

DESCRIPTION OF THE ISSUER

This document dated 7 November 2024 (the “**Description of the Issuer**”) contains a description of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) (the “**Issuer**”) and its financial position.

The information contained in the Description of the Issuer must be read in conjunction with the offering circular dated 7 November 2024 with respect to the Issuer's EUR 1,000,000,000 Euro Medium Term Note Programme (into which it is incorporated by reference) (the "**Offering Circular**"). The Offering Circular is available in an electronic form on the Issuer's website (www.ostbelgienlive.be/emtn).

The Description of the Issuer contains the following information:

1. INSTITUTIONS, POWERS AND ECONOMIC SITUATION OF THE ISSUER

- 1.1. Belgium as a federal state
- 1.2. Political structure
- 1.3. Geographical location and demography
- 1.4. Economic structure

2. FINANCES AND BUDGETS OF THE ISSUER

- 2.1. Public finances
- 2.2. Budgets

3. THE CASH AND DEBT MANAGEMENT OF THE ISSUER

- 3.1. Cash Management
- 3.2. Debt Management

The Description of the Issuer does not constitute a prospectus or an information note for the purposes of the Belgian Law of 11 July 2018 concerning the public offering of investment instruments and the admission to the trading on a regulated market of investment instruments (the "**Belgian Prospectus Law**"). The Description of the Issuer does not purport to meet the format and the disclosure requirements of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC (as amended, the "**Prospectus Regulation**") and the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Commission Regulation (EC) No 809/2004 nor of the Belgian Prospectus Law.

The Description of the Issuer has not been approved by, nor been submitted to, and no advertising or other offering materials have been filed with the FSMA (*Financial Services and Markets Authority*) or any other competent authority within the meaning of the Prospectus Regulation, the Belgian Prospectus Law or any other legal basis.

This Description of the Issuer and its distribution do not constitute a public offering or involve an investment service in Belgium or elsewhere.

The information provided in this Description of the Issuer is valid at the date of its publication and might be subject to modification over time. Pursuant (and without prejudice) to any statements made in the Offering Circular or the Prospectus, the Issuer shall prepare an amendment or supplement to the Offering Circular or Prospectus, or publish a new Offering Circular or Prospectus for any subsequent offering of Notes. The Issuer shall provide each Dealer with the number of copies of the amendment or supplement to the Offering Circular or the Prospectus as the Dealer may reasonably request, if, at any time during the Euro Medium Term Note Programme, a significant change affecting any matter contained in the Offering Circular or Prospectus (including the "*Description of the Issuer*") is made which inclusion in the Offering Circular or Prospectus would reasonably be required by investors and their professional advisers for the purpose of making an informed assessment of the assets and liabilities, financial position and prospects of the Issuer and the terms and conditions of the Notes.

1. INSTITUTIONS, POWERS AND ECONOMIC SITUATION OF THE ISSUER

1.1. BELGIUM AS A FEDERAL STATE

1.1.1. Overview of the federalization process

Belgium became a federal state after a legislative process of nearly 50 years. The six main phases of the federalisation process can be summarised as follows:

1970 : - Creation of "cultural communities";

- Creation of the first regional institutions: regional economic councils and regional development companies;

1980 : - Transformation of the cultural communities into Communities ("*Gemeinschaften*");

- Extension of the powers of the Communities to personal matters and creation of the Regions ("*Regionen*");

1983 : - Adoption of the Institutional Reform Law for the German-speaking Community of 31th December 1983 (the "**Institutional Reform Law for the German-speaking Community**").

1989 : - Devolution of new powers to the Communities and Regions;

- Adoption of the Special Finance Act of 16th January 1989 (the "**Special Finance Act**"), which changed the financing system based on national grants into a financing system based on the contributory capacity of the Communities and Regions;

1993 : - Completion of the federal structure;

- Amendment of the Special Finance Act;
- Constitutive autonomy was granted to the Communities and Regions, except for the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*);

1995 : - Transfer by the Région wallonne of its regional competencies to the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) relating to the monuments and sites;

2001 : - Extension of the Communities and Regions' powers;

- Transfer by the Région wallonne of its regional competencies to the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) relating to the employment policy and the archaeological excavations;

2005 : - Transfer by the Région wallonne of its regional competencies to the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) relating to the supervision

of communes and policing zones, the financing of communes, the construction and maintenance of churches and assimilated establishments, the funerals and cemeteries¹;

2014 : - Agreement on the Sixth State Reform leading to a significant evolution of the Belgian federal system.

The first part of this institutional reform relates to the division of the Brussels-Halle-Vilvoorde district (BHV). In addition to the separation of the electoral constituency, BHV was also subject to a review of its judicial organization.

The second part of the reform ended in the beginning of 2014. On 6 January 2014, two related Statutes were published (i) the Special Statute on the Sixth State Reform² and (ii) the Special Statute on the reform of the financing system of Communities and Regions, on the expansion of fiscal autonomy of the Regions and on the financing of the new powers³.

The amendments to the Constitution, the special statutes and the statutes which execute the Sixth State Reform were published *in the Belgian Official Gazette* on 31st January 2014.

Those texts foresee the delegation of additional powers to the Communities and Regions, and introduce a significant reform of the Special Finance Act (the budget for the Regions and the Communities being expected to grow with more than 40 %).

