

Annual results 2020

Summary

- Investment properties in operation for 129.2 M€ as at 31/12/2020. This portfolio includes 639 affordable rental housing units, 148 of which are dedicated to a fragile population in need of various types of support or assistance, and 64 housing units for people with disabilities
- 7 ongoing development projects (with expenditure of 21.5 M€ already incurred and an estimated balance of 12.4 M€ to be disbursed to complete the works)
- Accreditation as a RREC (Regulated Real Estate Company) in December 2020
- Successful IPO with a 60 M€ capital increase in December 2020
- Limited debt ratio of 9.17% as at 31 December 2020
- NAV per share of 20.59 EUR as at 31/12/2020
- Renewal of the B-Corp certification in December 2020



Domaine des Etangs - Anderlecht



VillaVip - Bredene



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1. Operational activities

1.1. Rental investment properties

The Inclusio portfolio grew significantly in the course of 2020.

Among the main operations, we mention the following:

- The acquisition on 17 January 2020 of SA Dupimmo, owner of the site of Ecole Active in Uccle given as a long lease.
- On 18 March 2020, Inclusio acquired a building with 12 studios located chaussée de Dieleghem 95 in 1090 Jette (Brussels). This building has been leased since 1 January 2021 to the Belgian Red Cross for the accommodation of asylum seekers.
- In June 2020, Domaine des Etangs (Route de Lennik in Anderlecht) entered into operation, where 106 housing units have been given under management to the Social Rental Agencies Baita, Logement pour Tous and MAIS.
- On 24 August 2020, Inclusio acquired the SRL Catalco, owner of a building at Rue d'Anderlecht in Brussels with 18 rooms and 18 studios. The building is leased to the Social Rental Agency "Etudiante".
- On 31 August 2020, two properties in operation, Villa Vip in Bredene and Wondelgem were acquired. Each building has about ten rooms for people with disabilities and an adjoining dwelling for a couple of operators.
- On 9 November 2020, Inclusio bought the office building Rue du Pavillon 1-5 in Schaerbeek, leased to not-for-profit organisations active in the social sector (education, assistance to people with disabilities, suicide prevention).
- In November 2020, a first phase of 19 apartments in the Auflette project was delivered and leased to the Mons Logement Social Rental Agency.
- Finally, on 23 December 2020, Inclusio concluded the acquisition of SRL Immo Cognaux, owner of 20 apartments in the former "Major Cognaux" barracks in Verviers. All the apartments are leased to the Social Rental Agency Logeo.

As a result, consolidated rental income in 2020 amounts to 4,574 k€, i.e. an increase of 191% compared to the rental income in 2019.



Pavillon - Schaerbeek



Auflette - Mons

1.2. The development projects

As at 31 December 2020, the main development projects are the following:

- **Pavillon 7-9 – Rue du Pavillon 7-9 in 1030 Schaerbeek**

Conversion of a former office building into 41 affordable rental units (which will be leased to the Social Rental Agency of Schaerbeek) and a ground floor with an office allocation (which will probably be leased to two not-for-profit organisations involved in helping people with disabilities). Provisional acceptance is planned for the 2nd quarter of 2021.

- **Antares – Avenue des Pléiades 71 in 1200 Woluwe-Saint-Lambert**

Conversion of a former office building into 79 affordable rental units. Provisional acceptance is planned for the 4th quarter of 2021. All of the housing units will be managed by the Social Rental Agency of Woluwe-Saint-Lambert.

- **Broedershof – Broedershof 11 in 9900 Eeklo**

New construction of a building with 15 apartments to be leased to the Social Rental Agency Meetjesland. Provisional acceptance is planned for the 3rd quarter of 2021.

- **Dendermondesteenweg – Dendermondesteenweg 201 in 9100 Sint-Niklaas**

New construction of a building with 9 apartments to be leased to the Social Rental Agency Waasland. Provisional acceptance is planned for the 1st quarter of 2021.

