

## INFORMATION NOTE GHELAMCO GROUP COMM. VA

### **1. Introduction and disclaimer**

The purpose of this report is to provide investors with information related to the financial structure and results of Ghelamco Group Comm. VA and its subsidiaries. This report should in no way be regarded as a recommendation to subscribe to the company's issuances.

The company instructed us to prepare this information note on its behalf. We have no relationship whatsoever with the company and its management, nor with any of its shareholders. Nor shall we receive commission based on the success of any of the group's issuances.

### **2. Summary and highlights**

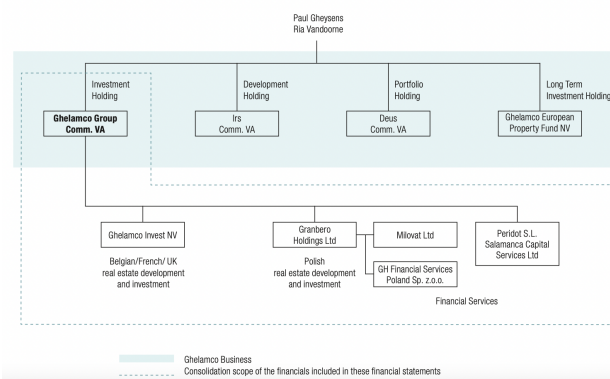
- Ghelamco is actively engaged in the development, construction, investment in and rental of real estate, and its results may consequently exhibit a degree of volatility from one year to the other
- Due to all profits being allocated to the reserves, the group's equity has increased steadily year on year
- Risk spread: operational risk is spread over various areas: geographically across Belgium, France, the U.K. and Poland, and by real estate segment, including offices and residential properties.
- The company has significant undervalued and developable land reserves. The annual report lists these in detail.
- At the end of 2022 the group held more than 26 projects as investment property, furthermore there are 43 assets that are booked under property development inventories.
- At the end of 2021 the group had projects with a value of 543 million euros booked as assets for sale. All these projects have indeed been sold in the course of 2022.
- At the end of 2022 assets for sale only have a value of 4.3 million euros, despite the fact that some projects are eligible for sale
- Integrated business model: the company fulfils all facets of the value chain itself, which is beneficial in terms of added value and margin
- Sustainability: the group has a strong track record and meets 'green' bond issuance criteria.
- The high availability on the market of obsolete office buildings affords Ghelamco a twofold advantage. It ensures a continuous supply of renovation or redevelopment properties, in addition to providing large numbers of corporate tenants who are constantly on the lookout for new, retrofitted and sustainable office space.
- Different projects of the group (in Poland, Belgium and in the U.K.) have won prestigious awards in 2021 and in 2022.

### 3. Group structure

Mr. Paul Gheysens and his wife Ria Vandoorne commenced operations in 1985. These activities are grouped into 4 holding companies. The 4 holding companies together employ 243 staff members (as per the end of 2022). The investment holding company Ghelamco Group Comm. VA is the main holding company.

Together with its legal subsidiaries, **Figure 1: Ghelamco Group organisational structure.** Ghelamco Group Comm. VA. employs 80 staff members.

Irs Comm. VA is the development holding company, which provides various development services to the investment holding company at home and abroad. Deus Comm. VA is the management holding company, which comprises patrimonial operations and property investments. This report contains consolidated figures in accordance with IFRS standards for the Ghelamco Group Comm. VA investment holding company and its affiliates, as illustrated in Figure 1.



### 4. Results 2022

Ghelamco Group recorded a net result part of the group of 28.9 million euro in 2022 versus 143.3 million euros in 2021. The operating profit or EBIT halved to 97 million euros. The financial result declined 11.4 million euros, taxes were nearly stable at 36.3 million euros.

By means of comparison we add that the net result part of the group amounted to 9.8 million euros in the first half of 2022, the second half was thus substantially better.