The list of powers that were transferred is particularly long and covers, *inter alia*, family benefits, healthcare, labour market/employment policy, social assistance to the elderly, road safety, tenancy regulation, driving education, technical inspection, houses of justice and fiscal expenses (on mortgage credits).⁴

Other significant outcomes of the reform include:

- More flexibility granted to the Regions and the Communities to pursue different policies, taking into account their own specific needs;
- More fiscal autonomy for the Regions, in particular with respect to fiscal control.

This results in a shift from a system with uniform taxes throughout Belgium, the proceeds of which are divided between the authorities via endowments to a system of joint taxes via regional additions;

- A confirmed financial solidarity among the entities;
- Refinancing of the Brussels-Capital Region

¹ Sources: http://www.ostbelgienlive.be/desktopdefault.aspx/tabid-506/739_read-986/

² http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&table_name=loi&cn=2014010654

³ http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&table_name=loi&cn=2014010648

⁴ http://www.ostbelgienlive.be/desktopdefault.aspx/tabid-506/739_read-986/

- Compensatory measures (*socles compensatoires*) in nominal terms during a period of 10 years (transition mechanism).

They ensure budget neutrality during the first year of the reform. Afterwards, the compensatory measures will decrease and disappear at the end of the following period of 10 years.

- Involvement of the Regions and the Communities in the betterment of the public accounts and the burden arising from the ageing population.

- Transfer by the Région wallonne of its regional competencies to the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) relating to the tourism.

2015 - Pursuant to the Sixth State Reform the Région wallonne was transferred new powers in diverse activity sectors such as environment, agriculture, employment policy, mobility and road safety, health, social policies, urban planning, housing policies, economy and energy.

2019 - Pursuant to the Sixth State Reform, powers related to family allowances were transferred from the Federal State to the Région wallonne.

- Transfer by the Région wallonne of its regional competencies to the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) relating to the energy and housing.

- Transfer by the Région wallonne of its regional competencies to the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) relating to the land use planning, the urban planning, for the legal regime of the land roads and the expropriation in the public interest.

1.1.2. The Belgian Constitution

The first article of the Belgian Constitution states that “*Belgium is a federal state composed of Communities and Regions*”.

The country is organised as a federal state, with three main levels of authority:

- 1 federal government;
- 3 regional authorities (Flanders, Wallonia⁵ and Brussels-Capital Region);
- 3 community authorities (Dutch-speaking, French-speaking and German-speaking).

⁵ Région Wallonne and Wallonia are terms that are used interchangeably.

Each authority has its own institutions, which consist of (i) a legislative power, (*i.e.* the regional and community parliaments which members are directly elected), and (ii) an executive power (*i.e.* the regional and community governments).

The powers of the Regions are based on the notion of “territoriality” and mainly relate to economic matters, such as economic policy, town and country planning, foreign trade, public works, environment, health care, etc., whereas the powers of the Communities are based on the notion of “personality” and mainly relate to personal matters, such as education and culture.

There is no hierarchy between the federal authorities, the Regions and the Communities. Their powers are divided in such a way that an authority is not authorised to interfere with the exclusive powers that are under the jurisdiction of another authority. As a consequence, the decrees / orders adopted by the Regions and the Communities have the same legal force as federal laws.

1.1.3. The powers of German-speaking Community

The Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) has powers regarding the following matters:

- Personal matters (treatment in healthcare institutions, health prevention and assistance for certain categories of individuals: disabled people, immigrants, youth protection);
- Cultural matters (the protection and promotion of the language, fine arts, cultural heritage, media, libraries, tourism, youth politics and ongoing training, sports and leisure);
- Education;
- Language use, solely in the area of education;
- The protection of monuments and sites ;
- Employment policy;
- Administrative authority over the nine German-speaking municipalities and their policy areas;
- The general funding of the municipalities;
- Funerals and burials;
- Church building;
- Establishments in charge of secular affairs and recognised religions;
- Energy;
- Housing;

- Regional development⁶.

The most significant powers transferred to the German-speaking Community in the context of the Sixth State Reform are the following:

- Constitutive autonomy: the German-speaking Community is now allowed to make its own set of rules for the organization of its Parliament and its Government; and
- Social matters: family allowance and health (large part of hospital policy, long-term care, prevention).

1.1.4. Funding of German-speaking Community

The funding of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) is regulated by the Special Finance Act (as modified in 1993, 2001, 2013 and 2014)⁷ and the Institutional Reform Law for the German-speaking Community (as modified in 1990, 1993, 1999, 2000, 2002 et 2014)⁸.

The financing system of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) is rarely mentioned and differs in some cases from the special law of 16 January 1989 (the **Financing Law**) for the French- and Flemish- speaking Communities.

The financing is composed of:

- Donations and legacies;
- The endowments paid by the federal government, including those paid on the basis of the personal income tax (for example, an allocation as compensation for radio and television license fees);
- The national solidarity intervention;
- The borrowing.

On top of these financial resources should be added different grants paid by the Région wallonne (*Walloon Region*) relating to various transfers of skills. Based on Article 170§2 of the Belgian Constitution, the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) has fiscal sovereignty. So far, however, it has not made use of this power and does not plan to do so in the future.

