



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

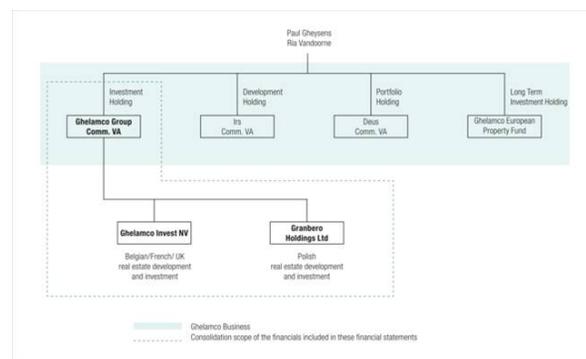
- Ghelamco is actively engaged in the development, construction, investment in and rental of real estate, and its results may consequently exhibit a degree of volatility from one year to the other
- Due to all profits being allocated to the reserves, the group's equity has increased steadily year on year
- Risk spread: operational risk is spread over various areas: geographically across Belgium, France, Great Britain and Poland, and by real estate segment, including offices and residential properties.
- The company has significant (undervalued) land reserves
- The completion of current projects has the potential to yield more than one billion euro in the 2021/22 period
- The group held more than 40 projects at the end of June 2021
- The group has a large number of projects in the pipeline, which are scheduled for completion in 2022 and 2023
- 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 satisfies '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.

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 309 staff members (as per the end of 2020). The investment holding company Ghelamco Group Comm. VA is the main holding company. Together with its legal subsidiaries, Ghelamco Group Comm. VA. employs 56 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. Since 2016, the Ghelamco European Property Fund NV has held a number of real estate developments, which the group intends to retain and let over the longer term. 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.

Figure 1: Ghelamco Group organisational structure.



4. First half results 2021

Ghelamco Group recorded a net result part of the group of 86.7 million euros in the first half of 2021, 1.9% less than in the same period in 2020. Overall, there was a 9 million euro decrease in operating profit, an improved financial result (+21 million euro) and 14 million euro higher provisions for taxes, explaining the 2 million euro decrease in net result part of the group. For comparison, we also report that the net income part of the group amounted to 64.7 million euros in the first half of 2019.

Figure 2: Ghelamco: first half data

(in million euro)	20H1	21H1	Δ20/21
Revenue	37.247	60.305	61.9%
<i>a.o. residential sales</i>	22.759	43.858	129.6%
<i>a.o. rental income</i>	14.185	16.259	-1.3%
Other operating income (a.o. capital gains)	4.685	6.837	51.1%
Gains from revaluation of investment prop.	103.650	94.063	20.3%
Total revenue	145.582	161.205	32.9%
EBIT	106.141	96.882	15.9%
Financial result	-16.016	5.262	n.r.
<i>a.o. interest expense</i>	-13.217	-16.244	n.r.
Taxes	-1.537	16.438	n.r.
Net result	88.588	-15.557	-2.0%
Third party interest	0.147	86.587	n.r.
Net result, part group	88.441	-0.156	-3.7%

Total revenues increased 10.7% to 161.2 million euros. The components are:

- revenues: +61.9% to 60.3 million euros
- capital gains from sales: 6.8 million euros or 45.9% more than in 2020
- property revaluation: 94.1 million euros, compared to 103.6 million euros in 2020.



Revenues consist mainly of residential property sales and rental income. The value of residential property sales almost doubled to 43.9 million euros compared to last year. This mainly came from Lake District in Knokke (78% of the 166 apartments has already been pre-sold), the Senzafine project in Kortrijk (88% has already been sold, the works have been completed), The Arc in London (20% has already been sold) and the Polish Flisac (95% sold).

Despite the sale of some rent-generating assets (including MeetDistrict in Ghent and Russian assets worth 140 million euros) in the second half of 2020, rental income increased 14.6% to reach 16.3 million euros. Of that 16.3 million euros, 2.7 million euros came mainly from the Belgian RAFC stands, a more substantial part came from 3 Polish projects. These are the Warsaw HUB office building, which now has a leasing rate of 86.5%, the Woloska 24 project in Warsaw, which has since then been sold (see below), and the Plac Vogla retail project, also located in Warsaw.

