 different stages for Investment Property:

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

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

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

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

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

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);


KAA GENT
STAMNUMMER 7
GHELAMCO
ARENA
B

- 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

2. COMPLETED INVESTMENT PROPERTIES (D)

Investment Properties are considered completed as from the moment the project is delivered. 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), to an active program to locate a buyer or to complete a plan which was already initiated. In addition 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 9).

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 beneficial owners of the Company not included in the consolidation scope of these financial statements).

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

For an overview of financial assets (and liabilities) by category in accordance with IAS39, reference is made to note 15 below.

1.14. CASH AND CASH EQUIVALENTS

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

1.15. SHARE CAPITAL

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


VANDER ELST

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. Sales through asset deals mainly apply to the residential projects held by the Company (which are classified as inventory; which is not subject to fair value accounting).

As it is expected that the value of commercial projects will in first instance be realized through use (and not through sale), the recognition of deferred tax liabilities on fair value adjustments is also applied here. Still, the potential capital gain (in the case a commercial project would be sold through a share deal) might be exempted from income tax in some jurisdictions if certain conditions are met. Although the 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. 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 16).

In connection with the recently enacted change of Belgian tax rates (as from 1 January 2018 onwards) cumulated deferred tax balances have been re-calculated at the rate of 25% (vs. 34% previously). Belgian income tax rate will gradually decrease from 29.5% in 2018 to 25% from 2019 onwards. This has resulted in a (deferred) tax gain of approx. 5.5 MEUR in the 2017 income statement (note 22).

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


GHELAMCO

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.


HEDIARD

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

2.1.1. FOREIGN EXCHANGE RISK

To the extent the Company enters in transactions in foreign currencies, other than its functional currency, being the Euro, it is subject to the following currency exchange risks: (i) the foreign currency transaction risk: which occurs when a member of the Company enters into a transaction where the settlement of the transaction occurs in a currency other than the functional currency of that member of the group; and (ii) the foreign currency translation risk: which occurs at the translation of the foreign operations of the group into Euro.

A change in exchange rates or authorities imposing exchange controls could affect the Company's business, financial condition, results and prospects.

However, since Ghelamco Invest and its subsidiaries exclusively operate in Belgium and Western Europe, such currency risk is very limited to not applicable.

The Company concludes all financing, engineering, architectural and construction contracts in Euro; leasing of the properties is in Euro and eventual later disposal of assets or shares are also expressed and negotiated in Euro.

2.1.2. INTEREST RATE RISK

The Company actively uses external and related party borrowings to finance its property projects. A property project's external financing is either in the form of a bank loan or a bond issue denominated in Euro (see Note 14).

The Company did not enter into external interest rate hedging transactions to eliminate exposure arising from the long term investment loans over the last 5 years. The Company'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.
- Construction 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 construction loan.

- Once the property is completed, leased and meets all ongoing covenants, the construction financing is swapped into an investment loan, usually provided for a period of five years beginning from the signing of the investment loan agreement and repayable gradually with rental income or fully upon sale of the property. The banks are usually willing to offer investment loans up to an amount that reflects 65% to 70% of the property's market value. The interest is usually a mix of floating and fixed rates. In addition, the capital is amortized at a level between 4% and 7% per annum (on average), usually payable on a quarterly basis together with the accrued interest.
- For the Belgian and French projects;
  - 70 MEUR private bond issue due 28 February 2018, bearing an interest of 6.25% (however partly early reimbursed in November 2017 for an amount of 54.2 MEUR and the remaining amount reimbursed on maturity date);
  - 79.1 MEUR EMTN bond issue due 3 July 2020 and bearing an interest of 4.50%, 70.9 MEUR EMTN bond issue due 14 June 2021 and bearing an interest of 4.125% and
  - 54.2 MEUR EMTN bond issue due 20 November 2024 and bearing an interest of 4.8% and 47.4 MEUR EMTN bond issue due 20 November 2022 and bearing an interest of 4.3%;

Proceeds of the bonds can be used over the resp. project investment stages.

The Company may also actively use related party borrowings provided by the Investment Holding Financing Vehicles acting as financial intermediaries (mainly Peridot SL at 31 December 2017 and 31 December 2016) to finance the property projects in Belgium and France. These related party loans bear interest at market floating interest rates.

For sensitivity analysis, reference is made to disclosure 14 on interest-bearing loans and borrowings.

2.1.3. OPERATIONAL RISK (PRICE RISK IN FIRST INSTANCE)

Price risk

Raw materials, supplies, labour and other costs directly related to the construction process constitute a major part of the property development assets capitalized in the accounts of the Company's project 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 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 Company's policy to closely monitor new construction regulations or esthetical preferences of the city authorities. One should of course differentiate between the type of projects, their location and specific country principles.

Construction risk

Construction risks are monitored by the Consortium in-house engineers. They define the construction cost as from the date of the feasibility study and take full responsibility for material discrepancies. Therefore, fine-tuning of budgets, choice of materials, construction techniques and construction prices is a constant process within the Consortium. This avoids cost overruns and delivery delays for the Company.
The Company also maintains full control over the building site coordination of (sub) contractors.

Engineering risk

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

Financing risk

The Company relies since years on framework agreements with the majority of its banking partners. The parameters of the framework can vary due to economic circumstances, but the framework 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 was in addition able to call upon alternative financing through the issue of bonds (in total 267.4 MEUR unsecured bonds are outstanding, ut infra).

Commercial risk

Certain major projects require (internal) pre-lease levels, depending on different parameters, mostly triggered by the project's (large) scale, changed market circumstances or project type. Smaller projects are started up without pre-leases. This set-up immediately triggers the intense involvement of both the Consortium's internal commercial departments and the external brokers. So far, the Company's track record shows a significant leasing level (of already 50% or more) 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 (to a significant extent renowned international companies) and outstanding balances with related parties. The Company's entities are setting credit limits based on financial information and business knowledge, which are duly approved by management. No major allowances for non-payment were necessary in the current or previous year. The

credit risks on residential buyers are limited by the conditions in the notary deeds.

For further analysis, reference is made to note 10.

2.1.5 LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet the 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 14.
We also refer to note 11 and note 14.4 where the available financing is described.

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 its strategic growth plans.

During the past years, all profits have been re-invested. In addition, in 2014 and 2015 the capital of the Company has been increased by resp. 60 MEUR and 85 MEUR (more information in this respect in note 12).

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

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

The Company monitors capital/balance sheet structure primarily on the basis of the solvency ratio. This ratio is calculated as total equity (considering the related party financing, which is subordinated) divided by the balance sheet total. The solvency ratios at 31 December 2017 and 2016 were as follows:

	2017	2016
Equity	232,112	210,408
Net related party loans payable	-2,767	-3,122
Total assets	752,357	605,547
Solvency ratio	**30.5%**	**34%**

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

Impairment of inventory

The risk of impairment arises from uncertainties typical to the real estate industry. At the balance sheet date impairment losses and/or write-offs to net realizable value for an amount of 3.0 MEUR have been recognized on a limited number of the inventory items related to the adjustment of some commercial parameters. No impairment losses were recognized in 2016.

Income taxes

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

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

- Belgium: 33.99% (decreasing in the coming two years to 25%)
- France: 33.33%

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.