1.1.5. Administrative framework

From an administrative point of view, the Deutschsprachige Gemeinschaft Belgiens' (*German-speaking*

⁶ Source: <http://www.ostbelgienlive.be/desktopdefault.aspx/tabid-258/>

⁷ Source : <http://www.ejustice.just.fgov.be/cgi/api2.pl?lg=fr&pd=2014-01-31&numac=2014003016>

⁸ Source: https://www.ejustice.just.fgov.be/cgi_loi/change_lg_2.pl?language=fr&nm=1984023027&la=F

Community of Belgium) finances are managed by the Minister for Budget.

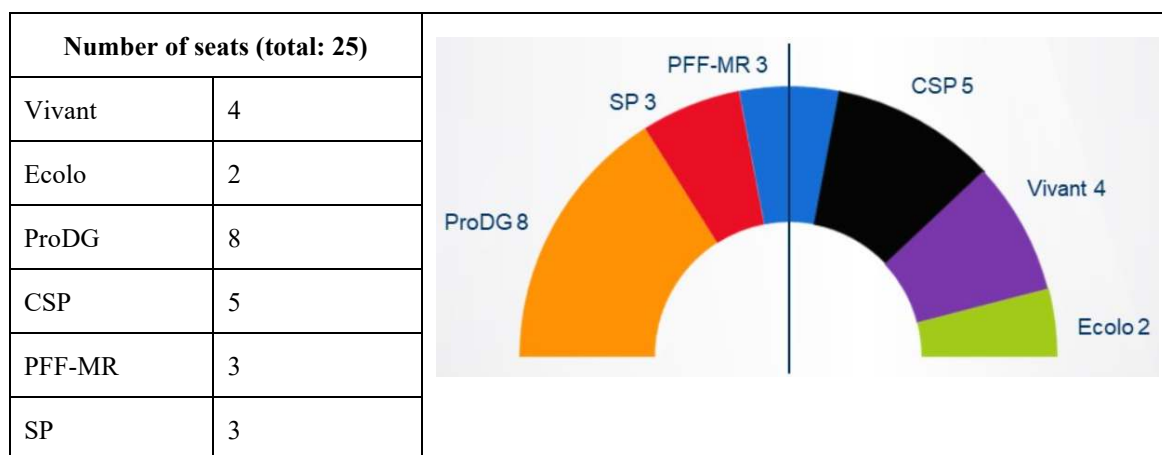
Pursuant to the decree of 25 May 2009 relating to the budget regulation of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*), the Minister for Budget is entitled to, amongst others:

- Enter into the financial operations necessary in the general interest of the management of the German-speaking Community’s Treasury, including the subscription of short-term loans, whose duration must be less than one year;
- Adapt, by mutual agreement with the lenders, the conditions of repayment of loans contracted by the German-speaking Community in Belgium or abroad and to conclude administrative contracts in this respect;
- Conduct the daily management of the Treasury and its financial management which exceeds the expenses, and the proceeds of the loans by using the capital investment possibilities offered by the market.

Pursuant to the decree of 14 December 2023 concerning the budget for revenues and expenditures of the German-speaking Community for the budget year 2024, the Government is entitled to enter into loan agreements and to establish a 1 billion EUR programme for the issue of treasury notes.

1.2. POLITICAL STRUCTURE

Regional election took place on the 9th of June 2024. The elected Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) Parliament is composed as follows⁹:



The Parliament of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) is the legislative unicameral assembly of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) of Belgium based in Eupen. It has 25 members who are directly elected every 5 years. Key tasks of the Parliament include the election and supervision of the

⁹ Source : https://www.pdg.be/desktopdefault.aspx/tabid-4106/7286_read-41707/

Government, the adoption of decrees for the German-speaking Community and the preparation and adoption of the annual budget.

The Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) Government is based on an alliance between the Pro Deutschsprachige Gemeinschaft (ProDG), the Partei für Freiheit und Fortschritt (PFF-MR) and the Christian Social Party (CSP). The Government has a relatively good support of the Parliament, with 16 seats on 25 in this Chamber¹⁰.

The Government of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) has 4 members and is politically accountable to the Parliament. It is entrusted with executive authority and implements the decrees adopted by the Parliament. The Government is appointed every five years and is currently formed by a Minister-President and three Ministers. The Ministry, the Community's administration, assists the government.

1.3. GEOGRAPHICAL LOCATION AND DEMOGRAPHY

1.3.1. Geographical location

The Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) has a gross area of 84,61 sq. km and is located in the eastern part of Belgium. It is shared between two parts: the south and the north part. It is composed of nine municipalities: Amblève, Bullange, Burg-Reuland, Butgenbach, St-Vith, Eupen, La Calamine (Kelmis), Lontzen and Raeren.

The Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) borders the Netherlands, Germany and Grand Duchy of Luxembourg. It is also located in the centre of the European Union, which is a geographical advantage in terms of trade and commerce. Its favorable location and a multi-lingual workforce at ease with cross-border activities has made it a trans-frontier market for employment, goods and services.



As a member of the Maas-Rhine Euregion and of the Greater Region Saar-Lor-Lux, the German-speaking Community attaches great importance to regional cooperation.

1.3.2. Demography

According to the most recent figures available (01/01/2024), the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) has a population of 79,479 inhabitants¹¹. The inhabitants of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) represent 0.68 % of the Belgian population. With a density of 94 inhabitants per sq. km, the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) is far below the national average of 381¹² inhabitants per sq. km.