The capital gains on disposals came from 2 office projects, namely Focus (PwC Campus) in Diegem (Brussels) with an underlying property value of 131.3 million euros (based on a yield of 4.72%) and from the Polish Woloska 24 project in Warsaw with an underlying property value of 60.5 million euros. The realized capital gain of 6.8 million euros on sales with a value of 191.8 million euros seems low, but it is the capital gain in relation to the revalued value at the end of 2020. The actual capital gain realized on these 2 projects is significantly higher.

The revaluation of real estate amounted to 94.1 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. The Warsaw UNIT made the most significant contribution, 45.6 million euros. The 59,000 m² office building was completed earlier this year and is already 60% leased. The Warsaw HUB enjoyed a positive revaluation of 16.1 million euros. Also in Warsaw, the construction of the Bridge project (52,800 m²) was started and resulted in a first revaluation of 8 million euro. Finally, in Belgium, the Group recorded a revaluation of 27.5 million euros on The Wings in Diegem (Brussels). This mixed-use project, consisting of 4 wings, has already been leased for 58%. One wing was leased to EY, another wing will receive a hotel destination (Hilton Hotels) through usufruct. Parameters in these revaluations are the degree of completion/leasing and the market yield. Regarding the Polish office assets, the fork of applied market yield came out to be 4.25% to 7.85%, at the end of 2020 it was 4.35% to 8.5%. Despite the 10.7% increase in total revenues, operating profit fell 8.7% to 96.9 million euros. The explanation for this decline lies mainly in other expenses, which increased by more than 10 million euros. A significant portion of these costs is due to the commissions linked to the sale of the PwC Campus and Woloska 24 office projects and the fit-out of the Warsaw UNIT.

The financial result had a remarkable improvement and was positive in the amount of 5.3 million euros. In the first half of 2020, it was -16 million euros. The improvement was largely due to positive exchange rate movements (of the Polish zloty). While these were negative in the amount of 5 million euros in 2020, there was a positive impact of 16.4 million euros in the first half of 2021. Interest expenses increased 3 million euros to 16.2 million euros, a result of the commissioning of the Warsaw HUB and Warsaw UNIT, which means that interest expenses are no longer capitalized.

Taxes increased significantly to 15.6 million euros, with only 1.5 million euros payable in the first half of 2020. This mainly concerns deferred taxes relating to the revaluation surplus on investment properties. This item does not result in a cash outflow.

Net income, third party share, fell 1.9% to 86.7 million euros.



As for the second half of 2021, we can look forward to revenues (sales of residential real estate and rental income) that will be in line with the first half of the year, if the Warsaw HUB is not sold. Sales of residential real estate may relate on the one hand to new sales, and on the other to the invoicing of construction progress. Projects such as the Warsaw UNIT and The Wings will in principle again benefit from a higher valuation, on the one hand due to an increase in the lease rate, on the other hand due to the progress of the works. The big question is whether the Warsaw HUB will still be sold in 2021. In the event of a sale, the project can still generate a significant capital gain compared to the value recorded at the end of 2020. In addition, a potential sale could free up significant financial resources for new projects.

5. Balance sheet data

When going over the various figure series, the continuous increase in equity is particularly striking, since 2016 there has been an increase of 41% due to profit reservation, no capital increases took place. Only in 2017 there was a capital reduction in the amount of 45 million euros. Compared to the end of 2020, net financial debt decreased to 1,222.7 million euros. This is because sales outpaced purchases and investments. The main movements were: the sale of the 2 office buildings and of the residential property valued at 179 million euros, investments amounted to 103 million euros and working capital increased 44 million euros.

