GRANBERO HOLDINGS LTD

IFRS CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2020

Approved by Management with the independent Auditor's opinion

CONTENTS

I

GENERAL INFORMATION AND PERFORMANCE

1. BUSINESS ACTIVITIES AND PROFILE

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

Ghelamco group 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 are generated by the group's professional and enthusiastic staff that is driven by the vision and passion of its management.

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

In Poland, Ghelamco received two awards at the 2020 European Property Awards competition. The Sky-High Art Gallery located on top of the Warsaw HUB has been awarded in the Development Marketing category. It concerns an abstract painting by the recognized artist Łukasz Stokowski, which was placed last year on one of the towers of the Warsaw HUB project.

Foksal 13/15 was awarded in the Residential Renovation/Redevelopment category. The buildings, which had not been renovated since the war, have undergone thorough revitalisation to become luxury downtown residences, which was very much appreciated by the jury.

Furthermore, the Warsaw HUB has been awarded in Prime Property Prize, the prestigious competition of the real estate industry. The Warsaw HUB has won in the Investment of the Year: Commercial Space Market category.

Ghelamco Group's business activities are structured in four major holdings under common control of the ultimate beneficial owners (jointly referred to as "**Ghelamco**" or "**the Consortium**"):

- Ghelamco Group Comm. VA acts as the "**Investment Holding**" and comprises resources invested in real estate projects in Belgium, France, UK and Poland and the intra-group Financing Vehicles, which may also to a certain extent provide funding to the other holdings – hereafter the "Ghelamco Group" or the "Group";
- International Real Estate Services Comm. VA acts as the "**Development Holding**" and represents international entities that provide construction, engineering and development services to the Investment Holding (and to an extent to third parties);
- Deus Comm. VA is the "**Portfolio Holding**" which groups the other activities and real estate investments controlled by the ultimate shareholders;
- Ghelamco European Property Fund NV ("**GEPF**") comprises since 2016 the real estate projects that are kept as income generating products for a longer period of time. The fund is not regulated but acts as a separate legal entity within the group.

2. LEGAL STATUS

Granbero Holdings Ltd (the "Company" or "Granbero Holdings") is the holding company of the Polish activities of Ghelamco Group Comm. VA, which is in turn the holding company of the **Investment Group**.

Granbero Holdings Ltd, together with its subsidiaries (also the "Company") (Note 5), constitute the reporting entity for the purpose of these financial statements.

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

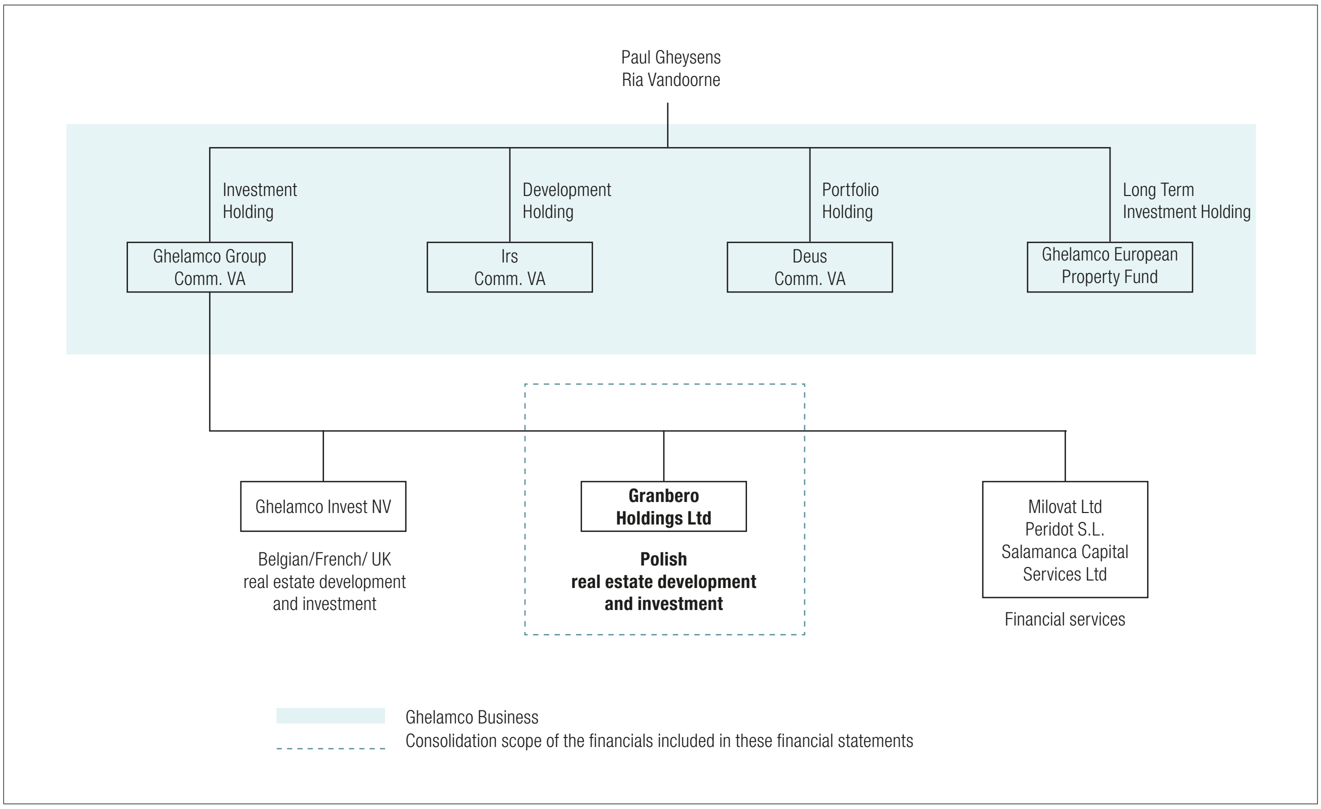
The Company is registered in the Cypriot commercial register under the number HE183542.

3. CONSOLIDATION SCOPE

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

At 31 December 2020 (the reporting date), all the assets and liabilities of the reporting entity (the Company and its direct and indirect legal subsidiaries) are legally linked through the corporate structure as detailed in Note 5 Group Structure.

All assets, liabilities, income and expenses that represented an integral part of the Granbero Holdings activities, are included in the accounts of the legal subsidiaries of the Company at 31 December 2020 and at 31 December 2019.



4. STAFFING LEVEL

Given its nature, there is limited employment in the Company. The construction, engineering and other related services are mainly provided to the Company by the Development Holding's legal subsidiaries. Ghelamco as a whole employed 309 people on 31 December 2020 (vs. 322 on 31 December 2019).

5. BOARD AND MANAGEMENT COMMITTEE

Members of the board and management committee of the Company as of 31 December 2020:

- Mr. Frixos Savvides – Executive director and member of the management committee
- Mr. Stavros Stavrou – Executive director and member of the management committee
- Mr. Christakis Klerides – Executive director
- Ms. Eva Agathangelou – Director

The statutory board of the Polish entities consists of usually 6 board members: the Managing Director Eastern Europe (president of the board) and the local Financial, Commercial, Legal, Technical and Investment Directors.

The Members of the Board actively coordinate and supervise the different Polish teams and support them.

6. BUSINESS ENVIRONMENT AND RESULTS

2020 PERFORMANCE AND RESULTS

The financial year 2020 was marked by the outbreak of the COVID-19 pandemic, which affected the global economy significantly and at all levels. From the beginning of March 2020, the COVID-19 pandemic has had – globally and in Poland – an immediate impact on all commercial activities, in particular when the authorities took successive restricting measures and decided on the mandatory ceasing of all deemed non-essential activities, in an attempt to stem the pandemic. In this difficult context, the Company has been taking all necessary measures to safeguard the continuity of its business and to preserve and strengthen its liquidity position. In particular it has focussed on achieving cost savings whereas possible, postponing investments deemed to be of lower priority and strengthening its financing structure. Furthermore, the Company has focussed on the health and safety of its staff, contractors, customers and other stakeholders. The activities and results of 2020 have only slightly been impacted by COVID-19, proving the effectiveness of the applied approach and strategy and the done efforts.

The Company closed its 2020 accounts with a net profit of 99,797 KEUR. While further paying strong attention to (amongst others technical and environmental) innovation and sustainability, the Company kept the focus on development and commercial activities in its core markets during 2020. The Company has in the current period once more considerably invested in a number of existing projects (mainly the Warsaw HUB and the Warsaw Unit) and succeeded in creating significant added value on its current projects portfolio, despite some uncertainties the markets are currently facing in connection with the COVID-19 crisis. This is reflected in an increased balance sheet total of 1,734,117 KEUR (increase of 303,847 KEUR) and an increased equity of 920,240 KEUR (increase of 110,376 KEUR). This resulted in a solvency ratio of 53.1% as at 31 December 2020 (vs 56.6% at 31 December 2019).

Land bank

In Poland, the Company in first instance maintained its existing land bank but also took advantage of some expansion opportunities. In this respect, end of April 2020 a last 5 MPLN instalment has been paid in connection with the acquisition of a land plot in Piaseczno (suburb of Warsaw) for the future development of approx. 16,000 sqm residential and retail space.

Also, in November 2020, the Company acquired 50% (plus one) of the shares of Abisal Sp. z o.o. in cooperation with an external partner. Subsequently, this company has (indirectly) acquired the rights on a plot in Warsaw for the development of a commercial project of approx. 42,000 sqm lettable office and retail space.

Development and construction

During 2020, the Company further invested in the following projects in Poland:

- The finalization of the construction works of the **Warsaw HUB** project at Rondo Daszynskiego in Warsaw CBD, comprising 3 skyscrapers on a podium that offers a unique combination of office and retail space, with features and amenities such as first-class, unparalleled office space, a conference centre, 3- and 4-star hotel, as well as cafes, restaurants and shops for a total of approx. 118,556 multifunctional lettable sqm. The final and binding occupation permit has been received in July 2020. Finishing works and fit-out for the resp. tenants are being carried out, while tenants are moving in. Final completion and delivery is expected by the end of H1 2021.

[1] Calculated as follows: equity / total assets

• Further and well advanced construction of the **Warsaw UNIT**, approx. 59,000 sqm offices project comprising 46 floors and 400 parking spaces, also at Rondo Daszynskiego in Warsaw CBD. The construction is expected to be finalized by end of March 2021. At the date of the current report, final inspections are being carried out by the official services. The occupancy permit is expected to be obtained in April 2021.
• The finalization of construction works of the **Foksal 13/15** project, including the renovation of the historic buildings, located in the historic heart of Warsaw. In April 2020 the final and binding occupation permit was obtained. The project comprises the realization of 55 unique high-class apartments (approx. 6,400 sqm in total) and five commercial units of approx. 660 sqm. Delivery and hand-over to the resp. buyers is ongoing. Per date of this report, approx. 55% of available residential space has been sold.
• The continuation of the construction works of the **Flisac** project (5,700 sqm of residential space and approx. 980 sqm of retail space on the ground floor, including a two-storey underground parking) in the Powisle district in Warsaw. The project is expected to be completed and delivered in May 2021. Commercialization appears successful as per date of this report, approx. 87% of the available space has already been (pre-)sold.
• Receipt of the building permit in January 2020 and start of the construction works of the **Kreo** project at Wadowicka Street in Krakow (9-storey office project which is to offer approx. 23,700 sqm of office space and retail functions on the ground floor and 325 parking spaces). At the date of this report the ground works have been finished.
• The finalization of the construction works and delivery of the Prochownia **Lomianki** project (shopping center of approx. 5,500 sqm with 153 above ground parking spots, 'Prima Bud SKA') to the resp. tenants. The occupation permit was obtained in November 2019. In December 2020, a 2,300 sqm unit (approx. 45% of the project) has been sold to a food retailer at a sales price of 4.3 MEUR, while another 32% of the available space has been leased.
• Furthermore, mid-March 2020 the building permit has been received for the realization of phase 1 of the **GROEN** project (former working name Konstancin), which is to offer approx. 7,500 sqm of residential space (48 units). The ground works commenced in autumn 2020. Also the commercialization process has been started and currently approx. 52% of the available units have already been (pre-)sold.
• In addition, in October 2020, the building permit has been obtained for the realization of the **Craft** project (approx. 26,800 sqm office space with 240 underground parking lots) at Sciegiennego Street in Katowice. The construction works have been started in November 2020.
• Finally, on 15 December 2020, the building permit has been received for the realization of **The Bridge** (formerly named Bellona Tower). The permit foresees in the construction of a new approx. 47,500 sqm office building and the renovation of an approx. 5,300 sqm existing office building. Construction works have been started shortly after receipt of the building permit.

(Pre-)leasing and occupation of projects:

Ghelamco is aware of the challenges and/or difficulties that some of its customers may be facing and is monitoring the situation closely, on a case-by-case basis. Despite particular circumstances, Ghelamco was able to maintain the lease rates for the delivered Woloska 24 project located in the Warsaw Mokotow District (+/- 23,200 sqm) and for the Plac Vogla retail project (+/- 5,200 sqm) at resp. 97% and 93%.

For the Warsaw HUB, the Company is in advanced negotiations with potential tenants for still available commercial and office spaces. In March 2020 WeWork has – in connection with the actions undertaken by this group at the global level and the reorganization of WeWork's business model in Poland – requested to terminate lease contracts for approx. 10,500 sqm. Currently, lease agreements have signed for approx. 100,500 sqm (i.e. approx. 85% occupancy).

Furthermore, the commercialization process resulted in the signing of lease agreements for already approx. 25,700 sqm in the Warsaw UNIT (taking into account extension options signed) (i.e. approx. 44% occupancy).

Divestures

Except for the sale of a 2,300 sqm unit the Lomianki retail project to a third party investor at a sales price of 4.3 MEUR, there have been no other disposals of investment property in 2020.

Current period's residential revenues mainly related to the Foksal project (55 high-class apartments and 5 commercial units, located at 13/15 Foksal Street in the historic hart of Warsaw). As stated, the sold units are currently being delivered and handed over; which triggers the revenue recognition in the Company's consolidated statement of profit and loss.

Risk factors

Due to its activities, the Company is exposed to a variety of financial and operational risks: including interest rate risk, price risk, credit risk and liquidity risk. We refer to section II of the Consolidated Financial Statements for a detailed description of those risk factors. For the specific risk related to a crisis resulting from the COVID-19 pandemic, also further reference is made to section II below.

The Company usually does not use financial instruments to hedge its exposure in connection to those risks.

Outlook

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

For 2021, the Company will continue its sustained growth ambition. In addition, it will closely monitor specific evolutions in its active markets and real estate segments. In this respect, it has already secured some positions for sizable new projects.