¹⁰ Source : http://www.ostbelgienlive.be/desktopdefault.aspx/tabid-218/8563_read-50493/

¹¹ Source : <https://ostbelgien.inzahlen.be/dashboard/ostbelgien-in-zahlen/bev%C3%B6lkerung/>

¹²Source: https://ostbelgien.inzahlen.be/jive?workspace_guid=a5a5f655-93cd-45dd-affb-f2dbbb1f0d40

In the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*), school attendance is mandatory from 5 to 18 years. Currently, there are more than 17 schools on the territory, including one University¹³.

In 2023-2024, there were 12,902 students in total in the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*)¹⁴.

1.4. ECONOMIC STRUCTURE

1.4.1. Economic sectors

In 2022, the industrial sector's added value (in basic prices approach) in current prices was divided up as follows:

Structure of the added value in manufacturing industries (part in % of the NACE C total)

	2022	Corresponding NACE
Chemical industry	2.15%	CE
Machinery and other equipment (incl. electric. & transport equal.)	2.19%	CK
Metallic industry	18.79%	CH
Food industry	12.54%	CA
Mineral product industry	19.16%	CG
Other industries	11.71%	CM
Manufacture of computer, electronic and optical products and electrical equipment	12.16%	CI + CJ
Manufacture of food products, beverages and tobacco products	12.54%	CA
Manufacture of textiles, wearing apparel and leather products	6.02%	CB
Manufacture of wood and paper products, and printing	9.50%	CC
Manufacture of basic pharmaceutical products and pharmaceutical preparations	0.87%	CF
Manufacture of transport equipment	4.92%	CL

Source: ICN, Regional accounts (<https://stat.nbb.be/?lang=en>)

The next table shows the contribution of the different sectors to the global added value of the Issuer. Starting from the recession year 2009, we can observe that the contributions remain quite stable. The share of the corporate sector has slightly increased from 2009 to 2022. The share of households has slightly decreased during the same period.

STRUCTURE OF THE GLOBAL ADDED VALUE (BASIC PRICES AND PARTS IN % OF THE TOTAL)

	2009	2022
--	------	------

¹³ Sources: https://www.ostbelgienbildung.be/desktopdefault.aspx/tabid-2188/4267_read-31598/ ; <https://www.ahs-ostbelgien.be/>

¹⁴ Source: <https://ostbelgien.inzahlen.be/jive/>

	Millions €	%	Millions €	%
Total economy	1,534.6	100.00%	2,288.7	100.00%
Corporations	912.0	59.43%	1,403.2	61.31%
General government	275.8	17.97%	433.1	18.92%
Households (incl. self-employed)	331.9	21.63%	432.1	18.88%
Non profit institutions serving households	14.9	0.97%	20.3	0.89%

Source: ICN, Regional accounts (<https://stat.nbb.be/?lang=en>)

1.4.2. Labour Market

1.4.3.1. *Working population*

63.7% of the total the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) population is at the legal age to work (15-64 Years). Among these individuals, 65.9% participate in the labour market. From the active population, 28,080 individuals are employed and 2,107 are unemployed.

As the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) borders Germany and Grand Duchy of Luxembourg, there are more or less 4,850 people working in Germany and 4,610 in Grand Duchy of Luxembourg. This means that more or less 30% of the active population's Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) is working abroad. Furthermore, more than 3,700 people (10%) of its active population is working in the Région wallonne (*Walloon Region*), Vlaams Gewest (*Flemish Region*) or in Brussels. 7,000 people are working in the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*), who are not living there. The majority of it, around 6,000 are coming from the Région wallonne (*Walloon Region*)¹⁵.

Another characteristic of the Deutschsprachige Gemeinschaft Belgiens' (*German-speaking Community of Belgium*) labor market is that there are a lot of small and medium-sized enterprises (SMEs). More than 80% of the employers have less than 10 employees.

¹⁵ Source: https://ostbelgienstatistik.be/desktopdefault.aspx/tabid-2564/4658_read-33581/

	Employers
< 5 employees	1,394
5-9 employees	370
10-19 employees	205
20-49 employees	135
50-99 employees	64
100-199 employees	26
200-499 employees	5
500-999 employees	3
> 1000 employees	0

Source: <https://ostbelgien.inzahlen.be/jive>

In total, there were 2,272 unemployed people in 2023. Among them, 307 were younger than 25 years old, 228 were between 25 and 29 years old. 487 were between 30 and 39 years old. 431 were between 40 and 49 years old. Finally, 820 were older than 50 years old.

1.4.3.2. Domestic employment

The regional domestic employment corresponds to the employment created in a specific regional area with no distinction of the regional origin of the workers (29,145 persons in 2022). The sectors which represent the biggest part of the employment in German-Speaking Community are: manufacturing industries (18.2%), health and social work (13.9%), trade and repair (12.5%), education (9.1%) and public administration (9.1%) (source: Ostbelgien, *Regional accounts*, <https://ostbelgien.inzahlen.be/jive/>).