BOGGI
BOGGI

4. LIST OF SUBSIDIARIES

Ghelamco Invest subsidiaries included in these IFRS consolidated financial statements are as follows:

Entity description	Country	31/12/2017 % voting rights	31/12/2016 % voting rights	Remarks
GHELAMCO INVEST NV	**BE**	**99**	**99**	*
The White House Zoute NV	BE	100	99	*
Dock-Site NV	BE	99	99	*
Dianthus NV	BE	99	99	*
Nepeta NV	BE	99	99	*
Eurostadium Events NV (former De Leewe III NV)	BE	99	99	*
Eurostadium Park NV (former Immo Simava 13 NV)	BE	99	99	*
Leisure Property Invest NV	BE	99	99	*
Waterview NV	BE	99	99	*
Retail Leuven NV (former Estate of the Art NV)	BE	0	99	4.2
Leuven Student Housing NV	BE	99	99	*
Parking Leuven NV (former Ring Congress Centre NV)	BE	99	99	*
Wavre Retail Park NV	BE	99	99	*
RHR-Industries NV	BE	99	99	*
Zeewind NV	BE	99	99	*
Docora NV	BE	99	99	*
Ring Multi NV (former Ring Retail NV)	BE	99	99	*
MeetDistrict Gent NV	BE	99	99	*
Ring Offices NV	BE	99	99	*
Ring Hotel NV	BE	99	99	*
Forest Parc NV	BE	99	99	*
Belalan Bischoffsheim Leasehold NV	BE	99	99	*
Bischoffsheim Freehold NV	BE	99	99	*
Belalan Louise Leasehold NV	BE	99	99	*
Louise Freehold NV	BE	99	99	*
De Nieuwe Filature NV	BE	100	100	*
Pomme de Pin Expansion SAS	FR	100	100	*
Société Immobilière de Courchevel SARL	FR	100	100	*
Pomme de Pin SAS	FR	100	100	*
Le Chalet 1850	FR	100	100	*
Brussels Urban Invest NV	BE	99	99	*
Construction Link NV	BE	99	99	*
Kubel NV	BE	99	99	*
Filature Retail NV	BE	99	99	*
Carlton Beach NV	BE	50	0	4.1
Carlton Retail NV	BE	50	0	4.1
Eneman & Co NV	BE	100	0	4.1
Graminea NV	BE	99	n/a	*

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

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

Most subsidiaries are such special purpose real estate entities created to structure real estate transactions (acquisition of land and real estate investment activities).

Summary of incorporations, acquisitions and disposals of subsidiaries (and other business units) realized by the Company during the year ended on 31 December 2017. The acquisitions and disposals of real estate subsidiaries are treated in accordance with the accounting policy as described in sections 1.9 and 1.11 (and not in accordance with

IFRS 3 on Business Combinations) and section 1.19.

4.1. ACQUISITIONS OF STAKES AND/OR SUBSIDIARIES

In February 2017, the Company acquired 50% of the shares of 2 companies (Carlton Beach NV and Carlton Retail NV), holding land parts in the One Carlton site in Knokke-Zoute. The acquisition is connected with the currently ongoing realisation of the high-end residential One Carlton project, in a joint venture structure with a third party developer. Total share price amounted to 5,547 KEUR.

Above participation has in the financial statements been recognized under the equity method.

On 5 April 2017, the Company formalised the acquisition of all shares of Eneman & Co NV, owner of a site in Bruges. The transaction value of the plot in the share deal amounted to 1.5 MEUR.

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

4.2. DISPOSAL OF SUBSIDIARIES

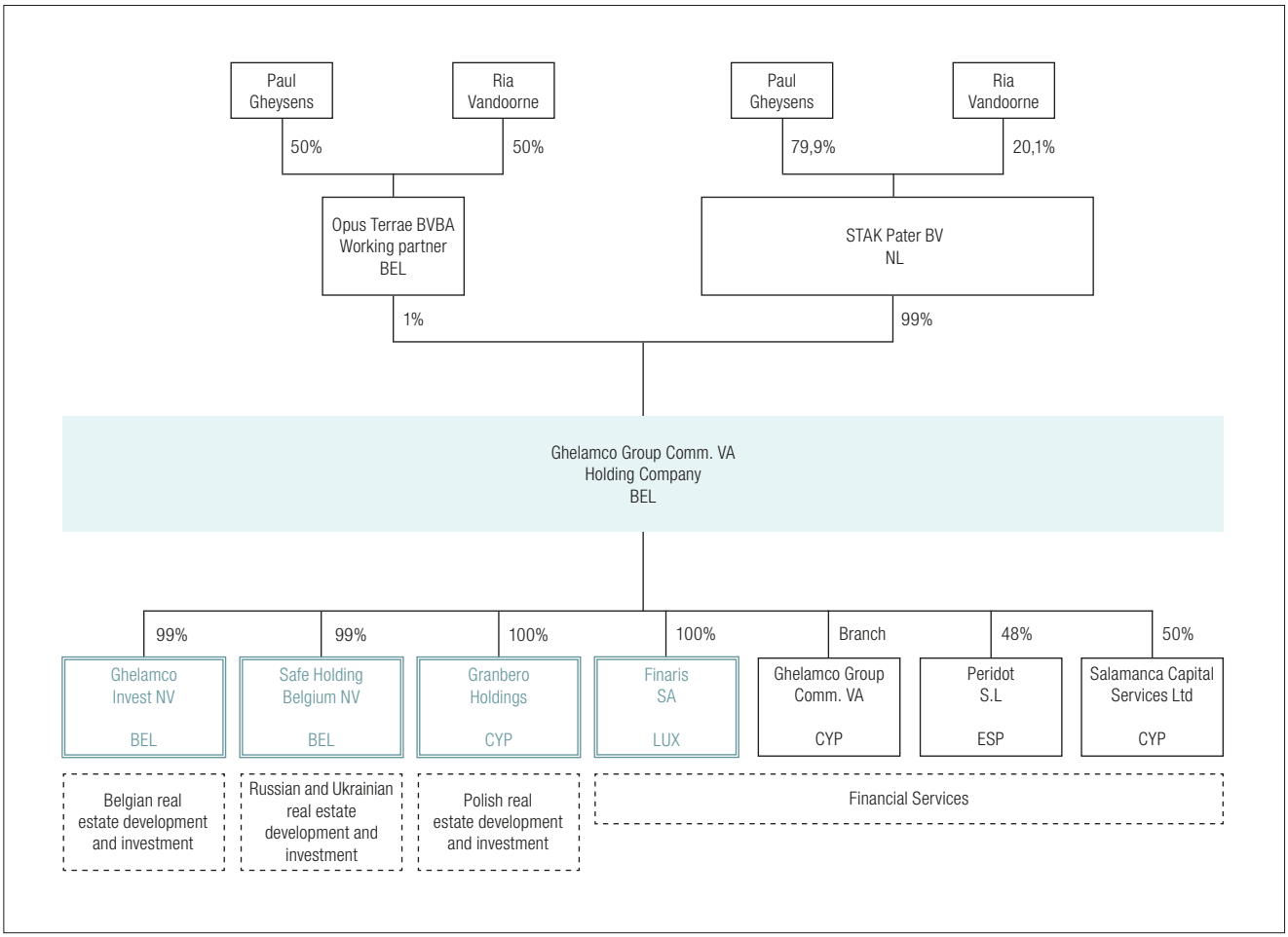
On 28 June 2017, the shares of Retail Leuven NV, holding the delivered and operational Retail Leuven project (5,435 sqm retail space at the Vaartkom in Leuven) has been sold to a third party investor for a share price of 3.1 MEUR. The deal was structured as a share deal. The share deal was based on an underlying fair value of the property and resulted in a gain on disposal of 1.1 MEUR.

4.3. INCORPORATION OF NEW (SHELF) COMPANIES

In 2017, no new SPVs have been incorporated.

5. GROUP STRUCTURE

5.1. INVESTMENT HOLDING AS PER DECEMBER 31ST, 2017




STORE
STORE
STORE


STORE
STORE

5.2. BELGIAN REAL ESTATE DEVELOPMENT AND INVESTMENT AS PER DECEMBER 31ST, 2017

GHELAMCO INVEST NV
BEL

100%	The White House Zoute NV - BEL
99%	Dock-site NV - BEL
99%	Brussels & Regional NV - BEL
99%	Dianthus NV - BEL
99%	Nepeta NV - BEL
99%	Eurostadium Events NV - BEL
99%	Eurostadium Park NV - BEL
99%	Eurostadium Offices NV - BEL
99%	Eurostadium Parking NV - BEL
99%	Eurostadium Storage NV - BEL
99%	Eurostadium Foot & Hospitality NV - BEL
99%	Pavilion NV - BEL
99%	Ghelamco Campus NV - BEL
100%	Pomme de Pin Expansion SAS - FRA

100%	Société Immobilière de Courchevel SARL - FRA
100%	Pomme de Pin SAS - FRA
100%	Le Chalet 1850 - FRA

99%	Leisure Property Invest NV - BEL
99%	Waterview NV - BEL
99%	Wavre Retail Park NV - BEL
99%	RHR-Industries - BEL
99%	Zeewind NV- BEL
99%	Ring Offices NV - BEL
99%	Ring Hotel NV - BEL
99%	Parking Leuven - BEL
99%	Docora NV - BEL
11%	Artevelde-Stadion CVBA - BEL
99%	Ring-Multi NV - BEL
99%	Forest Parc NV - BEL
99%	Leuven Student Housing - BEL
99%	Graminea NV- BEL
99%	Citrien NV - BEL

100%	De Nieuwe Filature NV - BEL
99%	Filature Parking NV - BEL
99%	Filature Retail NV - BEL
99%	Belalan Bischoffsheim Leasehold NV - BEL
99%	Bischoffsheim Freehold NV - BEL
99%	Belalan Louise Leasehold NV - BEL
99%	Louise Freehold NV - BEL
99%	Meetdistrict Gent NV - BEL
99%	Brussels Urban Invest NV - BEL
99%	Construction Link NV - BEL
99%	Caboli NV - BEL
99%	Kubel NV - BEL
100%	Eneman & Co NV - BEL
50%	Carlton Beach NV - BEL
50%	Carlton Retail NV - BEL


THE
GREAT
OLD


DIAMOND BAR

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 2017 and 31 December 2016.

