

MANAGEMENT BOARD'S REPORT

ON THE ACTIVITIES OF GTC HUNGARY REAL ESTATE DEVELOPMENT PLTD. GROUP

IN THE FINANCIAL YEAR ENDED **31 DECEMBER 2021**



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1. Introduction

The GTC Hungary Real Estate Development Pltd. Was registered in Budapest in September 1998. The company is part of the GTC Group, a leading real estate investor and developer focusing on Poland and capital cities in Eastern and Southern Europe: Belgrade, Budapest, Bucharest, Zagreb, and Sofia. The GTC Group was established in 1994.

Company's portfolio comprises: (i) completed commercial properties; (ii) commercial properties under construction; (iii) a commercial landbank intended for future development.

GTC GROUP:

GTC Poland,
GTC Hungary,
GTC Serbia,
GTC Romania,
GTC Bulgaria,
and GTC Croatia

As of 31 December 2021, the Company's property portfolio comprised the following properties:

- 7 office projects with a total combined commercial space of approximately 152 thousand sq m of GLA, an occupancy rate at 97% and a book value of EUR 425,337 which accounts for 73% of the Group's total property portfolio;
- 1 office project under construction with a total GLA of approximately 29 thousand sq m and a book value of EUR 102,900, which accounts for 18% of the Group's total property portfolio;
- investment landbank intended for future development with the book value of EUR 54,646, which accounts for 9% of the Group's total property portfolio.

7	152,000	1	landbank for
completed	sq m of	project	future
projects	GLA	under	development
		construction	

As of 31 December 2021, the book value of the Company's portfolio amounts to EUR 582,883 with: (i) the Group's completed investment properties account for 73% thereof; (ii) investment properties under construction for 18%; and (iii) an investment landbank intended for future development for 9%.

The GTC's headquarters are located in Budapest, at 22 Népfürdő. H-1138 Budapest.

Terms and abbreviations capitalized in this Management's Board Report shall have the following meanings unless the context indicates otherwise :

the Company or GTC	are to GTC Hungary Real Estate Development Pltd. (company registration number: 01-10-043913)
the Group or the GTC Hungary	are to GTC Hungary Real Estate Development Pltd. and its consolidated subsidiaries
The GTC SA	are to Globe Trade Centre S.A. (company registration number: 0000061500)
The GTC Group	are to Globe Trade Centre S.A. and its consolidated subsidiaries
Shares	are to the shares in GTC Hungary Real Estate Development Pltd., fully-owned by Globe Trade Centre S.A.
Bonds	are to the bonds issued by GTC Hungary Real Estate Development Pltd. and introduced to alternative trading market on Xbond and marked with the ISIN codes HU0000360102
the Report	are to the consolidated annual report prepared according to Act CXX of 2001 on the Capital Market and Prime Minister Decree no. 24/2008. (VIII. 15.)
CEE	are to the Group of countries that are within the region of Central and Eastern Europe (Hungary, Poland)
SEE	are to the Group of countries that are within the region of South-Eastern Europe (Bulgaria, Croatia, Romania, and Serbia)
net rentable area, NRA”, or net leasable area, NLA	are to the metric of the area of a given property as indicated by the property appraisal experts to prepare the relevant property valuations. With respect to commercial properties, the net leasable (rentable) area is all the office or retail leasable area of a property exclusive of non-leasable space, such as hallways, building foyers, and areas devoted to heating and air conditioning installations, elevators, and other utility areas. The specific methods of calculation of NRA may vary among particular properties, which is due to different methodologies and standards applicable in the various geographic markets on which the Group operates
gross rentable area or gross	are to the metric of all the office or retail leasable area of a property multiplied by add-on-factor;

**leasable
area, GLA**

Commercial properties are to properties with respect to which GTC derives revenue from rent and includes both office and retail properties

In-place rent Are to rental income that was in place as of the reporting date. It includes headline rent from premises, income from parking, and other rental income

**EUR, €
or euro** are to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time

HUF are to the lawful currency of Hungary

PRESENTATION OF FINANCIAL INFORMATION

Unless indicated otherwise, the financial information presented in this Report was prepared according to International Financial Reporting Standards (“IFRS”) as approved for use in the European Union.

All the financial data in this Report is presented in euro or HUF and expressed in thousands unless indicated otherwise.

Certain financial information in this Report was adjusted by rounding. As a result, certain numerical figures shown as totals in this Report may not be exact arithmetic aggregations of the figures that precede them.

PRESENTATION OF PROPERTY INFORMATION

Information on properties is presented pro-rata to the Group’s consolidation method in each of the properties. The properties’ valuation is based on the value that the Group consolidates in its consolidated financial statements. The occupancy rate given for each of the markets is as of 31 December 2021.

INDUSTRY AND MARKET DATA

In this Report the Group sets out information relating to its business and the markets in which it operates and in which its competitors operate. The information regarding the markets, their potential, macroeconomic situation, occupancy rates, rental rates, and other industry data relating to the Group’s markets are based on data and reports compiled by various third-party entities. The information included in that section is not expressed in thousand and is prepared by Jones Lang LaSalle IP, Inc („JLL”). It is based on material that JLL believes to be reliable. While every effort has been made to ensure its accuracy, GTC cannot offer any warranty that contains no factual errors.

Moreover, in numerous cases, the Group has made statements in this Report regarding the industry in which it operates based on its own experience and examining market conditions. The Group cannot guarantee that any of these assumptions properly reflect the Group's understanding of the markets on which it operates. Its internal surveys have not been verified by any independent sources.

FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements relating to future expectations regarding the Group's business, financial condition, and results of operations. You can find these statements by looking for words such as "may", "will", "expect", "anticipate", "believe", "estimate", and similar words used in this Report. By their nature, forward-looking statements are subject to numerous assumptions, risks, and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by forward-looking statements. The Group cautions you not to place undue reliance on such statements, which speak only as of this Report's date.

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the Company or persons acting on its behalf may issue. The Group does not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Report.

The Company discloses essential risk factors that could cause its actual results to differ materially from its expectations under Item 3. "Key risk factors", Item 5. "Operating and financial review", and elsewhere in this Report. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on behalf of the Group. When the Group indicates that an event, condition, or circumstance could or would have an adverse effect on the Group, it means to include effects upon its business, financial situation, and results of operations.

2. Selected financial data

The following tables present the Group's selected historical financial data for the financial year ended 31 December 2021 and 2020. The historical financial data should be read in conjunction with Item 5. "Operating and Financial Review" and the consolidated financial statements for the year ended 31 December 2021 (including the notes thereto). The Group has derived the financial data presented in accordance with IFRS from the audited consolidated financial statements for the year ended 31 December 2021.

	For the 12-month period ended 31 December	
	2021	2020
(in thousands)	EUR	EUR
Consolidated Income Statement		
Revenues from operations	48,230	21,926
Cost of operations	(10,425)	(4,900)
Gross margin from operations	37,805	17,026
Selling expenses	(332)	(262)
Administrative expenses	(3,135)	(1,212)
Profit/(loss) from revaluation/impairment of assets, net	13,210	15,073
Financial income/(expense), net	(11,209)	(6,069)
Net profit / (loss)	34,177	22,087
Consolidated Cash Flow Statement		
Net cash from operating activities	31,990	15,974
Net cash used in investing activities	(848,059)	17,473
Net cash from/(used in) financing activities	695,152	96,834
Cash and cash equivalents at the end of the period	24,112	145,366
Consolidated statement of financial position		
Investment property (completed and under construction)	528,237	266,438
Investment property landbank	54,646	53,245
Cash and cash equivalents	15,338	145,366
Loan granted to related parties	595,480	-
Others	310,423	10,574
Total assets	1,504,124	475,623
Non-current liabilities	1,095,336	379,234
Current liabilities	13,106	14,474
Liabilities held for sale	172,058	-
Total Equity	223,624	81,915
Share capital	20,366	16

3. Key risk factors

RISKS SPECIFIC TO THE ISSUER / GROUP AND THEIR ACTIVITIES

The Group's business could be affected if the general economic conditions in the countries in which the Group operates continue or worsen.

A deterioration of the general economic conditions and the real estate market in the countries where the Group operates may adversely affect the willingness and ability of customers to secure financing and purchase or lease property. If such demand falls, the Group may have to sell or let its projects at a loss or may not be able to sell or let its projects at all. A potential

downturn in the general economic conditions and the real estate market, as a result of the outbreak of the COVID-19 pandemic or otherwise, may also lead to a drop in the market value of the Group's properties. The crisis on the financial markets may also adversely affect the Group's business in other ways, for example if tenants of the Group or the financial institutions that provide the Group with financing go bankrupt.

Any of these factors may have a material adverse effect on the Group's business, financial condition and results of operations.

RISK FACTORS RELATING TO THE GROUP'S BUSINESS

THE GROUP IS EXPOSED TO GENERAL COMMERCIAL PROPERTY RISKS INCLUDING ECONOMIC, DEMOGRAPHIC AND MARKET DEVELOPMENTS.

The Group is exposed to all of the risks inherent in the business of owning, managing and using commercial real estate. Its performance may be adversely affected by an oversupply or a downturn in the commercial real estate market in general, or in the commercial real estate market in those cities in which the properties are located. For example, rental income and the market value for properties are generally affected by overall conditions in the EU and national and local economies, such as growth in gross domestic product ("GDP"), inflation and changes in interest rates. Changes in GDP may also impact employment levels, which in turn may affect tenants' ability to meet their rental obligations to the Group and impact the demand for premises generally. There can be no assurance that the Group will be able to maintain the current high occupancy rates, rental levels and lease terms of its properties in the future.

Other factors which could have an impact on the value of a property are more general in nature, such as national, regional or local economic conditions (including key business closures, industry slowdowns and unemployment rates, and any cyclical patterns relating to these trends); local property conditions from time to time (such as the balance between supply and demand); demographic factors; consumer confidence; consumer tastes and preferences; changes in governmental regulations including retrospective changes in building codes; planning/zoning or tax laws; potential environmental legislation or liabilities; the availability of refinancing; and changes in interest rate levels or yields required by investors in income producing commercial properties.