1.4.3.3. Employment and unemployment rates

The following table illustrates the evolution of the employment and unemployment rates of the population of working age for the period 2006-2022:

**EMPLOYMENT RATE AND UNEMPLOYMENT RATE IN
THE DEUTSCHSPRACHIGE GEMEINSCHAFT BELGIENS (GERMAN-SPEAKING COMMUNITY OF BELGIUM)**

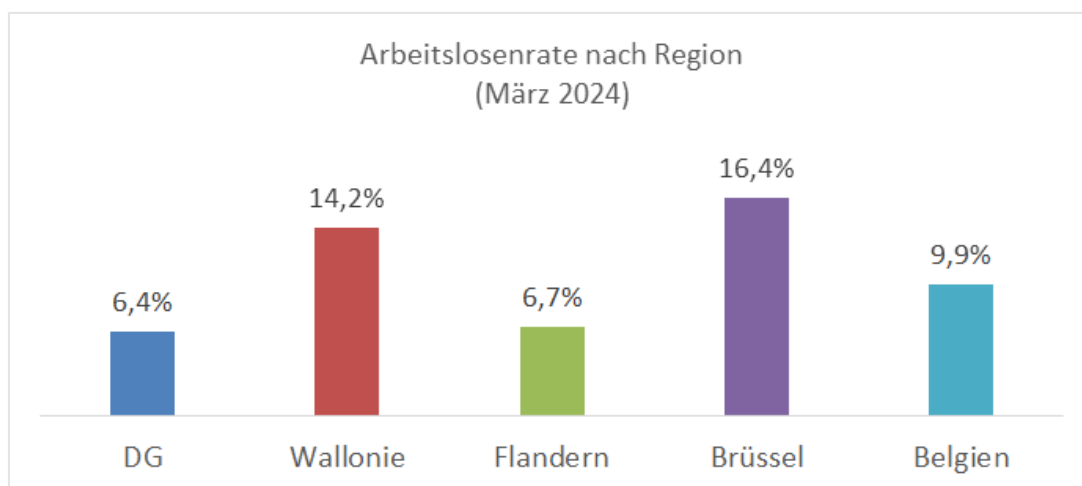
	Employment rate	Number of people unemployed
2006	63.80%	2,633
2007	61.73%	2,522
2008	62.57%	2,413
2009	62.18%	2,644
2010	62.05%	2,728
2011	62.44%	2,678
2012	62.95%	2,747
2013	61.77%	2,876
2014	61.04%	2,967
2015	61.29%	2,812
2016	61.77%	2,753
2017	62.42%	2,567
2018	62.76%	2,360

	Employment rate	Number of people unemployed
2019	60.85%*	2,283
2020	60.87%*	2,443
2021	61.11%*	2,281
2022	61.31%*	2,222

Source: Ostbelgien, Unemployment (<https://ostbelgien.inzahlen.be/jive/>) - * New methodology, not comparable with previous years

The unemployment rate has decreased constantly from 2014 to 2019. It rose slightly in 2020 due to the coronavirus pandemic. In 2023, it is back at the low level of 2019. The employment rate (calculated in relation to the working age (15 to 64) population) has been constantly increasing from 2014 to 2018. Since 2019, the figures can no longer be compared with previous years due to a new methodology. Compared to 2019, the employment rate has risen slightly.

The unemployment rate of the Deutschsprachige Gemeinschaft Belgiens is 6.4% as of March 2024 and is thus far below the Belgian average.



Source ADG: https://adg.be/desktopdefault.aspx/tabid-5402/9348_read-72591/

2. PUBLIC FINANCES AND BUDGET OF THE ISSUER

2.1. PUBLIC FINANCES

2.1.1. Before 1983

The Institutional Reform Law for the German-speaking Community, also known as the Law of 31 December 1983, regulates the financing of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*).

Before the implementation of the Institutional Reform Law, the cultural German-speaking Community was funded through grants provided by the Federal Government, as provided by the article 59bis¹⁶ of the Constitution.

2.1.2. The Institutional Reform Law for the German-speaking Community

The article 58 of the Institutional Reform Law for the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) fixed the funding mechanisms for the German-speaking Community.

Through the various Belgian reforms, new grants were given to the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) and the Law of 31 December was amended.

The Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) is financed by non-tax income, funds at the expense of the state budget, an allocation as compensation for radio and television license fees as well as bonds.

At these financial resources it should be added different grants paid by the Région wallonne (*Walloon Region*) relating to various transfers of skills.

The Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) has no authority to levy taxes.

The Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) is permitted to borrow funds, in any currency, by virtue of Article 56 of the Institutional Reform Law concerning the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*).

The finances of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) are managed by the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) Budget Minister. His power to enter into borrowings and other financial transactions on behalf of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) are

¹⁶ Now, article 176.

set out in the budget decree adopted annually by the Deutschsprachige Gemeinschaft Belgiens's (*German-speaking Community of Belgium*) Parliament.

2.1.3. The Special Finance Act of 1989 (as amended in 2014)

The Special Finance Act radically changed the financing system which was based on grants from the Federal Government by imposing more financial responsibility on the Communities and Regions. However, as the financing system of grants before 1989 was supplemented by regional taxes, the Regions already had a certain degree of fiscal autonomy. Furthermore, nothing changed for the German-speaking Community of Belgium.

In case of delayed or insufficient payment by the Federal State, the Communities and Regions can lend the amounts that were not yet paid by the government. The interests of the loan will be borne by the Federal Government and a state guarantee will also be provided as security.

Moreover, in order to supervise the debts at the different levels of authority and to preserve the cohesion of the economic and monetary union, the Superior Finance Council annually formulates recommendations on the need to restrict the borrowing capacity of any public authority.

In the context of the Sixth State Reform, the Special Finance Act was amended on 6 January 2014. Main features of the amended Act include the partial regionalisation of individual income taxes and tax expenses. The enhanced tax autonomy of Regions, also designed to ensure their fiscal accountability regarding the exercise and the funding of their newly allocated powers, is supplemented by several solidarity and transition mechanisms, designed to compensate the effects of the reform during the first ten years following its entry into force.