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 sqm);
C. Land + Construction ongoing (fair value based on the residual method);
D. Completed Projects held for investment.

Country + SPV	Commercial Name	Valuation	Cat	31/12/2017	31/12/2016
				KEUR	KEUR
BELGIUM					
Leisure Property Invest	Golf Knokke Zoute	Man	A	44,541	44,661
WRP	Wavre Retail Park	Man	A	8,000	8,000
Zeewind	Zeewind	Man	D	1,746	1,746
Ring Hotel	Ring Hotel	Man	C	21,200	13,512
Ring Multi	Ghelamco Arena Multifunctional space	Cushman	D	21,720	22,625
Meetdistrict	Meetdistrict business center	Cushman	D	34,750	34,400
Ghelamco Invest	Zoute House	Cushman	C	22,500	22,580
Waterview/Parking Leuven	Waterview Parkings	Man	D	8,530	8,434
Waterview/Retail Leuven	Waterview Retail Space	Cushman	D		8,650
Bischoffsheim Leasehold + Freehold	Spectrum	CBRE	C	49,840	41,500
Kubel/Construction Link	The Link	JLL	C	59,453	19,116
DNF/Filature Retail	Filature Retail	Man	D	10,000	
Docora	Rafc Tribune 1	Man	D	35,571	
TOTAL				**317,851**	**225,224**

Legend : Man = Management valuation, CBRE = CBRE valuation report, Cushman = Cushman & Wakefield valuation report, JLL = Jones Lang LaSalle valuation report

Balance at 1 January 2016	**265,150**
Acquisition of properties	16,640
Subsequent expenditure	20,594
Transfers	
• Assets classified as held for sale	
• Other transfers	12,756
Adjustment to fair value through P/L	32,484
Disposals	-122,400
CTA	
other	
Balance at 31 December 2016	**225,224**
Acquisition of properties	3,336
Subsequent expenditure	72,564
Transfers	
• Assets classified as held for sale	
• Other transfers	-1,119
Adjustment to fair value through P/L	27,060
Disposals	-9,214
other	
Balance at 31 December 2017	
	317,851

Categories	A	B	C	D	Total
Balance at 1 January 2016	**49,428**	**0**	**90,617**	**125,105**	**265,150**
Acquisition of properties	6,021		10,619		16,640
Acquisition through business combinations					
Subsequent expenditure	1,826	543	11,436	6,789	20,594
Transfers					
• Assets classified as held for sale					
• Other transfers		12,756	-31,000	31,000	12,756
Adjustment to fair value	-4,614	28,201	6,236	2,661	32,484
Disposals			-32,700	-89,700	-122,400
Other					
Balance at 31 December 2016	**52,661**	**41,500**	**55,208**	**75,855**	**225,224**
Acquisition of properties	3,336				3,336
Acquisition through business combinations					
Subsequent expenditure	2,862		30,348	39,354	72,564
Transfers					
• Assets classified as held for sale					
• Other transfers	-6,286	-41,500	41,500	5,167	-1,119
Adjustment to fair value	-32		25,937	1,155	27,060
Disposals				-9,214	-9,214
Other					
Balance at 31 December 2017	**52,541**	**0**	**152,993**	**112,317**	**317,851**

As stated above, on 28 June, the delivered and operational Retail Leuven project (5,435 sqm retail space at the Vaartkom in Leuven) has been sold to a third party investor. The deal was structured as a share deal based on an net asset value of the property of 9.4 MEUR. This sale resulted in a gain on disposal of investment property of 1.1 MEUR (of which 810 KEUR release of cumulated DTL).

In addition, 2 commercial unites in the Tribeca been been sold to third party investors for a total amount of 740 KEUR.

The Royal Antwerp Football Club Tribune 1 - modern stand offering 5,600 seats, 18 business boxes and catering facilities - has been constructed in the current year and has been taken into use from November 2017 onwards. The project has been leased to the football club for a period of 15 years.


ROYAL ANTWERP
FOOTBALL CLUB
ROYAL ANTWERP FOOTBALL
1880

Current year's transfers relate to the Filature Retail project from inventory to IP on the one hand (5,167 KEUR) and the transfer of the Golf Knokke Zoute project from IP to inventory on the other hand (6,286 KEUR).

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

- Rental income 2017: 4,194
- Rental income 2016: 9,511

The 2017 rental income mainly relates to lease agreements in Ring Multi (retail space in the Ghelamco Arena), Filature Retail (Tribeca project in Ghent) and Meetdistrict.

SIGNIFICANT ASSUMPTIONS AND SENSITIVITY ANALYSIS

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

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 2017 are as follows:

- 4.97% to 8.75% for Belgian office (incl. business center) projects (vs. 5.25% to 7.25% last year), depending on the location, specifics and nature of the investment
- 6.25% to 6.85% for Belgian retail projects (vs. 6.00% to 7.00% last year), depending on the location, specifics and nature of the investment.

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

- 145 EUR/sqm/year to 230 EUR/sqm/year for office space (vs. 145 EUR/sqm/year to 230 EUR/sqm/year last year),
- 75 EUR/sqm/year to 140 EUR/sqm/year for retail space (vs. 68 EUR to 130 EUR last year), depending on the location, specifics and nature of the project.

On 31 December 2017, the Company has a number of income producing investment properties (category D) which are valued at 112,317 KEUR (Ring Multi, Zeewind, Parking Leuven, Meetdistrict, Filature Retail and Rafc Tribune 1). An increase/decrease of 100 basis points in the yield, with all other variables held constant, decreases/increases the value by approx. 8,050 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.


Nº 308


MeetDistrict
STAY

7. PROPERTY, PLANT AND EQUIPMENT

in thousands €	Property, plant and equipment	
	31/12/2017	31/12/2016
Cost	1,779	1,191
Accumulated depreciation/amortisation and impairment	-775	-602
TOTAL	**1,004**	**589**

in thousands €	Property, plant and equipment
COST	
Balance at 1 January 2016	**702**
Additions	542
Additions from internal developments	
Acquisitions through business combinations	
Disposals or classified as held for sale	-53
Revaluation increase	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2016	**1,191**
Additions	588
Additions from internal developments	
Acquisitions through business combinations	
Disposals or classified as held for sale	
Revaluation increase	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2017	**1,779**

in thousands €	
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
Balance at 1 January 2016	**577**
Depreciation/Amortisation expense	57
Disposals or classified as held for sale	-32
Impairment losses recognised in profit or loss	
Reversals of impairment losses recognised in profit or loss	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2016	**602**
Depreciation/Amortisation expense	226
Disposals or classified as held for sale	-53
Impairment losses recognised in profit or loss	
Reversals of impairment losses recognised in profit or loss	
Effect of foreign currency exchange differences	
Other	
Balance at 31 December 2017	**775**

8. INVESTMENTS IN JOINT-VENTURES

Investments in joint-ventures amount to 6,340 KEUR and relate to the (50%) participating interests in Carlton Beach NV and Carlton Retail NV, which are connected with the One Carlton high-end residential project in Knokke Zoute.