The demand for commercial properties and the ability of such properties to generate income and sustain market value is based on a number of factors, including:

- the economic and demographic environment;
- renovation work required on vacant units before they are re-let;
- tenant credit risk;
- workplace trends including growth rate, telecommuting and tenants' use of space sharing;
- local infrastructure and access to public transportation;
- the competitive environment; and
- tenant expectations of facility quality and upkeep.

Any deterioration in demand may result in increased pressure to offer new and renewing tenants financial and other incentives, which in turn may lead to an overall negative impact on net rental incomes as operating expenses increase. The occurrence of any one or a combination of the factors noted above may have a material adverse effect on the value of the properties, the potential to increase rent following rent reviews and the ability of the Group to sell its properties on favorable terms or at all. Any deterioration on net rental income, the value of the properties, or the Group's ability to sell its properties may have a material adverse effect on the Group's business, financial condition, and results of operations.

THE GROUP MAY FAIL TO IMPLEMENT ITS STRATEGY AND THERE CAN BE NO ASSURANCE THAT THE SUCCESSFUL IMPLEMENTATION OF THE GROUP'S STRATEGY WOULD ACHIEVE ITS GOALS.

The Group's strategy aims to achieve growth by: (i) expanding the Group's property portfolio by acquiring and improving yielding properties, supplemented by selected development projects in the Group's property portfolio; (ii) improving the efficiency of the Group's asset management activities to maximize operating performance; and (iii) selling the Group's non-core assets, which should allow the Group to reduce its financial leverage or obtain funds to be used for new investments.

The successful implementation of the Group's strategy may result in certain changes to the Group's property portfolio including, for example, the geographic composition of the Group's property portfolio, the ratio of the value of completed properties to the value of properties under construction, and the composition of the Group's property portfolio by asset classes (i.e. retail, office, residential and other properties). As a result, various measures of the Group's business and recurring cash flows derived from rental income may change. Moreover, no assurance can be given that the future performance of the Group's property portfolio or future investment strategies effected pursuant to the Group's strategy will enhance the value of its property portfolio and increase the Group's profitability.

The success of the Group's strategy relies, in part, on various assumptions and contingencies, including assumptions with respect to the level of profitability of any acquisition targets to be completed in the future and investment criteria that have been developed by the Group to achieve an expected level of returns on acquired properties. Such assumptions may prove to be partially or wholly incorrect and/or inaccurate.

Furthermore, the Group may fail to achieve its major goals due to internal and external factors of a regulatory, legal, financial, social or operational nature, some of which may be beyond the Group's control. In particular, volatile market conditions, a lack of capital resources needed for expansion and the changing price and availability of properties for sale in relevant markets may hinder or make it impossible for the Group to implement the core elements of its strategy. Moreover, expanding its presence in the asset management sector may be hindered or even impossible due to increasing competition from other real estate managers and investors in the real estate market.

As a consequence, the Group may be unable to implement its strategy in part or in full; it may decide to change, suspend or withdraw from its strategy or development program, and it may be unable to achieve, or it could encounter delays in achieving, the planned outcomes of its

strategy and development program. This could have a material adverse effect on the Group's business, financial condition and results of operations.

THE VALUATION OF THE GROUP'S PROPERTIES IS INHERENTLY UNCERTAIN, MAY BE INACCURATE AND IS SUBJECT TO FLUCTUATION

The financial statements of the Group reflect property valuations performed by external valuation agents and are not guarantees of present or future value. One external valuation agent may reach a different conclusion to the conclusion that would be reached if a different external valuation agent were appraising the same property, and similarly the same external valuation agent may come to a different conclusion at different periods of time. The valuation of property is inherently subjective and uncertain as it is based different methodologies, forecasts and assumptions. Any change to valuation methodology may result in gains or losses in the Group's consolidated income statement, based on the change to each property's valuation compared with prior valuations.

The fair value of the Group's investment properties and undeveloped landbank is assessed semi-annually (as of 30 June and 31 December of each year) by independent certified appraisers based on discounted projected cash-flows from investment properties using discount rates applicable for the relevant local real estate market or, in case of certain properties, by reference to the sale value of comparable properties. Such valuations are reviewed internally and, if necessary, confirmed by the Group's independent certified appraiser and, verified by the Group's management.

There can be no assurance that the valuations of the Group's properties (undeveloped, in progress and completed) will reflect the actual sale prices or that the estimated yield and annual rental revenue of any property will be attained, or that such valuations will not be subject to be challenged by, among others, the regulatory authorities.

Additionally, the valuation and planning of projects is impacted by estimates of construction costs which are based on current prices and future price forecasts, whereas the actual costs involved may be different. Moreover, certain valuations are based on assumptions regarding future zoning decisions, which may prove to be inaccurate and, as a result, the Group may not be able to develop certain properties in accordance with its plans. This may adversely impact the valuation of such properties in the future.

If the forecasts and assumptions on which the valuations of the projects in the Group's portfolio are based prove to be inaccurate, the actual value of the projects in the Group's portfolio may differ materially from that stated in the valuation reports. Inaccurate valuations of the Group's properties and fluctuations in valuations may have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP'S CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT MAY BE SIGNIFICANTLY AFFECTED BY FLUCTUATIONS IN THE FAIR MARKET VALUE OF ITS PROPERTIES AS A RESULT OF REVALUATIONS

The Group's income generating properties and properties under development are independently revalued on, at a minimum, a semi-annual basis in accordance with its accounting policy. In accordance with IAS 40 "Investment Property" as adopted by the European Union (the "EU"), any increase or decrease in the value of the Group's properties

are accounted for in accordance with fair value models recorded as a revaluation gain or loss in the Group's consolidated income statement for the period during which the revaluation occurred. Moreover, projects under construction which cannot be reliably valued at fair value are valued at historical cost decreased by impairment, if any. Such properties are tested for impairment on at least, a semi-annual basis. If the criteria for impairment is satisfied, a loss is recognized in the Group's consolidated income statement.

As a result, the Group can have significant non-cash revenue gains or losses from period to period depending on the changes in the fair value of its investment properties, whether or not such properties are sold. For instance, in some years, the Group may recognise revaluation losses and impairment in respect of certain assets and residential projects, and profits for the same assets and residential projects in other years.

If market conditions and the prices of comparable commercial real properties continue to be volatile, the Group may continue to experience significant revaluation gains or losses from the Group's existing properties in the future. If a substantial decrease in the fair market value of its properties occurs, over the longer term, this may have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP'S BUSINESS IS DEPENDENT ON ITS ABILITY TO ACTIVELY MANAGE ITS ASSETS

A core part of the Group's operations is the active management of its assets, which includes the management of vacancy rates and rent levels and the terms of executed lease agreements in the case of commercial properties, as well as achieving a desired tenant mix in the case of retail properties.

The active management of the Group's large-scale commercial properties is of particular importance. In addition to legal constraints, the Group's ability to reduce vacancies, renegotiate rents and create a desired tenant mix is partly subject to market-related factors. Some of these factors, such as the general economic environment, consumer confidence, inflation and interest rates, and others are beyond the Group's control. During periods of recession or downturns in the economy, or as a result of the uncertainty caused by the outbreak of the COVID-19 pandemic, it is more challenging for developers to attract new tenants and to retain existing ones, and competition between developers for each tenant is much stronger. If the Group is unable to create or capture demand for its properties by, for example, improving tenant services or motivating its external sales agents, it may not be able to reduce vacancy rates or renegotiate rents as desired. Moreover, tenants that experience liquidity shortages may not pay their rent on time over prolonged periods, but, despite that, the Group may not be able to replace them with different tenants with a better financial standing.

A prolonged period of higher vacancy rates could lower the rents tenants generally pay and make it more difficult to increase the average rent that the Group expects to charge. Higher vacancy rates would also increase the Group's overall operating costs, as the Group would have to cover expenses generated by empty properties or units. Any such decrease in rental revenue or increase in operating costs could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP'S GROWTH AND PROFITABILITY WILL DEPEND ON THE GROUP'S ABILITY TO IDENTIFY AND ACQUIRE ATTRACTIVE INCOME-GENERATING PROPERTIES, EFFICIENTLY MANAGE ITS PORTFOLIO AND DEVELOP SELECTED PROJECTS

In accordance with its strategy, the Group intends to expand its business through: (i) the acquisition of yielding properties; (ii) asset management focused on realizing the full potential of, and maximizing returns from the Group's portfolio; and (iii) the development of selected projects. Accordingly, the growth and profitability of the Group and the success of its proposed business strategy depend, to a significant extent, on its continued ability to locate and acquire yielding properties at attractive prices and on favorable terms and conditions.

The ability to identify and secure accretive value-added acquisition opportunities involves uncertainties and risks, including the risk that the acquisition will not generate an income after the Group has carried out business, technical, environmental, accounting and legal examinations of the property or project. In addition, the Group also faces the risk that competitors may anticipate certain investment opportunities and compete for their acquisition. Additionally, any potential acquisition of properties may give rise to pre-acquisition costs which have to be paid by the Group even if the purchase of a property is not concluded. There can be no assurance that the Group will be able to: (i) identify and secure investments that satisfy its rate of return objective and realize their values; and (ii) acquire properties suitable for management in the future at attractive prices or on favorable terms and conditions.

As a part of its strategy, the Group intends to focus on maximizing the operating performance and efficiency of its income-generating commercial property portfolio. In pursuing this objective, the Group may expend considerable resources (including funds and management time) on managing properties that do not generate the expected returns and maintain certain ratios at the required level due to, for example, a decrease in demand for rental units or in rental levels which are not possible to anticipate.

The failure of the Group to identify and acquire suitable properties, effectively manage its properties portfolio and develop its projects could have a material adverse effect on the Group's business, financial condition and results of operations or prospects.