As the following figures show, 98% of the revenues of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) consist of transfers from the Belgian Federal State and the Walloon Region. Thanks to the described guarantee mechanism for these revenues and their very good predictability due to the macroeconomic development, the default risk of Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) can be assessed similarly to the Belgian State, respectively the Walloon Region.

In addition, the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) is permitted to borrow funds, in any currency, by virtue of Article 49, §1 of the Financing Law.

The Constitution and the Special Finance Act list the means which should allow the Issuer to finance its budget.

2.2. BUDGETS

The budget of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) is an essential element for the conversion of its policies into figures. The following table shows the 2024 budgetary balances.

Initial budget 2024 (EUR million)

	Initial 2024
Income (1)	454,4
Expense (2)	613,0
Gross Budget (3) = (1) - (2)	-158,6
New debt (4)	169,7
Debt repayment (5)	93,9
Net Budget (6) = (3) + (4)-(5)	-82,8
Interest payment (7)	16,2
Neutral operations (8)	24,1
Budget as by High Council of Finance (9) = (3) - (7) + (8)	-150,7

2.2.1. Resources of the Issuer in 2023

Beside the budget for 2024, the table hereunder mentions the income realised by the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) in 2023.

Breakdown of the 2023 income (in EUR million):

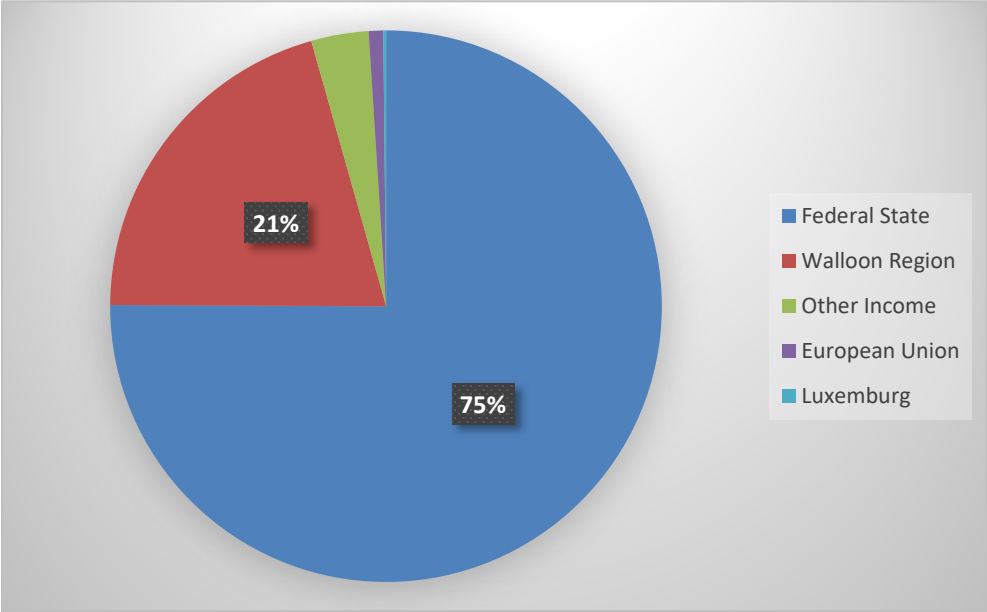
Income	EUR million
TRANSFERRED INCOME	423.58
Federal State	329.01
Walloon Region	90.11
European Union	3.73
Luxemburg	0.73
OTHER INCOME	14.68
Sale of goods and services	11.22
Sale of land and properties	0.00
Interest and Capital Income	2.56
Other assigned revenue	0.90
TOTAL INCOME without proceeds from borrowings	438.26
Credit reimbursements	4.96
Proceeds from borrowing	211.00
TOTAL INCOME	654.22

Allocations from the Federal Government represent the most important resource of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*). The Federal Government is responsible for the collection of the national taxes which finance these allocations.

The main transfers by the Federal Government to the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) are based on allocations of collections of value added tax and personal income tax. The transfer amounts are calculated on the basis of provisional allocations integrating several parameters and made available to the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) by way of advances in twelve equal instalments at the start of each month. In case the transfer amounts are not or not fully paid on the monthly due date, the Financing Law provides that the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) is entitled to borrow the amounts due by the Federal Government from a pre-agreed credit institution. Such borrowings benefit from the guarantee of the Federal State. At the end of each year differences based on final amounts for the parameters are calculated and settled between the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) and the Federal Government.

The Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*)’s debt position is described in more detail under “The cash and debt management of the Issuer” below.

