

**ANNUAL REPORT FOR 2016
OF THE SUPERVISORY BOARD OF
GLOBE TRADE CENTRE S.A.**

March 2017



1. Legal basis for the report

This report (the “**Report**”) has been prepared and adopted by the supervisory board of Globe Trade Centre S.A., with its registered seat in Warsaw, Poland (the “**Company**” or “**GTC**”) (the “**Supervisory Board**”), pursuant to Article 382 § 3 of the Polish Commercial Companies Code and is addressed to the general meeting of the Company (the “**General Meeting**”).

The purpose of the Report is also to ensure compliance with Rules II.Z.10.1 – II.Z.10.4 of the 2016 Code of Best Practices of WSE Listed Companies.

2. The composition of the Supervisory Board

In 2016, the composition of the Supervisory Board of the Company was as follows:

Name and surname	Position within the Supervisory Board	Period in 2016 during which the given member served on the Supervisory Board
Alexander Hesse	Chairman	1 January 2016 – 31 December 2016
Philippe Couturier	Member	1 January 2016 – 31 December 2016
Jan Düdden	Member	1 January 2016 – 31 December 2016
Mariusz Grendowicz	Member	1 January 2016 – 31 December 2016
Klaus Helmrich	Member	1 January 2016 – 19 May 2016
Jarosław Karasiński	Member	1 January 2016 – 24 May 2016
Marcin Murawski	Independent Member	1 January 2016 – 31 December 2016
Katharina Schade	Member	1 January 2016 – 31 December 2016
Tomasz Styczyński	Independent Member	13 June 2016 – 31 December 2016
Ryszard Koper	Independent Member	27 May 2016 – 31 December 2016

3. Activities of the Supervisory Board

The Supervisory Board operates in compliance with the Polish Commercial Companies Code as well as on the basis of the Company’s statute and the by-laws of the Supervisory Board dated 14 April 2005.

The Supervisory Board of GTC exercised supervision over and evaluated the operations of the Company and its financial statements. The Supervisory Board reviewed issues related to the current operations of the Company and adopted resolutions regarding matters related to the Company’s activities and also those required under the regulations of the Polish Commercial Companies Code, the Company’s statute and the by-laws of the Supervisory Board.

In 2016, seven Supervisory Board meetings were held. The Supervisory Board adopted numerous resolutions related to the current operations of GTC. The meetings of the Supervisory Board were attended by members of the Company’s management board, invited guests (including, specifically, representatives of Ernst & Young, which was mandated to review the financial statements of the Company and the capital group of the Company (the “**Capital Group**” or “**GTC Group**”). The Supervisory Board was also continuously updated by the management board in respect of the most important events affecting the Company.

In 2016, the most important resolutions adopted by the Supervisory Board related to, among others:

- the issuance of a positive opinion in respect of GTC's financial statements and the consolidated financial statements of GTC's capital group for the 2015 financial year as well as in respect of the management board's proposal related to the distribution of profits for the 2015 financial year;
- the granting of consent to the cross-border merger of GTC with two of its subsidiaries, i.e.: GTC Real Estate Investments Ukraine B.V., with its registered seat in Amsterdam, the Netherlands and GTC RH B.V., with its registered seat in Amsterdam, the Netherlands;
- the approval of the listing of the shares in the Company on the Johannesburg Stock Exchange;
- the approval of the Company's bond issuance programme;
- the approval of the refinancing of the Duna Tower and CenterPoint projects; and
- the approval of the acquisition of Sterlinga Business Center in Łódź and Centrum Biurowe Neptun in Gdańsk as well as the approval of the refinancing thereof.

The Supervisory Board also dealt with the following issues:

- the granting of annual bonuses to the members of the management board of GTC;
- the evaluation of the financial position and the financial results of the Company and the Capital Group after each quarter of 2016;
- the evaluation of the 2016 budget and its utilisation;
- the assessment of the progress of developed projects and new investments; and
- the acquisition of new projects.