THE GROUP MIGHT NOT RECEIVE ADEQUATE INFORMATION ON RISKS RELATING TO, OR MIGHT MAKE ERRORS IN JUDGMENT REGARDING, FUTURE ACQUISITIONS OF REAL ESTATE

The acquisition of real estate requires a precise analysis of the factors that create value, in particular the levels of future rental values and the potential for the improvement of the net operating income ("NOI"). Such an analysis is subject to a wide variety of factors as well as subjective assessments and is based on various assumptions. It is possible that the Group or its service providers will misjudge individual aspects of a given project when making acquisition decisions or that assessments on which the Group bases its decisions are inaccurate or based on assumptions that turn out to be incorrect. Such judgment errors may lead to an inaccurate analysis and valuation of the properties by the Group in connection with investment decisions that may only become apparent at a later stage and force the Group to revise its valuation amounts downwards. The Group can also not guarantee that the service provider it chooses to carry out its due diligence when purchasing property will identify all the risks related to the

property in question. In addition, the Group cannot guarantee that it will be able to have recourse to the seller of the property for not disclosing such risks. The Group may suffer financial loss if it is unable to learn of such risks. The occurrence of one or several of such risks could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP CANNOT GUARANTEE THAT IT WILL CONTINUE TO GENERATE RENTAL INCOME AT ASSUMED LEVELS

Rental levels of the Group's properties are generally affected by overall conditions in the economies in which the Group operates, as well as the conditions of the Group's property portfolio itself (including future acquisitions of properties and the performance of the existing property portfolio), the development of the selected existing projects, their infrastructure condition, and vacancy rates. All of these elements are subject to various factors, many of which are outside of the Group's control.

In particular, due to increased competition and pressure on rents, amidst the general economic uncertainty arising from the COVID-19 pandemic, there can be no assurance that tenants will renew their leases on terms favorable to the Group at the end of their current tenancies or, if they do not, that new tenants of equivalent standing (or any new tenants) will be found to take-up replacement leases. Moreover, the Group's property portfolio includes numerous properties with non-fixed rents tied to the turnover of the tenants. Accordingly, if the turnover of such tenants declines, the rent payable by them will also decrease. For the year ended 31 December 2021, 3% of the Group's revenues from rental activity came from properties on which the rents were tied to the turnover of the tenants. In addition, the Group has no influence on the operations of its tenants and may not be able to monitor on an ongoing basis the tenants' turnover in order to ensure that the level of turnover reflects the best and actual performance efforts of its tenants. Consequently, the amounts of rental income generated by the Group's office and retail properties in the past cannot be used to predict future rental income and there can be no assurance that rental income will develop positively in the future.

Additionally, the Group's rental income may also decrease as a result of asset disposals or acquisitions of properties with no or unsatisfactory income-generating capabilities. As part of its strategy, the Group is reorganizing its property portfolio and intends to acquire appreciating and value-added properties and to sell its non-core assets. The Group intends to integrate any newly acquired properties with the existing portfolio and rent them out in order to generate rental income for the Group. If these properties are not fully rented and/or the rental rates are agreed below the estimated rental values, the Group may not be able to realize its expected rates of return on the new acquisitions. Subdued or negative rental return and profits could have a material adverse effect on the Group's business, financial condition and results of operations.

ANY DECLINE IN OCCUPANCY LEVELS MAY HAVE A DIRECT IMPACT ON THE GROUP'S CASH FLOWS

The Group invests in real estate and derives a significant proportion of its cash flows from rental payments received from the tenants occupying its properties. Any significant decline in occupancy levels in respect of the properties could have a material adverse effect on the ability

of the Group to generate cash flow at the earlier assumed values. Factors affecting occupancy may include, but are not limited to:

- demand for office and retail space
- the age, quality and design of a property relative to comparable properties in the local market;
- the property's location relative to public transportation;
- the standard of maintenance and upkeep of a property, including any work done by third-party service providers; and
- perceptions regarding the safety, convenience and attractiveness of the property.

There can be no assurance that tenants will renew their leases on terms favourable to the Group at the end of their current tenancies or, if they do not, that new tenants of equivalent standing (or any new tenants) will be found to take-up replacement leases.

Any failure of the Group to sustain an adequate occupancy level would result in lower rental income from the management of the existing portfolio and in a lower valuation of the Group's properties and overall portfolio. Expected vacancies are reflected in the valuation reports as of 31 December 2021. If a significant portion of the Group's property portfolio remains vacant for a prolonged period of time, the fixed costs for maintaining such vacant spaces and the lack of rental income generated by such spaces could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP MAY BE UNABLE TO FULLY RECOVER THE COSTS OF OPERATING THE PROPERTIES FROM THE TENANTS

The majority of the Group's lease contracts are structured in a way that allows the Group to pass on certain of the costs related to the leased property to the tenant, including marketing costs, electricity costs on common space, real estate taxes, building insurance, and maintenance costs.

However, the Group is not able to pass on all such costs to the tenants, especially in a very competitive environment, where the Group has to offer attractive conditions and terms to be able to compete with other office buildings or has to improve conditions offered to attract new tenants to its retail projects. Deteriorating market conditions, increased competition and tenants' requirements may further limit the Group's ability to transfer such costs, in full or in part, to its tenants. The service charges of the Group's properties may increase due to a number of factors, including an increase in electricity costs or maintenance costs. Moreover, if vacancy rates increase, the Group must cover the portion of the service charge that is related to the vacant space. Some lease agreements provide for the maximum value combined rental rate and service charged to be paid by the tenant. In such cases, if the maintenance charges increase, the Group would be unable to pass on such increases to the tenants.

Any significant increases in property costs that cannot be compensated by increasing the level of costs passed on to its tenants may have an adverse effect on the Group's business, financial condition and results of operations.

THE GROUP MAY BE MATERIALLY AFFECTED BY THE LOSS OF ATTRACTIVE TENANTS

The presence of reputable tenants, especially anchor tenants, in the Group's retail projects is important for its commercial success. Such tenants play an important role in generating customer traffic and attracting other tenants. The Group targets anchor tenants of varying sizes. A suitable anchor tenant typically depends on the size of the relevant shopping centre and the relative size, in GLA terms, of the anchor tenant unit in a given shopping centre. It may be more difficult for the Group to attract tenants to enter into leases during periods when market rents are increasing or when general consumer activity is decreasing, or if there is competition for such tenants from competing developments. In addition, the termination of a lease agreement by any significant tenant may adversely affect the attractiveness of a project.

If the Group fails to renew the leases of anchor tenants, or to replace such tenants in a timely manner, the Group may incur material additional costs or loss of revenues, which may, in turn, have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP FACES COMPETITION FROM OTHER OWNERS, REAL ESTATE MANAGERS, AND DEVELOPERS OF COMMERCIAL REAL ESTATE

The Group has faced and continues to face increased competition from other owners, local and international real estate managers and developers of commercial real estate. Such competition may affect the Group's ability to attract and retain tenants and may reduce the rents that the Group is able to charge. Such competing properties may have vacancy rates that are higher than the vacancy rates of the Group's properties, which could result in their owners being willing to rent their properties at lower rental rates than the Group would normally be prepared to offer but which the Group may have to match. Competition in the real estate market may also lead to increased marketing and development costs.

Given that the successful growth and profitability of the Group depends on: (i) the level of its vacancy rates; (ii) the increase and maintenance of occupancy on the best achievable market terms; (iii) the level of lease rent and rent collection; (iv) minimizing property maintenance costs; and (v) the acquisition of real estate at the lowest available prices, increased competition from other owners, real estate managers and developers of commercial real estate and surrounding factors could adversely affect the Group's business, financial condition and results of operations.

THE GROUP MAY BE SUBJECT TO SIGNIFICANT COMPETITION IN SEEKING INVESTMENTS AND MAY INCREASE THE PURCHASE PRICE OF PROPERTIES TO BE ACQUIRED

The Group competes with a number of real estate companies and developers for properties, developments, contractors and customers. Some of the Group's competitors may be larger or have greater financial, technical and marketing resources than the Group and therefore the Group may not be able to compete successfully for investments or developments.

In addition, new acquisitions of existing properties at yields that the Group considers attractive may become difficult to complete for a number of factors that may be beyond the Group's control including, for example, increased competition. Accordingly, the implementation of the Group's strategy to make suitable investments in prime locations may be delayed or may not be possible.

Competition in the real estate market may also lead to a significant increase in prices for real estate available for sale, which could be potential acquisition targets for the Group. Each of these risks could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP MAY NOT BE ABLE TO SELL ITS PROPERTIES ON A TIMELY BASIS

As part of its strategy, the Group sells from time to time its real-estate properties to recycle its equity and reinvest in new projects. The sale of a real estate project is usually a complex and lengthy process. There may be situations, however, when it would be beneficial for the Group to be able to sell one or more of its projects quickly. For example, the Group may wish to sell on short notice if it believes that market conditions are optimal or if it is approached by a party interested in purchasing a particular property on commercially attractive terms. The Group's ability to sell its property quickly may, however, be hindered by a number of factors beyond its control.

The Group's properties may constitute collateral established in favor of entities providing external financing, which may further restrict and/or delay their transferability if the lender's consent must first be obtained. Several of the Group's projects are also held through joint ventures with third parties and may, as a result, be subject to legal and/or contractual limitations on transferability, such as first refusal and co-sale rights, or a requirement to obtain joint approval for any such sale. Such limitations could adversely affect the Group's ability to complete a transaction and to generate cash flow as needed through the timely sale of its projects at favorable prices or to vary its property portfolio in response to economic or other conditions impacting the property value. It may be particularly difficult to sell real estate properties in an uncertain market environment caused by the COVID-19 pandemic. If the Group cannot sell a particular project within a reasonable time, it may not be able to generate the cash flow it may require to service ongoing operations or invest in new projects, or it may be unable to take advantage of favorable economic conditions or mitigate the impact of unfavorable economic conditions should they arise, which could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP'S PROPERTIES COULD SUFFER DAMAGE DUE TO UNDISCOVERED DEFECTS OR EXTERNAL INFLUENCES

The Group's properties could suffer damage due to undiscovered or underestimated defects or from external influences (e.g., earthquakes, floods, landslides or mining damage). In addition to the significant health risks and related costs, the Group could also be required to pay for the removal and disposal of hazardous substances, as well as the related maintenance and restoration work, without the ability to pass those costs onto third parties. The occurrence of any such risk could have a material adverse effect on the Group's business, financial condition and results of operations.