Breakdown of the 2023 income (in %)



2.2.2. Expenditures of the Issuer in 2023

Breakdown of the 2023 expenditures (in EUR million)

Expenditures	EUR million
GENERAL EXPENSE	549.03
Parliament and Government	12.43
Ministry, EU Programmes and regional development	47.59
Education and training	156.22
Employment	25.73
Youth, Adult Education, Sport, Tourism	35.89
Health and Elderly	49.88
Social affairs	35.51
Energy and housing	14.82
Family and Childcare	49.72
Local Authorities	30.87
Infrastructure	90.38
TREASURY	234.18
Debt service	182.57
Financing and participations	12.54
Interest burden	39.07
TOTAL EXPENSE	783.21

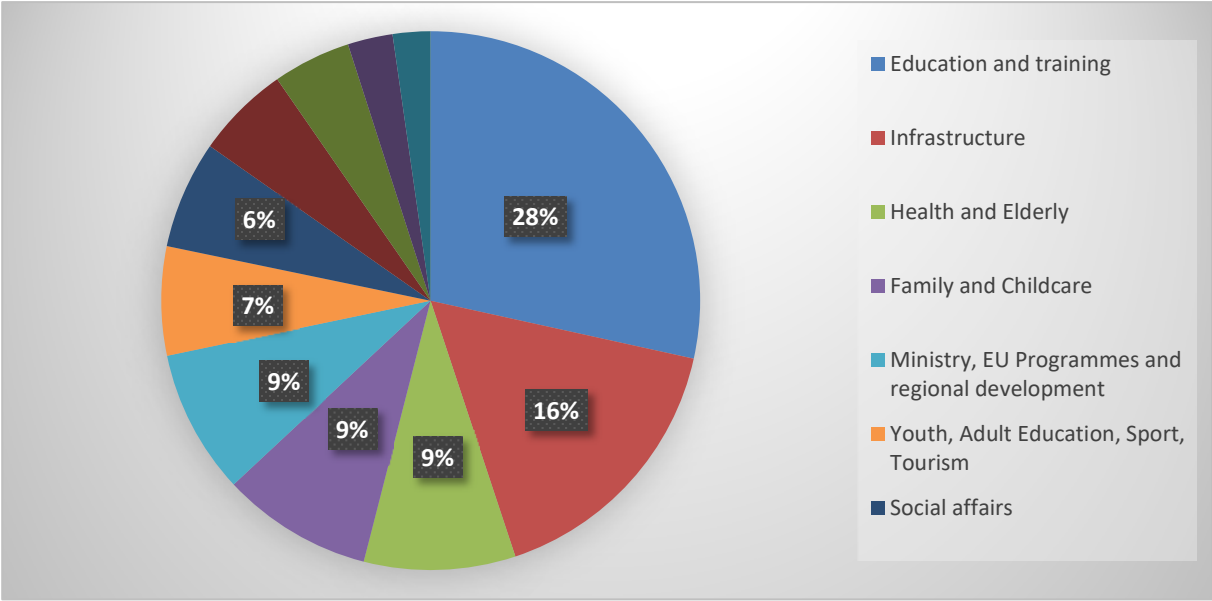
Education represents about 28.5% of the Deutschsprachige Gemeinschaft Belgiens' (*German-speaking Community of Belgium*) overall general expenses in 2023. A significant part of the education budget is devoted to the payment of teaching staff salaries. Other main expense budgets are devoted to healthcare and social matters and infrastructure measures.

The expenditure relating to culture and social affairs essentially consists of grants or subsidies to various institutions entrusted with the implementation of these matters.

Interest expenses accounted for 5.0% of overall expenses.

The exceptionally high capital and interest repayments in 2023 are characterised by a one-off early repayment of the financing for a PPP school construction programme.

Breakdown of the general expenditures (in %)



2.2.3. Effects of the COVID-19 pandemic on the Budget

The corona pandemic continues to have an impact on the budget of the German-speaking Community due to countermeasures taken with recurrent effects.

3. THE CASH AND DEBT MANAGEMENT OF THE ISSUER

3.1. CASH MANAGEMENT

From the first day of its autonomy (1 January 1991), the Issuer has been able to manage a very efficient treasury that is mainly based on:

- Automatic cash flow management;
- Inflow estimates (receipts);
- Outflow parameterisation (expenses);

The German-speaking Community has been managing integrated accounting based on a modern ERP solution since 2005. In the meantime, all services and institutions (such as the UAP) use the same software, which enables real-time reporting on the full scope of consolidation. This is partly made publicly available and can be viewed at the following address: <https://finanzdashboard.be/>.

The information on budget execution, liabilities or cash assets always reflects the results of the previous day.

Regional revenues are mainly composed of allocated means received from the Federal State and the Région wallonne (*Walloon Region*);

To have a coherent cash management, all balances are consolidated to determine a global cash state.

The following graphic illustrates the annual cash cycle and enables us to analyse the evolution of the daily global state of the Deutschsprachige Gemeinschaft Belgiens' (*German-speaking Community of Belgium*) in 2024.



3.2. DEBT MANAGEMENT

3.2.1. The principles of Community debt management

The main principles governing the Issuer's debt management are the following:

1. Centralisation of debt management

The debt management of the German-speaking Community is organised centrally through the head office. This allows a strategic and coherent approach for all services and institutions while ensuring a transparent and reliable presentation of all liabilities.

2. Liabilities only for capital expenditure

In principle, new liabilities should only be committed in connection with capital expenditure of the German-speaking Community. The current stock of financial liabilities in the amount of approximately 970 million EURO is thus offset by infrastructure expenditures from the period 2002 - 2024 of over 1.212 million (total of all project costs). With the outbreak of the COVID19 pandemic in 2020, it was necessary to deviate from this principle for the first time since the financial crisis of 2008. However, in the government declaration of autumn 2020, the government of the German-speaking Community committed itself to restoring this balance from 2025 onwards. In the latest declaration, the government also maintains its goal of balancing the current budget from 2025 and the entire budget from 2029.