In respect of the COVID-19 pandemic the management has taken all necessary concrete and preventive measures to protect the Company's staff and co-operators the best possible. Management has in addition taken various actions and initiatives to ensure the continuity of its business activities.

Nevertheless the management is conscious that the pandemic will affect certain on-going and scheduled real estate and/or financial transactions. The risks concerned are mitigated as much as possible in open discussions with the involved counterparties. The management will closely monitor and follow up all evolutions concerned and will act diligently to reduce any negative effect on the Company, its staff and its business.

The Company will also continue to focus on R&D and innovation to monitor and improve the realisation of its qualitative development projects. Doing so, management is confident that the projects will remain attractive to tenants and investors.

7. NOTICE TO THE READER

This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2020, assuming the going concern of the consolidated companies.

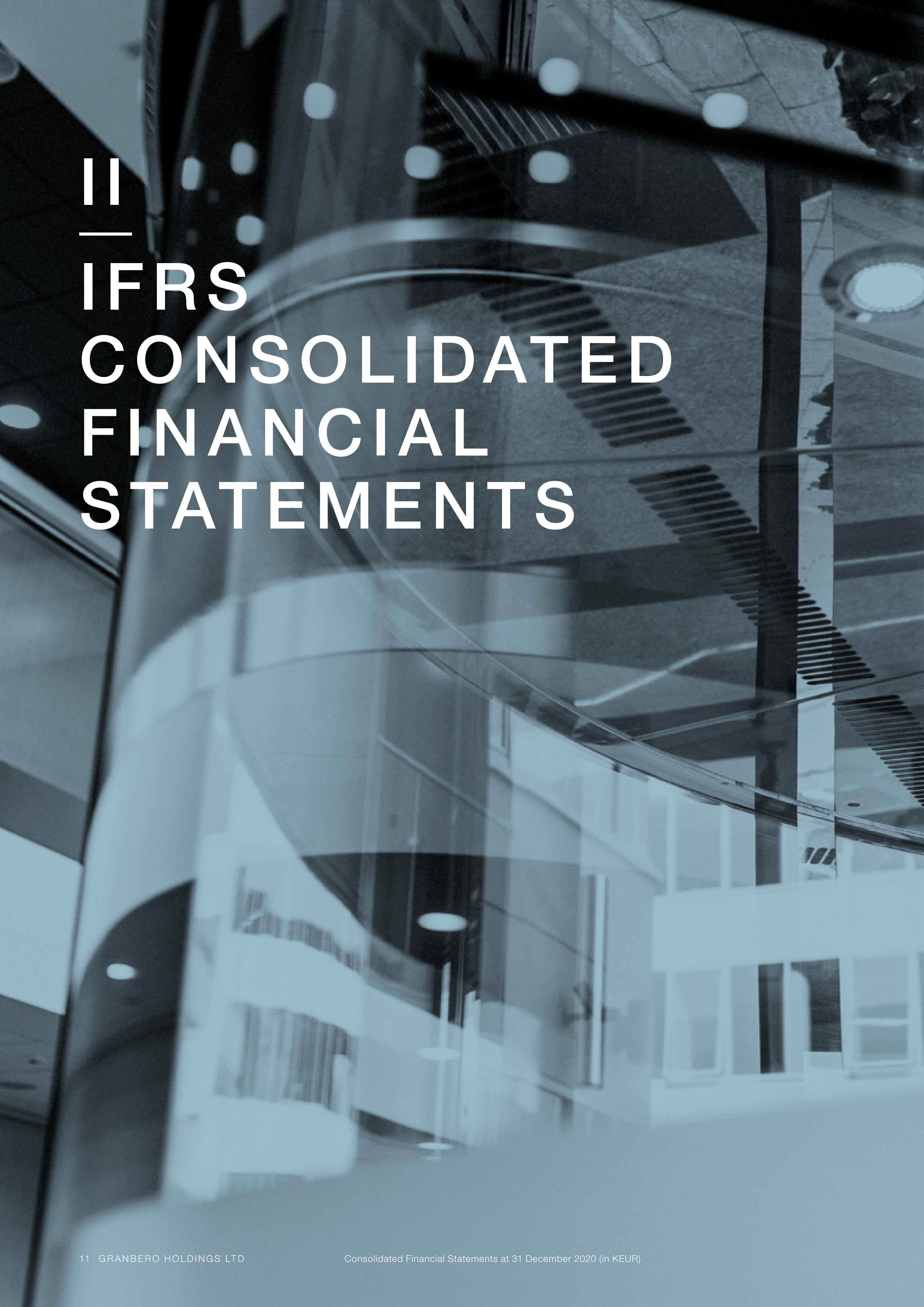
As per today, the Company's core business is the development of and investment in commercial and residential properties. The Company's strategy is to keep commercial property in portfolio for rental purposes while residential properties are dedicated for sale.

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

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

II

IFRS CONSOLIDATED FINANCIAL STATEMENTS



This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2020, assuming the going concern of the consolidated companies and which were approved by the Company's Management on 30 March 2021. 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**	**31/12/2020**	**31/12/2019**
Non-current assets			
Investment Property	6	1,061,655	764,229
Property, plant and equipment		227	343
Receivables and prepayments	9	365,314	332,477
Deferred tax assets	17	3,500	2,360
Other financial assets		233	302
Total non-current assets		**1,430,929**	**1,099,711**
Current assets			
Property Development Inventories	7	78,375	94,229
Trade and other receivables	9	185,451	171,578
Current tax assets		199	213
Assets classified as held for sale	6	0	0
Cash and cash equivalents	11	39,163	64,539
Total current assets		**303,188**	**330,559**
TOTAL ASSETS		**1,734,117**	**1,430,270**

Capital and reserves attributable to the Group's equity holders	**Note**	**31/12/2020**	**31/12/2019**
Share capital	12	67	67
Share premiums	12	495,903	495,903
Currency Translation Adjustment	13	13,849	3,215
Retained earnings	13	408,294	310,668
		918,113	**809,853**
Non-controlling interests	12.2	2,127	11
TOTAL EQUITY		**920,240**	**809,864**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	628,446	426,364
Deferred tax liabilities	17	61,680	39,657
Other liabilities	18	7,747	5,520
TOTAL NON-CURRENT LIABILITIES		**697,873**	**471,541**
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	80,196	91,168
Trade and other payables	19	33,878	56,268
Current tax liabilities	20	1,930	1,429
TOTAL CURRENT LIABILITIES		**116,004**	**148,865**
TOTAL LIABILITIES		**813,877**	**620,406**
TOTAL EQUITY AND LIABILITIES		**1,734,117**	**1,430,270**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	Note	31/12/2020	31/12/2019
Revenue	21	30,981	9,128
Other operating income	22	7,008	6,666
Cost of Property Development Inventories	23	-14,407	562
Employee benefit expense		-883	-949
Depreciation amortisation and impairment charges		-43	-23
Gains from revaluation of Investment Property	6	139,329	93,447
Other operating expense	22	-18,914	-10,815
Share of results in equity accounted investees (net of tax)		-11	0
Operating profit, incl. Share of profit in equity accounted investees, net of tax - result		**143,060**	**98,016**
Finance income	24	13,815	13,691
Finance costs	24	-34,036	-13,556
Profit before income tax		**122,839**	**98,151**
Income tax expense/income	25	-23,042	-16,411
Profit for the year		**99,797**	**81,740**
Attributable to:			
Owners of the Company		97,950	81,740
Non-controlling interests		1,847	0

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Note	31/12/2020	31/12/2019
Profit for the year		**99,797**	**81,740**
Exchange differences on translating foreign operations	13	10,634	2,338
Other		-324	0
Items that are or may be reclassified subsequently to profit or loss		**10,310**	**2,338**
Total Comprehensive income for the year		**110,107**	**84,078**
Attributable to:			
Owners of the Company		108,260	84,078
Non-controlling interests		1,847	0

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C. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Note	Attributable to the owners of the Company			Non-controlling interests	TOTAL EQUITY
		Share capital + share premium	Cumulative translation reserve	Retained earnings		
Balance at 1 January 2019		**495,970**	**877**	**229,043**	**7**	**725,897**
Foreign currency translation (CTA)			2,338			**2,338**
Profit/(loss) for the year				81,740		**81,740**
Dividend distribution						**0**
Change in non-controlling interests					4	**4**
Change in the consolidation scope				-122		**-122**
Other				7		**7**
Balance at 31 December 2019		**495,970**	**3,215**	**310,668**	**11**	**809,864**
Foreign currency translation (CTA)	13		10,634			**10,634**
Profit/(loss) for the year	13			97,950	1,847	**99,797**
Dividend distribution						**0**
Change in non-controlling interests	12.2				269	**269**
Change in the consolidation scope	13			-337		**-337**
Other				13		**13**
Balance at 31 December 2020		**495,970**	**13,849**	**408,294**	**2,127**	**920,240**

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D. CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT FOR 2020 AND 2019	**Note**	**31/12/2020**	**31/12/2019**
Operating Activities			
Profit / (Loss) before income tax		**122,839**	**98,151**
Adjustments for:			
• Change in fair value of investment property	6	-139,329	-93,447
• Depreciation, amortization and impairment charges		43	23
• Result on disposal investment property		2,026	-4,270
• Net interest charge	24	-3,293	-7,642
• Movements in working capital:			
- Change in prop. dev. inventories		-1,467	-28,878
- Change in trade & other receivables		-2,621	296
- Change in trade & other payables		5,118	9,469
•Movement in other non-current liabilities		2,227	-1,509
•Other non-cash items		-137	59
Income tax paid		-1,644	-2,576
Interest paid		-8,989	-3,752
Net cash from operating activities		**-25,227**	**-34,076**
Investing Activities			
Interest received	24	2,563	4,723
Purchase/disposal of property, plant & equipment		73	-37
Purchase of investment property	6	-176,149	-129,057
Capitalized interest in investment property paid	6	-15,400	-16,622
Proceeds from disposal of investment property /assets held for sale	6	4,595	101,840
Cash in-/outflow on other non-current financial assets		-32,768	-15,982
Net cash flow used in investing activities		**-217,086**	**-55,135**
Financing Activities			
Proceeds from borrowings	15	286,088	248,645
Repayment of borrowings	15	-77,178	-126,106
Net cash inflow from / (used in) financing activities		**191,110**	**122,539**
Net increase/decrease in cash and cash equivalents		**-51,203**	**33,328**
Cash and cash equivalents at 1 January of the year		**64,539**	**32,313**
Other effects of exch. Rate changes in non-EUR countries		8,027	-1,102
Cash and cash equivalents at 31 December of the year		**39,163**	**64,539**

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E. SEGMENT INFORMATION

As the vast majority of the assets (and resulting income) of the Company is geographically located in Poland, and Management has a regional approach in decision making, Management does not receive information disaggregated at a lower level than Granbero Holdings as a whole. Hence no segment information has been included in this financial reporting.

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 “Business activities and profile” and Note 5 “Group structure” of these consolidated financial statements for more information on the business activities and the structure of the Company and its position within the Ghelamco business.

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 7 for more details on their presentation.

These financial statements are IFRS consolidated financial statements that include the resources and activities of Granbero Holdings Ltd and its legal subsidiaries that are part of the Ghelamco Investment Group at 31 December 2020.

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

1.2. BASIS OF PREPARATION

These consolidated financial statements include those of the Company and its subsidiaries. The consolidated financial statements were approved for issue by Management on March 30, 2021. 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 2020. The Company has adopted all new and revised standards and interpretations which became applicable for the financial year starting 1 January 2020.

These financial statements have been prepared under the historical cost convention except for Investment Properties, assets classified as held for sale and derivative financial instruments that have been measured at fair value.

1.3. STANDARDS AND INTERPRETATIONS THAT BECAME APPLICABLE IN 2020

Standards and Interpretations that the Company anticipatively applied in 2019 and 2020:

- None

Standards and Interpretations that became effective in 2020:

- Amendments to IAS 1 and IAS 8 Definition of Material
- Amendments to IFRS 3 Business Combinations: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform – Phase 1
- Amendments to references to the Conceptual Framework in IFRS standards
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (issued on 28 May 2020)

The first time adoption of the aforementioned standards and interpretations did not have a significant impact on the financial statements as of 31 December 2020.

Standards and Interpretations which became effective in 2020 but which are not relevant to the Company:

- None

1.4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU);
- Amendment to IFRS 4 Insurance Contracts – deferral of IFRS 9 (applicable for annual periods beginning on or after 1 January 2021, endorsed in the EU)
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 (issued on 11 February 2021, applicable as from 1/4/2021, not yet endorsed)
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (applicable for annual periods beginning on or after 1 January 2021, endorsed in the EU)

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

The Company is currently assessing the possible impact, if any, of standards to be applied as from 2021.

1.5. PRINCIPLES OF CONSOLIDATION

1.5.1. CONSOLIDATION SCOPE

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

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

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

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

The transactions with other entities owned directly or indirectly by the ultimate shareholders of the Ghelamco Consortium are deemed transactions with related parties and are not eliminated, but are presented as balances and transactions with related parties in Note 28.

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

1.5.2. ACQUISITION OF SUBSIDIARIES

Although the 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 2020 and 2019, 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 2020 and 2019 business of the Company consists of developing commercial and residential real estate projects. Commercial properties are held for rental and/or capital appreciation. Residential properties are held for sale in the ordinary course of business.

General rule:

- sale of commercial projects subsidiaries (in which real estate is developed and valued as IP(UC)) is presented in the Income Statement as a disposal of IP and not as a disposal of a subsidiary;
- sale of residential projects subsidiaries (in which real estate is developed and valued as property development inventories) is presented in the Statement of profit or loss 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 2020

In 2020, no commercial or residential SPVs have been sold.

Comments 2019

On 17 January 2019, the .BIG project in Krakow (approx. 10,200 sqm office space and 141 underground parking spaces) was sold to Crédit Suisse. The sale was completed through an enterprise deal (sale of assets plus linked obligations for the buyer), based on an underlying value of the property of 32.9 MEUR.

On 26 April 2019, The Wronia project (16,600 sqm office space in Warsaw CBD) was sold to LaSalle Investment Management. The transaction was completed through a share deal based on an underlying value of the property of 74 MEUR. The transaction has in the financial statements been presented as a disposal of IP.

In 2019, 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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

1.5.5. FOREIGN CURRENCY TRANSLATION

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

Foreign currency transactions

Foreign currency transactions are recognized initially at the exchange rate prevailing at the transactions' date. Subsequently, at closing, monetary assets and liabilities not measured at fair value, denominated in foreign currencies are translated at the balance sheet currency rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement as a financial result.