The Supervisory Board also monitored selected business risks of the Capital Group and evaluated the methods that the Company uses to control and protect itself from risk.

4. Evaluation of the work of the Supervisory Board in 2016

The Supervisory Board has a positive opinion of its work in 2016. While performing its duties, the Supervisory Board acted in compliance with the law and, specifically, within the scope of the competencies defined by the Polish Commercial Companies Code, the Statute of the Company and the Bylaws of the Supervisory Board.

The Supervisory Board consists of individuals with extensive experience, which allows them to make a thorough and accurate analysis of the Company's plans and the implementation thereof. The Supervisory Board supports the management board in the making of all the strategic decisions related to the business of GTC.

5. Evaluation of the work of the committees of the Supervisory Board in 2016

Audit Committee

The objective of the audit committee of the Supervisory Board (the "**Audit Committee**") is to evaluate the administrative financial control, financial reporting, and the external and internal auditing of the Company and the companies within the Capital Group, as well as to provide the Supervisory Board with opinions in that respect.

In 2016, the Audit Committee consisted of the following members of the Supervisory Board: Mariusz Grendowicz, Marcin Murawski and Katharina Schade. The members of the Audit Committee actively participated in the quarterly meetings of the Audit Committee. All of the members of the Audit Committee are qualified in accounting and auditing. According to his statement presented to the management board, Marcin Murawski fulfils the independence criteria.

The most important duties of the Audit Committee include, among other things: the evaluation of the current financial results of the Company, its liquidity, the level of its debts and receivables, the financing of projects and the monitoring of the accuracy of financial statements. The Audit Committee also evaluates the internal control and risk management systems material to the Company.

In 2016, four Audit Committee meetings were held (on 15 March, 11 May, 23 August and 25 November). The representatives of Ernst & Young (the entity mandated to review the financial statements of the Company and the Capital Group) participated in all of the meetings of the Audit Committee.

The Audit Committee reviewed all of the financial statements of the Company and the Capital Group prior to their publication and recommended the approval thereof by the Supervisory Board.

The Audit Committee and the Supervisory Board discussed internal control matters, risk management issues and key compliance issues during its meetings in 2016.

Remuneration Committee

On 12 May 2014, the Supervisory Board established the Remuneration Committee of the Supervisory Board, which has no decision-making authority and which is responsible for making recommendations to the Supervisory Board with respect to the remuneration of the members of the management board and the policies for determining such remuneration.

In 2016, the Remuneration Committee consisted of the following members of the Supervisory Board: Alexander Hesse, Marcin Murawski and Mariusz Grendowicz. According to his statement presented to the management board, Marcin Murawski fulfils the independence criteria.

In 2016, one Remuneration Committee meeting was held on 15 March 2016 during which the Remuneration Committee gave its recommendation to the Supervisory Board in respect of the annual bonus for the management board members. Such recommendation was accepted by the Supervisory Board.

6. The assessment of the manner in which the company fulfils the disclosure obligations concerning the application of the corporate governance rules specified in the WSE Rules and the provisions governing current and interim information disclosed by issuers of securities

In the opinion of the Supervisory Board, in 2016 the Company fulfilled all the disclosure obligations concerning the application of the corporate governance rules specified in the WSE Rules and the provisions governing current and interim information disclosed by issuers of securities.

7. Information on the rationale behind the Company's policy on sponsorship, charity and other similar activities

The Company and the Capital Group actively pursue the policies adopted by them which envisage supporting local communities that reside within or in close proximity to the areas where the Group's investments are situated. Such support involves:

- Enhancement of local infrastructure, including road and traffic infrastructure. The infrastructure created in connection with or for the purposes of the developments constructed is handed over to the local self-government free of charge to be used by all residents. Moreover, prior to the development of the Group's projects, public green areas (such as squares and parks) are placed on undeveloped plots or plots which will surround future developments following their completion by the Group.