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

(in million euro)	2016	2017	2018	2019	2020	21H1
Balance sheet total	1,912.0	1,791.8	1,901.9	2,179.1	2,484.9	2,584.6
Equity (ex 3rd parties)	759.9	722.7	755.3	868.4	986.6	1,070.7
Equity	765.3	729.5	763.2	876.3	997.5	1,081.4
Financial debt long term	906.9	694.1	750.3	790.9	1,041.5	1,051.7
Financial debt short term	150.1	200.6	234.9	316.4	259.6	250.5
Cash and cash equivalents	59.0	129.5	59.1	115.8	65.0	79.5
Net financial debt	998.1	765.2	926.1	991.5	1,236.1	1,222.7
Investment property	1,317.7	910.6	1,035.0	1,271.4	1,334.9	1,556.8
Property development inventories	259.5	285.6	249.0	283.3	364.4	283.5
Assets held for sale	0.6	0.6	126.9	24.6	96.9	0.0

The investment properties with a book value of 1,556.8 million euros consist of 25 projects, 16 in Poland, 8 in Belgium and 1 in Great Britain. Polish assets represent 72% of that amount. The Group's main asset is the Warsaw HUB with a value of 554.2 million euros, or 36% of the total. In second place is the Warsaw UNIT, value 250.6 million euros, accounting for 16% of the total of 1,556.8 million euros. London's The Arc is on the books for 105 million euros and is the third most important asset.

6. Financial debt composition

The first half of 2021 brought little change to the group's financing structure. We note that 81% of financial debt is long-term. Bank financing represents 51% of the debt, bonds 41%. The bank financing is based on variable interest rates, for the bonds interest is either fixed or variable. The group also regularly issues commercial paper.

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

(in million euro)	2016	2017	2018	2019	2020	21H1
Long term - bank	491.4	255.7	318.0	394.7	578.0	570.8
Long term - other	415.6	438.3	432.1	4.9	17.4	12.5
Long term - bonds	n.a.	n.a.	n.a.	367.2	424.8	447.8
Long term - leases	0.0	0.0	0.1	24.1	21.3	20.6
Short term - bank	135.8	114.8	181.4	104.1	87.4	87.5
Short term - other	14.4	85.8	53.5	69.5	71.0	69.0
Short term - bonds	n.a.	n.a.	n.a.	140.3	99.6	92.44
Short term - leases	0.0	0.0	0.0	2.5	1.6	1.6
TOTAL DEBT	1,057.1	894.7	985.2	1,107.3	1,301.1	1,302.2
Cash and cash equivalents	59.0	129.5	59.1	115.8	65.0	79.5
NET FINANCIAL DEBT	998.1	765.2	926.1	991.5	1,236.1	1,222.7

7. Financial overview

Figure 5 shows the profit and loss accounts for the 2016/20 period. The fact that revenue exclusively relates to the results achieved from residential property sales (primarily in Belgium and Poland) and the rental income from office, retail and logistics space, must be taken into account here. Please refer to paragraph 8 for more information regarding rental income.

It is worth noting that capital gains from sales (part of other income) are relatively 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)	2016	2017	2018	2019	2020
Revenue	110.5	103.5	69.2	56.8	89.4
<i>a.o. residential sales</i>	67.5	67.1	39.6	26.2	60.2
<i>a.o. rental income</i>	41.7	35.2	28.6	29.3	28.9
Other operating income (a.o. capital gains)	11.5	29.0	28.1	22.7	34.3
Gains from revaluation of investment prop.	139.4	45.7	56.5	144.0	173.3
Total revenue	261.4	178.2	153.9	223.5	296.9
EBIT	160.5	70.9	72.3	155.5	180.2
Financial result	-56.2	-36.4	12.0	-22.1	-54.1
<i>a.o. interest costs</i>	-40.9	-41.5	24.2	-26.3	-35.6
Taxes	-7.6	-11.1	-22.0	-20.4	-15.4
Net result	96.7	23.5	38.4	113.0	110.7
Third parties interest	-1.1	-1.4	-1.2	0.0	-1.9
Net result, part group	95.7	22.1	37.2	113.0	108.8

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 total equity ratio 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 and that the ratios showed a limited improvement in the first half of 2021.

