

Ghelamco Group Comm. VA results 31.12.2015

Sustained growth and sound results from continued development, construction and commercialisation efforts in core market segments

Results 2015

The Group closed its 2015 accounts with a net profit of 90,081 KEUR, resulting from its continued investment and commercial efforts in existing and new projects. The Group realised significant residential sales on the one hand and in addition managed to create significant added value on its larger commercial projects and to achieve sustained growth.

The difficult political and economic situation in Ukraine and Russia remains but has to an extent stabilized in 2015. Still, continued pressure on the rent levels and on applied yields in those regions have resulted in a further negative fair value correction on both Ukrainian and Russian projects in portfolio.

The above is reflected in a balance sheet total of 1,653,429 KEUR and an equity of 661,374 KEUR. The solvency ratio amounts to 40% (vs. 45% at 31/12/14).

Investment and leasing activities

The investing activities in Poland during 2015 have mainly been focused on the further realisation of the Warsaw Spire (+/- 108,000 sqm of office space) and on the construction of the Woloska 24 project (approx. 20,000 sqm office project in the Warsaw Mokotow District). In the course of 2015 satellite building C of Warsaw Spire has been finalized and delivered while per year-end the tower building is close to finalisation.

Continued and successful leasing efforts on the Warsaw Spire project have resulted in the fact that the project on the whole is per 31 December 2015 leased for over 70%. In this respect, the Group signed in April 2015 an anchor tenant lease agreement for approx. 22,000 sqm of space with Samsung. The deal is being seen as the largest office lease transaction ever in the Warsaw city centre, as well as one of the biggest in the country.

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

Over the past year, further leasing successes have been achieved on mainly the Blue Towers (+/- 28,000 sqm office project) in Ghent, resulting in an occupation rate per date of the current report of approx. 95%. In addition, during 2015 further realisation efforts were done in the Waterview project in Leuven (mixed retail, student housing and parking space project at the Vaartkom), resulting in the delivery of the retail and parking parts of the project and the welcoming of the first tenants. The residential part of the project was delivered mid 2015 and over 75% of available student units have per date of the current report been sold.

In the course of 2015, the Meetdistrict – innovative and high-end business and congress center in the Ghelamco Arena offering a.o. over 500 flexible office workplaces, meeting rooms and a 350 seats auditory – has been

formally opened. Phase 1 of the business centre is per date of the current report occupied for over 90%; phase 2 (offering approx. 250 workplaces) is currently being finalized and will be delivered in Q2 2016.

Mid March 2015 the City of Brussels has retained Eurostadium Brussels as preferred bidder for the construction of the Euro-stadium on parking C of the Heizel site. This new national stadium will amongst others comprise 60,000 seats, 6,000 VIP places and over 14,000 parking spaces.

In Russia, the first (building A, approx. 60,000 sqm) and second phase (building B, approx. 76,000 sqm) of the Dmitrov Logistics Park – class A warehouse complex of four buildings totalling approx. 243.000 m² of lettable area (including ancillary office accommodations) in the northern part of the Moscow Region – have in the past years been delivered and are currently leased for resp. over 90% and 70%. The political and economic situation and its effects on markets and (warehouse) tenant activity is closely monitored, in view of further construction of building C (approx. 46,000 sqm).

Divestures

Except for the divesture of the remaining office space in Ring Offices (approx. 1,250 sqm) in Ghent, which has been sold for an amount of 2,920 KEUR, there have been no other divestures of investment property. In this respect, 2015 has for the Group in first instance been an investment and growth year, which is reflected in the above mentioned balance sheet increase.

Key figures (KEUR)

Results	31.12.2015	31.12.2014
Operating result	139,327	19,644
Net result of the year	90,081	-9,062
Share of the group in the net result of the year	89,348	-9,693
Balance sheet	31.12.2015	31.12.2014
Total assets	1,653,429	1,267,826
Cash and cash equivalents	84,587	98,955
Net financial debt (-)	821,946	522,475
Total equity	661,374	571,183

Revenue for 2015 amounts to 99,436 KEUR and mainly relates to rental income (30,392 KEUR) and sales of residential projects (67,641 KEUR). Residential sales mainly relate to apartments in the Q-Bik project in Warsaw Mokotow (350 soft lofts of which per end 2015 approx. 90% have been sold), apartments and student units in Blaisant Park in Gent, student units in the Waterview project in Leuven Vaartkom and residential projects at the Belgian coast.