- Sponsoring local initiatives. The Group participates in and supports local initiatives (such as the “*Bieg przez Most*” run and the “*Dni Wilianowa*” event).
- Winning the charity auction to support the Iskierka Foundation, which provides financial, psychological and social support to children with cancer and to their families
- Embracing environmental certification. Out of concern for the environment, the investments of the Company and the Group are fully compliant with LEED guidelines.

The Supervisory Board positively assesses the rationale behind and the implementation of the above-described policies of the Company and of the Group.

8. Overview of the operations of the Company

Key developments and factors affecting the financial and operating results of the Capital Group in 2016

Following a review of the operations of the Capital Group, the Supervisory Board is of the opinion that the operations of GTC that were of key importance in 2016 included the following.

Dual listing of GTC’s shares on the Johannesburg Stock Exchange

Since 18 August 2016, the shares in the Company have been listed on the “Real Estate Holding and Development” sector of the Johannesburg Stock Exchange, JSE Limited.

Acquisitions and the refinancing of the Group’s assets

In January 2016, the GTC Group acquired the Pixel office building located in Poznań. The net purchase price amounted to EUR 32.2 million. The purchase was financed using the Group’s own sources and a bank loan from PKO BP in the amount of EUR 22.5 million.

In April 2016, the GTC Group purchased two office buildings in Bucharest for a total purchase price of EUR 32 million. The purchase price was financed using the Group’s own sources. In November 2016, GTC Group signed a loan agreement with Alfa Bank in the amount of EUR 19 million for the purposes of financing the buildings.

In April 2016, GTC Group acquired the remaining 49.9% in Complexul Residential Colentina S.R.L. (Rose Garden) and the minority shareholder’s loans granted to the project for a consideration of EUR 12.5 million. Following the transaction, GTC remained the sole owner of the subsidiary.

In July 2016, the GTC Group acquired two office buildings in Poland: Neptun Office Center and Sterlinga Business Center, located in Gdansk and Łódź, respectively, for a total purchase price of EUR 39 million. The Company signed with Pekao S.A. a loan agreement for the amount of EUR 39 million for the financing of these projects, as well as loan agreements for financing the VAT payable in connection with such projects.

In July 2016, the GTC Group signed a loan agreement for the financing of the Duna Tower office project in Budapest with OTP Bank Nyrt for the amount of EUR 28 million. Additionally, the Company and the bank undertook to refinance EUR 38.9 million of Center Point loans which had been previously financed by MKB Bank Zrt. with a new EUR 47 million loan facility.

Buyout of the minority shareholder of GTC Ukraine B.V.

In January 2016, GTC Group acquired the remaining 10% in GTC Ukraine B.V, and the minority shareholder’s loans granted to the project for a consideration of one euro. As a result of the transaction, the Company’s total equity increased by EUR 2.6 million.

Issuing new bonds

In November 2016, the Company issued three-year bonds in the total nominal amount of EUR 28,781 thousand. The bonds bear a fixed six-month coupon of 3.75% p.a.

Selected financial data

Below is the most important data concerning the consolidated results achieved by the Capital Group in 2016.

- The revenues from the operations of the Capital Group amounted to EUR 120,301 thousand, compared to EUR 117,363 thousand in 2015.
- The net profit of the Capital Group amounted to EUR 159,575 thousand, compared to EUR 43,639 thousand in 2015.
- The total investment property of the Capital Group amounted to EUR 1,604,675 thousand, compared to EUR 1,288,529 thousand in 2015.
- The total equity of the Capital Group amounted to EUR 790,323 thousand, compared to EUR 621,202 thousand in 2015.
- The Capital Group's loan-to-value ratio amounted to 43.3% as at 31 December 2016 in comparison to 39.4% as at 31 December 2015, whereas the Group's strategy is to keep its loan-to-value ratio at the level of approximately 50%.