**Figure 2: Ghelamco: full year results**

(in million euro)	2021	2022	Δ21/22
Revenue	141.7	103.7	-26.8%
<i>a.o. residential sales</i>	105.3	68.8	-34.7%
<i>a.o. rental income</i>	35.9	34.6	-3.8%
Other operating income (a.o. capital gains)	15.8	41.4	162.4%
Gains from revaluation of investment prop.	184.6	86.8	-53.0%
<b>Total revenue</b>	<b>342.0</b>	<b>231.9</b>	<b>-32.2%</b>
EBIT	201.1	97.0	-51.8%
Financial result	-21.0	-34.4	n.r.
<i>a.o. interest expense</i>	-38.0	-36.0	n.r.
Taxes	-36.5	-36.3	n.r.
Net result	143.7	28.3	-80.3%
Third party interest	-0.4	0.6	n.r.
Net result, part group	143.3	28.9	-79.8%

Total revenues fell 32.2% to 231.9 million euros. The components are:

- revenues: -26.8% to 103.7 million euros;
- other operating income (a.o. capital gains and other income): 41.4 million euros or 162.4% more compared to 2021;
- property revaluation: 86.8 million euros versus 184.6 million euro in 2021.

Revenues consist mainly of residential property sales and rental income. The value of residential property sales amounted to 68.8 million euros (105.3 million euros in 2021). Belgian projects contributed 39 million euros to this figure, Polish projects for 29.8 million euros. In Belgium Lake District in Knokke generated 33 million euros sales. In Poland projects like Groen Konstancin (12.2 million euros) and Foksal (8.5 million euros) mainly contributed. Despite the sale of the Warsaw HUB and the loss of its rental income, rental income stabilised at 34.6 million euros. 12.1 million euros of this amount was realised by Belgian projects. Polish projects generated 22.5 million euros rental income.

The other operating income (41.4 million euros) is the result of different elements like realised capital gains, the invoicing of some fit-out expenses, the contribution of a joint-venture and some other income. While in 2021 no meaningful realized capital gains were booked, in 2022 this amounted to 25.2 million euros. On the sale of the Warsaw HUB a capital gain of 24.5 million euros was realised, it consisted of the office and retail part. The hotel part has not been sold yet and is lodged in a separate company (see further). Just like in the past years realized capital gains are limited in the accounts of Ghelamco, as potential capital gains are mostly booked before and thus have been realistic and well anticipated.

The revaluation of real estate amounted to 86.8 million euros. This relates to the revaluation of projects that are either fully completed or projects under construction that meet certain criteria (e.g. lease rate) to be revalued based on estimates by independent and reputable valuation experts. Three Polish projects, Sobieski, Towarowa and the HUB Hotel, were revalued for an amount of 48.9 million euros. In Belgium the group recorded a revaluation of 37.9 million euros, on 5 projects of which The Wings (15.2 million euros) was the most significant. We remark that the British project The Arc (classified under Belgium) was depreciated (-9.7 million euros).

Total revenue thus fell 32.2% to 231.9 million euros, the EBIT amounted to 97 million euros (-51.8%). Calculating the gross margin is not possible due to the fact that non-realized capital gains are mostly recorded in the accounts (through the annual revaluation of real estate).

The financial result dropped 11.4 million euros to 32.4 million euros. The decline was almost entirely due to negative exchange rate movements of the Polish zloty. Excluding these movements (+11.7 million euros in 2021 and -8.3 million euros in 2022) the financial result advanced 8.5 million euros, from -32.6 million euros to -24.1 million euros.

Despite the lower profit before taxes, taxes stabilised. This is mainly the consequence of the important sales of residential real estate in Belgium. Furthermore the group also had to bear taxes on the sale of the Warsaw HUB that took place as an asset sale (and not as a sale of shares). Not unimportant finally is that the tax claim of 153 million euros concerning the year 2016 (related to a dividend payment of Granbero Holdings for an amount of 430 million euros) was cancelled.

Net income, part of the group, amounted to 28.9 million euros.

## 5. Balance sheet data

When going over the various figure series, the continuous increase of the group is particularly striking. In the period 2017/22 the balance sheet total increased 46.5% to 2,625 million euros and this despite the decline in 2022. The equity rose 61% in that same period. There were no capital increases.

In 2022 the item assets held for sale dropped substantially following the successful sale of some larger projects. On the one hand these sales resulted in a decline of the net financial debt, on the other hand the proceeds were reinvested in other projects. Further in this note we discuss the investment property in detail.