Main balance sheet and income statement captions for both entities are the following:

		Carlton Beach		Carlton Retail
Current assets	3,652		18,519	
of which cash and cash equivalents		1,574		5,388
Non-current assets	0		0	
Current liabilities	489		4,024	
curr. fin. liab. (excl. trade and other payables and provisions)		0		0
Non-current liabilities	2,260		2,700	
non-curr. fin. liab. (excl. trade and other pay. and provisions)		2,260		2,700
Revenue	1,869		5,880	
Profit before income tax	1,108		5,241	
income tax expense (-) or income (+)	-364		-1,820	
Profit of the year	743		3,420	

9. PROPERTY DEVELOPMENT INVENTORY

The Property Development Inventories amount to 215,187 KEUR on 31 December 2017 (2016: 190,634 KEUR) and are detailed as follows:

	31/12/2017	31/12/2016
Property Development Inventories	215,131	190,570
Raw materials	56	64
Finished goods	0	0
	215,187	**190,634**

	Carrying value (at cost) at 31 December 2017 - KEUR	Carrying value (at cost) at 31 December 2016 - KEUR
BELGIAN/FRENCH PROJECTS		
Others	11,640	8,672
Le Valeureux Liégeois - East Dune	13,059	20,514
Locarno Knokke	7,969	7,695
Blinckaertlaan Knokke	8,541	6,750
Kanonstraat Brussel	794	794
Bleko Doornstraat Kortrijk	2,593	2,547
Dock-site	2,648	2,648
Residentie Katelijne	6,208	6,376
Project Waterside	1,121	1,206
Waterview	2,617	3,479
Sylt	1,799	7,308
Cromme Bosh		14,114
Duinenwater	32,158	
Kinder Siska	8,360	8,017
RHR – One Carlton	8,429	9,911
De Nieuwe Filature/ Tribeca	11,677	18,455
Blaisantpark Gent		59
Belalan Louise/ Edition	9,260	10,253
Spectrum/ Bischoffsheim	4,041	3,765
Pomme De Pin - Courchevel	31,400	31,400
Eurostadium Brussel	23,648	11,678
Le Chalet 1850-Courchevel	10,503	10,473
Graminea/ Oude Bleekerij	8,344	
Arval site	4,797	4,520
Eneman	1,500	
Parking Tribeca	2,081	
TOTAL	**215,187**	190,634

Main part of current year expenditures have been done on:

- The Tribeca project in Ghent (35,000 sqm mixed residential and retail space project)
- Edition (59 luxurious apartments at the Louizalaan in Brussels)
- Spectrum (22 apartments and approx. 170 underground parking spaces in this mixed project at the Avenue Bischoffsheim in Brussels)
- Capitalized Eurostadium study costs and expenditures related to the acquired leasehold.

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

- A plot in Kortrijk for the future development of the Helix Towers (SPV Graminea NV);
- Land parts in Bruges, through the acquisition of the shares of Eneman & Co., for the future development of a mixed real estate project;
- A plot of +/- 30,500 sqm in Knokke for the future development of a residential project (24 villas on the Duinenwater site);

Main divestures/ sales:

- Sale of the Cromme Bosch project for an amount of 12,310 KEUR
- Waterview Leuven: 18 student homes have been sold in 2017. Per date of the current report, 100% of the total (461) available student units have been sold.
- Tribeca: invoicing under the Breyne legislation connected to (71 apartments, 2 lofts and parking spaces in) phase 2 of this mixed project at the Nieuwevaart in Ghent. Phase 2 has per end 2017 fully been invoiced. Per date of the current report, 100% of the available apartments have been sold.
- Tribeca: invoicing under the Breyne legislation connected to (67 apartments and parking spaces in) phase 3 of this project. Phase 3 is per end 2017 (on average) 75% progressed and invoiced.
- Sylt, sale of 3 units (and 19 parking spaces) in this residential project in Knokke
- East Dune, sale of 10 apartments (and 13 parking spaces) in this residential project in Oostduinkerke
- Land parts related to 39 apartments (and 42 parking spaces) in the Edition project in Brussels
- Land parts related to 17 apartments (and 20 parking spaces) in the Spectrum project in Brussels
- Carlton One: invoicing under the Breyne legislation connected to 3 (of 10 available) apartments in this high-end residential project in Knokke-Zoute, which is structured as a 50/50 joint-venture.

Eurostadium Brussel:

Ghelamco Invest has in 2014 subscribed to the public tender to build a stadium on Parking C.

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

The submitted building and environmental permit ('Omgevingsvergunning') has been rejected by the Flemish authorities in January 2018.

The Raad van State also went into appeal against the abolishment of the neighbourhood road ('buurtweg').

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

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

In addition, the lessor (i.e. the City of Brussels) has within the framework of the leasehold agreement the obligation to actively cooperate in the realisation of a stadium, also without (participation to) the EK2020. As to mobility, the Company strives for sustainable mobility solutions on and around the leasehold area, but of course this assumes and requires an active cooperation from both the side of the Flemish and Brussels authorities regarding mobility connections and public transport around the leasehold area.

Also, the Flemish decree on the change of several provisions regarding urban planning and environment, often referred to as 'Codex-trein' dd. 8 December 2017, allows that

going forward the project-MER (environmental effects report) procedure is integrated in the building and environmental permit procedure. As a consequence, remarks in connection with the (MER and permit) procedure can be remediated immediately and within the (duration of the combined) procedure. This results in more legal certainty.

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

The above-mentioned elements constitute an uncertainty. Notwithstanding this situation, the Board of Directors is of the opinion that the currently capitalized expenses w.r.t. the Eurostadium-file (amounting to 23.6 MEUR as of 31 December 2017) will be recovered either through a new permit request or through a claim or through a decision of the Council of Permit Disputes.

Further reference is also made to section 3.

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

10.1. NON-CURRENT RECEIVABLES & PREPAYMENTS

	Note	31/12/2016	31/12/2016
Non-current			
Receivables from related parties	25.3	2,767	4,512
Trade and other receivables		297	339
Total non-current receivables and prepayments		**3,064**	**4,851**

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 2017 were as follows: Euribor/ Libor + margins in the range between 1% and 3%.
Further reference is made to Note 25.3.

The 2017 balance mainly consists of receivables vs. group companies which are not (yet) consolidated in these financial statements.
The same goes for 2016.

NON-CURRENT TRADE AND OTHER RECEIVABLES

No significant amounts included.

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

10.2. CURRENT TRADE & OTHER RECEIVABLES

	Note	31/12/2017	31/12/2016
Current			
Receivables from related parties		2,605	6,655
Receivables from third parties	25,3	8,006	5,692
Less: allowance doubtful debtors (bad debt provision)			
Net trade receivables		**10,611**	**12,347**
Other receivables		3,949	2,392
Related party current accounts	25,3	150,507	139,253
VAT receivable		1,358	1,385
Prepayments		0	0
Interest receivable		7,005	3,846
Total current trade and other receivables		**173,430**	**159,223**

CURRENT TRADE AND OTHER RECEIVABLES

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

Trade receivables with related parties (and to the extent applicable, prepayments) include invoices for construction, engineering and other services as described in Note 25.2.

Current account receivables from related parties consist of:

- 105,358 KEUR current account which Ghelamco Invest holds vs. Ghelamco Group Comm. VA.
- 7,219 KEUR current account which Ghelamco Invest holds vs. Deus Comm. VA.
- 24,061 KEUR current account which Ghelamco Invest holds vs. Ghelamco European Property Fund, after the sale of the Dacar site; ut supra
- 12,829 KEUR current account which Ghelamco Invest holds vs. Parking Gent (part of the above Dacar sale)
- 1,040 KEUR other

INTEREST RECEIVABLE

The interest receivable fully consists of interests receivable from related parties.

VAT RECEIVABLE

The SPVs holding VAT receivable balances may either apply to the tax authorities for an immediate cash refund of the VAT receivables or may offset the VAT receivable against any (future) VAT payables.
VAT receivables are the result of VAT paid on their investment expenditures.

GHELAMCO ARENA

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 that, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

Movement in the allowance for doubtful debts:

in thousands €	31/12/2017	31/12/2016
Balance at beginning of the year	**0**	**31**
Impairment losses recognised on receivables		
Amounts written off during the year as uncollectible		
Amounts recovered during the year		
Impairment losses reversed		-31
Balance at end of the year	**0**	**0**

As of 31 December 2017 and 2016, 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.