9. Evaluation of the internal control, internal audit, compliance and risk management systems

In 2016, the Supervisory Board and the Audit Committee met with the internal auditor of the company from which they received information and a review report regarding the internal control systems used by the Company, as well as a professional risk assessment thereof. The objective of the internal control systems used by the Company and the Capital Group is to control the Company's operating procedures and, consequently, to limit the Company's material risks.

In March 2015, the Audit Committee was presented by Grant Thornton (an independent qualified international audit firm) with an internal audit plan to be implemented during 2016. The internal auditor has conducted the following audits:

- Construction of the Fortyone Project (Phase 2);
- Preparation of a tender for the construction of the Ada Mall project;
- Completion of the building and tenanting of the Fortyone Project (Phase 1);
- Sales of assets (Galeria Varna);
- Purchase of an asset (Duna Tower);
- Acquisition of the partner's holdings (Blue House project); and
- Leasing with tenants (City Gate project);

Based on information received and reviewed by the Audit Committee and Supervisory Board members, in the opinion of the Supervisory Board, the internal control and risk management systems material to the Company are maintained at appropriate levels.

10. Review of the report of the management board on the activities of the Company in the 2016 financial year, the financial statements of the Company for the 2016 financial year and the proposal of the management board concerning the division of profit generated by the Company in the 2016 financial year

The Company's Supervisory Board reviewed the stand-alone financial statements of the Company, which included:

- the statement of financial position as at 31 December 2016;
- the income statement for the year ended 31 December 2016;
- the statement of comprehensive income for the year ended 31 December 2016;
- the statement of changes in equity for the year ended 31 December 2016;

- the statement of cash flows for the year ended 31 December 2016; and
- the notes to the stand-alone financial statements for the year ended 31 December 2015,

as well as the consolidated financial statements of the Capital Group for the year ended 31 December 2015, which included:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year ended 31 December 2016;
- the consolidated statement of changes in equity for the year ended 31 December 2016;
- the consolidated statement of cash flows for the year ended 31 December 2016; and
- the notes to the consolidated financial statements for the year ended 31 December 2016,

and reviewed the opinion and the report on the audit of such statements conducted by independent statutory auditor Ernst & Young Audit sp. z o.o., with its registered seat in Warsaw.

The Supervisory Board also reviewed the management board report on the activities of the Company for 2016 and the management board report on the activities of the Capital Group for 2016.

As a result of its evaluation, the Supervisory Board found that the above-mentioned statements and reports were prepared:

- in such a way that they truly and fairly reflect the results of the respective economic activities of the Capital Group and of the Company in 2016 as well as their respective financial positions as at 31 December 2016; and
- in accordance with the legal regulations governing the preparation of financial statements in respect of form and content, as well as in accordance with the International Financial Reporting Standards as adopted by the European Union.

Based on the results of this review and on the positive opinion issued by Ernst & Young Audit Sp. z o.o. on 17 March 2017 on the financial statements for 2016 and on the consolidated financial statements for 2016, the Supervisory Board recommends that the General Meeting approves:

- the stand-alone financial statements of the Company for 2016;
- the consolidated financial statements of the Capital Group for 2016;
- the report of the management board on the Company's operations in 2016;
- the report of the management board on the operations of the Capital Group in 2016; and
- the proposal of the management board regarding the allocation of profit generated by the Company in 2016.

Furthermore, the Supervisory Board, after having reviewed the motion of the management board regarding the allocation of profit of PLN 741,011 thousand generated by the Company in 2016 involving the payment of a dividend conditional upon the General Meeting adopting a resolution regarding the increase of the share capital of the Company by way of the issuance of series L shares to be offered to the Company's shareholders of record as of the dividend record date who satisfy the criteria resulting from an appropriate prospectus exemption pro rata to their shareholdings as of the dividend record date, wishes to issue a positive opinion in respect thereof and requests that the General Meeting adopts a relevant resolution regarding the division of such profit in the manner presented above.

In submitting this report, the Supervisory Board requests that all of its current and former members be acknowledged as having properly performed their duties in the 2016 financial year.