Foreign entities

For the purpose of the IFRS consolidated financial statements, the results and financial position of each entity are translated in Euro, which is the functional currency of the Company and the presentation currency for the IFRS consolidated financial statements. In consolidation, the assets and liabilities of the group companies using a different functional currency than the Euro are translated in Euro using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified in equity, within the "Cumulative translation reserve". Such translation differences are recognized as income or as expenses in the period in which the entity is sold, disposed of or liquidated.

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

	2020		2019	
	Closing rate at 31 December	Average rate for 12 months	Closing rate at 31 December	Average rate for 12 months
Polish Zloty (PLN)	4.6148	4.4449	4.2585	4.2988
United States Dollar (USD)	1.2271	1.1422	1.1234	1.1195

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 on a pro rata temporis basis. The depreciable amount is the acquisition cost.

The applicable useful lives are:
Property, plant and equipment:

- Buildings: 20 to 40 years
- Vehicles: 5 years
- Equipment: 5 to 10 years

1.7. LEASES

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. All right-of-use assets complying with the definition of Investment property will be presented as Investment property and are subsequently recognized at fair value.

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The other right-of-use assets will be presented in the most appropriate caption, taking into account the nature of the assets on which the right-of-use has been granted. These other right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. These other right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease lability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The incremental borrowing rate is determined as the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- to the extent possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received, and
- makes adjustments specific to the lease, e.g. considering term, country, currency and applicable securities.

To the extent applicable, payments associated with short-term leases of equipment and vehicles and leases of low-value assets are (still) recognised on a straight-line basis as an expense in profit or loss, in accordance with the provisions of IAS 17 "Leases". Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. The Company leases IT equipment with contract terms of one to three years. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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 initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss. Fair fair value is determined by independent, external or property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued, or by management. In the former case, renowned external appraisers carry out an external inspection of the property and they are provided with the necessary supporting documentation (regarding property title over the involved property, copies of (building) permits, architectural plans, renderings, copies of (preliminary) lease contracts), based on which they prepare their resp. valuation reports.

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

The Company distinguishes four different stages for Investment Property:

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

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

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

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

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

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

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

plus capitalized borrowing costs, if the below building permit and lease conditions are not (yet) fulfilled
- Projects under (C): fair value of the (permitted) land plus fair value of the construction part, if the below building permit and lease conditions are fulfilled

By consequence, fair value adjustments have been recognized as follows:
- Projects under (A): fair value of the land minus the gross land cost (including purchase price of the land, costs on the purchase, capitalized financial costs);
- Projects under (B): fair value of the land minus gross land cost;
- Projects under (C): fair value of the land minus gross land cost, plus fair value of the construction part minus cost of the construction part, to the extent the below conditions are met.

In assessing the fair value, the 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.

1.9.2 COMPLETED INVESTMENT PROPERTIES (D)

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

Completed Investment Properties are valued by internationally qualified appraisers as of the end of the period, based on market values in accordance with the RICS Valuation Standards or based on managements' valuation assessment.
They are recognized at fair value reflecting the market conditions at the balance sheet date. Market values of the project are calculated based on the Yield method or Discounted Cash Flow method, depending on the type of project, its status and the location.

Fair value of IP is determined as follows
- Projects under (D): fair value of the completed project

By consequence, fair value adjustments have been recognized as follows:
- Projects under (D): fair value of the completed project minus gross land cost, minus cost of the construction part (capitalized interest expenses included)

In the case of a contingent consideration payable for a property acquired, the asset 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).

As stated above and to the extent applicable, borrowing costs are included in the construction cost. Borrowing expenses are being capitalized until delivery of the project.

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, and 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 are complete or sale in its current condition is possible. 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, based on feasibility studies, recent transaction data and other available information.

The most recent review indicated that the overall net realizable value of the Property Development Inventory of the Company exceeded its carrying amount measured on a historical cost basis (Note 7). For that, no write-downs have been recognized in the 2020 IFRS consolidated financial statements. The same goes for 2019.

Perpetual usufruct and operating lease contracts of land:

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

The perpetual usufructs held by the Company are recognized in accordance with IFRS 16 “Leases”. In this respect, further reference is made to note 16.

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.

The Company recognises loss allowances for Expected Credit Losses (“ECLs”) mainly on financial assets measured at amortised cost and contract assets.

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

As the Company has opted for the simplified approach, loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

The amount of the allowance 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 off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written down are credited in the Income Statement.

1.13. FINANCIAL ASSETS

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

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

The investments in equity instruments that do not have a quoted market price in an active market are required to be measured at fair value. The Company determines that cost is an appropriate estimate of fair value (this valuation principle applies mainly to the investments in entities under the control of the ultimate beneficial owners of the Company, not included in the consolidation scope of these financial statements).

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

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

1.14. CASH AND CASH EQUIVALENTS

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

1.15. SHARE CAPITAL

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

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

1.16. CURRENT AND DEFERRED INCOME TAXES

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

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

Deferred tax is recognized, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred tax is recognized on all temporary differences.

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, recognized against goodwill.

No deferred taxes are accounted for temporary differences arising from 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, temporary differences relating to the investments in subsidiaries, associates and joint arrangements to the extent that they will probably not reverse in the foreseeable future, and taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized (Note 17).

1.17. TRADE AND OTHER PAYABLES

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

1.18. BORROWINGS

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

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

1.19. REVENUE RECOGNITION AND RESULT ON DISPOSAL

Revenue mainly includes sales of property development inventory and rental income.

Sale of Property Development Inventory

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

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

In accordance with IFRS 15, the company assesses on a case-by-case basis:

- Whether the agreement, the contract or the transaction falls within the scope of IFRS 15, including by taking into account the probability of the entity recovering the consideration to which it is entitled;
- Whether, under a contract, the sale of the land, the development and the commercialisation represent distinct performance obligations;
- Whether, for each obligation, the revenue is subject to a gradual transfer of control, particularly for projects which satisfy the third criterion defined by IFRS 15.36 (“Performance creating a specific asset and giving rise to an enforceable right to payment for performance completed to date"), and must be recognised gradually.

In accordance with local laws and legislation, revenue from off-plan apartment sales is deferred (i.e. deferred income) till the recognition at delivery; i.e. revenue recognized at a point in time.

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

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

Rental income

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

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

Sale of Investment Property

Other operating income from the sale of investment property is recognized when the buyer obtains control of the property, for an amount to which the Company expects to be entitled in exchange for the transfer of the property.

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

When an Investment property project is disposed, the result on disposal is determined based on the difference between the sales value per date of disposal and the carrying/ fair value per books at year-end of the previous accounting year. When an Investment property project is disposed in the second half of the year, the result on disposal is determined based on the difference between the sales value per date of disposal and the carrying/ fair value per books at 30 June.

2. FINANCIAL RISK MANAGEMENT

2.1. FINANCIAL RISK FACTORS

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

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

2.1.1. FOREIGN EXCHANGE RISK

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

The Company concludes main part of financing, engineering, architectural and construction contracts in Euro and in PLN. Leasing of the properties is Euro based and eventual later disposal of assets or shares is usually expressed or negotiated in Euro.

In the above respect, the Company has over the past years issued significant amounts of Polish bearer bonds (with an outstanding amount of 1,202.4 MPLN as of 31 December 2020). The Polish Zloty risk is by consequence mainly related to the mentioned PLN bond issues, some local contracts and the sale of residential projects.

The Company mitigates its currency risk exposure by matching incoming and outgoing flows per currency as much as possible.

As stated, main net foreign currency position which the Company holds at the reporting date relates to the Polish bearer bonds in PLN for a (net) amount of 1,174.0 MPLN. A 10% strengthening/weakening of the EUR against the PLN rate at 31 December 2020 would resp. have increased/decreased the EBT by approx. 25.7 MEUR. This analysis assumes that all other variables (e.g. interest rates) remain constant.

In addition, trade payables in PLN are outstanding for an amount of 102.9 MPLN. A 10% strengthening/weakening of the EUR against the PLN rate at 31 December 2020 would resp. have increased/decreased the equity by approx. 2.3 MEUR. This analysis assumes that all other variables (e.g. interest rates) remain constant.

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

2.1.2. INTEREST RATE RISK

The Company actively uses external and related party borrowings to finance its property development projects. A property project's external financing is usually in the form of a bank loan denominated in Euro or PLN (see Note 14). Since Ghelamco Invest Sp.

z o.o. is issuing bearer bonds (of which 1,202.4 MPLN outstanding per balance sheet date), Polish projects can also be partly financed through the proceeds of these bonds.

Except for some ad-hoc interest hedging in the past, the Company did not enter into significant external interest rate hedging transactions to eliminate exposure arising from the long-term investment loans over the last 5 years. The 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 and usually structured within the involved project entity:

- Land acquisition loans (usually provided for a term of two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin.
- Construction loans provided until completion of construction and obtaining of the exploitation permit (usually for a term of about two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin. The land acquisition loan is at this stage integrated in the development loan.
- Once the property is completed, leased and meets all ongoing covenants, the development loan can be turned into an investment loan usually provided for a period of five years beginning from the signing of the investment loan agreement and repayable upon sale or refinancing of the property. The banks are usually willing to increase development loans up to an amount that reflects 65% to 75% of the property's market value, once all ongoing covenants are met. The interest is usually a mix of floating and fixed rates. In addition, the capital is reimbursed at a level between 4% and 7% per annum (on average), payable on a quarterly, half-yearly or yearly base together with the accrued interest.
- For the Polish projects: 1,202.4 MPLN proceeds from bond issues with a term of 3.5 to 5 years and bearing an interest of Wibor 6 months + 3.6%-5% or a fixed interest at 5.5%-6.1%; proceeds of which can be used over the resp. project development stages.

The Company actively uses intra-group borrowings provided by the Ghelamco Group Financing Vehicles acting as financial intermediaries (mainly Milovat at 31 December 2020) to finance the property development projects in Poland. These related party (EUR) 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 projects 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.
Property projects are usually realized in cooperation with parties related to the Company (see Note 28.2).

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

Permit risk

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

Construction risk

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

Engineering risk

The Company has to remain in control for the design, layout and structural or finishing elements of the building. Any change in engineering automatically leads to cost increases or decreases.

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.
The Company has in addition been able to call upon alternative financing through the issue of bearer bonds (1.202,4 MPLN total outstanding as of 31 December 2020, see 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 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

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivable from customers.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Some limited credit risk may arise from credit exposures with respect to rental customers/ tenants (mostly renowned international companies) and outstanding balances with related parties. Outstanding non-current loans receivable, current loans receivable and interests receivable are mainly towards related parties, which are under control of the Ghelamco Consortium and/or the ultimate beneficial owners.

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

Trade receivables and contract assets:
The Company's exposure to credit risk is influenced mainly by individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Company's entities are setting credit limits based on financial information (amongst others external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references) and business knowledge, which are duly approved by management.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for its customers.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be default when:

- The debtor is unlikely to pay its credit obligation to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 120 days past due.

Given the nature and specific characteristics of the Company's business, no concentrations of credit risks are to be mentioned. No significant allowances for non-payment were necessary in the current or previous year.

For further analysis, reference is made to note 9.

2.1.5 LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet the 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 14.1 where the available financing is described.

2.1.6 ECONOMIC RISK

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

2.1.7 RISK RELATED TO A CRISIS RESULTING FROM THE COVID-19 PANDEMIC

The management of the Covid-19 global pandemic has led and could in the future lead to economic activities being shut down as well as lockdowns imposed by the government. The crisis may accelerate evolutions in the use and need of residential, office and commercial real estate.

The potential impact on Ghelamco's business is assessed as follows:

- The interruption or slow-down of work on construction sites of resp. projects: Ghelamco's management has adopted stringent health and safety measures on its construction sites. The constant monitoring of these measures has to date ensured that the anticipated and contractual delivery dates of the current projects (mainly the Warsaw HUB, Warsaw UNIT, Foksal 13/15 and Flisac) to Ghelamco's tenants or owners (for Flisac and Foksal 13/15) are maintained.

- Lower demand for office spaces and/or changed expectations from tenants regarding working environment: Ghelamco is aware that the crisis may accelerate evolutions in the use and need of real estate. In this respect, it is expected that in the offering of office space, strong attention should be paid to flexibility (combination with teleworking), social distancing, and health (ventilation, air-conditioning with air exhaust …). Ghelamco has always focused on R&D and innovation in order to ensure the realization of qualitative projects, to comply with the constant evolution in expectations or needs as to comfort, health, flexibility, safety, …

  Ghelamco has introduced the co-working concept providing great flexibility to clients in terms of needed office space, meeting rooms, duration of lease contract, related services and equipment. Furthermore, significant parts of development projects which are currently under construction or in the pipeline are already pre-let (HUB approx. 85%, Warsaw UNIT approx. 45%).

  Ghelamco's management is confident that high quality real estate remains attractive to tenants and investors.

- Financial difficulties of tenants with affected business, which could have an impact on the Company's income and cash flow: Ghelamco's tenants are mainly reputable and credit-worthy national and international parties. There have been no significant lease terminations nor rent concessions granted to tenants and no important rent arrears were noted to date. Also, Ghelamco's income from tenants is as of 31 December 2020 only representing 35% of revenue.

- Valuation of investment properties and property development inventories:
  - Investment properties: Net positive fair value adjustments have been recognized on the Company's portfolio. The main fair value adjustments have been recognized on the HUB (+90,229 KEUR), Unique (+27,142 KEUR), the Warsaw UNIT (+8,940 KEUR), The Bridge (former Bellona Tower) (+7,894 KEUR), Abisal (+5,074 KEUR) and Woloska 24 (+3,138 KEUR), as a result of the current period's development and commercial efforts, slightly compensated by a negative fair value adjustment (-3.1 MEUR) on other projects, a.o. reflecting the impact of the COVID-19 crisis on the main valuation parameters (mainly yields).
  - Property development inventories: construction works, the sale of residential units and planned development in relation to property development inventories have not been significantly impacted by Covid-19. Based on management's review, no impairment adjustments have been required to reduce the cost of property development inventories to its net realizable value as of 31 December 2020.

- Permits: The necessary administrative permits have been difficult to obtain during 2020 due to restrictions on the operation of many authorities caused by the COVID-19 pandemic. The risks concerned are mitigated to the extent possible by ongoing open discussions with the involved parties.

- Less easy access to financing and/or increased interest rates required by banks and financial markets, with a potential impact on liquidity: The availability of credit facilities during 2020 has significantly decreased, with banks tightening credit-granting criteria in response to highly volatile situation. The risks concerned are mitigated to the extent possible by ongoing open discussions with the involved parties. Still, Ghelamco currently has a sound spread of its financing sources, over different types of facilities: bank loans, bonds and some other mezzanine financing. Short term bond repayment obligations amounting to 141.9 MPLN are mainly covered through reservations of currently available funds and refinancing through new bond issues in Q1 2021. Short-term bank loans mainly relate to VAT bridging loans on the one hand and to loans which are covered through rental income and/or residential sales proceeds on the other hand. As of 31 December 2020, the financing needs of Ghelamco in respect of the ongoing projects are sufficiently covered. Given the sound project pipeline, management continues to closely monitor its leverage and solvency ratios in accordance with its lender agreements, exploring the most optimal financing of its purchase commitments and ongoing development projects as well as timing of realization of projects. As of 31 December 2020, the Company has been in compliance with its loan covenants.