If a given property is under renovation or undergoing modernization, there can be no assurance that any space that has not been pre-leased, can be let or otherwise marketed during or following the renovation or modernization phase on the appropriate terms and conditions. Such developments could have a material adverse effect on the Group's business, financial condition and results of operations.

FAILURE TO OBTAIN THE REQUIRED ZONING OR CONSTRUCTION PERMITS, OR ANY OTHER APPROVALS IN A TIMELY MANNER OR AT ALL MAY DELAY OR PREVENT THE DEVELOPMENT OF CERTAIN OF THE GROUP'S PROJECTS

No assurances can be given that any permits, consents or approvals required from various government entities in connection with existing or new development projects will be obtained by the Group in a timely manner, or that they will be obtained at all, or that any current or future permits, consents or approvals will not be withdrawn. For example, as part of its operations, the Group, may occasionally purchase land that requires rezoning or a new or amended local spatial development plan or planning permission. The issuance of a required permission cannot be guaranteed, and the Group has encountered difficulties in the past in that respect.

If the Group cannot obtain the required approvals and permits in a timely manner or at all, its projects may be delayed or cancelled, which could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP MAY BE SUBJECT TO INCREASED COSTS OR PROJECT DELAYS OR CANCELLATIONS IF IT IS UNABLE TO HIRE GENERAL CONTRACTORS TO BUILD ITS PROJECTS ON COMMERCIALLY REASONABLE TERMS, OR AT ALL, OR IF THE GENERAL CONTRACTORS IT HIRES FAIL TO BUILD THE GROUP'S PROJECTS TO ACCEPTED STANDARDS, IN A TIMELY MANNER OR WITHIN BUDGET

The Group outsources the construction of its projects to reputable general contractors and the successful construction of the Group's projects depends on its ability to hire general contractors to build its projects to accepted standards of quality and safety on commercially reasonable terms, within the limits of an agreed timeframe or an approved budget.

Accordingly, the Group's failure to hire general contractors on commercially reasonable terms could result in increased costs and a failure to hire general contractors at all could result in project delays or cancellations. The failure of general contractors to meet accepted standards of quality and safety or to complete the construction within an agreed timeframe or within an

approved budget may result in increased costs, project delays or claims against the Group. Additionally, such failure may damage the Group's reputation and affect the marketability of the completed properties. If the Group is unable to enter into contracting arrangements with quality general contractors or subcontractors on commercially reasonable terms, or their performance is substandard, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The financial strength and liquidity of the Group's general contractors may be insufficient in the case of a severe downturn in the real estate market, which, in turn, could lead to their insolvency. Although most of the Group's subsidiaries' agreements with general contractors provide for the indemnification of the subsidiaries against any claims raised by sub-contractors engaged by such general contractors, there can be no assurance that such indemnification provisions will be fully effective, in particular if such indemnification is challenged in court or upon the insolvency of the general contractors. The Group requires general contractors to secure the performance of their obligations under their respective agreements through, for example, presenting bank guarantees. However, there can be no assurance that such guarantees will cover the entirety of costs and damages incurred by the Group in connection with the non-performance of agreements entered into with general contractors.

The Group's reliance on general contractors and subcontractors exposes it to risks associated with the poor performance of such contractors and their subcontractors and employees and construction defects. The Group may incur losses as a result of being required to engage contractors to repair defective work or pay damages to persons who have suffered losses as a result of such defective work. Furthermore, these losses and costs may not be covered by the Group's professional liability insurance, by the contractor or by any relevant subcontractor – in particular in the case of the architects engaged by the general contractors as both the scope of their liability and their financial strength is limited in comparison to the value of the Group's projects. If the performance of the Group's general contractors or subcontractors is substandard, this could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP MAY FACE CLAIMS FOR DEFECTIVE CONSTRUCTION AND RISKS ASSOCIATED WITH ADVERSE PUBLICITY, WHICH COULD HAVE AN ADVERSE EFFECT ON ITS COMPETITIVE POSITION

The construction, lease and sale of properties are subject to a risk of claims for defective construction, corrective or other works and associated adverse publicity. There can be no assurance that such claims will not be asserted against the Group in the future, or that such corrective or other works will not be necessary. Further, any claim brought against the Group, and the surrounding negative publicity concerning the quality of the Group's properties or projects, irrespective of whether the claim is successful, could also have a material adverse effect on how the Group's business, properties and projects are perceived by target customers, tenants or investors. This could negatively affect the Group's ability to market, lease and sell its properties and projects successfully in the future, which could have a material adverse effect on the Group's business, financial condition and results of operations.

THE CONSTRUCTION OF THE GROUP'S PROJECTS MAY BE DELAYED OR OTHERWISE NEGATIVELY AFFECTED BY FACTORS OVER WHICH THE GROUP HAS LIMITED OR NO CONTROL

The construction of the Group's projects may be delayed or otherwise negatively affected by, among others, the following factors over which the Group has limited or no control:

- increased material, labor or other costs, which may make completion of the project uneconomical;
- acts of nature, such as harsh climate conditions, earthquakes and floods, that may damage or delay the construction of properties;
- industrial accidents, deterioration of ground conditions (for example, the presence of underground water) and potential liability under environmental laws and other laws related to, for example, ground contamination, archaeological findings or unexploded ordnance;
- acts of terrorism, riots, strikes or social unrest;
- building code violations or as yet undetected existing contamination, soil pollution, or construction materials that are determined to be harmful to health;
- changes in applicable laws, regulations, rules or standards that take effect after the commencement by the Group of the planning or construction of a project that result in the incurrence of costs by the Group or delays in the development of a project; and
- defective building methods or materials.

The inability to complete the construction of a project on schedule, within budget or at all for any of the above or other reasons may result in increased costs or cause the project to be delayed or cancelled, which could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP IS SUBJECT TO GENERAL DEVELOPMENT RISKS THAT MAY INCREASE COSTS AND/OR DELAY OR PREVENT THE DEVELOPMENT OF ITS PROJECTS

Development of certain of the Group's projects has not yet begun and, as of the date of this Report, these projects do not generate any revenues. The successful development of these projects is an important factor for the Group's future success and involves a large number of highly variable factors which are complex and inherently subject to risk. Development risks to which the Group is sensitive include, among others:

- additional construction costs for a development project being incurred in excess of the amount originally agreed with the general contractor;
- liability to subcontractors related with bankruptcy of the general contractor;

- changes in existing legislation or the interpretation or application thereof (e.g. an increase of the rate of the goods and services tax, which impacts the demand for housing);
- actions of governmental and local authorities resulting in unforeseen changes in urban planning, zoning and architectural requirements;
- potential defects or restrictions in the legal title to plots of land or buildings acquired by the Group, or defects, qualifications or conditions related to approvals or other authorizations relating to plots of land held by the Group;
- the Group's potential inability to obtain financing on favourable terms or at all for individual projects or in the context of multiple projects being developed at the same time;
- potential liabilities relating to acquired land, properties or entities owning properties with respect to which the Group may have limited or no recourse;
- tenants' unwillingness to vacate a development site;
- obligations regarding the development of adjacent properties;
- inability to receive required zoning permissions for intended use;
- discrepancies between the planned area and the post-construction area of developments;
- obligations relating to the preservation and protection of the environment and the historic and cultural heritage of jurisdictions in which the Group conducts its operations, as well as other social obligations;
- COVID-19 pandemic associated development costs.

These factors, including factors over which the Group has little or no control, may increase costs, give rise to liabilities or otherwise create difficulties or obstacles to the development of the Group's projects. The inability to complete the construction of a property on schedule or at all for any of the above reasons may result in increased costs or cause the projects to be delayed or cancelled, which may have a material adverse effect on the Group's business, financial condition and results of operations.

WITHOUT SUFFICIENT LOCAL INFRASTRUCTURE AND UTILITIES, THE CONSTRUCTION OF THE GROUP'S PROJECTS MAY BE DELAYED OR CANCELED, OR IT MAY BE UNABLE TO REALIZE THE FULL EXPECTED VALUE OF ITS COMPLETED PROJECTS

The Group's projects can only be carried out if the sites on which they are located have access to the relevant technical infrastructure required by law (e.g. internal roads, utility connections, and fire prevention equipment and procedures). In cases where such sites do not have the necessary infrastructure, a use permit for the project may not be issued until such infrastructure

is assured. It is also possible that the relevant authorities may require the Group to develop the relevant infrastructure as a part of the works related to the project, which may have a significant impact on the costs of the construction works. The authorities may also demand that the investor develop technical infrastructure that is not required from the project's perspective but may be expected by the authorities as a contribution by the investor to the development of the local municipality.

In addition to the necessity of having adequate infrastructure during the construction process, the viability of the Group's projects, once completed, depends on the availability and sufficiency of the local infrastructure and utilities. In some cases, utilities, communications and logistics networks have not been adequately funded or maintained in recent decades and may be non-existent, obsolete or experience failures. To be sufficient, the existing local infrastructure and utilities may need to be improved, upgraded or replaced. As a consequence of this lack of maintenance, for example, the Group may from time to time experience shortages in the availability of energy and other utilities. There can be no assurance that improvements to the infrastructure in and around the Group's projects, or the infrastructure integrated into its projects, will be completed prior to the completion of the Group's projects or that any such improvement will be sufficient to support the Group's completed projects. This may have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP IS DEPENDENT ON A LIMITED NUMBER OF KEY MEMBERS OF ITS MANAGEMENT

The Group's success depends on the activities and expertise of the members of its management. If the Group is unable to retain the key members of its management, this could result in a significant loss of expertise and could have a material adverse effect on the Group's business, financial condition, results of operations.