11. CASH AND CASH EQUIVALENTS

	31/12/2017	31/12/2016
Cash at banks and on hand	26,409	15,273
Short-term deposits		
	26,409	**15,273**

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

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

- additional capacity on the debt ratio (the Company 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);


CUBW
BAM
NORKING ALLES KAN
on IT
in principle
PEOPLE
ECTED
SSWORD.
STUDIO
BAMBAM
Peak Legal
+214

- access to alternative financing under the form of bond issuance and mezzanine equity financing. In this respect refer to the resp. private and EMTN bond issues (for a total outstanding amount of 267.4 MEUR at 31 December 2017).

	31/12/2017	31/12/2016
Authorized 313,549 ordinary shares without par value	161,490	161,490
part not paid in	-15,000	-15,000
issued and fully paid in	146,490	146,490

12. SHARE CAPITAL

In June 2015 the capital was increased by 50 MEUR (in cash) through the issue of 97,080 new shares.
In December 2015 the capital was increased another time:

- by 25 MEUR (in cash, of which 10 MEUR was paid in) through the issue of 48,540 new shares on the one hand and
- by 25 MEUR (via contribution in kind and) through the issue of another 48,540 new shares on the other hand.

The mentioned capital increases were fully subscribed by Ghelamco Group Comm. VA, parent company of Ghelamco Invest NV.

At 31 December 2017 and 2016, the Company's direct shareholders are:

- Ghelamco Group Comm. VA – 99.998% (313,544 shares)
- Paul Gheysens – 0.002% (5 shares)

12.1. DISTRIBUTION OF DIVIDENDS WITHIN THE COMPANY

During 2017 and 2016, no dividends have been distributed by Ghelamco Invest.

12.2. NON-CONTROLLING INTERESTS

	31/12/2017	31/12/2016
Balance at beginning of year	185	176
Share of profit for the year	149	38
Devidend distribution		-11
Acquistions/disposals	-34	-18
Balance at end of year	**300**	**185**

13. RESERVES AND RETAINED EARNINGS

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

	Cumulative translation reserve	Retained earnings
At 1 January 2016	0	38,527
Cumulative translation differences (CTA)		
Dividend distribution to the ultimate shareholders		-10
Change in non-controlling interests		
Change in the consolidation scope		-4
Profit for the year		25,220
At 31 December 2016	**0**	**63,733**
At 1 January 2017	0	63,733
Cumulative translation differences (CTA)		
Dividend distribution to the ultimate shareholders		
Change in non-controlling interests		
Change in the consolidation scope		2
Profit for the year		21,587
At 31 December 2017	**0**	**85,322**

14. INTEREST-BEARING LOANS AND BORROWINGS

		31/12/2017	31/12/2016
Non-current			
Bank borrowings – floating rate	14.1	95,151	59,864
Other borrowings	14.2/3	246,688	217,149
Finance lease liabilities			
		341,839	**277,013**
Current			
Bank borrowings – floating rate	14.1	98,384	79,523
Other borrowings		15,770	0
Finance lease liabilities			
		114,154	**79,523**
TOTAL		**455,993**	**356,536**

14.1. BANK BORROWINGS (193,535 KEUR)

During the year the Company contracted new bank borrowings and withdrew on existing credit facilities for a total amount of 70.3 MEUR, all of which are Euribor based. On the other hand, reimbursements and re-financings have been done for an amount of 16.1 MEUR; bringing the total outstanding bank borrowings to 193.5 MEUR (compared to 139.4 MEUR at 31/12/2016).

When securing debt finance for its (larger) projects, the Company negotiates long term agreements with its banks. Under these agreements, the bank swaps land acquisition loans (2 year term) into construction loans (additional 2 year term) and swaps construction loans into investment loans (mostly 5 years term) upon the fulfilment of pre-agreed conditions. Most banking partners of the 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 construction loan" falls within the next accounting year (see Note 1.18 and 2.1.2.).

With respect to the outstanding short-term bank borrowings, it is to be mentioned that a significant part of the balance per books is currently in the advanced process of prolongation and/or refinancing (e.g. through a swap to investment loans).

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

				31.12.2017				31.12.2016
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
Credit institutions withdrawn credits	101,947	81,645	17,652	201,244	82,477	54,019	10,277	146,773
Financial lease	0	0	0	0	0	0	0	0
Total	**101,947**	**81,645**	**17,652**	**201,244**	**82,477**	**54,019**	**10,277**	**146,773**
Percentage	51%	41%	9%	100%	56%	37%	7%	100%

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 percentage will always be fixed for a period not superseding one year.

On 31 December 2017, the Company has outstanding investment loans for a total amount of (28,455 KEUR) on Meetdistrict and Ring Multi; which are serviced by the actual rental income of resp. the properties. On 31 December 2016, the Company had outstanding investment loans for a total amount of 30,593 KEUR on Retail Leuven, Meetdistrict and Ring Multi.

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

- Belgium: between 1.30% and 3.0%

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 2,084 KEUR lower/higher profit before tax for 2017.

14.2. OTHER BORROWINGS: BONDS (262,458 KEUR)

The Company has in the second half of 2013 and the first half of 2014 issued private unsecured bonds for a total amount of 70 MEUR, secured by a first demand guarantee from Ghelamco Group Comm. VA, having as maturity date 28/02/2018 and bearing an interest rate of 6.25%. This bond program was coordinated by KBC Securities and Belfius Bank. Per 31 December 2017 only 15,770 KEUR is still outstanding on this program, after carly redemption of bonds for an amount of 54,230 KEUR in November 2017.

In addition, the Company has on 24 June 2015 launched a new EMTN bonds program

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

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

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

Bond proceeds have partly (i.e. for an amount of 54,230 KEUR) been used for the early redemption of the existing 70 MEUR 2013 bonds (maturing on 28/02/2018), in connection with a tender offer on the latter bonds. The remainder of the proceeds will be used for further investments in the Company's core markets.

Total balance of outstanding bonds per balance sheet date (262,458 KEUR) represents the amount of issue (267.4 MEUR) less capitalized issue costs (of which mainly the issuing banks' arrangement fees), which are amortized over the term of the bonds.

Summary of contractual maturities of bonds, including interest payments.

				31.12.2017				31.12.2016
	<1 y	**between 2 and 5 y**	**>5y**	**total**	**<1 y**	**between 2 and 5 y**	**>5y**	**total**
2013 bonds	16,756			16,756	4,375	74,375		78,750
EMTN bonds '15 1st tranche	3,560	86,220		89,780	3,560	89,780		93,340
EMTN bonds '15 2nd tranche	2,925	78,213		81,137	2,925	81,138		84,063
EMTN bonds '17 1st tranche	2,038	55,553		57,591				
EMTN bonds '17 2nd tranche	2,602	10,406	59,403	72,411				
Total	**27,880**	**230,392**	**59,403**	**317,674**	**10,860**	**245,293**	**0**	**256,153**
Percentage	9%	73%	19%	100%	4%	96%	0%	100%

14.3. OTHER BORROWINGS: OTHER

31/12/2017 and 31/12/16: 0 KEUR

After above mentioned, recent capital increases, the remaining related party loans have been settled. As a result, there are no 'other' balances outstanding as of 31 December 2017 (and 31 December 2016).

14.4. MISCELLANEOUS INFORMATION

No defaults of payments or breaches of borrowing agreements occurred as of 31 December 2017.

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 first demand guarantee by Ghelamco Group Comm. VA.

The loan agreements granted by the banks are sometimes subject to a number of covenants (Loan to Value, Loan to Cost, Debt Service Cover). During the year and per end of the year, there were no events of default in respect of these borrowings.
Also the terms and conditions of the bond issue have been complied with as of balance sheet date. In this respect, reference is made to the related bi-annual covenant testing which is published on the company's website.

At 31 December 2017, the Company has bank loans available to be drawn for a total amount of 72,848 KEUR.

The observed evolution in the above financial debt includes an immaterial amount of non-cash movements, related to capitilized transaction costs which are amortized over the duration of the debts.