- **Auflette – Rue de l’Auflette 95-97 in 7033 Cuesmes (Mons)**

Following the delivery of the first phase in November 2020 (19 apartments), phases 2 to 4, representing 49 additional housing units, will be delivered in the 1st, 2nd and 3rd quarters of 2021 respectively. All the apartments are leased to the Social Rental Agency Mons Logement.

For these 5 projects, the balance of the works to be financed is estimated at 10.5 M€.

The table below shows the evolution of Inclusio's property portfolio and its breakdown between the 3 asset categories that are part of the company's investment strategy (rental investment properties + development projects):

Fair Value of the Buildings (in €)	31.12.2020	31.12.2019
Affordable rental housing	124,176,500	92,872,360
Facilities for disabled people	11,731,886	1,750,000
Social infrastructure	14,858,199	2,923,000
Total	150,766,585	97,545,360

The average gross rental yield of the portfolio in operation was 4.26% (as a percentage of fair value) as at 31 December 2020 (vs. 4.31% at 31 December 2019).

The portfolio's occupancy rate was 96% at 31 December 2020 (vs. 99% at 31 December 2019). This slight decrease is explained by the entry into operation of the Domaine des Etangs building in June 2020, where 5 commercial spaces and 70 parking spaces have not yet been let.

1.3. Successful IPO for the first RREC with pronounced social ambitions



Since 10 December 2020, the shares of Inclusio are listed on the regulated market of Euronext Brussels under the symbol "INCLU". An amount of 60 M€ has been raised through a capital increase involving the issue of 2,803,738 shares at 21.40 € per share.

1.4. B-Corp Certification



Inclusio has been awarded the "B-Corp" label since 2015 and had its certification renewed in December 2020.

This certification is granted to commercial (profit-oriented) companies that meet standards of verified environmental, social and governance performance, as well as public transparency. The name is an abbreviation of "Benefit Corporation".

Companies benefiting from this label are invited to integrate their social and environmental objectives directly into their articles of association. Inclusio has done this in the new version of its articles of association, which were approved by the extraordinary general meeting of 29 October 2020.

2. Financial results

2.1. Consolidated balance sheet as at 31 December 2020

In €	31.12.2020	31.12.2019
I Non-current assets	151,370,428	100,907,260
I B Intangible assets	83,300	85,324
I C Investment properties	150,766,582	97,545,360
I D Other tangible assets	19,341	12,573
I E Non-current financial assets	49,456	2,719,045
I I Participations in associated companies and joint ventures	451,747	544,957
II Current assets	11,836,501	4,670,416
II B Current financial assets		31,434
II D Trade receivables	30,498	256,801
II E Tax receivables and other current assets	250,016	879,909
II F Cash and cash equivalents	11,059,315	2,770,584
II G Accrued charges and deferred income	496,672	731,689
TOTAL ASSETS	163,206,929	105,577,675
SHAREHOLDER EQUITY	147,966,767	89,392,790
A Capital	139,077,347	84,639,790
B Share premium account	8,381,743	4,380,623
C Reserves	474,128	-150,407
D Net result of the financial year	33,549	522,783
LIABILITIES	15,240,162	16,184,885
I Non-current liabilities	10,221,779	14,740,204
I B Non-current financial debts	10,000,000	14,000,000
I C Other non-current liabilities	221,779	
I F Deferred taxes		740,204
II Current liabilities	5,018,383	1,444,681
II B Current financial debts	154,696	7,579
II D Trade debts and other current debts	4,805,355	1,241,709
II E Other current liabilities		600
II F Accrued charges and deferred income	58,332	190,999
TOTAL EQUITY AND LIABILITIES	163,206,929	105,577,675
Number of shares at the end of the period	7,187,558	4,329,615
Net asset value per share	20.59	20.65
Debt ratio (Royal Decree- RREC) ¹	9.17%	14.44%

¹ This debt ratio is calculated in accordance with the RREC Royal Decree of 13 July 2014, as amended by the Royal Decree of 23 April 2018 on B-REITS

2.2. Comments on the balance sheet

Fair value of investment properties

During the financial year 2020, the fair value of investment properties increased from 97.5 M€ at the end of 2019 to 150.8 M€ at the end of 2020, i.e. an increase of 54%. The portfolio comprises 129.2 M€ of properties in operation and 21.5 M€ of projects under development. This increase can be explained by the numerous investments made during the financial year, as described above.