The investment property (under construction) portfolio evolved from a fair value of 820,414 KEUR per end 2014 to 1,117,225 KEUR per end 2015; evolution which is the combined result of current year's expenditures (172,085 KEUR), transfers (400 KEUR), fair value adjustments (114,412 KEUR), disposals (-2,410 KEUR) and currency translation impact (12,324 KEUR). The current year's favorable fair value adjustments result from the Group's sustained investment and leasing efforts, in combination with market evolution (in terms of yields and rent levels) (in Belgium and Poland).

The continued difficult political and economic situation in Russia and Ukraine and its related effects on the markets in those regions (with pressure on the yields and rent levels and thus on the market value of the Group's projects in both countries) has resulted in the recognition of further negative fair value adjustments of resp. 1,832 KEUR and 3,314 KEUR on our Russian and Ukrainian real estate investments.

It is however to be noted that main part of the Group's investments in both regions consists of delivered projects which are to a significant extent leased to renowned multinational companies. In addition, Group management expects that the above difficult situation is of a temporary nature.

A detail of current year's fair value adjustment can be given as follows:

Belgium	22,011
Poland	97,547
Russia	-1,832
Ukraine	-3,314
	114,412

The operating result for 2015 totals to 139,327 KEUR (vs. 19,644 KEUR in 2014); net profit for the year (share of the group) closes with 89,348 KEUR (vs. a loss of 9,693 KEUR in 2014).

The property development inventories balance increased by 77,383 KEUR to 260,300 KEUR; evolution which is the combined effect of the sale of residential projects in Belgium and Poland (see above) on the one hand and further expenditures on (mainly Belgian) residential projects on the other hand (mainly the residential part of the Waterview project in Leuven and the Blaisant Park and Tribeca projects in Gent). In addition, the Group has expanded its portfolio through a number of acquisitions:

- in Poland, mainly plots located at Pl. Grzybowski and Grójecka and a plot in Łódź, all for the future development of office projects,
- in Belgium, mainly 2 sites located at the Louizalaan and the Boulevard Bischoffsheim in Brussels for the future development of mixed residential-office-retail projects, and the shares of a company holding the long-term leasehold rights on a building at Rue de la Banque in Brussels
- in France, the hotel 'Pomme de Pin' in Courchevel, for the future development of a residential project consisting of approx. 6,000 sqm apartments with hotel service.

During the year the Group was able to obtain new bank borrowings and withdraw on existing credit facilities for a total amount of 191.5 MEUR. On the other hand, reimbursements and refinancings have been done for an amount of 37.0 MEUR, bringing the total outstanding amount of bank borrowings to 522.0 MEUR (compared to 367.5 MEUR at 31/12/2014).

In addition, the Group has in 2015 issued new private and retail bonds in Poland for a total amount of 42,239 KEUR and redeemed private bonds for a total amount of 13,845 KEUR, bringing the total amount of outstanding Polish bonds per 31 December 2015 to 159,494 KEUR (net of capitalized issue costs).

And also Ghelamco Invest NV, parent company of the Belgian activities, has on 24 June 2015 launched a new EMTN bonds program for a maximum amount of 150 MEUR. First tap on this program has resulted in the issue of a first tranche of 79,100 KEUR and in December the remaining amount of 70,900 KEUR has been raised. The bonds, which are listed on Euronext, have as maturity date 3/07/2020 (first tranche) and 14/06/2021 (second tranche), bear an interest rate of 4.5% (first tranche) and 4.125% (second tranche) and are secured by a first demand guarantee from Ghelamco Group Comm. VA. The program has been coordinated by Belfius, BNP and KBC. Both tranches have been underwritten by institutional investors and high-net-worth individuals.