Figure 3: Balance sheet information for Ghelamco Group Comm. VA

(in million euro)	2017	2018	2019	2020	2021	2022
Balance sheet total	1,791.8	1,901.9	2,179.1	2,484.9	2,835.5	2,624.6
Equity (ex 3rd parties)	722.7	755.3	868.4	986.6	1,129.2	1,160.1
Equity	729.5	763.2	876.3	997.5	1,140.4	1,171.9
Financial debt long term	694.1	750.3	790.9	1,041.5	820.4	747.9
Financial debt short term	200.6	234.9	316.4	259.6	643.1	468.4
Cash and cash equivalents	129.5	59.1	115.8	65.0	90.7	21.9
Net financial debt	765.2	926.1	991.5	1,236.1	1,372.7	1,194.4
Investment property	910.6	1,035.0	1,271.4	1,334.9	1,155.2	1,431.7
Property development inventories	285.6	249.0	283.3	364.4	335.9	354.2
Assets held for sale	0.6	126.9	24.6	96.9	542.9	4.3

## 6. Financial debt composition

In the previous years the composition of the financial debts experienced limited changes. As a percentage of the total long term debts represented 60%. Bank financing (mostly directly linked to individual projects) stand for 50% to 60% of the total debt.

Figure 4: Composition of financial debts of Ghelamco Group Comm. VA

(in million euro)	2017	2018	2019	2020	2021	2022
Long term - bank	255.7	318.0	394.7	578.0	327.8	345.3
Long term - other	438.3	432.1	4.9	17.4	47.5	19.7
Long term - bonds	n.a.	n.a.	367.2	424.8	427.2	359.3
Long term - leases	0.0	0.1	24.1	21.3	17.9	23.6
Short term - bank	114.8	181.4	104.1	87.4	478.3	389.9
Short term - other	85.8	53.5	69.5	71.0	23.7	18.8
Short term - bonds	n.a.	n.a.	140.3	99.6	134.3	57.9
Short term - leases	0.0	0.0	2.5	1.6	6.8	1.8
<b>TOTAL DEBT</b>	<b>894.7</b>	<b>985.2</b>	<b>1,107.3</b>	<b>1,301.1</b>	<b>1,463.5</b>	<b>1,216.3</b>
Cash and cash equivalents	129.5	59.1	115.8	65.0	90.7	21.9
<b>NET FINANCIAL DEBT</b>	<b>765.2</b>	<b>926.1</b>	<b>991.5</b>	<b>1,236.1</b>	<b>1,372.7</b>	<b>1,194.4</b>

## 7. Financial overview

Figure 5 shows the profit and loss accounts for the period 2017/22. Revenue only relates to the results on the one hand achieved from residential property sales (primarily in Belgium and Poland) and on the other hand from the rental income of delivered projects, offices as well as retail. Please refer to paragraph 11 for more information regarding rental income.

It is worth noting that capital gains from sales (part of other income) are limited, whilst investment property revaluations assume significant proportions from one year to the next. This is due to the fact that investment properties are revalued during the construction process, in accordance with IAS 40 (see below). This does not apply to property inventories valued in accordance with IAS 2 (see below). Effectively, these revaluations are an expression of the fair value of those specific investment properties. These sales gains comprise the difference between the last revalued value (thus after a revaluation had already taken place) and the effective sale price.

From a technical point of view, it concerns IAS 2 and IAS 40 accounting rules. IAS 2 states that buildings are included under inventories and booked at cost. IAS 40 relates to buildings under construction, completed and delivered buildings which are valued at market value.

Ghelamco books revaluations (on a limited number of projects in the portfolio) prior to the completion of the investment property's construction process (based on the projects' market value, which is determined by third parties) in order to provide investors with a better idea of the portfolio's intrinsic value. Profit and loss accounts from previous years additionally indicate that these capital gains are realised systematically, that is to say they are collected upon the sale of this type of investment property. In other words, the revaluations are never an overestimation.