Participations in associated companies and joint ventures

Inclusio owns 26% of NV Middelweg Albert, which is in charge of the Middelweg project under construction. This participation is accounted for using the equity method and amounted to 0.5 M€.

Shareholder equity

As at 31 December 2020, the Group's shareholder equity amounted to 148 M€, up 65% compared to the end of 2019. This growth is the result of the capital increase carried out in December 2020 accompanied by the approval as RREC and the listing on Euronext Brussels. As at 31 December 2020, the total number of shares amounts to 7,187,558 and the net asset value is 20.59 € per share, vs. 20.65 € per share at the end of 2019.

Debt ratio and bank commitments

As a result of the strengthening of the shareholder equity and notwithstanding the significant growth in investment properties, the consolidated debt ratio according to the RREC Royal Decree² was 9.17% at 31 December 2020, vs. 14.44% at the end of 2019.

Inclusio has bank credit lines totalling 80 M€, of which 10 M€ was drawn down at the end of the 2020 financial year. None of these credit lines are due to mature before 2023.

It should also be noted that the company still has an investment capacity of nearly 135 M€ before reaching a debt ratio of 50%.

² This debt ratio is calculated in accordance with the RREC Royal Decree of 13 July 2014, as amended by the Royal Decree of 23 April 2018 on B-REITS

2.3. Consolidated income statement

In €	31.12.2020	31.12.2019
I Rental income	4,574,075	1,573,316
III Rental-related expenses	-56,262	
NET RENTAL INCOME	4,517,813	1,573,316
V Recovery income of charges and taxes normally payable by the tenant on let properties	240,754	71,946
VII Charges and taxes normally payable by the tenant on let properties	-439,746	-92,642
PROPERTY RESULT	4,318,821	1,552,619
IX Technical costs	-108,482	-79,199
X Commercial costs	-21,998	-2,698
XI Taxes and charges on unlet properties	-980	-1,941
XII Property management costs	-139,584	-44,203
XIII Other property charges	0	-218
PROPERTY CHARGES	-271,045	-128,259
PROPERTY OPERATING RESULT	4,047,776	1,424,361
XIV Corporate overheads	-5,042,546	-1,360,848
XV Other income and operating charges	88,866	9,525
OPERATING RESULT BEFORE RESULT ON THE PORTFOLIO	-905,904	73,037
XVIII Changes in fair value of investment properties	227,396	438,844
XIX Other result on the portfolio	89,339	9,525
OPERATING RESULT	-589,169	511,882
XX Financial income	13,518	163,710
XXI Net interest charges	-258,966	-100,661
XXII Other financial charges	-4,462	-148,673
XXIII Changes in the fair value of financial assets and liabilities	-221,779	-148,673
FINANCIAL RESULT	-471,690	-85,624
XXIV Share in the result of associated companies and joint ventures	-3,770	-
PRE-TAX RESULT	-1,064,629	426,258
XXV Corporate tax	1,461,546	-6,355
XXVI Exit tax	-363,369	102,880
TAXES	1,098,178	96,526
NET RESULT	33,549	522,783

2.4. Comments on the consolidated income statement

Net rental income

Net rental income increased from 1.6 M€ in 2019 to 4.5 M€ in 2020. This significant increase is the result of various acquisitions and the entry into operation of certain development projects completed in 2020, in particular the "Domaine des Etangs" building in Anderlecht.

Property result

After taking account of net rental charges and property tax, property result for the 2020 financial year amounted to 4.3 M€ vs. 1.5 M€ for the previous financial year.