2.2. CAPITAL RISK AND BALANCE SHEET STRUCTURE MANAGEMENT

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

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 international financial markets. Company management closely monitors solvency, liquidity, return on invested capital and profitability levels during the year (at least at half-year and year-end) and at different stages of the life cycle of the projects.

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 based on the solvency ratio. This ratio is calculated as total equity divided by the balance sheet total. The solvency ratios at 31 December 2020 and 2019 were as follows:

	2020	2019
Equity	920,240	809,864
Total assets	1,734,117	1,430,270
Solvency ratio	**53.1%**	**56.6%**

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.

Write-down of inventory

The risk of impairment arises from uncertainties typical to the real estate development industry. The net realizable value is supported by feasibility studies based on the

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expected development scenario or recent sales transactions.
No write-downs to net realizable value have been recognized on inventory items in 2020 and 2019.

Income taxes

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

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

- Poland: 19% (to 15% if some conditions are met)
- Cyprus: 12.5%

The recognition of deferred tax assets is based on the estimated available future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised. The available future taxable profit is derived from a business plan that includes different ongoing projects. We refer to note 17.

Fair value estimation

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

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

In conformity with IFRS 9 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 and section 2.1.6.

4. LIST OF SUBSIDIARIES

Granbero Holdings Ltd. Subsidiaries and equity accounted investees included in these IFRS consolidated financial statements are as follows:

Entity description	Country	31/12/2020 % voting rights	31/12/2019 % voting rights	Remarks
GRANBERO HOLDINGS Ltd.				
Apollo Invest Sp. z o.o	PL	100	100	
Prima Bud Sp. z o.o.	PL	70	70	
Ghelamco Invest Sp. z o.o	PL	100	100	
Ghelamco GP 1 Sp. z o.o	PL	100	100	
Ghelamco GP 1 Sp. z o.o. Konstancin SKA	PL	100	100	
Ghelamco GP 1 Sp. z o.o. Port Żerański SKA	PL	100	100	
Ghelamco GP 8 Sp. z o.o. Dahlia SKA	PL	100	100	
Tilia BIS Sp. z o.o (former Ghelamco GP 1 SP. z o.o. Tilia SKA)	PL	100	100	
Innovation Bud Bis Sp. z o.o. (former Innovation SKA)	PL	100	100	
Sobieski Towers Sp. z o.o. (formerly Ghelamco GP 9 Sp. z o.o. Sobieski Towers Sp.k.)	PL	100	100	
Ollay Sp. z o.o. Market SKA	PL	100	100	
Erato Sp. z o.o. (former Ghelamco GP 1 Sp. z o.o. Erato SKA)	PL	100	100	
Oaken Sp.z o.o. Pattina SKA	PL	100	100	
Ghelamco GP 1 Sp. z o.o. Unique SKA	PL	70	70	
Octon Sp.z.o.o. PIB SKA	PL	100	100	
Ghelamco GP 1 Sp. z o.o. Vogla SKA	PL	100	100	
Ghelamco GP 5 Sp. z o.o. (former Fusion Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 11 Sp. z o.o. the HUB SKA (former Ghelamco GP 5 Sp. z.o.o. Sienna Towers SKA)	PL	100	100	
Ghelamco GP 4 Sp. z o.o. SBP SKA	PL	100	100	
Ghelamco GP 5 Sp. z o.o. Foksal SKA	PL	100	100	
Ghelamco GP 3 Sp. z o.o. (former Belle Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 7 Sp. z o.o. (former Power Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 7 Sp. z o.o. Postępu SKA	PL	100	100	
Ghelamco GP 2 Sp z o.o	PL	100	100	
Ghelamco GP 4 Sp. z o.o. (former Betula Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 2 Sp. z o.o. M12 SKA	PL	100	100	
Ghelamco GP 6 Sp. z o.o. (former Opportunity Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 6 Sp. z o.o. HQ SKA	PL	100	100	
Ghelamco GP 9 Sp. z o.o. Isola SKA	PL	100	100	
Ghelamco GP 8 Sp.z o.o.	PL	100	100	
Ghelamco GP 2 Sp. z o.o. Sigma SKA	PL	100	100	
Ghelamco Garden Station Sp.z o.o.	PL	99	99	
Creditero Holdings Ltd.	CY	100	100	
Ghelamco Gdanska PI Sp. z o.o.	PL	100	100	
Ghelamco PL Management Sp.z o.o. (former Warsaw Spire Management Sp. z o.o.)	PL	0	100	4.4
Ghelamco GP 10 SP. z o.o. (former Chopin Project sp. z o.o.)	PL	100	100	
Ghelamco GP 2 Sp. z o.o. Synergy SKA	PL	100	100	
Ghelamco GP 5 Sp. z.o.o. Canna SKA	PL	100	100	
Ghelamco GP 10 Sp. z o.o. Azira SKA	PL	100	100	
Laboka Holdings Ltd	CY	100	100	
Esperola Ltd	CY	100	100	
Woronicza Sp. z o.o. Sp k	PL	100	100	
Milovat Ltd	CY	100	100	
P22 Lódz Sp. z o.o.	PL	50	50	*
Ghelamco GP 1 Sp. z o.o. Azalia SKA	PL	70	70	
Estima Sp. z o.o.	PL	70	70	
Laboka Poland Sp. z o.o.	PL	100	100	
Kemberton Sp. z o.o.	PL	100	0	4.1
Abisal Sp. z o.o.	PL	51	0	4.1

(*) Held in a 50/50 joint venture structure and for that included in the financial statements under the equity method

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

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

The summary of incorporations, acquisitions and disposals of subsidiaries (and other business units) realized by the Company during the year ended on 31 December 2020 is presented below. The acquisitions and disposals of real estate subsidiaries are treated in accordance with the accounting policy as described in section 1.5.2 and 1.5.3.

4.1. ACQUISITIONS AND INCORPORATIONS OF SUBSIDIARIES

During 2020 the Company acquired 100% of the shares of Kemberton Sp. z o.o., and this way obtained a position in a real estate property, in view of the re-development of the property.

Also, in November 2020, the Company acquired 50% (plus one) of the shares of Abisal Sp. z o.o. in a cooperation with an external partner. Subsequently, this company has (indirectly) acquired the rights on a plot in Warsaw for the development of a commercial project of approx. 42,000 sqm lettable office and retail space. The transaction was based on an underlying property value of approx. 22,5 MEUR.

In the course of 2020 also some other, new SPV's have been acquired or incorporated and are (directly or indirectly) held for 100% by the Company. All have in addition been acquired or incorporated for (directly or indirectly) holding future real estate developments. These transactions have had limited to no impact on the Company's 2020 consolidated financial statements.

4.2. DISPOSAL OF SUBSIDIARIES

During 2020 no subsidiaries have been sold.

4.3. MERGERS, DE-MERGERS AND LIQUIDATIONS OF SUBSIDIARIES

In 2020, there have been no mergers or liquidations of subsidiaries.

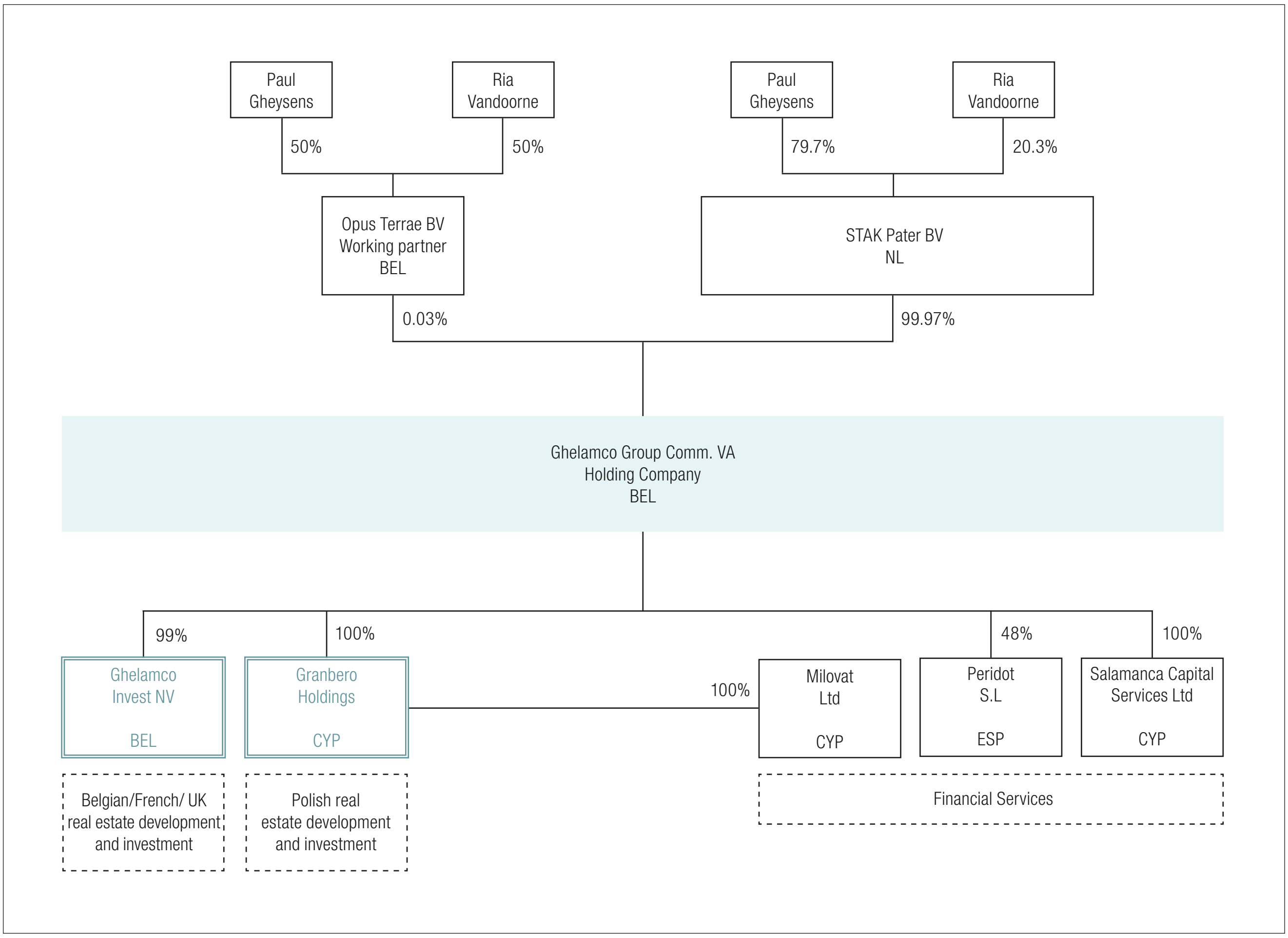
4.4. TRANSFER OF SUBSIDIARIES

On 23 January 2020, 100% of the shares of Ghelamco PL Management Sp. z o.o., have been sold to Hanseta Holdings Limited, related party of the Company. The share price amounted 1,000 PLN. The transaction resulted in a gain of 658 KEUR in the Company's 2020 consolidated financial statements.

For the remainder, no other (share) transactions with related parties took place in 2020.

5. GROUP STRUCTURE

5.1. INVESTMENT HOLDING AS PER 31 DECEMBER 2020



5.2. POLISH REAL ESTATE DEVELOPMENT AND INVESTMENT AS PER 31 DECEMBER 2020

GRANBERO HOLDINGS LTD
CYP

- 100% Milovat Ltd - CYP
- 100% Ghelamco Invest Spzoo - POL
- 70% Prima Bud Sp. z.o.o. - POL
- 100% Apollo Invest Sp. z.o.o. - POL
- 100% Innovation Bud Bis Sp. z.o.o. - POL
- 100% Oscroft Sp. z.o.o. - POL
- 100% Orrin Sp. z.o.o. - POL
- 100% Oaken Sp. z.o.o. - POL
- 70% Pianissima Sp. z.o.o. - POL
- 100% Woronicza Sp. z.o.o. - POL
- 100% Qanta Sp. z.o.o. - POL
- 100% Erato Sp. z.o.o. - POL
- 100% Ghelamco GP 1 Sp. z.o.o. - POL
- 100% Ghelamco GP 2 Sp. z.o.o. M12 S.K.A. - POL[2]

- 100% Ollay Sp. z.o.o. Market S.K.A. - POL

- 100% Oaken Sp. z.o.o. Pattina S.K.A. - POL

- 100% Octon Sp. z.o.o. - POL
- 100% Ollay Sp. z.o.o. - POL

- 100% Creditero Holdings - CYP
- 100% Esperola Ltd - CYP
- 51% P22 Lódz Sp. z.o.o. - POL[12]
- 100% Ghelamco GP 5 Sp. z.o.o. - POL
- 100% Ghelamco GP 3 Sp. z.o.o. - POL
- 100% Ghelamco GP 4 Sp. z.o.o. - POL
- 100% Ghelamco GP 10 Sp. z.o.o. - POL
- 100% Ghelamco GP 7 Sp. z.o.o. - POL
- 100% Ghelamco GP 2 Sp. z.o.o. - POL
- 100% Ghelamco GP 6 Sp. z.o.o. - POL
- 100% Ghelamco GP 8 Sp. z.o.o. - POL
- 100% Ghelamco GP 9 Sp. z.o.o. - POL
- 100% Ghelamco GP 11 Sp. z.o.o. - POL
- 100% Orston Sp. z.o.o. - POL
- 100% Ghelamco GP 16 Sp. z.o.o.
- 100% Laboka Poland Sp. z.o.o. - POL