Figure 5: Income statement for Ghelamco Group Comm. VA

(in million euro)	2017	2018	2019	2020	2021	2022
Revenue	103.5	69.2	56.8	89.4	141.7	103.7
<i>a.o. residential sales</i>	67.1	39.6	26.2	60.2	105.3	68.8
<i>a.o. rental income</i>	35.2	28.6	29.3	28.9	35.9	34.6
Other operating income (a.o. capital gains)	29.0	28.1	22.7	34.3	15.8	41.4
Gains from revaluation of investment prop.	45.7	56.5	144.0	173.3	184.6	86.8
<b>Total revenue</b>	<b>178.2</b>	<b>153.9</b>	<b>223.5</b>	<b>296.9</b>	<b>342.0</b>	<b>231.9</b>
EBIT	70.9	72.3	155.5	180.2	201.1	97.0
Financial result	-36.4	12.0	-22.1	-54.1	-21.0	-34.4
<i>a.o. interest costs</i>	-41.5	24.2	-26.3	-35.6	-38.0	-36.0
Taxes	-11.1	-22.0	-20.4	-15.4	-36.5	-36.3
Net result	23.5	38.4	113.0	110.7	143.7	28.3
Third parties interest	-1.4	-1.2	0.0	-1.9	-0.4	0.6
Net result, part group	22.1	37.2	113.0	108.8	143.3	28.9

## 8. Financial ratios

Figure 6 lists a number of ratios. The first is the return on equity, which can withstand comparison with many listed sector competitors. The return on total capital is sometimes referred to as ROA or *return on assets* in technical jargon. The debt ratio or LTV (loan to value) compares short and long-term financial debts against the balance sheet total.

We used net financial debt to calculate the debt/equity ratio. The equity versus the balance sheet total measures solvency. Lastly, we calculated two interest coverage ratios. We divided the operating results by the interest expense (1). We note that the group also enjoys significant interest income on advances it makes to other companies. We therefore calculated a second interest coverage ratio based on the interest expense minus the interest income (2).

We note that most of these ratios evolve with limited volatility.

Figure 6: Selection of ratios for Ghelamco Group Comm. VA

	2017	2018	2019	2020	2021	2022
Return on equity (ex 3rd parties)	3.1%	4.9%	13.0%	11.0%	12.7%	2.5%
Return on assets (ROA)	1.3%	2.0%	5.2%	4.5%	5.1%	1.1%
Loan to value	49.9%	51.8%	50.8%	52.4%	51.6%	46.3%
Debt/net equity	104.9%	121.3%	113.1%	123.9%	120.4%	101.9%
Equity/balance sheet total	40.7%	40.1%	40.2%	40.1%	40.2%	44.6%
EBIT/interest expense (1)	1.7	3.0	5.9	5.1	5.3	2.7
EBIT/interest expense (2)	2.7	6.0	11.5	9.0	11.3	8.9

## 9. Composition of financial results

The financial results are regularly affected by material positive and negative exchange rate differences due to the group's presence in Poland. Apart from assets and income in Polish zloty, Ghelamco also has liabilities (bank financing and bonds) in the Polish currency.

In 2020, there was a particularly high negative impact of 26.1 million euros. In 2021 there was a positive impact, resulting in foreign exchange gains of 11.7 million euros. In 2022 the foreign exchange gains were again negative (-8.3 million euros)

We note that the group also enjoys significant interest income on advances it makes to other group companies.

Figure 7: Composition of financial results for Ghelamco Group Comm. VA

(in million euro)	2017	2018	2019	2020	2021	2022
Interest income	15.2	12.3	12.8	15.5	20.1	25.1
Interest expense	-41.5	-24.2	-26.3	-35.6	-38.0	-36.0
Other finance income	0.0	0.0	0.0	0.0	0.0	0.8
Other finance costs	-5.6	-5.7	-6.7	8.0	-14.8	-13.9
Foreign exchange gains	0.0	5.7	2.1	0.0	11.7	0.0
Foreign exchange losses	-4.5	0.0	4.0	-26.1	0.0	-8.3



## 10. Investment property

The publication of a detailed list of the investment property in the annual report was a remarkable initiative. This kind of details are not even published by Belgian listed sector peers. The 26 projects are divided in 4 categories:

- A: land without preliminary approval
- B: land with preliminary approval for development
- C: land with buildings under construction
- D: delivered projects

Of the total value of 1,431.7 million euros 55% is located in Poland, 45% is situated in Belgium (and the U.K.). Projects of the category C stand for 38% of the total, D-projects represent 34%. Projects of category A stand for 23% of the total.