Additionally, in view of the increased spread of the COVID-19 pandemic, it cannot be excluded that key members of the Group's management will be subjected to quarantine and/or will test positive for COVID-19 pandemic what might result in such persons being subjected to isolation/hospitalization or not being able to devote sufficient time and resources to managing the Group's operations, and thus, could have an adverse effect on the Group's business, financial condition, and results of operations.

SHORTAGES OF QUALIFIED EMPLOYEES AND OTHER SKILLED PROFESSIONALS COULD DELAY THE COMPLETION OF THE PROJECTS OF THE GROUP OR INCREASE ITS COSTS

The Group relies on a skilled team of professionals, including its key management and project managers, mid-level managers, accountants and other financial professionals, in the development of its projects. The Group has in the past experienced delays in the completion of certain projects as a result of shortages of qualified employees and skilled professionals and, if the Group is unable to hire the necessary employees, staffing shortages may adversely affect its ability to adequately manage the completion of its projects and efficiently manage its assets or force it to pay increased salaries to attract skilled professionals or the necessary employees. Furthermore, the future success of the Group depends on its ability to hire senior personnel

such as managers with extensive experience in the identification, acquisition, financing, construction, marketing and management of development projects and investment properties. The failure by the Group to recruit and retain appropriate personnel may have a material adverse effect on the Group's business, financial condition and results of operations.

LEGAL AND REGULATORY RISKS

CHANGES IN TAX LAWS OR THEIR INTERPRETATION COULD AFFECT THE GROUP'S FINANCIAL CONDITION AND THE CASH FLOWS AVAILABLE TO THE GROUP

Tax regulations are complex and they are subject to frequent changes. The approach of the tax authorities in the countries in which the Group operates is not uniform or consistent and there are rather significant discrepancies between the judicial decisions issued by administrative courts in tax law matters. No assurance may be given that tax authorities will not employ a different interpretation of the tax laws which apply to the Group, and which may prove unfavorable to the Group. No assurance may be given that the specific individual tax interpretations already obtained and applied by the Group will not be changed or challenged. There is also a risk that once new tax law regulations are introduced, the Group companies will need to take actions to adjust to these laws, which may result in greater costs forced by circumstances related with complying with the changed or new regulations.

In light of the foregoing, there can be no assurance given that the tax authorities will not question the accuracy of tax reporting and tax payments made by the Group companies, in the scope of tax liabilities not barred by the statute of limitations, and that they will not determine the tax arrears of the Group companies, which may have a material adverse effect on the Group companies' business, financial standing, growth prospects or results of the Group.

THE GROUP MAY BE SUBJECT TO LEGAL DISPUTES AND RISKS

The Group's business involves the acquisition, rental, sale and administration of properties, including under cooperation agreements that, as a matter of ordinary course of business, expose the Group to a certain degree of small-scale litigation and other legal proceedings. Legal disputes which, taken individually, are relatively immaterial, may be joined with disputes based on similar facts such that the aggregate exposure of the Group might become material to its business. Furthermore, the Group may face claims and may be held liable in connection with incidents occurring on its construction sites such as accidents, injuries or fatalities of its employees, employees of its contractors or other visitors on the sites.

It is standard practice in real estate transactions for the seller to make representations and warranties in the purchase agreement concerning certain features of the property. Typically, the assurances the seller gives regarding the property in the purchase agreement do not cover all of the risks or potential problems that can arise for the Group in connection with the purchase of property by the Group. The Group's possible rights of recourse towards the sellers of properties could fail for a variety of reasons, including due to the inability to establish that the persons in question knew or should have known about the defects, due to the expiration of the statute of limitations, due to the insolvency of the parties opposing the claim, or for other reasons. If this were to occur, the Group may suffer a financial loss.

The Group provides different types of guarantees when it leases real estate, especially with regard to legal title and the absence of defects in quality, as well as existing levels of hazardous contamination and the portfolio of leases. The same applies to the sale of real estate. Claims could be brought against the Group for breach of such guarantees and/or for the existence of defects of which the Group was not aware, but of which it should have been aware, when it concluded the transaction. The occurrence of one or several of the aforementioned risks could have a material adverse effect on the Group's business, financial condition and results of operations.

Conversely, when the Group disposes of its projects, it may be required to give certain representations, warranties and undertakings which, if breached, could result in liability to pay damages. As a consequence, the Group may become involved in disputes or litigation concerning such provisions and may be required to make payments to third parties, which may have a material adverse effect on the Group's business, financial condition and results of operations

Moreover, if the Group's properties are subjected to legal claims by third parties and no resolution or agreement is reached, these claims can delay, for significant periods of time, planned actions of the Group. Such situations may include, for example, claims from third parties relating to plots of land where the Group has developed and completed a real estate asset which it then intends to sell, as well as claims from third parties relating to specific land plots the Group needs to acquire in order to complete a particular project (for example plots adjoining plots it owned as of the date of the delivery of this Report), which could delay the acquisition by the Group of such plots.

The occurrence of one or several of the aforementioned risks could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP MAY BE EXPOSED TO CERTAIN ENVIRONMENTAL LIABILITIES AND COMPLIANCE COSTS

The Group is subject to environmental laws in CEE and SEE, pursuant to which it is required to conduct remedial action on sites contaminated with hazardous or toxic substances. Such laws often impose liability without regard to whether the owner of such site knew of, or was responsible for, the presence of such contaminating substances. In such circumstances, the owner's liability is generally not limited under such laws, and the costs of any required removal, investigation or remediation can be substantial. The presence of such substances on any of the Group's properties, or the liability for the failure to remedy contamination from such substances, could adversely affect the Group's ability to sell or let such property or to borrow funds using such property as collateral. In addition, the presence of hazardous or toxic substances on a property may prevent, delay or restrict the development or redevelopment of such property, which could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP'S INSURANCE MAY BE INADEQUATE

The Group's insurance policies may not cover it for all losses that may be suffered by the Group in the conduct of its business, and certain types of insurance are not available on commercially reasonable terms or at all.

As a result, the Group's insurance may not fully compensate it for losses associated with damage to its real estate properties. In addition, there are certain types of risks, generally of a catastrophic nature, such as floods, hurricanes, terrorism or acts of war that may be uninsurable or that are not economically insurable. Other factors may also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed, such as inflation, changes in building codes and ordinances and environmental considerations. The Group may incur significant losses or damage to its properties or business for which it may not be compensated fully or at all. As a result, the Group may not have sufficient coverage against all losses that it may experience. Should an uninsured loss or a loss in excess of insured limits occur, the Group may lose capital invested in the affected developments as well as anticipated future revenues from such project. In addition, the Group may be liable to repair damage caused by uninsured risks. The Group could also remain liable for any debt or other financial obligation related to such damaged property. No assurance can be given that material losses in excess of insurance coverage limits will not occur in the future. Any uninsured losses or losses in excess of insured limits could have a material adverse effect on the Group's business, financial condition and results of operations.

RISK FACTORS RELATING TO THE GROUP'S FINANCIAL CONDITION

THE GROUP'S LEVERAGE AND DEBT SERVICE OBLIGATIONS ARE MATERIAL AND MAY INCREASE, ADVERSELY AFFECTING ITS BUSINESS, FINANCIAL CONDITION, OR RESULTS OF OPERATIONS

As of the date of this Report, the Group is leveraged and has significant debt service obligations. In addition, the Group may incur additional indebtedness in the future. The incurrence of additional indebtedness would increase the leverage-related risks described in this Report and may have a material adverse effect on the Group's business, financial condition and results of operations. The Group's leverage could have material consequences for investors, including, but not limited to, the following:

- increasing vulnerability to and simultaneously reducing flexibility to respond to downturns in the Group's business or general adverse economic and industry conditions, including adverse economic conditions in the jurisdictions in which the Group operates;
- limiting the Group's ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings;
- forcing the Group to dispose of its properties in order to enable it to meet its financing obligations, including compliance with certain covenants under loan agreements;

- requiring the dedication of a substantial portion of the Group's cash flows from operations to the payment of the principal of and interest on its indebtedness, meaning that these cash flows will not be available to fund its operations, capital expenditures, acquisitions or other corporate purposes;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the real estate market; and
- placing the Group at a competitive disadvantage compared to its competitors that are not as highly leveraged.

Any of these or other consequences or events could have a material adverse effect on the Group's ability to satisfy its obligations.

THE GROUP MAY INCUR SUBSTANTIAL LOSSES IF IT FAILS TO MEET THE OBLIGATIONS AND REQUIREMENTS OF ITS DEBT FINANCING AND, FURTHERMORE, THE RESTRICTIONS IMPOSED BY ITS DEBT FINANCING MAY PREVENT IT FROM SELLING ITS PROJECTS

In order to secure its loans, the Group has in the past and/or may in the future mortgage its assets, pledge participation interests in its subsidiaries, enter into guarantees and covenant to its creditors that it would not establish any further mortgages or pledges on its present and/or future assets without their consent (negative pledges provisions). In addition, the Group's loans contain restrictions on its ability to dispose of certain key assets, which in turn may be required in order to satisfy certain financial covenants. The Group could fail to make principal and/or interest payments due under the Group's loans or breach any of the covenants included in the loan agreements to which the Group has entered. In some cases, the Group may breach these covenants due to circumstances which may be beyond the control of the Group. These may include requirements to meet certain loan-to-value ratio, debt service coverage and working capital requirements. A breach of such covenants by the Group could result in the forfeiture of its mortgaged assets, the acceleration of its payment obligations, the acceleration of payment guarantees, trigger cross-default clauses or make future borrowing difficult or impossible. In these circumstances, the Group could also be forced in the long term to sell some of its assets to meet its loan obligations or the completion of its affected projects could be delayed or curtailed.