On the other hand, Ghelamco Invest has in December redeemed its 2012 private unsecured bonds for a total amount of 42 MEUR (serie A for an amount of 25.05 MEUR on its contractual maturity date 13/12/15 and serie B for an amount of 16.95 MEUR on the same date, through early redemption), bringing the total amount of outstanding Belgian bonds per 31 December 2015 to 216,004 KEUR (net of capitalized issue costs).



This way, the Group's leverage – calculated as interest-bearing loans and borrowings/ total assets – evolved to 54.8% (vs. 49% at 31/12/2014).

Outlook

It is the Group's strategy to further diversify its investment portfolio in the countries where it is currently active by spreading its investments over different real estate segments.

In 2016, the Group will continue this strategy. In addition, it will closely monitor specific evolutions in its active markets and real estate segments. Considering its sound financial structure and the expected further market evolutions (in terms of tenant activity and evolution in yields), the Group is confident to achieve its goals for 2016 in general.

The independent auditor Deloitte Bedrijfsrevisoren, represented by Rik Neckebroeck, has confirmed that his audit procedures, which have been substantially completed, have not revealed any material adjustments which would have to be made to the accounting information disclosed in this report.

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union.



Condensed consolidated income statement (KEUR)

	2015	2014
Revenue	99,436	69,579
Other operating income	5,949	13,951
Cost of Property Development Inventories	-48,965	-36,151
Employee benefit expense	-1,058	-1,190
Depreciation amortisation and impairment charges	-553	-588
Gains from revaluation of Investment Property	114,412	11,335
Other operating expense	-29,894	-36,502
Share of results of associates	0	-790
Operating profit – result	139,327	19,644
Finance income	6,439	4,298
Finance costs	-37,246	-31,536
Profit before income tax	108,520	-7,594
Income tax expense	-18,439	-1,468
Profit for the year	90,081	-9,062
Attributable to:		
Equity holders of parent	89,348	-9,693
Non-controlling interests	733	631



Condensed consolidated balance sheet (KEUR)

	31/12/2015	31/12/2014
ASSETS		
Non-current assets		
Investment Property	1,117,224	820,414
Property, plant and equipment	221	391
Intangible assets	3,822	4,299
Investments in associates	0	590
Receivables and prepayments	73,307	58,896
Deferred tax assets	9,742	6,432
Non-current assets held for sale		
Other financial assets	4,000	1,582
Restricted cash	0	256
Total non-current assets	1,208,316	892,860
Current assets		
Property Development Inventories	260,300	182,917
Trade and other receivables	99,624	91,810
Current tax assets	27	19
Derivatives	0	290
Assets classified as held for sale	575	975
Restricted cash	0	0
Cash and cash equivalents	84,587	98,955
Total current assets	445,113	374,966
TOTAL ASSETS	1,653,429	1,267,826



31/12/2015 31/12/2014

Capital and reserves attributable to the Group's equity holders

Share capital	73,194	73,194
CTA	12,131	12,198
Retained earnings	569,802	480,283
	<u>655,127</u>	<u>565,675</u>

Non-controlling interests	6,247	5,508
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TOTAL EQUITY	<u>661,374</u>	<u>571,183</u>
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Non-current liabilities

Interest-bearing loans and borrowings	778,984	440,187
Deferred tax liabilities	41,483	23,770
Other non-current liabilities	0	2,500
Long-term provisions	140	178

Total non-current liabilities	<u>820,607</u>	<u>466,635</u>
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Current liabilities

Trade and other payables	40,010	46,458
Current tax liabilities	3,889	2,307
Interest-bearing loans and borrowings	127,549	181,243
Short-term provisions	0	0

Total current liabilities	<u>171,448</u>	<u>230,008</u>
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Total liabilities	<u>992,055</u>	<u>696,643</u>
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TOTAL EQUITY AND LIABILITIES	<u>1,653,429</u>	<u>1,267,826</u>
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