- P22 Lódz Sp. z.o.o. Sp.k. - POL

- 100% Octon Sp. z.o.o. PIB S.K.A. - POL

- 100% Headland Holdings Polska Sp. z.o.o. - POL

47% 51%

- LAND S.A. - POL

- 100% Laboka Holdings Ltd - CYP

- 100% Ghelamco GP 1 Sp. z.o.o. Port Zeranski S.K.A. - POL[1]
- 70% Ghelamco GP 1 Sp. z.o.o. Azalia S.K.A. - POL
- 100% Ghelamco GP 1 Sp. z.o.o. Beta S.K.A. - POL[1]
- 100% Ghelamco GP 1 Sp. z.o.o. Vogla S.K.A. - POL[1]
- 100% Ghelamco GP 10 Sp. z.o.o. Azira S.K.A. - POL[10]
- 100% Tilia Bis Sp. z.o.o. - POL
- 100% Ghelamco GP 9 Sp. z.o.o. Isola S.K.A. - POL[9]
- 100% Ghelamco GP 4 Sp. z.o.o. SBP S.K.A. - POL[4]
- 100% Ghelamco GP 7 Sp. z.o.o. Postępu S.K.A. - POL[7]
- 100% Ghelamco GP 2 Sp. z.o.o. Synergy S.K.A. - POL[2]
- 100% Ghelamco GP 2 Sp. z.o.o. Zafina S.K.A. - POL[2]
- 100% Ghelamco GP 8 Sp. z.o.o. Dahlia S.K.A. - POL[8]
- 100% Ghelamco GP 17 Sp. z.o.o. Hotel S.K.A. - POL[17]
- 100% MeetDistrict Sp. z.o.o. - POL
- 100% Ghelamco GP 5 Sp. z.o.o. Canna S.K.A. - POL[5]
- 100% Ghelamco GP 11 Sp. z.o.o. Epona S.K.A. - POL[11]
- 70% Ghelamco GP 1 Sp. z.o.o. Unique S.K.A. - POL
- 100% Ghelamco GP 1 Sp. z.o.o. Konstancin S.K.A. - POL[1]
- 70% Ghelamco GP 1 Sp. z.o.o. Tarima S.K.A. - POL[1]
- 100% Ghelamco GP 5 Sp. z.o.o. Foksal S.K.A. - POL[5]
- 100% Ghelamco GP 2 Sp. z.o.o. Sigma S.K.A. - POL[2]
- 100% Ghelamco GP 2 Sp. z.o.o. Eurema S.K.A. - POL[2]
- 100% Ghelamco GP 6 Sp. z.o.o. HQ S.K.A. - POL[6]
- 100% Ghelamco GP 11 Sp. z.o.o. the HUB S.K.A. - POL[11]
- 70% Estima Sp. z.o.o. - POL
- 100% Ghelamco GP 10 Sp. z.o.o. NCL B1 SKA - POL [10]
- 100% Ghelamco GP 10 Sp. z.o.o. NCL B2 SKA - POL [10]
- 100% Ghelamco GP 10 Sp. z.o.o. NCL B3 SKA - POL [10]
- 100% Ghelamco GP 10 Sp. z.o.o. Arifa SKA - POL [10]
- 100% Sobieski Towers Sp. z.o.o. - POL
- 99% Ghelamco PL 17 spzoo w organizacji
- 99% Ghelamco PL 18 spzoo w organizacji
- 99% Ghelamco PL 19 spzoo w organizacji
- 100% Kemberton Sp. z.o.o. - POL
- 51% Abisal Sp. z.o.o. - POL

- 100% NCL Hotel Sp. z.o.o. - POL

- 100% Ghelamco Gdanska Pl Sp. z.o.o. - POL

- 99% Ghelamco Garden Station Sp. z.o.o. - POL

(1) remaining participation at general partner Ghelamco GP 1 Spzoo, (2) remaining participation at general partner Ghelamco GP 2 Spzoo,
(3) remaining participation at general partner Ghelamco GP 3 Spzoo, (4) remaining participation at general partner Ghelamco GP 4 Spzoo,
(5) remaining participation at general partner Ghelamco GP 5 Spzoo, (6) remaining participation at general partner Ghelamco GP 6 Spzoo,
(7) remaining participation at general partner Ghelamco GP 7 Spzoo, (8) remaining participation at general partner Ghelamco GP 8 Spzoo,
(9) remaining participation at general partner Ghelamco GP 9 Spzoo, (10) remaining participation at general partner Ghelamco GP 10 Spzoo,
(11) remaining participation at general partner Ghelamco GP 11 Spzoo, (12) remaining participation at Budomal Estate (not a Ghelamco company)
(17) remaining participation at general partner Ghelamco GP 17 Spzoo

6. INVESTMENT PROPERTY

The Company's current strategy is to keep commercial property for rental purposes while residential properties are dedicated for sale.
Plots of land held, for which the management determines that the plot will be used in a project generating rental income, are classified as Investment Properties on 31 December 2020 and 31 December 2019.

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

A. Land without pre-permit approval, held for capital appreciation or undetermined use (fair value usually based on comparative method);
B. Land with pre-permit 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 (fair value based on income/yield/DCF method).

SPV	Commercial Name	Valuation	Cat	31/12/2020 KEUR	31/12/2019 KEUR
POLAND					
Apollo Invest	The Warsaw UNIT	Savills	C	181,094	108,651
Postępu SKA	Postępu Business Park	KNF	B	7,090	7,190
HUB SKA	The HUB	KNF	C/D	526,798	373,170
Sobieski SKA	Sobieski Tower	BNP	B	35,095	34,447
Market SKA	Mszczonow Logistics	Man	A	2,770	2,832
SBP SKA	Synergy Business Park Wroclaw	JLL	B	23,459	25,782
Isola SKA	The Bridge (Former Bellona Tower)	BNP	D/A	40,700	32,143
Sigma SKA	Wola project (former Chopin + Stixx)	Savills	B/D	46,510	44,335
Vogla SKA	Plac Vogla	Savills	D/A	15,700	16,200
Dahlia SKA	Woloska 24	KNF	D	56,080	57,890
Synergy SKA	Craft (Katowice)	JLL	A	3,600	3,900
Azira SKA	Nowe Soho (Lodz)	BNP	C	27,199	27,891
Estima SKA	Kreo (Wadowicka Krakow)	BNP	C	10,272	9,121
Prima Bud Spzoo	Lomianki	Man	C/D	4,523	0
Abisal Spzoo	Abisal	Cresa	A	25,000	0
Unique SKA	Pl. Grzybowski	KNF	B	35,788	0
Right of use asset		Man	n/a	19,977	20,677
TOTAL				1,061,655	**764,229**

Legend: KNF = Knight Frank, JLL = Jones Lang Lasalle, ASB = Asbud, Cresa = Cresa, BNP = BNP Paribas real estate, Savills = Savills, Man = Management valuation

Balance at 31 December 2018	**566,636**
Acquisition of properties	
Subsequent expenditure	144,134
Transfers	
• Assets classified as held for sale	
• Other transfers	
Adjustment to fair value through P/L	93,447
Disposals	-64,386
Effect of movements in exchange rates	3,721
other	20,677
Balance at 31 December 2019	**764,229**
Acquisition of properties	19,926
Subsequent expenditure	166,053
Transfers	
• Assets classified as held for sale	
• Other transfers	16,435
Adjustment to fair value through P/L	139,329
Disposals	-6,378
Effect of movements in exchange rates	-37,239
other	-700
Balance at 31 December 2020	**1,061,655**

Categories	A	B	C	D	Total
Balance at 1 January 2019	**31,547**	**129,128**	**269,053**	**136,908**	**566,636**
Acquisition of properties					0
Subsequent expenditure (*)	2,128	2,448	142,313	966	147,855
Transfers					0
• Assets classified as held for sale					0
• Other transfers		-21,419	21,419		0
Adjustment to fair value	5,200	1,597	86,048	602	93,447
Disposals				-64,386	-64,386
Other					0
Balance at 31 December 2019	**38,875**	**111,754**	**518,833**	**74,090**	**743,552**
Right of use asset					**20,677**
					764,229
Acquisition of properties	19,926				19,926
Subsequent expenditure (*)	1,188	2,124	128,856	-3,354	128,814
Transfers					0
• Assets classified as held for sale					0
• Other transfers		8,092		8,343	16,435
Adjustment to fair value	12,081	25,972	97,674	3,602	139,329
Disposals				-6,378	-6,378
Other					0
Balance at 31 December 2020	**72,070**	**147,942**	**745,363**	**76,303**	**1,041,678**
Right of use asset					**19,977**
					1,061,655

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

In December 2020, a 2,300 sqm unit (approx. 45% of the total available space) in the Lomianki retail project has been sold to a food retailer at a sales price of 4.3 MEUR. On the transaction, a gain on disposal has been realized of 325 KEUR.

On the other hand, part of the project plot of Woloska 24 has been expropriated by the City of Warsaw. This expropriation did however not have an impact on the fair value of the project.

In connection with the progress in their resp. development processes, the Lomianki retail project and the Pl. Grzybowski project have been transferred from property development inventories to investment property. The Lomianki project is a shopping center of approx. 5,500 sqm with 153 above ground parking spots for which the construction works have been finalized in the course year and which has been delivered to the resp. tenants.

Also, in November 2020, the Company acquired 50% (plus one) of the shares of Abisal Sp. z o.o. in a cooperation with an external partner, this way obtaining control over the company and the future project. Subsequently, this company has (indirectly) acquired the rights on a plot in Warsaw for the development of a commercial project of approx. 42,000 sqm lettable office and retail space.

Main expenditures of the year have been incurred on the Warsaw HUB and the Warsaw Unit.

For the right of use balance, which was recognized for the first-time in 2019 in connection with the adoption of IFRS 16, reference is made to note 16.

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

KEUR	2020	2019
Rental Income	10,757	8,178

The rental income for 2020 relates to the rent from commercial projects (mainly The Warsaw HUB, Woloska 24 and Plac Vogla). The increase compared to last year is mainly connected to the delivery of the leased areas in the The Warsaw HUB project in Q4 2020 to its respective tenants.

FAIR VALUE HIERARCHY

The independent valuers provide the fair value of the Company's investment property portfolio every six months in their resp. valuation reports. The fair value measurement for all of the Investment Property (Under Construction), valued by the independent valuers, is categorized as a level 3 fair value based on the inputs to the valuation technique used.

VALUATION TECHNIQUES

Income approach method:
The valuation model converts the future amounts (e.g. cash flows of income and expenses) to a single current (i.e. discounted) amount, reflecting current market expectations about those future amounts. The yield / capitalisation method and the discounted cash flow (DCF) method are the most commonly used valuation techniques within the income approach category.

Yield method or capitalisation model:
The valuation model determines the value based on the expected net operating income of the property for a stabilised year and a yield which reflects a risk free rate of investment, a market risk and non-market or unsystematic risk factors which are factors associated with the individual asset.

DCF method:

The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, voids periods, occupancy rate, lease incentives costs such as rent-free periods and other costs paid by tenants. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.

Residual valuation method:

The residual valuation method is based on the concept that the value of a property with development potential is derived from the value of the delivered property minus the cost of undertaking that development, including a profit for the developer.

In some cases, a single valuation technique will be appropriate, whereas in others multiple valuation techniques could be appropriate.

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

SIGNIFICANT ASSUMPTIONS

The average yields (or capitalization rates) used in the expert valuations on 31 December 2020 are as follows:

- 4.35% to 8.50% for Polish projects, depending on the location, specifics and nature of the project (vs. 4.25% to 7.50% last year).

To arrive at the relevant capitalization rates (yields) the valuers have considered the most recent investment transactions in the office and hotel segment in Warsaw as well as the expectations of investors present in the Polish and international markets.

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

- 12.5 EUR/sqm/month to 23.0 EUR/sqm/month for office space (vs. 12.5 EUR to 23.0 EUR last year);
- 8.0 EUR/sqm/month to 55.0 EUR/sqm/month for retail space (vs. 8.30 EUR to 45.0 EUR last year), depending on the location, specifics and nature of the project; and
- 13.00 EUR/smq/month to 19.0 EUR/sqm/month for hotel space.

The above market rents for the resp. projects are determined by the valuers based on their review of recently signed lease agreements in comparable projects in the same market. For the office projects in Warsaw, it concerns modern office buildings with retail part recently leased to domestic and international tenants on long-term leases. This market rent analysis also takes into account the economic profile of the city, supply and demand of comparable office buildings, existing as well as potential competition, location within the city, unit size and specifications.

Other main assumptions and parameters which are considered are average applicable vacancy rates and (re-letting) void periods and incentives offered by landlords to tenants (like fit-out budgets and rent-free periods). Average rent-free period on the Warsaw office market is currently 1.5 months/year (for 5-year lease agreements).

SENSITIVITY ANALYSIS

On 31 December 2020, the Company has a number of income producing investment property in portfolio which are valued at 603,101 KEUR (The Warsaw HUB, Woloska 24, Wilanow Retail and Lomianki). An increase/decrease of 100 basis points in the yield, with all other variables held constant, decreases/increases the value by approx. 102,465 KEUR. The impact of the yield sensitivity on the value of the investment property is mainly driven by the partly delivery of the Warsaw HUB in Q4 2020.

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

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

7. PROPERTY DEVELOPMENT INVENTORY

The Property Development Inventories amount to 78,375 KEUR on 31 December 2020 (vs 94,229 KEUR as per 31 December 2019).

	Carrying value (at cost) at 31 December 2020 - KEUR	Carrying value (at cost) at 31 December 2019 - KEUR
POLISH PROJECTS		
GROEN/Konstancin	6,053	5,656
Foksal 13/15	23,484	36,234
Port Zeranski	3,662	3,579
Erato (Danilowiczkowska	3,472	3,627
Pattina Invest - Piasecno	3,161	2,962
P.I.B. Sp. z o.o. (Gora Kalwania)	3,180	3,017
Innovation Bud Bis (former Signal)	21	23
Unique SKA (Pl Grzybowski)	-	8,228
Garden Station SP. z o.o.	1,343	1,372
Tillia – Flisac	21,017	11,798
Prima Bud - Lomianki	-	8,424
Kemberton	4,824	5,932
Abisal	2,638	-
Isola – residential part	1,467	
Azalia	162	
ROU - Property Development Inventories	2,968	3,293
Other	923	84
TOTAL POLAND	**78,375**	**94,229**

The property development inventories decreased by 15,854 KEUR compared to prior year. The main movements were related to:

- the Foksal 13/15 balance (-12,750 KEUR to 23,484 KEUR) in connection with the delivery of the project and the related recognition of (sales and) cost of sales;
- the Flisac project (+9,219 KEUR to 21,017 KEUR) in connection with the progress of the construction works;
- the acquisition of the Abisal plot (+2,638 KEUR) in a cooperation with a third party, for the development of a commercial project of approx. 42,000 sqm lettable office and retail space. Part of the plot is expected to be sold in the short-term, and is for that presented in inventory;
- the transfer of the Lomianki and the Unique projects (16,996 KEUR in total) to Investment Property;

The remaining movement is explained by development activities on several ongoing other projects. Reference is also made to note 6 and 16 for the updated right of use balance (2,968 KEUR per 31 December 2020) in accordance with IFRS 16.

The carrying value of inventories has been supported by feasibility studies based on the expected development scenario or recent sales transactions.

Further reference is also made to section 3.