3. Linear maturity extensions and regular market activities

Until 2013, the debt management of the German-speaking Community was based on classical bank loans as well as short-term cash financing. However, with the establishment of the first contract for a CP/MTN programme, a progressive debt restructuring has taken place in order to extend the average maturities against the background of reducing the interest rate risk. At the same time, this ensures that the annual requirements are constantly distributed over the various maturities, and that a permanent market presence is guaranteed.

4. Ratio-based debt management

The German-speaking Community has had a multi-year financial simulation since the year 2000, which is currently legal up to the year 2050. With the help of this tool, expenditures can be simulated and controlled as a function of expected revenues. At the same time, this tool serves to measure the repayment capacity and creditworthiness of the German-speaking Community. Are calculated in particular:

- The interest burden ratio: The expected interest expenditures are set in relation to the revenues without borrowings. The determined value should not exceed the limit of 3%.
- The theoretical redemption ratio: Here it is simulated how high the burden on the budget of the German-speaking Community would be if all liabilities were converted into a redeemable loan with a term of 30 years. This ratio should in principle decrease, but never exceed the threshold of 15%.

5. Use of various financing instruments

In addition to the present EMTN programme, the German-speaking Community has two other main financing instruments at its disposal: a CP/MTN programme with a framework of 650 million euros as well as a cash credit of 250 million euros. While the CP/MTN programme is mainly used for short-term financing of up to 24 months, the cash credit is primarily used to hedge the rollover risk and is therefore not usually used. In addition, since 2024 it has been possible to finance via "Schuldschein-darlehen" by establishing a special contractual framework.

3.2.2. Regional debt

The regional debt is the total amount of money that the Issuer directly owes to the private sector. It is composed of the direct and the indirect debt.

a. **Direct debt**

The direct outstanding debt of the Issuer is calculated exported directly of the official closing documents audited by the court of Audit.

Direct outstanding debt (in EUR million):

The evolution of the direct outstanding debt of the Deutschsprachige Gemeinschaft Belgiens (*German-speaking Community of Belgium*) is presented in the table below for the period 2012-2023 (numbers on December 31st).

Year	Direct outstanding debt (EUR million)
2012	51
2013	81
2014	108
2015	227
2016	269
2017	395
2018	419
2019	477
2020	560
2021	630
2022	775
2023	939

Implicit rate

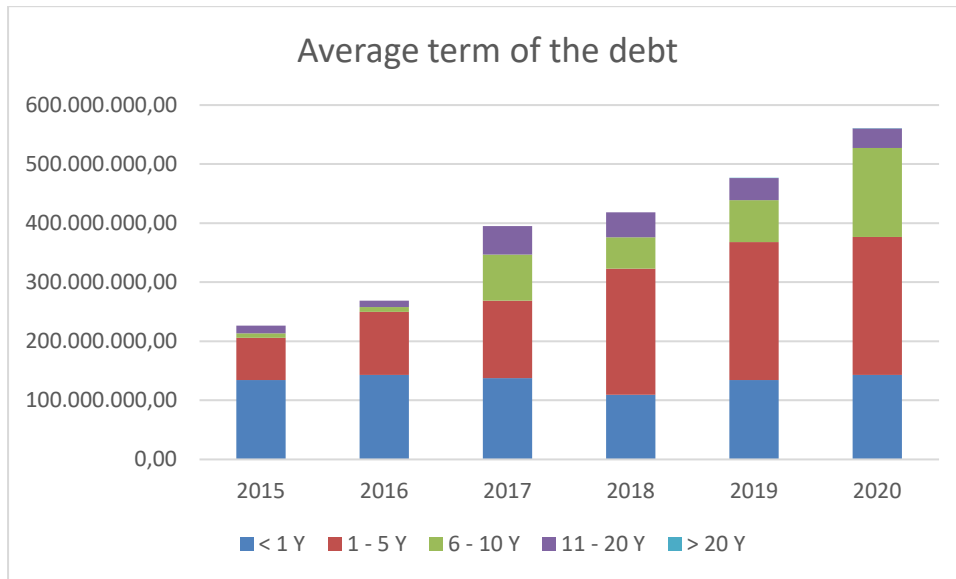
The evolution of the implicit rate (i.e. the total amount of interests that are yearly paid in relation to the debt stock) during the period 2010-2023 is mentioned in the table below:

Year	Implicit Rate (%)
2010	5.57
2011	4.76
2012	4.34
2013	3.83
2014	1.72
2015	0.90
2016	1.86
2017	1.31
2018	1.17
2019	1.13
2020	1.04
2021	0,97
2022	1,14
2023	4,12

Thanks to a dynamic debt management and the low interest rates in the financial markets, the Issuer has been able to finance itself at an implicit rate of 1.14% in 2022, while keeping the level of risk under control. 2023 marks an exceptional year with a one-off extraordinary interest burden due to the early full repayment of a PPP contract.

Average term of the debt

The following table illustrates the weighted average term of the direct debt of the Issuer end of year for the period 2014 – 2020:



b. Indirect debt

As all outstanding debt is fully consolidated, there exists only a small part of indirect debt, resulting from the transfer of competencies by the 6th state reform (hospital financing). The outstanding balance as of December 31st, 2023 is estimated by around 20 Mio. Euro. Redemption is yearly operated by the federal state (withholding dotation).

3.2.3. Guaranteed debt

Guaranteed debt from third parties is governed by the Infrastructure Decree of March 12, 2020. The balance at the end of 2022 amounted to 5,5 million euros.