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

	2015	2016	2017	2018	2019	2020
Return on equity (ex 3rd parties)	13.6%	12.6%	3.1%	4.9%	13.0%	11.0%
Return on assets (ROA)	5.4%	5.1%	1.3%	2.0%	5.2%	4.5%
Loan to value	54.8%	55.3%	49.9%	51.8%	50.8%	52.4%
Debt/net equity	124.3%	130.4%	104.9%	121.3%	113.1%	123.9%
Equity/balance sheet total	40.0%	40.0%	40.7%	40.1%	40.2%	40.1%
EBIT/interest expense (1)	5.7	3.9	1.7	3.0	5.9	5.1
EBIT/interest expense (2)	7.5	4.7	2.7	6.0	11.5	9.0

9. Composition of financial results

The financial results are regularly affected by positive and negative exchange rate differences, due to the group's presence in Central and Eastern Europe. In 2020, there was a particularly high negative impact (amongst other things, due to a 7% fall in the Polish zloty). Since these exchange rate developments have a significant impact on overall financial results, it can be useful to separate them. We note that the group also enjoys significant interest income on advances it makes to other companies.

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

(in million euro)	2016	2017	2018	2019	2020	21H1
Interest income	6.5	15.2	12.3	12.8	15.5	9.7
Interest expense	-40.9	-41.5	-24.2	-26.3	-35.6	-16.2
Other finance income	0.1	0.0	0.0	0.0	0.0	0.0
Other finance costs	-7.4	-5.6	-5.7	-6.7	8.0	-4.6
Foreign exchange gains	0.0	0.0	5.7	2.1	0.0	16.4
Foreign exchange losses	-14.4	-4.5	0.0	4.0	-26.1	0.0

10. Assets held for rental purposes

As we mentioned when discussing the half-year 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. After the transfer of MeetDistrict Gent and of the Russian Dimitrov Logistik Park in 2020, it is about the Belgian RAFC stands (book value 82.7 million euros at the end of June 2021, 77.3 million euros at the end of 2020) and the Polish retail real estate project Plac Vogla which had a book value of 16.6 million euros at the end of June 2021 (was 15.7 million euros at the end of 2020). Meanwhile it is fully leased, a sale in the near future should not be excluded. The Woloska 24 office project generated rental income in the first half of the year until its sale in early June 2020. The Warsaw HUB is currently the main asset (book value of 554.2 million euros at the end of June 2021) generating rental income for the Group, as already mentioned, we assume that this is temporary.

Figure 8: Ghelamco: rental income overview

(in miljoen euro)	2016	2017	2018	2019	2020	21H1
Totaal	41,7	35,2	28,6	29,3	28,9	16,3
<i>Uit België</i>	9,5	4,2	10,0	8,9	6,9	2,7
<i>Uit Polen</i>	15,2	16,6	9,0	8,2	10,8	13,6
<i>Uit Rusland</i>	17,0	14,4	9,7	12,2	11,2	0,0



11. Current projects

Below is a brief overview of the group's main projects:

- Warsaw HUB (Warsaw, Poland): 3 towers comprising 118,600 m² of office space. Completion took place in the second half of 2020.
- The Wings (Diegem, Belgium): 50.000 m² mixed use (offices and hotel)
- The Bridge (Warsaw, Poland): project of 52.800 m²
- Warsaw UNIT (Warsaw, Poland): 59,000 m² of office space, located immediately adjacent to the Warsaw HUB. Completion scheduled for the third quarter of 2021.
- Lake District (Knokke, Belgium): 166 apartments (78% is pre-sold) and 4,200 m² of retail space (100% reserved/sold). Completion scheduled for September 2022.
- Kreo (Krakow, Poland): 23,700 m² of office space
- The Arc (London, Great Britain): mixed project comprising 21,286 m² of office space. Construction commenced in November 2020. 20% is pre-sold.
- Lloyd George (Brussels, Belgium): mixed project: 9,250 m² of residential and 10,500 m² of offices. Completion is scheduled for the end of 2025.
- Groen (Konstancin, Poland): construction of the first phase of 48 residential units (7,500 m²) has started. These units are all pre-sold. Shortly the sale of phase two with another 48 residential units (8,700 m²) will start.



Warsaw HUB



Wings



Lake District

10. 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 BREAAM 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 Measure (October 18th 2021)

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