For the right of use asset balance which was recognized in connection with the first-time adoption of IFRS 16, reference is made to note 16.

8. EQUITY ACCOUNTED INVESTEES

Equity accounted investees amount to 0.1 KEUR and relate to the (50%) participating interest in P22 Lódz Sp. z o.o., which is connected to a plot for the future development of an office project.

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

2020		**P22 Lódz**
Current assets	3,109	
of which cash and cash equivalents		1
Non-current assets	0	
Current liabilities	610	
curr. fin. liab. (excl. trade and other payables and provisions)		606
Non-current liabilities	2,690	
non-curr. fin. liab. (excl. trade and other pay. and provisions)		2,689
Revenue	7	
Loss before income tax	-17	
Income tax expense (-) or income (+)	-4	
Loss of the year	-21	

2019		**P22 Lódz**
Current assets	3,279	
of which cash and cash equivalents		107
Non-current assets	3	
Current liabilities	655	
curr. fin. liab. (excl. trade and other payables and provisions)		491
Non-current liabilities	2,812	
non-curr. fin. liab. (excl. trade and other pay. and provisions)		2,812
Revenue	8	
Loss before income tax	-12	
Income tax expense (-) or income (+)	4	
Loss of the year	-8	

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

9.1. NON-CURRENT RECEIVABLES & PREPAYMENTS

	Note	31/12/2020	31/12/2019
Non-current			
Receivables from related parties	28.3	353,083	327,403
Trade and other receivables		12,231	5,074
Total non-current receivables and prepayments		**365,314**	**332,477**

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 2020 were as follows: Euribor/ Libor + margins in the range between 2% and 4%.

Further reference is made to Note 28.3.

Receivables from related parties mainly relate to loans receivable towards Peridot SL (Spain), Salamanca Ltd (Cyprus) and Ghelamco Group Comm. VA, parent company of the Company. These loans have been granted mainly for the financing of other projects under the control of the ultimate beneficial owners.

NON-CURRENT TRADE AND OTHER RECEIVABLES

Non-current trade and other receivables as of 31 December 2020 mainly consist of:

- Master lease and rental guarantee retentions in connection with the disposal of Marynarska 12/T-Mobile Office Park: 267 KEUR;
- Capitalised rent free and agency fees at the level of Apollo Invest Spzoo, in connection with the leasing of the Warsaw Unit project: 1,321 KEUR;
- Capitalised rent free and agency fees at the level of Dahlia SKA, in connection with the leasing of the Woloska 24 project: 923 KEUR;
- Capitalised rent free and agency fees at the level of The Hub SKA, in connection with the leasing of the HUB project: 6,878 KEUR;
- Other loans receivable: 2,842 KEUR.

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

9.2. CURRENT TRADE & OTHER RECEIVABLES

	Note	31/12/2020	31/12/2019
Current			
Receivables from related parties	28.3	79	29
Receivables from third parties		7,774	2,704
Less: allowance doubtful debtors (bad debt provision)		0	0
Net trade receivables		**7,853**	**2,733**
Other receivables		3,912	4,930
Related party current accounts	28.3	116,263	110,125
VAT receivable		8,791	15,188
Prepayments		833	2,055
Interest receivable		47,799	36,547
Total current trade and other receivables		**185,451**	**171,578**

CURRENT TRADE AND OTHER RECEIVABLE

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

Trade receivables with related parties (and prepayments, see below) include invoices for construction, engineering and other services as described in Note 27.3.

Outstanding balance on related party current accounts receivable (116,263 KEUR in total) is mainly towards Ghelamco Group (111,761 KEUR), Tallink Investments (2,473 KEUR) and Ghelamco European Property Fund (2,028 KEUR) and relates to short-term deposits of excess funds by the Company.

PREPAYMENTS

The current year prepayments fully relate to down payments for the ongoing construction works in the Kreo office project in Krakow, whereas prior year prepayments mainly related to the residential Foksal and Flisac projects in Warsaw.

INTEREST RECEIVABLE

The interest receivable balance includes interests receivable from related parties for an amount of 45,341 KEUR. The evolution compared to last year is attributable to the significant level of outstanding related party receivable balances and the timing of collection of outstanding interest receivables.

VAT RECEIVABLE

The outstanding balance as of 31 December 2020 relates to VAT receivables, mainly on the following projects: the Warsaw UNIT, the Warsaw HUB, Woloska 24, Flisac, Plac Vogla and Prochownia Lomianki.

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

VAT receivables are the result of VAT paid on the development and construction expenditures.

CREDIT RISK EXPOSURE AND IMPAIRMENT

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

The Company recognises loss allowances for ECLs on trade and other receivables, in connection with the requirements of IFRS 9.

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

As of 31 December 2020 and 2019, trade and other receivables disclosed above do not include significant amounts which are past due at the end of the reporting period and against which the Company has not recognized an allowance for doubtful receivables, as deemed necessary.

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

10. DERIVATIVES

There are no outstanding balances related to the market value of derivatives as of 31/12/20 and 31/12/19.

Also refer to section 2.1.1 above.

11. CASH AND CASH EQUIVALENTS

	31/12/2020	31/12/2019
Cash at banks and on hand	39,163	64,539

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

Cash is held with reputable banks. For that, the credit risk on cash balances is deemed low.

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12. SHARE CAPITAL AND SHARE PREMIUMS

	31/12/2020	31/12/2018
Authorised capital	67	67
Share premiums	495,903	495,903
issued and fully paid	**495,970**	**495,970**

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

At 31 December 2020, the Company's direct shareholders are:

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

12.1. DISTRIBUTION OF DIVIDENDS BY THE COMPANY

In the course of 2020 and 2019, no dividends have been declared or distributed.

12.2. NON-CONTROLLING INTERESTS

	31/12/2020	31/12/2019
Balance at beginning of year	11	7
Share of profit for the year	1,847	
Acquistions/disposals	269	4
Balance at end of year	**2.127**	**11**

The increase in the Non-Controlling Interests is mainly related to the acquisition of Abisal in current year.

13. RESERVED AND RETAINED EARNINGS

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

	Cumulative translation reserve	Retained earnings
At 1 January 2019	877	229,043
Cumulative translation differences (CTA)	2,338	
Dividend distribution to the ultimate shareholders		
Change in the consolidation scope		-122
Other		7
Profit for the year		81,740
At 31 December 2019	**3,215**	**310,668**
At 1 January 2020	3,215	310,668
Cumulative translation differences (CTA)	10,634	
Dividend distribution to the ultimate shareholders		
Change in the consolidation scope		-337
Other		13
Profit for the year		97,950
At 31 December 2020	**13,849**	**408,294**

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14. INTEREST-BEARING LOANS AND BORROWINGS

		31/12/2020	31/12/2019
Non-current			
Bank borrowings - floating rate	14.1	363,122	231,601
Other borrowings - bonds	14.2	225,656	164,527
Other borrowings - other	14.3	18,364	8,444
Finance lease liabilities	16	21,304	21,792
		628,446	**426,364**
Current			
Bank borrowings - floating rate	14.1	13,805	13,016
Other borrowings - bonds	14.2	28,737	61,445
Other borrowings - other	14.3	36,013	14,522
Finance lease liabilities	16	1,641	2,185
		80,196	**91,168**
TOTAL		**708,642**	**517,532**

14.1. BANK BORROWINGS (376,927 KEUR; OF WHICH 363,122 KEUR LONG TERM AND 13,805 KEUR SHORT-TERM)

Bank borrowings	
Balance at 1 January 2020	**244,617**
Repayment of bank borrowings	-14,859
Proceeds from loans and borrowings	147,169
Other	0
Balance at 31 December 2020	**376,927**

During the year, the Company obtained new secured bank loans expressed in EUR and PLN and drew on existing credit facilities for a total amount of 147.2 MEUR, all Euribor and Wibor based. On the other hand, reimbursements and refinancings have been done for an amount of 14.9 MEUR, net of prolongation of a number of borrowings; bringing the total outstanding amount of bank borrowings to 376.9 MEUR (compared to 244.6 MEUR at 31/12/2019).

When securing debt finance for its (larger) projects, the Company always negotiates long-term agreements with its banks. Under these agreements, the bank swaps land acquisition loans into development loans (additional approx. 2-4 year term) and swaps development loans into investment loans (usually 5 years term) upon the fulfilment of pre-agreed conditions.

Most banking partners of the Company have accepted the above as a “framework” for past, current and future co-operation.

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

At 31 December 2020, the Company has bank loans available to be drawn for a total amount of 114.4 MEUR, which is merely related to the construction and facility agreement of 300.0 MEUR for the financing of the construction of the (mixed use office, hotel and retail) Warsaw Hub project and the construction and facility agreement of 135.9

MEUR for the financing of the construction of the Warsaw Unit project. The Warsaw Hub financing agreement has in March 2020 been renewed and increased (from 221 MEUR to 300 MEUR).

In the course of 2020, the remaining bank loan related to the Foksal residential project has been fully reimbursed (-6,921 KEUR), in connection with current year's sales.

With respect to the outstanding short-term borrowings, it is to be mentioned that, in the course of 2021, part of remaining short-term debt will actually be reimbursed following the contractual terms and part will be prolonged or refinanced (e.g. through a swap to investment loan).

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

				31/12/2020				31/12/2019
	<1 y	**between 2 and 5 y**	**>5y**	**total**	**<1 y**	**between 2 and 5 y**	**>5y**	**total**
Land acquisition loans	-	-	-	-	-	-	-	0
Construction loans	18,925	142,099	219,235	380,259	18,091	204,276	-	222,367
Investment loans	3,942	31,739	-	35,681	2,154	35,807	-	37,961
Total	**22,866**	**173,839**	**219,235**	**415,941**	**20,245**	**240,083**	**0**	**260,328**
Percentage	5%	42%	53%	100%	8%	92%	0%	100%

BANK BORROWINGS BY CURRENCY

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

INTERESTS ON BANK BORROWINGS – INTEREST RATE RISK

Interests on land acquisition and development loans are considered as floating (although the variable component of the interest formula is fixed for a period not superseding one year).

On 31 December 2020, the Company had two outstanding investment loans:

- Dahlia SKA: 33,246 KEUR loan granted by Deutsche Hypothekenbank, bearing an Euribor 3M based (+1.50% margin) interest rate. The debt is serviced by the rental income of the property (Woloska 24).
- Vogla SKA: 2,135 KEUR loan granted by Bank BGZ BNP Paribas, bearing an Euribor 1M based (+ 2.75% margin) interest rate. The debt is fully serviced by the rental income of the property (Wilanow Retail).

Depending on the project and the securities required by the bank, following margins on floating rates are applicable in Poland: between 1.25% and 3.90%.

Average margin		Land acquisition loan		Construction loan		Investment loan
	2020	2019	2020	2019	2020	2019
Poland	N/A	N/A	2.95%-3.9%	2.6%-4.6%	1.50%-2.75%	1.50%-2.75%

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 other variables remaining stable, would have resulted in a 3,110 KEUR lower/higher profit before tax for 2020. This sensitivity analysis excludes borrowing costs that have been capitalized.

14.2. OTHER BORROWINGS: BONDS (254,393 KEUR; OF WHICH 225,656 KEUR LONG-TERM AND 28,737 KEUR SHORT-TERM)

Bank borrowings	Poland
Balance at 1 January 2020	225,972
Repayment of bank borrowings	-58.357
Proceeds from loans and borrowings	106.156
Other	-19,378
Balance at 31 December 2020	**254,393**

On 27 February 2020, the Polish financial supervision authority (KNF) approved Ghelamco Invest Sp. z o.o.'s new Base Prospectus in connection with its new Bonds Issue Programme (number VIII) for an amount of max. 350,000 KPLN.

The Company has in the course of the current year (on 3 January, 10 January, 8 April, 16 July, 31 July, 12 August, 25 September, 30 September and 16 December 2020, via Ghelamco Invest Sp. z o.o.) within its pending programmes issued bonds (tranche PR, PQ, PPO, PPP1, PPP2, PPR, PPP3, PPP4, PS, PPS and PT) for a total amount of 489,889 KPLN. These bonds have a term between of 3 and 4 years and bear an interest of Wibor 6 months with a margin between 4.30% and 5.0% or a fixed rate between 5.0% and 6.1%. The bonds series are secured by a guarantee granted by Granbero Holdings Ltd.

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

The Company has in the current period redeemed outstanding bonds (partly through early redemption, partly on maturity date) for an amount of 269,307 KPLN.

The effect of the evolution in the PLN/EUR exchange rate on the net movement in outstanding bonds amounts to 17.8 MEUR (negative).

Total bonds balance outstanding per balance sheet date (254,393 KEUR) represents the amount of issue (1,202.4 MPLN) less capitalized issue costs, which are amortised over the term of the bonds.

After year-end, on 2 February 2021, Ghelamco Invest Sp. z o.o. enacted its new Bonds Issue Programme (number IX) for an amount of max. 400,000 KPLN, allowing both public offerings and private placements of bonds to finance investment projects. Bonds series issued under this programme are secured by a guarantee granted by Granbero

Holdings Ltd. Within this new programme, following bonds tranches have been issued:

- on 10 March 2021, an amount of 35,000 KPLN (series PU1). These bonds mature on 16 December 2024 and bear an interest of Wibor 6 months + 5.0%; and
- on 25 March 2021, an amount of 285,000 KPLN (series PU2). These bonds mature on 16 December 2024 and bear an interest of Wibor 6 monhts + 5.0%.

In March 2021, a number of bonds series (PG, PK and PL) have been redeemed for a total amount of 125,411 KPLN, through early redemption.

Summary of contractual maturities of bonds, including interest payments:

				31/12/2020				31/12/2019
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
Bonds	43,642	245,139	0	288,782	75.911	178.979	0	254.890
Total	**43,642**	**245,139**	**0**	**288,782**	**75.911**	**178.979**	**0**	**254.890**
Percentage	15%	85%	0%	100%	30%	70%	0%	100%

INTEREST SENSITIVITY ANALYSIS

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bonds debt at the reporting date, with all variables held constant, would have resulted in a 2,455 KEUR lower/higher profit before tax for 2020.

14.3. OTHER BORROWINGS: OTHER (54,377 KEUR; OF WHICH 18,364 KEUR LONG-TERM AND 36,013 KEUR SHORT-TERM)

31/12/2020

The other borrowings as at 31 December 2020 included the following related party balances:

- Peridot SL: 2,235 KEUR;
- Salamanca Capital Services: 1,259 KEUR;
- Ghelamco Poland Sp. z o.o.: 4,890 KEUR;

And also:

- 10,000 KEUR long-term loan from a third party investor, related to some specific Polish projects, maturing on 31/03/2022 and bearing an interest rate of 6%;
- 18,000 KEUR short-term loans from third party investors, related to some specific Polish projects, maturing mid 2021 and bearing interest rates between 6.75% and 7.20%;
- 3,250 KEUR short-term loan from a third party investor, related to a specific Polish project;
- 13,680 KEUR short-term loan towards the partner in the newly acquired LAND project.