We remark that the amount of 161.6 million euros of The Arc is related to the office part of the project. The residential part (48.9 million euros) is booked under property development inventories. The annual report of the group also lists the property development inventories (43 in total) with a value of 354.2 million euros at the end of 2022.

Country + SPV	Commercial Name	Valuation	Cat	31/12/2022	31/12/2021
<b>BELGIUM</b>					
Leisure Property Invest	Knocke Village	Cushman	B	109.807	112.740
Ghelamco Invest	Boutique Hotel	Belsquare	C	24.730	0
Zeewind	Zeewind	Man	D	1.746	1.746
DNF/Filature Retail	Filature/Tribeca Retail	Man	D	4.100	4.650
Docora	Rafc Tribune 1 & 4	Man	D	85.084	84.549
Viminalis	Antwerpen West	CBRE	A/D	47.860	43.580
Viminalis III	Nova One	CBRE	C	8.522	0
Brussel Lloyd George	Lloyd George	Man	B	45.829	45.429
Sogimes/Verbena/Cogimes	The Wings	BNP RE	C	136.250	66.642
225 City Road	The Arc	Avison Young	C	161.550	125.749
Ligora	The Cube	CBRE	C	15.956	3.036
DC Green	Nexus Data Center	Man	C	3.553	0
Right of use asset		Man	n/a	492	0
<b>Subtotal Belgium</b>				<b>645.479</b>	<b>488.121</b>
				45%	42%
<b>POLAND</b>					
Apollo Invest Spzoo	The Warsaw UNIT	JLL	D	294.300	284.100
HUB SKA	The Warsaw HUB Hotel	KNF	D	74.840	67.947
Sobieski Towers sp. z o.o.	Sobieski Tower	Axi Immo	B	55.567	37.251
Ghelamco Market sp. z o.o.	Mszczonow Logistics	Man	A	2.758	2.773
Ghelamco SBP sp. z o.o.	Synergy Business Park Wrocław	JLL	B	23.756	24.112
Ghelamco The Bridge sp. z o.o.	The Bridge (former Bellona Tower)	BNP	C	79.034	62.033
Ghelamco Wronia sp. z o.o.	Wola project (former Chopin + Stixx)	Savills	B	55.478	51.098
Ghelamco Plac Vogla sp. z o.o.	Plac Vogla	n/a	n/a	0	16.800
Ghelamco Craft sp. z o.o.	Craft (Katowice)	Newmark	C	28.115	15.283
Estima Sp. z o.o.	Kreo (Kraków)	BNP	C	29.541	18.196
Prima Bud Spzoo	Prochownia Lomianki	n/a	n/a	0	4.633
Abisal Spzoo	Land	Newmark	A	26.400	26.000
Ghelamco Plac Grzybowski sp. z o.o.	Plac Grzybowski	KNF	B	43.640	38.789
Ghelamco Towarowa sp. z o.o.	VIBE	BNP	C	56.722	0
Right of use asset		Man	n/a	16.049	18.072
<b>Subtotal Poland</b>				<b>786.200</b>	<b>667.087</b>
				55%	58%
<b>TOTAL</b>				<b>1.431.679</b>	<b>1.155.208</b>



## **11. Assets held for rental purposes**

As we mentioned when discussing the results, Ghelamco regularly generates significant rental income. On the one hand, these are assets that it has owned for a long time and are not immediately eligible for sale, and on the other hand, they are assets that temporarily generate rental income in anticipation of a final sale.

Rental income fell 3.7% to 34.6 million euros. Rental income from Belgian assets rose 40%, in Poland the group generated 22.5 million euros rental income, less than the 27.3 million euros of 2021, mainly due to the sale of the Warsaw HUB.