15. 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:

					31/12/2017
Financial instruments (x € 1 000)	**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		0	3,961	3,961	2
Non-current receivables					
Receivables and prepayments			3,064	3,064	2
Restricted cash					
Current receivables					
Trade and other receivables			171,377	171,377	2
Derivatives	0				
Cash and cash equivalents			26,409	26,409	2
Total Financial Assets	**0**	**0**	**204,811**	**204,811**	
Interest-bearing borrowings - non-curr.					
Bank borrowings			95,151	95,151	2
Bonds (Alternext)				-	2
Bonds (Euronext)			246,688	250,491	1
Other borrowings					2
Interest-bearing borrowings - current					
Bank borrowings			98,384	98,384	2
Bonds (Alternext)			15,770	15,770	2
Other borrowings					2
Current payables					
Trade and other payables			39,270	39,270	2
Total Financial Liabilities	**0**	**0**	**495,263**	**483,296**	

					31/12/2016
Financial instruments (x € 1 000)	**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		0	4,272	4,272	2
Non-current receivables					
Receivables and prepayments			4,851	4,851	2
Restricted cash			0	0	
Current receivables					
Trade and other receivables			157,482	157,482	2
Derivatives	0			0	
Cash and cash equivalents			15,273	15,273	2
Total Financial Assets	**0**	**0**	181,878	181,878	
Interest-bearing borrowings - non-curr.					
Bank borrowings			59,864	59,864	2
Bonds			69,504	74,964	2
Bonds (Euronext)			147,645	146,572	1
Other borrowings			0	0	2
Interest-bearing borrowings - current					
Bank borrowings			79,523	79,523	2
Bonds			0	0	2
Other borrowings			0	0	2
Current payables					
Trade and other payables			15,144	15,144	2
Total Financial Liabilities	**0**	**0**	**371,680**	**389,937**	


he best way
of learni
about ang
by doing

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 the carrying amount, to the extent these 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.

The company's interest bearing liabilities are mainly floating interest bearing debts, except for the Belgian bonds, which are fixed interest bearing.

16. 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 €	31/12/2017	31/12/2016
Deferred tax assets	4,537	4,892
Deferred tax liabilities	-19,530	-19,048
TOTAL	**-14,993**	**-14,156**

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

In thousands €	Temporary differences		Unused tax losses and credits	
	Investment property	Other	Tax losses	Tax credits
Balance at 1 January 2016	**-19,263**	**269**	**5,107**	
Recognised in income statement	-11,644	-261	1,150	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals	11,325		-840	
Other	168		-167	
Balance at 31 December 2016	**-19,414**	**8**	**5,250**	
Recognised in income statement	-944	106		
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other				
Balance at 31 December 2017	**-20,358**	**115**	**5,250**	

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:

in thousands €	31/12/2017	31/12/2016
DTA on unused tax losses	12,999	5,802
DTA on unused tax credits		
TOTAL	**12,999**	**5,802**

Tax losses in Belgium can be carried forward for an indefinite period of time.
No deferred tax liability has been recognized on undistributed profits in the subsidiaries. Further reference is made to note 1.16.

17. TRADE AND OTHER PAYABLES

	31/12/2017	31/12/2016
Trade payables: third parties	30,983	7,793
Trade payables: related parties	603	0
Related parties current accounts payable	1,350	0
Misc. current liabilities	11,449	9,954
Deferred income	0	0
Current employee benefits	52	42
Total trade and other payables	**44,437**	**17,789**

Trade payables towards related parties include amongst others the amounts payable to the Development Holding for construction and engineering coordination services received for an amount of 603 KEUR (on 31/12/2016, no such trade payables were outstanding). The significant increase in third party trade payables is mainly related to construction

works on projects carries out in the last months of the year. Miscellaneous current liabilities mainly relate to interest payable (to third parties: 3.7 MEUR), VAT payable (2.5 MEUR), accruals (2.7 MEUR) and others.

18. REVENUE

REVENUE IS MAINLY GENERATED FROM THE FOLLOWING SOURCES:

in thousands €	31/12/2017	31/12/2016
Sales of Residential Projects	61,924	61,986
Rental Income	4,194	9,511
Other	769	857
TOTAL REVENUE	**66,887**	**72,354**

Rental income as of 31 December 2017 (and 2016) relates to rent from commercial projects. The decrease compared to last year is mainly connected to the disposal of some income generating properties.

The residential projects sales as of 31 December 2017 mainly relate to:

- Sale of the Cromme Bosch project in Knokke (12,310 KEUR)
- Waterview Leuven: 18 student homes (2,343 KEUR)
- Villas and apartments at the Belgian coast (12,895 KEUR mainly on East Dune and Sylt), including invoicing under the Breyne legislation connected to 3 apartments in the high-end residential project Carlton One
- Tribeca: invoicing under the Breyne legislation connected to (71 apartments, 2 lofts and parking spaces in) phase 2 of this mixed project at the Nieuwevaart in Ghent (7,180 KEUR). Phase 2 has per end 2017 been fully invoiced.
- Tribeca: invoicing under the Breyne legislation connected to (67 apartments and parking spaces in) phase 3 of this project (16,145 KEUR). Phase 3 is per end 2017 (on average) 75% progressed and invoiced.
- Edition: Land parts related to 39 apartments and 42 parking spaces (7,258 KEUR)
- Spectrum: Land parts related to 17 apartments and 20 parking spaces (1,730 KEUR);

OVERVIEW OF FUTURE MINIMUM RENTAL INCOME

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

in thousands €	31/12/2017	31/12/2016
Future minimum rental income:		
Less than 1 year	7,519	3,036
Between 1 and 2 years	8,291	3,074
Between 2 and 3 years	7,750	2,847
Between 3 and 4 years	7,222	2,422
Between 4 and 5 years	6,814	2,124
More than five years	47,863	5,849
TOTAL FUTURE MINIMUM RENTAL INCOME	**85,460**	**19,352**


TRIBECA
TRIBECA
TRIBECA


TRIBECA
TRIBECA
TRIBECA
TRIBECA
1,6

The increase compared to last year goes together with the delivery and significant (pre-) lease of the The Link project in Antwerp and the new Royal Antwerp Football Club Tribune 1, which has been leased to the football club for a period of 15 years.

19. OTHER ITEMS INCLUDED IN OPERATING PROFIT/LOSS

OTHER OPERATING INCOME AND EXPENSES IN 2017 AND 2016 INCLUDE THE FOLLOWING ITEMS:

Other operating income	2017	2016
Net gains on disposal of investment property	5,251	1,922
Other	2,478	3,008
Net gains on disposals of property, plant and equipment		
TOTAL	**7,729**	**4,930**

Current year's other operating income mainly includes a purchase price adjustment on last year's sale of the Dacar site (4,935 KEUR) and a gain on disposal of Retail Leuven for an amount of 316 KEUR. Also a settlement fee in connection with the sanitation of a previously acquired plot is included (697 KEUR). For the remaining mainly re-charges of real estate tax, co-owners expenses and fit-out expense to tenants are included.

Last year's other operating income included the gain on the disposal of the Dacar site to the Ghelamco European Property Fund for an amount of 1,992 KEUR.

	2017	2016
Gains from revaluation of Investment Property	27,060	32,484

Fair value adjustments over 2017 amount to 27,060 KEUR, which is mainly the result of current year's further investment and leasing efforts (mainly on The Link in Antwerp and the commercial part of Spectrum in Brussels), in combination with evolution in market conditions (yield and rent level evolution).

	2017	2016
Other operating expenses		
Operating lease/ rental/ housing expenses	1,694	1,997
Taxes and charges	1,841	1,041
Insurance expenses	192	162
Audit, legal and tax expenses	3,421	2,275
Sales expenses	1,294	4,247
Operating expenses with related parties	2,532	2,287
Inventory impairment	3,003	
Miscellaneous	2,314	1,155
Total	**16,291**	**13,164**


THE INK

The decrease in sales expenses is related to the decreased commission expenses in connection with the Waterview (student houses) project, which is per date of the current report fully (pre-) sold.

The overall increase in operating expenses is related to some impairment reserves recognized on a limited number of inventory projects, mainly resulting from the evolution in some commercial parameters.

Other operating expenses with related parties mainly concern the re-invoicing of costs within the framework of Service Level Agreements with Ghelamco Group Comm. VA, IRS Comm. VA and Deus Comm. VA. Also refer to note 25.2.

	2017	2016
Employee benefit expenses		
Wages and salaries	270	437
Social security costs	63	88
Other		
Total	**333**	**525**

20. COST OF PROPERTY DEVELOPMENT INVENTORIES

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

	2017	2016
Movement in inventory	16,482	-9,490
Purchases (*)	-62,683	-37,697
	-46,201	**-47,187**

(*) Purchases (to an extent 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 71,171 KEUR (vs. 33,651 KEUR in 2016).