Any of the events described above could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP MIGHT BE UNABLE TO RENEW OR REFINANCE LOANS OR OTHER DEBT AS THEY MATURE OR MIGHT BE ABLE TO RENEW OR REFINANCE SUCH LOANS OR DEBT ONLY ON LESS FAVORABLE TERMS

All of the Group's real estate developments have been financed through loans, which have been provided for a limited term. The Group may not be able to renew or refinance the remaining obligations in part or at all or may have to accept less favourable terms in respect of such refinancing. If the Group is unable to renew a loan or secure refinancing, the Group could be forced to sell one or more of its office properties in order to procure the necessary liquidity.

Additionally, if the Group is not able to renew certain loans, those properties which are financed through loans will become low leveraged and, as a consequence, will not be able to generate the expected returns on equity. Any combination of the above would have material adverse effects on the Group's business, cash flows, financial condition and results of operations.

THE GROUP IS EXPOSED TO FLUCTUATIONS IN FOREIGN CURRENCY EXCHANGE RATES

The Group's financial statements are expressed in Euro and the Group's functional currency is the Euro. Moreover, the majority of the Group's revenues, specifically rent revenues, are expressed in Euro. However, certain of the Group's costs, such as certain construction costs, labour costs and remuneration for certain general contractors, are incurred in the local currency.

In making assumptions regarding the levels of equity required to implement its strategic objectives, the Group used Euro as the reference currency. Additionally, the majority of the investments that the Group plans to make as part of its business strategy are expressed in Euro. Therefore, no assurance can be given that the proceeds derived and expressed in Polish zloty will suffice to meet the investment requirements of the Group's proposed acquisitions. While the Group may engage in currency hedging in an attempt to reduce the impact of currency fluctuations and the volatility of returns that may result from its exposure by, among other things, entering into derivatives transactions, obtaining debt financing denominated in Euro, as well as concluding agreements with contractors specifying remuneration expressed in Euro, there can be no assurance that such hedging will be fully effective or beneficial.

Moreover, given the fact that certain contractors of the Group engage in hedging arrangements with respect to their remuneration on the basis of, among other things, construction contracts, their flexibility to postpone certain phases of construction may be limited and may result in their financial distress. In addition, given that payments under most of the Group's commercial leases are expressed as the local currency equivalent of a Euro-denominated amount, some of the Group's tenants, specifically those leasing retail space, may face difficulties in meeting their payment obligations under such leases as they derive revenues in their respective local currencies. Consequently, any future material appreciation of the local currencies against the Euro could significantly decrease the Group's income in terms of the local currencies and could have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP IS SUBJECT TO INTEREST RATE RISK

The Group currently has and intends to incur certain indebtedness under existing debt facilities which is subject to variable interest rates. Interest rates are highly sensitive to many factors, including government monetary policies and domestic and international economic and political conditions, as well as other factors beyond the Group's control. The Group's exposure to interest risk and the extent to which the Group attempts to hedge such exposure vary significantly between the geographical markets in which the Group operates, but any changes in the relevant interest rates may increase the Group's costs of borrowing in relation to existing loans, thus impacting its profitability. The need to hedge interest rate risk is reviewed by the Group on a case by case basis, except for those projects in which the lenders require it to hedge

the relevant interest rate risk. Changes in interest rates may have a material adverse effect on the Group's business, financial condition, results of operations.

THE GROUP'S BUSINESS IS CAPITAL INTENSIVE, AND ADDITIONAL FINANCING MAY NOT BE AVAILABLE ON FAVOURABLE TERMS, ON A TIMELY BASIS OR AT ALL

The Group requires substantial up-front expenditures for land acquisition, development construction and design costs. As a result, the Group requires substantial amounts of cash and construction financing from banks for its operations. The Group's capital needs depend on many factors, in particular on market conditions, which are beyond the Group's control. Should its capital needs differ significantly from those currently planned, the Group might require additional financing. In the case of difficulties in obtaining additional financing, the scale of the Group's growth and the pace of achievement of certain strategic objectives can be slower than originally assumed. It is not certain whether the Group will be able to obtain the required financing if needed or if such funds will be provided on conditions favorable to the Group.

In addition, construction loan agreements generally permit the drawdown of the loan funds against the achievement of predetermined construction and space leasing milestones or the sale of a specific number of flats. If the Group fails to achieve these milestones, the availability of the loan funds may be delayed, thereby causing a further delay in the construction schedule. Restrictions of or delays in the access to sources of external financing and conditions of such financing that are less favorable than assumed can have a material adverse effect on the Group's business, financial condition and results of operations.

RISK FACTORS RELATING TO THE MARKETS WHERE THE GROUP OPERATES

POLITICAL, ECONOMIC, AND LEGAL RISKS ASSOCIATED WITH COUNTRIES IN EMERGING MARKETS, INCLUDING CEE AND SEE COUNTRIES

Investors in emerging and developing markets such as the regions of CEE and SEE, in which the Group operates, should be aware that these markets are subject to greater legal, economic, fiscal and political risks than mature markets and are subject to rapid and sometimes unpredictable change. As a result, investing in the securities of issuers with substantial operations in emerging or developing markets generally involves a higher degree of risk than investing in the securities of issuers with substantial operations in the countries of Western Europe or other similar jurisdictions.

Additionally, the governments of the developing countries in the CEE and SEE region may not have sufficient resources necessary to provide fiscal stimuli in response to the economic downturn caused by the outbreak of the COVID-19 pandemic on par with the levels implemented in more mature economies, which may delay or hinder any economic recovery following the impact of the COVID-19 pandemic.

The materialisation of any of the foregoing risks would have a material adverse effect on the Group's business, financial condition and results of operations.

THE LOCATIONS OF THE GROUP'S PROPERTIES ARE EXPOSED TO REGIONAL RISKS AND COULD LOSE SOME OF THEIR APPEAL

The locations of each of the properties are influenced by macro-economic developments in the regions in which the Group operates, as well as being subject to specific local conditions in a given regional market. The Group's real estate portfolio focuses on commercial premises, which significantly exposes the Group to negative developments in those segments of the real estate market in the countries where the Group operates, including intensified competition or increased saturation.

Insolvencies, close-downs or moves of large companies or companies from individual or several sectors as a consequence of adverse developments or for other reasons could have a negative effect on the economic development of the location in question and, consequently, on the Group's portfolio as a whole. The Group has no control over such factors. Negative economic developments at one or more of the locations could reduce the Group's rental income or result in a loss of rent, which stem from a number of tenants being unable to pay their rent in full or in part, as well as cause a decline in the market value of the Group's properties, which may have a material adverse effect on the Group's business, financial condition and results of operations.

UNLAWFUL, SELECTIVE, OR ARBITRARY GOVERNMENT ACTIONS MAY IMPACT THE GROUP'S ABILITY TO SECURE THE AGREEMENTS, CONTRACTS, AND PERMITS REQUIRED FOR IT TO DEVELOP ITS PROJECTS

Government authorities in the countries in which the Group operates have a high degree of discretion and may not be subject to supervision by other authorities, requirements to provide a hearing or prior notice or public scrutiny. Therefore, government authorities may exercise their discretion arbitrarily or selectively or in an unlawful manner and may be influenced by political or commercial considerations. The Group has faced administrative decisions in the past which forced it to unexpectedly change its investment plans (including limiting the scale of a project). Such discretion may have a material adverse effect on the Group's business, financial condition and results of operations.

4. Presentation of the Group

4.1 General information about the Group

The GTC Hungary Real Estate Development Pltd. Was registered in Budapest in September 1998. The company is part of the GTC Group, a leading real estate investor and developer focusing on Poland and capital cities in Eastern and Southern Europe: Belgrade, Budapest, Bucharest, Zagreb, and Sofia. The GTC Group was established in 1994.

Company's portfolio comprises: (i) completed commercial properties; (ii) commercial properties under construction; (iii) a commercial landbank intended for future development. As of 31 December 2021, the Company's property portfolio comprised the following properties:

- **7 completed office projects** with a total combined commercial space of approximately 152 thousand sq m of GLA,
- **1 office project under construction** with a total GLA of approximately 29 thousand sq m; and
- **commercial landbank** designated for future development.

As of 31 December 2021, the book value of the Company's portfolio amounts to EUR 582,883 with: (i) the Group's completed investment properties account for 73% thereof; (ii) investment properties under construction for 18%; and (iii) an investment landbank intended for future development for 9%.

The GTC's headquarters are located in Budapest, at 22 Népfürdő.

4.2 Structure of the Group

The structure of GTC Hungary Real Estate Development Pltd. Capital Group as of 31 December 2021 is presented in the consolidated financial statements for the year ended 31 December 2021 in Note 5 "Investment in subsidiaries and business combinations.

The following changes in the structure of the Group occurred in the twelve-month period ended 31 December 2021:

- acquisition of GTC Investments Sp. z o.o. (previously Halsey Investments Sp. z o.o.),
- acquisition of GTC Univerzum Projekt Kft. (previously Winmark Kft.),
- establishment of wholly-owned subsidiary - Office Planet Kft.,
- Office Planet Ltd. was newly founded and it acquired 70% shares in companies:
 - GTC BBC d.o.o.,
 - Atlas Centar d.o.o. Beograd,
 - Demo Invest d.o.o. Novi Beograd,
 - GTC Business Park d.o.o. Beograd,
 - GTC Medj Razvoj Nekretnina d.o.o. Beograd.

4.3 The GTC Group's and the Group's Strategy

The GTC Group's and the Group's objective is to create value from an active management of a growing commercial real estate portfolio, supplemented by acquisitions and selected development activities; and

The GTC Group and the Group aims to create and maximize shareholder value by continually adapting to changes in the markets in which it operates while maintaining the maximum performance of its core portfolio of assets, always taking into consideration the Group's prudent financing policy.