Figure 8: Ghelamco: rental income overview

(in million euro)	2017	2018	2019	2020	2021	2022
Total	35.2	28.6	29.3	28.9	35.9	34.6
<i>From Belgium</i>	4.2	10.0	8.9	6.9	8.6	12.1
<i>From Poland</i>	16.6	9.0	8.2	10.8	27.3	22.5
<i>From Russia</i>	14.4	9.7	12.2	11.2	0.0	0.0

## **12. Award-winning projects**

Constantly Ghelamco's developed projects win prestigious awards. We list some of these:

In 2022:

- The Wings, 48,500 m<sup>2</sup> offices and hotel facilities, spread over 4 with each other connected wings, won 6 European Property Awards in the categories Landscape Architecture Belgium, Mixed Use Development Belgium, New Hotel Construction & Design Belgium, New Small Hotel Construction & Design Belgium, Office Development Belgium and Office Architecture Belgium
- On the European Property Awards the PwC Campus (sold in 2021) received awards in the categories Landscape Architecture Belgium, Office Development Belgium and Office Architecture Belgium
- The Warsaw UNIT won 5 stars, the highest possible, as Best Office Development on the European Property Awards. The project also won the HOF-award in the category Best of the Best High-Rise Development. It did also win an Ikona on the Rzeczpospolita Real Estate Impactor.
- the Warsaw HUB (sold in March 2022) won the Eurobuild Award in the category Investment Deal of the Year and an European Property Award for the deal of 500 million euros. The Warsaw HUB hotel, was able to win the World Travel Award in the category Poland Leading Conference Hotel.

In 2021:

- In the UK Ghelamco was awarded 4 prices at the International Property Awards 2021 (Best Residential High Rise Development UK, Best Residential High Rise Development London, Office Development UK and Mixed Use Development UK).
- The Warsaw HUB won the Award of Excellence (category Interior Design) at the CTBUH Awards
- The Polish project Foksal 13/15 won de public award at the architecture price of the president of Warsaw
- Two buildings won a price at the Europe Property Awards 2021, the Warsaw UNIT in the category offices and The Bridge in the category future projects.

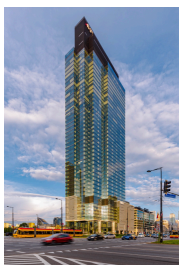


### **13. Recent events and additional comments**

On February 23rd 2023 the group signed a LOI (letter of intent), concerning the sale of the Warsaw HUB hotel. At the end of 2022 this project had a book value of 74.9 million euros. Other projects that qualify for a sale are The Wings in Diegem (Belgium). The project is for more than 90% leased. The wing that will be occupied by the consultancy group EY, was delivered at the end of the first quarter of 2023. In Poland the office project Warsaw UNIT (59,000 m<sup>2</sup>, book value 294.3 million euros), leased for 85%, is also a possible target for a sale, on condition of a further improvement of its occupancy. The residential project Groen Konstancin, of which the first phase of 48 houses was completely sold and delivered, works on a second phase of 48 houses (7,600 m<sup>2</sup>). Of this phase already 55% is sold. The project in total consists of 5 phases.



Wings



Warsaw UNIT



Groen Konstancin

### **14. Sustainability**

Ghelamco Group has a strong track record with regard to project sustainability. The group completed its first building to be granted BREEAM certification in 2010. It was also the first such accreditation in Poland. Since then, all Ghelamco Group projects have been granted BREEAM certification (with a performance rating of 'Very Good' or higher). The Brussels Spectrum project (completed in 2019) is an energy-neutral building. It was awarded BREAAAM Post Construction certification with an 'Excellent' performance rating. The Brussels Silver Tower (already sold) and PwC Campus (in the process of completion) projects were both awarded BREEAM Design Stage certification with an 'Excellent' rating.

The Ghelamco Group fulfils 9 of the United Nations Sustainable Development Goals (SDG).

Ghelamco has also drawn up a Green Finance Framework that defines a number of criteria for the issue of 'green' bonds. These criteria are aligned to the process guidelines defined in the Green Bond Principles (ICMA 2018) and Green Loan Principles (LMA/APLMA 2018).

All information regarding this topic has been summarised in a separate presentation, which is available on the group's website.

Gert De Mesure (May 15<sup>th</sup> 2023)