21. FINANCE INCOME AND FINANCE COSTS

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

	2017	2016
Foreign exchange gains	0	0
Interest income	3,792	3,055
Other finance income		
Total finance income	**3,792**	**3,055**
Interest expense	-15,826	-12,271
Other interest and finance costs	-2,237	-1,735
Foreign exchange losses		
Total finance costs	**-18,063**	**-14,006**


SPECTRUM

It is to be noted that interest expenses related to (not yet delivered) Investment Property projects are not included in the above 2017 and 2016 figures, as those have directly been capitalized on IP. It concerns an amount of 4,729 KEUR (vs. 3,583 KEUR last year).

Interest expenses mainly relate to interests on bank loans and bonds. The increase in interest expenses is related to the fact that in the current year and in connection with the overall (development and construction) status of projects, more interest has been expensed (vs. capitalized) in the income statement. In addition, early redemption of bonds (for an amount of 54,230 KEUR) in connection with the tender offer on the 2013 70 MEUR bonds program has resulted in 2 months additional interest expense on the redeemed amount.

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

22. INCOME TAXES

Income tax expense recognized in the consolidated income statement:

	31.12.2017	31.12.2016
Current income tax	2,572	1,904
Deferred tax	837	10,755
Total	**3,409**	**12,659**

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 analysis is as follows:

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

in thousands €	**31.12.2017**	**31.12.2016**
Result before income taxes	25,146	37,917
Income tax expense calculated at 33.99%	8,547	12,888
Effect of different tax rates in other jurisdictions	0	-
Effect of non-deductible expenses	670	494
Effect of revenue that is exempt from taxation	-1,945	-840
Effect of use of previously unrecognized tax losses	-497	-235
Effect of current year losses for which no DTA is recognized	4,901	540
Effect of tax incentives not recognized in the income statement	5	-291
Effect of under/over-accrued in previous years	350	30
Effect of change in local tax rates	-7,826	-
Effect of reversal DTL re. sale of Retail Leuven	-810	
Other	14	73
INCOME TAX EXPENSE RECOGNISED IN INCOME STATEMENT	**3,409**	**12,659**

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

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

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

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 Ghelamco Invest. These guarantees cover cash deficiency risk, cost overrun, completion risk and interest & repayment shortfall risk. No calls on the guarantees were made in 2017 and 2016.

Company	Project name	Amount of bank loan-books (KEUR)		Corporate guarantees as per 31/12/2017 (KEUR)	
BELGIUM					**Guarantee by Ghelamco Invest NV**
Waterview	Waterview	EUR	1,049	1,049	Cash deficiency guarantee, subordination declaration
Leuven Student Housing					
WRP	Wavre Retail Park	EUR	5,906	5,906	Cash deficiency guarantee
Leisure Property Invest	Golf Knokke Zoute	EUR	17,500	5,000	Corporate Guarantee, cash deficiency, cost overrun, subordination declaration Peridot
Zeewind	Zeewind	EUR	327	327	Corporate Guarantee, cash deficiency
Bischoffsheim Freehold	Spectrum	EUR	1,620	1,620	Corporate Guarantee, cash deficiency
Belalan Bischoffsheim Leasehold	Spectrum	EUR	9,318	9,318	Corporate Guarantee, cash deficiency
Louise Freehold	Edition	EUR	79	79	Corporate Guarantee, cash deficiency
Belalan Louise Leasehold	Edition	EUR	5,283	5,283	Corporate Guarantee, cash deficiency
MeetDistrict Gent	MeetDistrict Gent	EUR	17,940	5,000	Corporate Guarantee, cash deficiency, cost overrun
Ring Multi	part Ghelamco Arena	EUR	10,515	4,000	Corporate Guarantee, cash deficiency
R.H.R.- Industries	Carlton	EUR	10,270	10,270	Corporate Guarantee, cash deficiency, cost overrun
Kubel	The Link	EUR	4,500	4,500	Corporate Guarantee, cash deficiency
Construction Link	City Link	EUR	18,960	18,960	Corporate Guarantee, cash deficiency, shares pledge
Ring Hotel	Ring Hotel	EUR	16,718	16,718	Corporate Guarantee
Dianthus	Arval Site	EUR	2,400	2,400	Corporate Guarantee, cash deficiency, shares pledge
Filature Retail	Tribeca	EUR	3,412	3,412	Corporate Guarantee, cash deficiency, shares pledge
Graminea	Helix Towers	EUR	7,500	7,500	Corporate Guarantee, shares pledge

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 beneficial owners) at 31 December 2017 (but not subsidiary of the Company).

The Company does not apply cross liability, meaning that Ghelamco Invest does not guarantee loans of affiliates belonging to other Investment Holding 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.

MeetBox

№ 354

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 Belgium have a legal obligation to remediate any construction defects that become apparent within the first 10 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's) entering into external financing are offering following collaterals:

- 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);

Generally no cross guarantees on assets are granted by the different SPV's, or 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:

	2017	2016
Architectural and Engineering contracts	2,513	6,637
Construction contracts	45,480	69,370
Purchase of land plots		
Purchase of shares (connected with landbank)	-	5,547
Total	**47,993**	**81,554**

At 31 December 2017, the Company has entered into a number of contracts with third parties for the acquisition of the following assets (plots) or shares:

BINDING CONTRACTS

- None significant per end 2017
- Per end 2016 a framework agreement was outstanding for the acquisition of land parts in the Carlton site in Knokke-Zoute, for the future development the high-end residential project Carlton One in a joint-venture structure with a third party. Shortly before year-end, first part of land parts was acquired through an asset deal for an amount of 8,742 KEUR. And early February 2017, 2nd part was acquired


attenkia
GABLAMCO

through the acquisition of (50% of) the shares of 2 companies holding the remaining land parts. Total share price amounted to 5,547 KEUR.

NON-BINDING CONTRACTS

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

As an investor in commercial and residential properties, the Company is committed to continue the realization 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, significant part of the 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 is contracted with related party entities belonging to the Development Holding.

Related party architecture and engineering contracts in the above overview amount to 0.1 MEUR; related party construction contracts to 24.1 MEUR.

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

Main contracts in the above overview relate to the following projects:
- Tribeca mixed project in Ghent: 6.5 MEUR construction contracts in total (related party agreements)
- Ring Hotel project in Gent: 17.5 MEUR construction contracts in total (related party agreements)

25. RELATED PARTY TRANSACTIONS

The Company is together with the other Investment Holding (sub-)holdings, the Development Holding and the Portfolio Holding – all related parties – under common control of the ultimate beneficial owners, Mr. & Mrs. Gheysens.

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

25.1. RELATIONSHIPS WITH THE DIRECTORS AND MANAGEMENT

For the year ending 31 December 2017, the Consortium (of which the Company is part) paid a total amount of approx. 10,000 KEUR (vs. 10,000 KEUR last year) to the members of the board and management committee. The Company, in turn, paid a total amount of approx. 2,000 KEUR (vs. 2,000 KEUR last year) to the members of the board and management committee. This amount includes management service fees charged by the

management committee members to the legal entities included in the scope of these consolidated financial statements.

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

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 Development Holding:

- Ghelamco NV with its registered office in Ypres;

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 socio-economical permits;
- ensuring compliance with local regulations, namely regarding safety, fire protection, labour and health conditions, construction law;
- maintaining insurance in relation to the construction works throughout the entire construction period.

In accordance with the conditions of the property development contracts, the Contractor has the right to use building sites during the entire period of construction. The Contractor transfers this right to use the site, together with the constructed buildings, to the 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 company and its tenants (when tenants take possession of their premises).

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

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 10% to 20%.

ENGINEERING AND ARCHITECTURAL DESIGN SERVICES

APEC Architectural Engineering Projects Limited (a limited liability company registered under the laws of Ireland), legal subsidiary of the Development Holding) coordinates engineering and architectural design services provided to the Company's larger projects, in accordance with the terms of the respective contracts.
Apec's services include:

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

The price of these services is determined during the feasibility phase of the property development project as a function of the investment value of the project (excluding cost to acquire land) and is usually fixed at 11.5% of the construction value of the project. This fee is paid by a real estate investment entity upon achievement by Apec Ltd 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

There have been no share transactions or other significant transactions with related parties in 2017, except for the sale of Cromme Bosch (high-end residential site in Knokke-Zoute) to Deus Comm. VA, for a total amount of 12,310 KEUR; an at arm's lenght transaction closed in the normal course of the business. In addition, there has been a purchase price adjustment on the sale of the Dacar site to Ghelamco European Property Fund NV for an amount of 4,935 KEUR.