Property charges and property operating result

Technical costs include repair and maintenance costs, but also insurance premiums payable by the owner. Commercial costs include marketing costs and legal costs related to rental disputes. Property management costs include the fees paid to the Social Rental Agencies on certain contracts but also external service providers such as building managers in co-ownerships. In addition, Inclusio hired a Property Manager at the end of 2019 for the technical and commercial management of the properties.

Overall property charges amounted to 0.3 M€ vs. 0.1 M€ the previous year. This resulted in a property operating result of 4.0 M€ vs. 1.4 M€ in 2019.

Corporate overheads

Corporate overheads were 5.0 M€ compared with 1.4 M€ in 2019. This exceptional significant increase is due to the one-off costs of 2.6 M€ related to the preparatory work for the approval as RREC and the IPO, which have not been directly deducted from the capital raised.

Operating result

Operating result before result on the portfolio therefore amounted to -0.9 M€ in 2020 vs. 0.07 M€ in 2019.

Changes in fair value of investment properties

The change in fair value of investment properties reflects an unrealised capital gain of 0.2 M€ for the financial year 2020 vs. 0.4 M€ in 2019.

Financial result

The financial result amounted to -0.5 M€ vs. -0.1 M€.

Net interest charges amounted to 0.26 M€ following the increase in financial debt during the year (before its partial repayment after the capital increase closed in December 2020).

The average cost of debt was 1.65% in 2020 (vs. 1.55% in 2019).

The financial result also includes the change in the fair value of financial instruments for 0.2 M€ (non-cash and unrealised item).

Taxes

Taxes consist of a 1.5 M€ recovery relating to the merged subsidiaries whose Exit Tax provisions have been reversed.

The Exit Tax of -0.4 M€ comprises on the one hand the Exit Tax that Inclusio has to bear as part of its approval as RREC and on the other hand an adjustment of the Exit Tax in the 'FIIS' Euro-Project subsidiary.

Net result

The net result amounts to 33 k€ vs. 523 k€ the previous financial year.

3. Forecasts and comments on COVID-19

Barring any significant unforeseen events, based on the current portfolio and the progress of ongoing works, rental income should reach 6.3 M€ in 2021 and consolidated operating income (before changes in the fair value of investment properties and hedging instruments) is estimated at 3.4 €M. This should enable the company to pay, in May 2022, a gross dividend of 44 cents per share for the financial year 2021, in line with the forecasts made at the time of the IPO.

Covid-19 impact

Inclusio pursues a "Business to Business" strategy and the majority of its real estate assets are leased through long-term leases to public operators or supported by public authorities (Social Rental Agencies, municipalities, Belgian Red Cross). COVID-19 has therefore had no impact so far on rental income, except for two tenants who rent commercial space and operate it in the hospitality sector. The amount of rent reductions granted was 10 k€ in 2020.

For projects under construction, tenants have already confirmed their commitment and Inclusio does not anticipate any financial damage caused by the current pandemic. Nevertheless, certain ongoing development projects could be delayed, partly due to the health crisis, and this could lead to a delay in the entry into operation of buildings and the collection of rents by Inclusio.

4. Financial calendar

Subject	Date
Publication of the 2020 annual financial report	19 April 2021
Shareholders meeting	19 May 2021
Publication of the results as at 31 March 2021	20 May 2021
Publication of the results as at 30 June 2021	2 September 2021
Publication of the results as at 30 September 2021	18 November 2021
Publication of the 2021 annual results	24 February 2022

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About Inclusio

Inclusio is a company established under Belgian law active in the field of real estate of a social nature in Belgium. The project took its concrete shape at the end of 2014 at initiative of three partners, which reunited their social real estate ambitions: Bank Degroof Petercam (through a subsidiary), Kois and Re-Vive. Inclusio obtained its approval as a public RREC in December 2020 and has been listed on Euronext Brussels since 10 December 2020. Its equity capital, combined with lines of credit, has enabled it to develop its investment activities, mainly in affordable housing, the disability sector and social infrastructure, to reach a portfolio value of EUR 150 million as of 31 December 2020.

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