31/12/2019 - 22,966 KEUR

The other borrowings as at 31 December 2019 included the following related party balances:
- Peridot SL: 2,294 KEUR;
- Salamanca Capital Services: 1,259 KEUR;
- Ghelamco Poland Sp. z o.o.: 4,890 KEUR.

And also:
- 11,000 KEUR short-term loan from a third party investor, related to some specific Polish projects, maturing on 30/06/2020 and bearing an interest rate of 5.50%;
- 3,522 KEUR short-term loan from a third party investor, related to a specific Polish project.

INTEREST SENSITIVITY ANALYSIS

An increase/decrease of 100 basis points in the (average) interest rates on the intercompany debt at the reporting date, with all variables held constant, would have resulted in a 84 KEUR lower/higher profit before tax for 2020.

14.4. LEASE LIABILITIES (22,945 KEUR; OF WHICH 21,304 KEUR LONG-TERM AND 1,641 KEUR SHORT-TERM

The lease liabilities (long-term and short-term) fully relate to non-cancellable leases for the land rights of the resp. Polish projects. These lease commitments have been recognised in accordance with the requirements of IFRS 16 “Leases”. Further reference is made to note 16.

Summary of the undiscounted contractual maturities of lease liabilities:

	2020	2019
Within 1 year	3,165	2,177
After 1 year but not more than 5 years	6,950	6,781
More than 5 years	117,106	116,269
TOTAL	**127,221**	**125,227**

14.5. MISCELLANEOUS INFORMATION

The Company also has access to the following additional sources of financing:
- additional capacity on the debt ratio (Ghelamco chooses to keep a substantial margin on the Loan to Value ratio);
- potential to take up further financing on completed projects based on Loan to Value (LTV) instead of Loan to Cost (LTC);
- access to alternative financing, mainly in the form of bond issues or mezzanine financing. In this respect reference is made to the resp. bearer bonds issues in Poland (1,202.4 MPLN total outstanding bonds at 31 December 2020).

No defaults of payments or breaches of borrowing agreements occurred as of 31 December 2020.

- 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. For corporate guarantees and/or suretyship agreements issued by Granbero Holdings Ltd on bank loans, reference is also made to note 26.1.

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

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

  In addition, the terms and conditions of the bond issues 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.

The observed evolution in the above financial debt includes an immaterial amount of non-cash movements, related to capitalized 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 IFRS 9 and discloses the fair values of each instrument and the fair value hierarchy:

					31/12/2020
Financial instruments (x € 1 000)	**FVTPL**	**FVOCI**	**Measured at amortised cost/fin. liabilities measured at amortised cost**	**Fair value**	**Fair value level**
Other financial investments					
Other financial assets			233	233	2
Non-current receivables					
Receivables and prepayments			365,314	365,314	2
Current receivables					
Trade and other receivables			176,657	176,657	2
Cash and cash equivalents			39,163	39,163	2
Total Financial Assets	**0**	**0**	**581,367**	**581,367**	
Interest-bearing borrowings - non-curr.					
Bank borrowings			363,122	363,122	2
Bonds			225,656	225,514	1
Other borrowings			32,043	32,043	2
Lease labilities			21,304	21,304	2
Interest-bearing borrowings - current					
Bank borrowings			13,805	13,805	2
Bonds			28,737	28,720	1
Other borrowings			22,333	22,333	2
Lease labilities			1,641	1,641	2
Current payables					
Trade and other payables			14,535	14,535	2
Total Financial Liabilities	**0**	**0**	**723,176**	**723,017**	

					31/12/2019
Financial instruments (x € 1 000)	**FVTPL**	**FVOCI**	**Measured at amortised cost/fin. liabilities measured at amortised cost**	**Fair value**	**Fair value level**
Other financial investments					
Other financial assets			302	302	2
Non-current receivables					
Receivables and prepayments			332,477	332,477	2
Current receivables					2
Trade and other receivables			156,363	156,363	2
Cash and cash equivalents			64,539	64,539	2
Total Financial Assets	**0**	**0**	**553,681**	**553,681**	2
Interest-bearing borrowings - non-curr.					
Bank borrowings			231,601	231,601	
Bonds			164,527	168,220	2
Other borrowings			8,444	8,444	1
Lease labilities			21,792	21,792	2
Interest-bearing borrowings - current					2
Bank borrowings			13,016	13,016	
Bonds			61,445	63,653	2
Other borrowings			14,522	14,522	1
Lease liabilities			2,185	2,185	2
Current payables					2
Trade and other payables			43,289	43,289	
Total Financial Liabilities	**0**	**0**	**560,821**	**566,722**	2

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

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

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

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

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

We also refer to note 9.1 for the description of the fair value determination.

16. LEASES

Amounts recognised in the consolidated statement of financial position and the consolidated statement of profit and loss regarding lease liabilities and related right of use assets are as follows:

Roll forward Right of Use Asset IFRS 16	Right of Use Assets Investment Property	Right of Use Assets Property Dev. Inventories	Total
In KEUR			
1/01/2019 initial recognition	**20,137**	**3,161**	**23,298**
Addition (new)	68	4	72
Disposal	0	0	0
Revaluation	472	130	602
Foreign exchange revaluation	0	0	0
31/12/2019	**20,677**	**3,295**	**23,972**
Addition (new)	1,524	95	1,620
Disposal	0	-48	-48
Revaluation	-629	-118	-748
Foreign exchange revaluation	-1,597	-254	-1,851
31/12/2020	**19,977**	**2,968**	**22,945**

Roll forward lease liability IFRS 16	Non-current lease liability	Current lease liability	Total
In KEUR			
1/01/2019 initial recognition	**21,742**	**1,556**	**23,298**
Addition (new)	64	8	72
Payments	0	-1,083	-1,083
Disposal	0	0	0
Interest charges on lease liabilities (*)	1,685	0	1,685
Classification non-curr. to curr. lease liab.	-1,704	1,704	0
Foreign exchange revaluation	0	0	0
31/12/2019	**21,787**	**2,185**	**23,972**
Addition (new)	1,549	71	1,620
Payment	0	-811	-811
Disposal	-48	0	-48
Interest charges on lease liabilities (*)	63	0	63
Classification non-curr. to curr. lease liab.	-365	365	0
Foreign exchange revaluation	-1,682	-169	-1,851
31/12/2020	**21,304**	**1,641**	**22,945**

(*): included in other finance costs. Reference is made to note 24 Finance income and finance costs.

The Company has entered into non-cancellable leases for the land rights with basic lease terms of usually 99 years (Poland rights of perpetual usufruct). All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The average lease-term per end 2020 is approx. 78 years in Poland.

All qualifying lease contracts have been recognised through a right-of-use asset and a corresponding lease liability.

The right-of-use assets are presented as Investment property, at fair value. The lease liabilities are initially recognized at their discounted value and are (at each reporting date) updated, considering the incremental interest rate on the one hand and the actual lease payments on the other hand.

The incremental borrowing rate is determined as the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- to the extent possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received, and
- makes adjustments specific to the lease, e.g. considering term, country, currency and applicable securities.

The applied incremental borrowing rate for the Polish activities amounts to 7.7%.

The Company is exposed to potential future evolutions in lease payments, like indexations or rate increases, which are not included in the lease liability until they take effect. When adjustments to lease payments do take effect, the lease liability is reassessed and adjusted accordingly. As to lease payments, an allocation is done between principal amount and finance cost. The finance cost is charged to profit or loss over the lease period. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Right-of-use assets are measured at fair value comprising the present value amount of the initial measurement of the lease liability.

To the extent applicable, payments associated with short-term leases of equipment and vehicles and leases of low-value assets are (still) recognised on a straight-line basis as an expense in profit or loss". Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Further reference is also made section 1.7. above and notes 6,7,16 and 24.

17. DEFERRED TAXES

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

in thousands €	**31/12/2020**	**31/12/2019**
Deferred tax assets	3,500	2,360
Deferred tax liabilities	-61,680	-39,657
TOTAL	**-58,180**	**-37,297**

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 2019	**-16,142**	**-12,420**	**5,324**	**-**
Recognised in income statement	-12,082	1,712	-3,574	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		-115		
Balance at 31 December 2019	**-28,224**	**-10,823**	**1,750**	**-**
Recognised in income statement	-25,911	-366	4,750	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		645		
Balance at 31 December 2020	**-54,136**	**-10,544**	**6,500**	**-**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Current year's increase in recognised unused tax losses is based on updated tax planning, supporting the expected recovery of these losses in the foreseeable future.

Current year's investment property related deferred tax expense is fully attributable to the recognized fair value adjustments. Last year's investment property related amount as recognised in the income statement of 2019 consisted of:

- a deferred tax expense of 16,965 KEUR
- a gain of 4,883 KEUR which is related to the reversal of deferred tax liabilities in connection with the sale of the .BIG and the Wronia projects.

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

in thousands €	31/12/2020	31/12/2019
DTA on unused tax losses	4,188	7,714
DTA on unused tax credits		
TOTAL	**4,188**	**7,714**

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

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

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

18. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities relate to a significant extent (6,675 KEUR) to down payments related to the construction works for the Warsaw HUB project and Warsaw Unit project.

The prior year balance was mainly related to deferred income (2,088 KEUR) connected with the residential sales on the Flisac project and down payments (2,468 KEUR) related to the construction works for the Warsaw HUB project.

19. TRADE AND OTHER PAYABLES

Trade and other payables are analysed as follows:

	31/12/2020	31/12/2019
Trade payables: third parties	7,527	6,523
Trade payables: related parties	1,065	31,110
Related parties current accounts payable	-	-
Misc. current liabilities	7,694	6,243
Deferred income	17,577	12,344
Current employee benefits	14	48
Total trade and other payables	**33,877**	**56,268**

Trade payables towards related parties include amongst others the amounts payable to the Service Holding for construction and engineering coordination services received. On 31/12/2020, the trade payables include 1,065 KEUR towards related parties (vs. 31,110 KEUR last year), as follows:

- Safe Invest Sp. z o.o.: 293 KEUR (1,676 KEUR last year);
- Ghelamco Poland Sp. z o.o: zero KEUR (28,890 KEUR last year);
- Others: 772 KEUR (544KEUR last year).

The related parties trade payables balance decreased significantly compared to prior year, mainly in connection with the decrease in outstanding balance towards Ghelamco Poland, which has been fully settled per end 2020. Previous year's outstanding balance was mainly connected with construction works on projects carried out during the last months of the year (mainly The Warsaw HUB and the Warsaw Unit).

Miscellaneous current liabilities mainly relate to interest payable (5,218 KEUR in total, mainly to third parties), rental guarantee provisions (700 KEUR in total), VAT payable (966 KEUR), and some accruals and others.

The outstanding deferred income balance mainly relates to deferred income from sales in the Flisac residential project (15,287 KEUR vs. zero last year) and from sales in the Foksal residential project (2,000 KEUR vs. 12,045 KEUR last year) and to some deferred rent income on commercial projects. The significant increase in the Flisac balance mainly goes together with the (commercial and construction) progress of the project. The decrease in the Foksal balance goes together with the ongoing delivery of the project and the resulting recognition of revenue (and cost of sales).

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

20. CURRENT TAX LIABILITIES

The outstanding current tax payable (1,930 KEUR) is mainly related to income tax payable in Cyprus.

21. REVENUE

REVENUE IS MAINLY GENERATED FROM THE FOLLOWING SOURCES:

in thousands €	31/12/2020	31/12/2019
Sales of Residential Projects	20,224	950
Rental Income	10,757	8,178
TOTAL revenue	**30,981**	**9,128**

The residential projects revenue as of 31 December 2020 fully relates to the delivery of the sold apartments in the Foksal project (20,224 KEUR). Revenue (and related cost of sales) for the sold apartments has been recognised based on the signing of the hand-over protocols by the resp. buyers. Last year's residential revenue related to the sale of the remaining residential (and some commercial) units in the Woronicza Qbik project.

The rental income as of 31 December 2020 relates to the rent collected from commercial projects (mainly the Warsaw HUB, Woloska 24 and Wilanow Retail). The increase compared to prior year is mainly connected to the completion and delivery of the Warsaw HUB Q3 2020.

OVERVIEW OF FUTURE MINIMUM RENTAL INCOME

The investment properties are leased to tenants under lease contracts with rentals payable on a monthly or quarterly basis. Where considered necessary to reduce credit risk, the Company may obtain bank guarantees for the term of the lease. The cash value of future minimum rental income until the first expiry date of the non-cancellable leases is subject to the following collection terms:

in thousands €	31/12/2020	31/12/2019
Future minimum rental income:		
Less than 1 year	16.566	9,793
Between 1 and 2 years	23.272	20,752
Between 2 and 3 years	32.344	28,358
Between 3 and 4 years	34.278	31,432
Between 4 and 5 years	33.423	30,859
More than five years	144.636	194,858
TOTAL FUTURE MINIMUM RENTAL INCOME	**284.519**	**316,052**

The future minimum rental income decreased significantly compared to prior year by 31,533 KEUR down to 284,519 KEUR. The decrease is mainly attributable to the cancellation of the WeWork contract in the Warsaw HUB project partly compensated by an increase in the minimum rental income for the Warsaw UNIT due to an expansion signed by the head tenant Warta in 2020.

22. OTHER ITEMS INCLUDED IN OPERATING PROFIT/LOSS

OTHER OPERATING INCOME AND EXPENSES IN 2020 AND 2019 INCLUDE THE FOLLOWING ITEMS:

Other operating income	2020	2019
Net gains on disposal of investment property	983	4,548
Other	6,025	2,118
TOTAL	**7,008**	**6,666**

The current year's gain on disposals relates to the gain on the sale of a 2,300 sqm unit (approx. 45% of the total available space) in the Lomianki retail project to a food retailer, at a sales price of 4,3 MEUR and the gain on the divesture of RE Commercial Services Sp. z o.o. (658 KEUR) to Hanseta Holding Ltd. For the remaining, the other operating income mainly relates to the charge-through of fit-out expenses to tenants in the Warsaw HUB and the Unit.

Prior year's other operating income mainly related to the gains on disposal of the .BIG and the Wronia projects for resp. amounts of 2,236 KEUR and 2,210 KEUR. In addition a positive purchase price adjustment of 192 KEUR was included regarding the Przystank mBank project sale of 2017. And also included was some income on re-charges to related parties (1,194 KEUR).