In 2016, the projects on the Dacar site in Ghent were sold to Ghelamco European Property Fund. The share price was based on the underlying fair values of the resp. real estate projects as of 31 December 2016 (i.e. 124.3 MEUR in total).

OTHER

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

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

	31/12/2017	31/12/2016
Purchases of construction, engineering and architectural design:	-39,906	-21,800
related party trade receivable	2,605	6,655
related party trade accounts payable	-603	0
related party non-current loans receivable	2,767	3,122
related party interests receivable	7,005	3,846
related party C/A receivable	150,507	139,253
related party non-current loans payable	-	0
related party interests payable	-51	0
related party C/A payable	-1,350	0

26. EVENTS AFTER BALANCE SHEET DATE

Reference is made to the Eurostadium note in section 9 of this report.
For the remainder, no significant events are to be mentioned.

27.
AUDITOR'S
REPORT

Deloitte.

Ghelamco Invest NV

Statutory auditor's report to the shareholders' meeting for the year ended 31 December 2017 – Consolidated financial statements

Statutory auditor's report to the shareholders' meeting of Ghelamco Invest NV for the year ended 31 December 2017

In the context of the statutory audit of the consolidated financial statements of Ghelamco Invest NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 13 June 2015, in accordance with the proposal of the board of directors. Our mandate will expire on the date of the shareholders' meeting approving the consolidated financial statements for the year ending 31 December 2017. We have performed the statutory audit of the consolidated financial statements of Ghelamco Invest NV for 3 subsequent years.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 752,357 (000) EUR and the consolidated income statement shows a consolidated profit for the year then ended (part of the group) of 21,587 (000) EUR.

In our opinion, the consolidated financial statements of Ghelamco Invest NV give a true and fair view of the group's net equity and financial position as of 31 December 2017 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

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

Emphasis of matter

Without modifying the unqualified opinion expressed above, we draw your attention to note 9 of the financial statements which describes the uncertainty regarding the realization of the Eurostadium and/or the recoverability of the related capitalized amounts.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Valuation of investment property The carrying value of investment property amounts to 317,851 (000) EUR per 31 December 2017 and represents a significant part of the assets of the Group (42 %). In accordance with IAS 40 'Investment Property' and the accounting rules of the Group, investment properties are valued at fair value. The result from revaluation of investment property amounts to 27,060 (000) EUR this year. Changes in the fair values of the investment properties have a significant impact on the consolidated net result and equity. The fair value of investment property is determined by management, and is in most cases supported by valuation reports prepared by external valuators. However, since the determination of fair value involves significant judgement and assumptions, for example concerning estimates of future cash flows, the individual nature of each property and related risks, the projected cost to complete and ability to let if no pre-let agreement is yet in place, the calculation is inherently subjective. We identified the valuation of investment property as a key audit matter, due to the significance of the balance to the financial statements as a whole and the level of judgement associated with determining the fair value, coupled with the fact that only a small percentage difference in individual property valuations could result in material misstatement when aggregated. The Group disclosed the accounting rules applicable for investment property in portfolio and the valuation of the various projects in note 1.9 and note 6 of the consolidated financial statements.	As the valuation of the projects are based on valuation reports prepared by external valuers, we have assessed their competence and qualifications, as well as whether there were any matters that might have affected their objectivity and independence or may have imposed scope limitations upon their work. We also considered fee and other contractual arrangements that might exist between the Group and the valuers. We reviewed the design and implementation of internal controls related to the valuation of investment property. Additionally, we performed a review and challenged the judgement on the significant assumptions used (such as yields, discount rates, void periods,..) and the integrity of the information used for the calculations (rent agreements, m²,..). For a limited number of projects, the valuation is performed by management without an external valuation report supporting the calculation. For these projects, we have discussed the calculation with management and assessed the appropriateness of the calculation method used. Similar to the other projects, we also assessed the reasonableness of the assumptions used and reviewed the integrity of the information used in these calculations. We also considered the adequacy of the Group's disclosures concerning these topics (note 1.9 and note 6).

Valuation of property development inventories The carrying value of property development inventories amounts to 215,187 (000) EUR per 31 December 2017 and represents 29 % of the consolidated balance sheet total of the Group as at 31 December 2017. Property development inventories mainly comprise residential properties. Inventories are measured at the lower of cost and net realizable value at the balance sheet 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. Management of the company performs regular reviews of the net realizable value of its property development inventories. We identified the valuation of property development inventories as a key audit matter, due to the significance of the balance to the financial statements as a whole and the judgement associated with determining the net realizable value, coupled with the fact that impairment indicators in individual properties could result in material misstatement when aggregated. The Group disclosed the accounting rules applicable for property development inventories in portfolio and the valuation of the various projects in note 1.11 and note 9 of the consolidated financial statements.	Management performs the determination of the net realizable value, mostly without an external valuation report supporting the calculation. For these balances, we have discussed the calculation or feasibility study with management and assessed and challenged the appropriateness of the assumptions used. Similar to the investment properties, we also assessed the reasonableness of the assumptions used and reviewed the integrity of the information used in these calculations. For residential projects where sales are being recognized, we review the realized margins for impairment indicators in the remaining property development inventories. We also considered the adequacy of the Group's disclosures concerning these topics (note 1.11 and note 9).

Specific significant transactions The group entered over the past years in a number of transactions which warranted particular additional audit focus due to the magnitude of the transactions and/or the potential for contractual terms that introduce judgement into how they were accounted for. Key transactions subject to additional audit focus were: • Raising 101.6 MEUR of bonds in an EMTN Program. • Disposal of investment property (Retail Leuven) assets for a gross value of 9.4 MEUR. • Acquisition and establishment of joint ventures for the One Carlton project.	For each significant transaction, we held discussion with management and obtained supporting documentation to ensure that we understood the nature of the transaction. We assessed if the proposed accounting treatment in relation to the Group's accounting policies and relevant IFRS standards. We also challenged management on the judgement and assumptions involved in these transactions. Bond loans For the bond loan issuance and compliance with the bond conditions, we examined the placing documents, resolutions passed by the Board of Directors, the Financial Ratio Testing and cash receipts for the new bonds that were issued during the year under review. Acquisitions and disposals For acquisitions and disposals of investment property, we obtained and reviewed key supporting documentation such as Sales and Purchases Agreements and completion statements. Considerations received or paid were agreed to bank statements. We reviewed and challenged the need for contingent liabilities (if applicable). We assessed the accounting treatment adopted by management in view of the group's accounting policies and relevant IFRS standards.
Compliance with covenants The nominal value of the EMTN notes issued by Ghelamco Invest NV amounts to 251.6 MEUR (150 MEUR of the 2015 program and 101.6 of the 2017 program) per 31 December 2017 and represents a significant part of the liabilities of the Group. These notes are subject to a number of covenants on both the level of the Issuer (being Ghelamco Invest NV) and the Guarantor (being Ghelamco Group Comm. VA). We identified the compliance with covenants as a key audit matter, due to the significance of the balance to the financial statements and the fact that if the Issuer or the Guarantor would not meet their respective covenants, the Issuer could be required to repay a large amount of its debt before the due date.	We examined the placing documents in view of restrictive clauses. We reviewed the resolutions passed by the Board of Directors. The Financial Ratio Testing have been reviewed and we tested cash receipts for the new bonds that were issued during the year under review. We also considered the adequacy of the Group's disclosures concerning this topic (note 1.18, note 2.1.2 and note 14.2).

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the 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.

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

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes any public disclosure about the matter.

*

* *

Report on other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary (Revised in 2018) to the International Standards on Auditing (ISA), our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements.

Aspects regarding the directors' report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the period ended 31 December 2017 and it has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement. We do not express and will not express any kind of assurance on the directors' report on the consolidated financial statements.

Statements regarding independence

- No prohibited non-audit services, as referred to by the law, have been performed and our audit firm and, if applicable, our network of audit firms, remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Zaventem, 28 March 2018

The statutory auditor

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