	2020	2019
Gains from revaluation of Investment Property	139,329	93.447

Fair value adjustments over 2020 amount to 139,329 KEUR (vs 93,447 KEUR last year). This is mainly the result of current year's further engineering, development, construction and leasing efforts, in combination with evolution in market conditions (in terms of yields and rent rate levels). Main fair value adjustments have been recognised on the Warsaw HUB (90,229 KEUR), the Warsaw Unit (8,940 KEUR), The Bridge (former Bellona Tower) (7,894 KEUR), Woloska 24 (3,138 KEUR), Abisal (5,074 KEUR) and TSKZ/Jewish Theatre (27,142 KEUR). On the other projects, an overall, slightly negative fair value correction of 3.1 MEUR has been recognised, in relation to the impact of the COVID-19 pandemic on the main valuation parameters (mainly yields).

	2020	2019
Other operating expenses		
Taxes and charges	996	399
Insurance expenses	105	106
Audit, legal and tax expenses	1,282	1,736
Promotion	273	375
Sales / agency expenses	1,255	1,351
Rental guarantee expenses	742	3,100
Maintenance and repair expenses (projects)	2,761	1,491
Operating expenses with related parties	10,424	2,257
Miscellaneous	1,076	-
TOTAL	**18,914**	**10,815**

The Other operating expenses increased significantly by 8,099 KEUR to 18,914 KEUR. This is mainly attributable to the increase in the Operating expenses with related parties. Current year's relatively high operating expenses with related parties mainly concerned fit-out expenses (mainly in connection with the Warsaw HUB and the Unit projects) charged by Ghelamco Poland Sp. z o.o., which were in-turn re-charged to tenants (through other income).

Rental guarantee expenses, in turn, decreased after a partly reversal of the outstanding rental guarantee provision (by 1,155 KEUR to 700 KEUR), in connection with the leasing of previously vacant space in the resp. sold projects.

The increase in Maintenance and repair expenses by 1,270 KEUR to 2,761 KEUR is mainly connected to the delivery of the Foksal (residential) and the Warsaw HUB (commercial) projects in the course of the year.

Current year's sales/ agency expenses are mainly related to new lease contracts in the Warsaw HUB, renewed lease contracts in Woloska 24 and sales of residential units in Flisac and Foksal, while last year's sales/ agency expenses were mainly related to the sale of the .BIG and Wronia projects.

23. COST OF PROPERTY DEVELOPMENT INVENTORIES

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

	2020	2019
Movement in inventory	1,922	21,394
Purchases (*)	-16,329	-20,832
	-14,407	**562**

(*) See Note 28.2

Purchases (mainly from related parties) related to Investment Property projects are not included in the above purchases, as those have directly been recorded on IP. It concerns an amount of 170,579 KEUR (vs 126,994 KEUR in 2019).

24. FINANCE INCOME AND FINANCE COSTS

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

	2020	2019
Foreign exchange gains		708
Interest income	13,815	12,982
Other finance income		
Total finance income	**13,815**	**13,690**
Interest expense	-10,522	-5,341
Other interest and finance costs	-5,727	-4,192
Foreign exchange losses	-17,787	-4,023
Total finance costs	**-34,036**	**-13,556**

The interest income mainly includes interests on loans receivable from related parties.

It is to be noted that interest expenses related to (not yet delivered) Investment Property projects are not included in the above 2020 and 2019 figures, as those have directly been capitalized on IP. It concerns an amount of 15,400 KEUR (vs. 16,622 KEUR last year).

The interest expenses mainly relate to interests on bank loans, bonds and to a lesser extent on related party financial payables. The significant increase in interest expenses mainly goes together with the delivery of the Warsaw HUB. Financing costs on projects under construction are capitalized while financing costs on delivered/ income generating projects are expensed.

The other finance costs include the amortization of (capitalized) bond issue and bank (re-) financing expenses. In addition, the financial impact of the present value calculation of the finance lease liabilities in accordance with IFRS 16 is included (for an amount of 63 KEUR). In this respect, further reference is made to note 16.

It is to be mentioned that main part of the exchange differences is unrealized (and connected with the conversion at spot rate of outstanding (EUR) bank loans). It concerns a snapshot per year-end, impact of which mainly depends on the evolution of the EUR/PLN exchange rate. The foreign exchange losses amounting to 17,798 KEUR are mainly the result of the relative weakening of the PLN vs. the EUR (mainly related to the conversion at spot rate of the outstanding (EUR) bank loans in Polish entities).

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

25. INCOME TAXES

Income tax expense recognized in the consolidated income statement:

	31/12/2020	31/12/2019
Current income tax	1,515	2,466
Deferred tax	21,527	13,944
Total	**23,042**	**16,410**

The decrease in the current income tax (-951 KEUR) is mainly related to last year's current tax expenses connected with the sale of the .BIG project (which was structured as an enterprise deal).

The deferred tax expenses are mainly related to the recognition of deferred tax liabilities on the fair value accounting of the investment properties. The significant increase compared to last year is explained by the recognition of a higher amount of positive fair value adjustments (refer to note 22 above).

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

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

in thousands €	**31.12.2020**	**31/12/2019**
Result before income taxes	122,839	98,151
Income tax expense/gain calculated at 19%	23,339	18,649
Effect of different tax rates in other jurisdictions	-1,310	-1,203
Effect of non-deductible expenses	5,597	6,022
Effect of revenue that is exempt from taxation	-2,237	-805
Effect of use/recognition of previously unrecognized tax losses	-1,374	-2,412
Effect of current year losses for which no DTA is recognized	861	2,376
Effect of tax incentives not recognized in the income statement	-2,229	-2,589
Effect of under/over-accrued in previous years	43	81
Effect of change in local tax rates		-
Effect of other tax increases	0	120
Reversal cumul DTL in connection with Wronia (share) sale		-3,709
Other	352	-119
INCOME TAX EXPENSE RECOGNISED IN INCOME STATEMENT	**23,042**	**16,410**

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

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

26.1. (BANK) GUARANTEES

All external borrowings of the subsidiaries are secured by corporate guarantees and/or suretyship agreements issued by Granbero Holdings Ltd. These guarantees cover cash deficiency risk, cost overrun, completion risk and interest & repayment shortfall risk. No calls on the guarantees were made in 2020 and 2019.

Company	Project name	Amount of bank loan-books (KEUR)		Corporate guarantees as per 31/12/2020 (KEUR)	
POLAND					**Guarantee by Granbero Holdings Ltd.**
Apollo Invest Sp. z o.o.	The Warsaw Unit	EUR	93.603		Suretyship agreement (mainly including cost overrun, own contribution input, claim amounts)
The HUB SKA	The Warsaw HUB	EUR	236.061	125.275	Corporate guarantee, Suretyship agreement
Isola SKA	The Bridge (former Bellona Tower)	EUR	5.356	5.356	Suretyship agreement
Vogla SKA	Plac Vogla	EUR	2.135	2.135	Corporate Guarantee
Dahlia SKA	Woloska 24	EUR	33.246		Suretyship and cash deficiency
Azira SKA	Nowe Centrum Lodzi	EUR	6.526	6.516	Suretyship agreement

(*): Bank loan itself is denominated in PLN

No corporate guarantees were given by the Company to ensure repayment of the bank loans of the related parties (under the common control of the ultimate shareholders) at 31 December 2020 (but not subsidiary of the Company).

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

26.2. 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, permit matters, technical matters, 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 regulations).

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.

26.3. GUARANTEES RECEIVED FROM THE CONTRACTORS

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

26.4. SECURITIES ON ASSETS

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

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

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

27. COMMITMENTS

27.1. (CAPITAL) COMMITMENTS

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

	2020	2019
Architectural and Engineering contracts	12,834	15,794
Construction contracts	28,847	125,765
Total	**41,681**	**141,559**

The evolution in the (capital) commitments goes together with the progress on the construction of the investment properties and the start up of new projects. The decrease is in line with the expected delivery of the two main investment properties the Warsaw HUB and the Warsaw UNIT.

ACQUISITION OF CONTRACTS

At 31 December 2020, the Company has entered into a number of contracts with third parties for the acquisition of the following assets (land plots) or shares:

Binding contracts
None significant per end 2020.

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

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SERVICES AND (SUB)CONTRACTOR AGREEMENTS

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

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

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

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

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

- Warsaw HUB (approx. 117,000 sqm mixed project): 6,902 KEUR
- Warsaw UNIT (approx. 59,000 sqm office space): 21,760 KEUR
- Flisac (mixed residential and retail project): 185 KEUR

27.2 RENTAL GUARANTEES

In connection with the sale of the Marynarska 12/T-Mobile Office Park, rental guarantee and master lease agreements have been closed for resp. the (at the time of the sale) not leased office and parking space. Rental guarantee agreements have a period of 60 months, master lease agreements have an 84 months period. With respect to the remaining master lease guarantee period, a provision of 235 KEUR has been recognized in the consolidated financial statements at 31/12/2020.

In connection with the sale of two office projects in prior year (.BIG and Wronia), rental guarantee agreements have been closed for resp. the (at the time of the sale) not leased office and parking spaces. Rental guarantee agreements have a period of 5 years. In this respect, the remaining rental guarantee provision amounts to 462 KEUR in the consolidated financial statements at 31/12/2020.

In prior year a total rental guarantee provision of 1, 855 KEUR was recognised in connection with the sale of the Marynarska 12/T-Mobile Office Park and the sale of .BIG and Wronia.

28. RELATED PARTY TRANSACTIONS

The Company is together with the other Ghelamco Group (sub-)holdings, the Service Holding, the Portfolio Holding and the Property Fund – all related parties – under common control of the ultimate shareholders, Mr. & Mrs. Gheysens. (together “the Consortium”). The companies which make part of the Consortium are considered related parties.

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

28.1. RELATIONSHIPS WITH THE DIRECTORS AND MANAGEMENT

For the year ending 31 December 2020, the Consortium (of which the Company is part) paid a total amount of approx. 12,000 KEUR (vs. 12,000 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. The Company, in turn, paid a total amount of approx.. 5,000 KEUR (vs 5,000 KEUR last year) to the members of the board and the management committee.

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

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

CONSTRUCTION AND DEVELOPMENT SERVICES

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

This entity provides services to the real estate companies of the Company, in accordance with the terms of the property development contracts, including but not limited to:
- obtaining pre-approvals and design documents necessary to the development of the project;
- performing construction works in accordance with the required permits, approvals, regulations, plans and specifications;
- ordering materials and equipment necessary for completion of the construction works;
- entering into contracts with utility providers, other entities and authorities, enabling exploitation of the constructed buildings;
- obtaining required occupancy permits;

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

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

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

The price for the construction and other related services is the fixed price agreed at the inception of the contract. The payments are executed based on the invoices issued on a bi-weekly to monthly basis. With regards to completed and handed-over works, the parties sign a works protocol every fortnight to month after approval by an independent project monitor appointed by the external financial party. The prices for the services reflect normal commercial terms and conditions, with average margins between 10% to 20%.

ENGINEERING AND ARCHITECTURAL DESIGN SERVICES

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

- detailed functional, technical, structural and surface-related programmes and finishing work;
- assistance in selection of engineers in charge of assignments;
- detailed preliminary architectural project and establishment of the building project in accordance with the local statutory requirements;
- establishment of all documents, permit application and verification and obtaining all approvals required to submit a building permit application and submission of a building application;
- detailed architectural implementation plan, coordination of the technical studies, definition of specifications and details;
- supervision of the work during the entire construction period;
- assistance during the preliminary acceptance and with obtaining the operating permit;
- commercial costs;
- 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 development entity upon achievement by Safe Invest Sp. z o.o of the milestones agreed in the contract (approval of the preliminary design, submission of the building permit file, implementation file, achievement of commercial goals, etc.). The prices for the services reflect normal commercial terms and conditions as locally in place.

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

<u>2020</u>

In the course of 2020, the Company has sold 100% of its shares in RE Commercial Services Sp.z o.o. (former Ghelamco PL Management Sp.z o.o.) to Hanseta Holding Ltd.

For the remainder, no other significant transactions with related parties took place in 2020.

<u>2019</u>

In the course of 2019, Ghelamco GP 9 Sp. z o.o. Sobieski Towers Sp.k. and Ghelamco GP 9 Sp. z o.o. Altona S.K.A. were merged into a new entity Sobieski Towers Sp. z o.o. As a result of the merger, the involved SPV's were liquidated and there rights and obligations of these entities were transferred into the merged entity.

In addition, Laboka Ltd (subsidiary of the Company) sold 30% of its shares in Azalia and Estima to Deus Comm. VA, which is the holding company of the Portfolio Holding. Also, Granbero Ltd. sold 30% of its shares in Pianissima Sp. z o.o., shelf company, to Deus Comm. VA.

For the remainder, no other significant transactions with related parties took place in 2019.

<u>OTHER</u>

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

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

	31/12/2020	31/12/2019
Purchases of construction, engineering and architectural design:	-137,140	-137,764
Related party trade receivable	79	29
Related party trade accounts payable	-1,065	-31,110
related party non-current loans receivable	348,642	327,403
related party current loans receivable	6,287	-
related party interests receivable	45,341	35,730
related party C/A receivable	109,975	110,125
Related party non-current loans payable	-7,712	-8,444
Related party interests payable	-576	-281
Related party C/A payable	-	-

29. EVENTS AFTER BALANCE SHEET DATE

On 2 February 2021, Ghelamco Invest Sp. z o.o. enacted its new Bonds Issue Programme (number IX) for an amount of max. 400,000 KPLN, allowing both public offerings and private placements of bonds to finance investment projects. Bonds series issued under this programme are secured by a guarantee granted by Granbero Holdings Ltd. Within this new programme, following bonds tranches have been issued:

- on 10 March 2021, an amount of 35,000 KPLN (series PU1). These bonds mature on 16 December 2024 and bear an interest of Wibor 6 months + 5.0%; and
- on 25 March 2021, an amount of 285,000 KPLN (series PU2). These bonds mature on 16 December 2024 and bear an interest of Wibor 6 months + 5.0%.

In March 2021, a number of bonds series (PG, PK and PL) have been redeemed for a total amount of 125,411 KPLN, through early redemption.

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30. AUDITOR'S REPORT

Independent Auditor's Report on the consolidated financial statements of Granbero Holdings Ltd. as of and for the year ended 31 December 2020

Opinion

We have audited the consolidated financial statements of Granbero Holdings Ltd. ("the Company") and its subsidiaries (jointly "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to 1.734.117 (000) EUR and the consolidated statement of profit or loss shows a profit for the year of 99.797 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises section 'I. General information and performance'.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as management 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Zaventem, 31 March 2021

KPMG Réviseurs d'Entreprises SRL/
Bedrijfsrevisoren BV
Independent auditor
represented by

Filip De Bock
Réviseur d'Entreprises / Bedrijfsrevisor