The Group implements the following elements, among others, to achieve its strategic objectives:

Achievement of continued portfolio and platform growth

One of the Group's primary strategic goals is the continued increase of the income-generating portfolio through acquisition of yielding properties, while completing prime development projects on already-owned or acquired land plots. Also, to have value-add acquisitions that provide tangible potential through re-letting, improvement in occupancy and rental upside as well as the realization of redevelopment potential. The Group will continue to convert ongoing development projects and land reserves into income-generating properties and the sale of non-core assets to unlock equity for new investments and acquisitions and increase the return on invested equity. The Group intends to develop its pipeline in accordance with its environmental and sustainability principles. The Group will carefully consider and evaluate attractive investment opportunities, which meet the investment criteria of the Group while taking into consideration the prevailing market yields and the Group's investment criteria targets. The Group is well-positioned to benefit from (i) the exceptionally high yield spread in the current low-interest rate environment, allowing for highly accretive growth, (ii) the future growth potential if the macro environment improves, (iii) a selective approach by lenders that operate in the region, which limits competition from other potential purchasers, and limited offer of high-class office and retail space in some markets, which results in increased demand for renting space in "Class A" properties. The GTC Group's acquisition strategy includes the acquisition of income generating office and retail assets that have cash generation ability (upon acquisition or shortly after) and demonstrate the potential for growth of net operating income, through re-leasing, optimizing occupancy, rental rates, and/or redevelopment and the potential to increase return on equity through active asset management.

Optimization of operating and financial performance

The Group is committed to improving the efficiency of asset management activities and maximizing operating performance. This is achieved through active management of the income-generating property portfolio to achieve and maintain cost efficiency, to improve rental income and occupancy, and to diversify tenant risk by retaining a high-quality tenant base. The Group's financial management strategies include further optimizing administrative and platform costs through organizational streamlining and optimization of costs of finance through deleveraging, planning and resource allocation, and through continuous refinancing at improved terms to increase the recurring return on equity, always taking into consideration the Group's prudent financing policy.

Strategic disposal of mature assets

The Group may sell certain of its mature assets from its portfolio (i.e., completed commercial properties that generate a stable flow of rental income and have reached their long-term value in the Group's view). Moreover, following the acquisition of existing income-generating properties and increasing their value, the Group may also sell such properties. In furtherance of this strategic objective, and based on the prevailing market conditions and GTC Group's strict criteria, the GTC Group in 2021 signed preliminary sale agreement and sold in Q1 2022 the office portfolio located in Belgrade, Serbia including 11 office buildings above their book value.

Continued successful project delivery

The Group is committed to developing high-quality commercial projects, with focus on the delivery of major projects in the next two to three years. The Group's goal is to continue to build track record of delivery of projects (a) on time, (b) on budget and (c) at a quality that meets tenants' demand and also continue to adhere to all relevant environmental aspects and standards in the construction of developments (for example, continuing to develop Leadership in Energy and Environmental Design ("LEED") certified buildings). The Group is a real estate investor and developer and adjusts its development activities to market conditions. The management board believes that this approach allows the Group to better respond to the changing conditions of the real estate market and focus on more active and efficient asset management of its existing as well as its expanding portfolio.

The development of projects, which at the date of the Report were in the construction stage or the pre-construction stage, is an important value driver.

Currently, the Group has one office project consisting of 29 thousand sq m of office space under construction:

- Pillar - an office building in Budapest, Hungary.

As of 31 December 2021, projects under construction represent approximately 18% of the Group's portfolio value.

We hold a number of landplots allowing for further development of commercial space. Currently, another four projects is in pipeline:

- Szeremi Gate - an office building in Budapest, Hungary;
- VRK Tower - an office building in Budapest, Hungary;
- Center Point III - an office building in Budapest, Hungary;
- GTC Future - an office building in Budapest, Hungary.

The Group's rich commercial landbank designated for future development allows us to extend the planned projects in areas where there will be demand for commercial properties.

Maintaining a balanced mix of investments and adapting to changes in the real estate markets

The GTC Group intends to continue its real estate management and development activities, characterized by macroeconomic stability, continued GDP growth, and investor and tenant demand. The Group believes that some other markets in which it operates also offer long-term growth potential due to their relatively underdeveloped real estate markets and relatively illiquid markets. Further investments in these markets will be explored on an opportunistic basis with strict risk-adjusted return criteria. Simultaneously, specific performance requirements will be imposed on all assets in the Group's portfolio.

Maintaining sustainability measures (ESG - Environmental, social, and governance)

In 2015, the GTC Group adopted the first iteration of its ESG policy. The GTC Group undertook to develop properties in an environmentally responsible and resource-efficient manner throughout a building's lifecycle: from planning to design, construction, operation, maintenance, renovation, and demolition. The Group made a commitment that all its existing projects where possible and all new projects are assessed by sustainability certification schemes such as DGNB, BREEAM or LEED.

In 2020, GTC Group implemented a policy of ESG reporting based on the Global Reporting Initiative's Sustainability Reporting Standards (GRI), designed to be used by organizations to self-report on their impact on the economy, the environment, and/or society. The GTC Group engaged an external consultant to help in the process of selection of measures to report on that formed the basis of its ESG report for 2020.

The guiding principles of the GTC Group's evolving ESG policy are:

- promoting a sustainable approach towards real estate development and management;
- contributing to environmental protection and the development of local communities in which the Group operates;
- pursuing a sustainable business model that allows the GTC Group to achieve its business objectives without placing an excessive burden on the environment;
- actively managing the GTC Group's assets to continually improve environmental performance, quality and resilience; and
- encouraging proactive contributions from all employees, tenants, customers and stakeholders of the Group to meeting all objectives in compliance with the policy.

The GTC Group recognizes that the responsible management of urban areas is vital to achieving sustainable construction and development at industry level in the long-term. The Group seeks to use modern technological solutions in construction and modern architecture so as to reduce the negative environmental impact of the daily operation of entire communities. By implementing investments in a responsible manner, revitalizing post-industrial areas, and providing high-quality buildings. The GTC Group believes it can continue to make a positive impact on:

- reducing energy consumption in cities;
- improving the efficiency of water consumption;

- reducing the consumption of non-renewable resources;
- reducing the level of pollution; and
- preserving green areas.

Sustainability and environmental and social responsibility continue to be a priority for the Group. The GTC Group delivers modern buildings, equipped with technology solutions that meet the strict BREEAM or LEED criteria. The GTC Group's ESG policy aims to allow the Group to increase its market share, improve financial results and reduce operational risk all while making a positive contribution to the environment and society.

Additionally, the GTC Group subscribes to all 17 Sustainable Development Goals ("SDGs") as defined by the United Nations for the period 2015 - 2030, as well as the 2015 Paris Agreement within the United Nations Framework Convention on Climate Change. The GTC Group is at all times cognisant of the SDGs in operating its business.

The GTC Group is also a member of key industry initiatives, such as, the European Public Real Estate Association ("EPRA"). By participating in task groups with leading developers, consultants, engineers and manufacturers the GTC Group gains practical insights into innovative solutions for effective, environmentally friendly property management and access to information on upcoming legislation and the regional transposition of EU law.

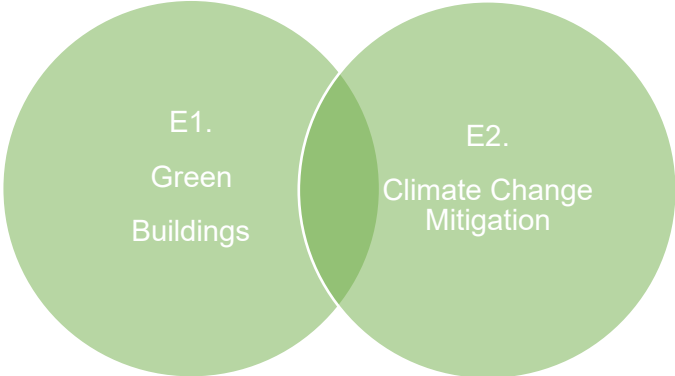
The GTC Group acknowledges the importance of its real estate footprint to society and the environment, and the benefits of maintaining and operating of an efficient and high-quality portfolio.

ESG Policy Pillars

Environmental issues, including climate issues, are an important area of the GTC Group management. They are included in our ESG Policy which base on 3 pillars and 8 focus areas:

<p>ENVIRONMENT: CONCERN FOR THE ENVIRONMENT</p> <p>” We are reduce our environmental footprint. We deliver and manage green-certified buildings (saving energy and resources, lowering carbon emissions). We contribute to circular economy.</p> <p>FOCUS AREAS OF THE PILLAR:</p> <ul style="list-style-type: none"> E.1. Green Buildings E.2. Climate Change Mitigation 	<p>SOCIAL: EMPOWERMENT, RESPECT AND DIVERSITY</p> <p>” We deliver office and retail space where our tenants can grow. We care about the employees who are our biggest asset. We are a good neighbour, investing in local communities.</p> <p>FOCUS AREAS OF THE PILLAR:</p> <ul style="list-style-type: none"> S.1. Tenants S.2. People S.3. Communities 	<p>GOVERNANCE : BEST GOVERNANCE PRACTICES</p> <p>” We act ethically and assure compliance of all our operations. We implement processes minimising ESG-related risks. We lead open and honest communication with all our stakeholders.</p> <p>FOCUS AREAS OF THE PILLAR:</p> <ul style="list-style-type: none"> G.1. Compliance G.2. Risk Management G.3. Transparency
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Pillar I. Focus on Environmental issues (E)



Our main focus with regard to lowering the impact on the environment are:

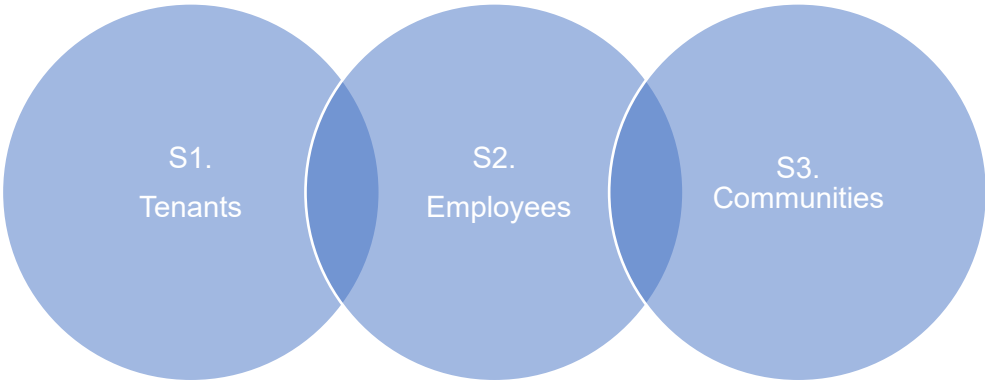
E1. Green Buildings

- Delivering sustainable buildings that operate with a reduced impact on the climate, use green energy and substantially fewer natural resources (like water), and focus on well-being of tenants,
- Reduction of our carbon footprint lever by thorough analysis of way to limits CO2 emission and development of proper low emission strategy,
- Conduct our business in a closed-loop system that minimises waste and resource consumption,
- Developing processes as a result of which sustainability of our portfolio is confirmed by relevant green certificates (LEED, BREEAM, DGNB and WELL),
- Contribution to circular economy through refurbishment, minimizing waste and making the most of resources,

E2. Climate Change Mitigation

- Developing new buildings, acquire and manage assets with focus on protecting the natural environment,
- Improving energy efficiency and lower carbon emissions in our buildings.

Pillar II Focus of Social Issues (S)



Our main focus with regard to our social issues are:

S1. Our Tenants

- Loyalty through a professional approach;
- Direct and effective cooperation through tenant relationship between leasing teams and tenants to resolve any arising issue and meet their current needs;
- Coordination by our asset management teams; the activities of other departments and/or external suppliers when they are involved in tenant-related activities. We cooperate with lawyers, public institutions, insurance companies, contractors, etc. acting on behalf of our tenant.
- Involving tenants through cooperation and raising awareness how to achieve meaningful results on the properties' impact on environmental and social issues.

S2. Our Employees:

- Creating a stable employment conditions in terms of respecting employees rights, adequate remuneration and benefits;
- Creating a good working atmosphere based on mutual trust and respect;
- Maintaining a rigorous approach and compliance to occupational health and safety;
- Employee's development through training and participation in industry events;
- Employee's involvement in social activities such as sports events and charity;
- Confirming, through our actions, that we are a reliable and competitive employer.

S3. Local Communities:

Our main focus with regard to execute investments in a responsible manner taking in the account local community's concern through revitalization of post-industrial areas, and providing high-quality buildings, where we can make an impact on:

- building sustainable and accessible city spaces through our assets and local infrastructure;
- taking care of stimulating social growth and answering local needs in the neighbourhood where are our properties are located.

Pillar III. Focus on Governance Issues (G)



Our main focus with regard to governance issues are:

G1. Compliance

- Continuously working with the highest business ethics in a pro-active and open manner;
- The operations of GTC should always be made within the frame of good practices ;
- Zero tolerance for any forms of corruption, fraud, anti-competitive and monopoly behaviour;
- Considering legal compliance in every decision about our investments, developments, management practices and other processes;
- Maintaining very good relations with our partners based on mutual trust.

G2. Risk management

- Conducting all the operations to assure sustained profitability of our business;

- Identify key risk factors and effective ways to mitigate risks before they materialise;
- annually revise the risk management framework, and update our business procedures;
- First and foremost, we constantly raise our employees' awareness of the importance of risk management and encourage them to actively report risky situations and threats related to environment, social and governance issues in their daily business work

ESG risks, including climate risks, challenges and trends in this area, company goals and progress in the implementation of major ESG initiatives – are discussed at least once a year at the meetings of the management board and the supervisory board.

The process of raising social and environmental awareness and ESG knowledge of the executives and employees of our organization, developing and monitoring the implementation of the Policy is coordinated by the management board, with the support and assistance of local technical teams.

4.4 Business overview

The Group's core business is geared towards commercial real estate, with a clear focus on creating value from active management of a growing real estate portfolio in Budapest supplemented by selected development activities. As of 31 December 2021, the book value of the Group's investment property amounted to EUR 582,883. The Group's investment properties include income generating assets (completed properties), projects under construction and commercial landbank.

INVESTMENT PORTFOLIO

As of 31 December 2021, the Group manages completed commercial properties with a combined gross rentable area of approximately 152 thousand sq m, including 7 office buildings, which constituted 73% of the overall portfolio.

The Group's office buildings provide convenient space, flexible interiors, and a comfortable working environment. They are located in the heart of business districts and in proximity to the most important transport routes, including international airports. All projects have earned the trust of a significant number of multinational corporations and other prestigious institutions, including Exxon Mobil, Budapest Bank, IBM, Huawei Technologies, Honeywell and others.

PROJECTS UNDER CONSTRUCTION

As of 31 December 2021, the Group had one office building classified as an investment under construction with a book value of EUR 102,900, which constituted 18% of the Group's overall portfolio.

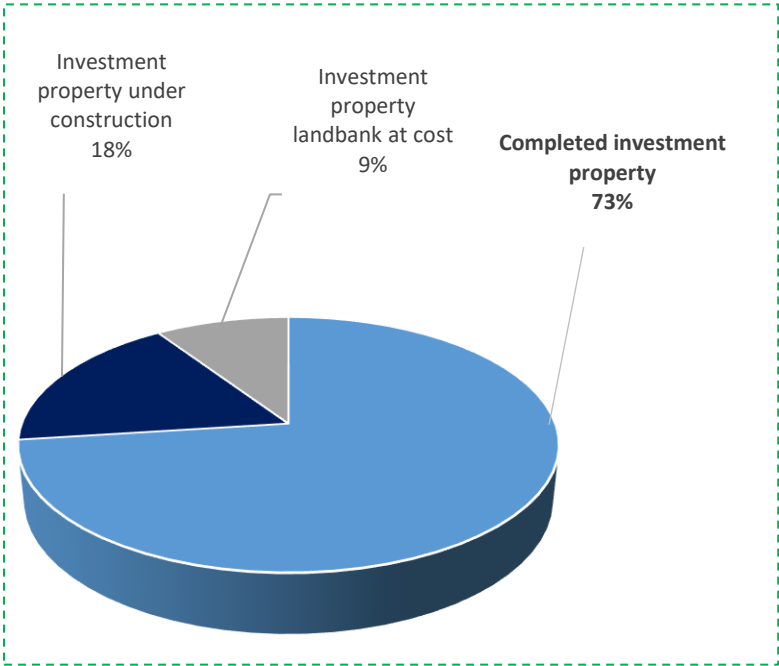
INVESTMENT PROPERTY LANDBANK

As of 31 December 2021, the Group had land classified as an investment property landbank designated for the future development of EUR 54,646, which constituted 9% of the Group's overall portfolio (by value).

The Group's rich investment property landbank designated for future development allows us to extend the planned projects in areas where there will be demand for commercial properties.

4.4.1 Overview of the investment portfolio

The Group's strategy focuses on creating value from active management of a growing real estate portfolio. The Group has a presence in Budapest, The Group focused on commercial assets, mainly office buildings and office parks. The Groups investment properties include income generating assets (completed properties), projects under construction and investment property landbank



4.4.1.1 Overview of income generating portfolio

Office portfolio in Budapest

The Group's total gross rentable area in Hungary comprises 152 thousand sq m in seven office projects located in Budapest. The occupancy rate was 97%. The average duration of leases was 3.9 years at the year-end, and the applied average yield was 6.9 %. The average rental rate generated by the office portfolio in Hungary was 15.7 EUR/sq m/month. The book value of the Group's office portfolio in Budapest amounted to €425,337 as of 31 December 2021, as compared to €206,138 as of 31 December 2020. This increase is attributable mainly to the acquisition of three office buildings.

The following table lists the Group's office properties located in Hungary:

Property	Location	GTC's share (%)	Total gross rentable area (sq m)	Year of completion
Center Point I	Budapest	100%	19,400	2004
Center Point II	Budapest	100%	23,500	2006
Duna Tower	Budapest	100%	31,300	2006
GTC Metro	Budapest	100%	16,200	2010
Vaci 173-177 (GTC Future) ¹	Budapest	100%	6,400	-
Vaci Greens D ²	Budapest	100%	15,600	2018
Univerzum ²	Budapest	100%	41,800	2017/2020
Total			152,200	

¹Property acquired as landbank for future development, with a small office building located on the plot

² Acquired in 2021

4.4.1.2 Overview of properties under construction

As of 31 December 2021, the Group had office project with a total gross rentable area of 29 thousand sq m and a book value of EUR 102,900.

The following table lists the Group's properties under construction:

Property	Segment	Location	GTC's share	Total gross leasable area (sq m)	Expected completion
Pillar	office	Budapest, Hungary	100%	29,200	Q1 2022
Total				29,200	

4.4.1.3 Overview of investment property landbank

Management has conducted a thorough, asset by asset, review of the whole portfolio, in parallel to its decision to focus on Group's new developments efforts, solely on the strongest markets and, whilst supporting only the projects in its portfolio, which give the strongest mid-term upside potential, while reducing. Concurrently, the Management decided to reduce the cash allocation towards projects that has a longer-term investment horizon. The above-implied re-assessment of some of GTC's landbank projects development timetable and rescheduling them to a later stage or designating them for sale.

Additionally, in some cases, in view due to the decline in consumption and deteriorating of purchasing power, the timetable for stabilization of in relevant catchment areas around certain completed and cash generating assets, the timeframe for stabilization of had to be re-assessed, and consequently expectations for stabilized income were deferred.

As of 31 December 2021, the Group had land classified as investment property landbank designated for future commercial development of EUR 54,646. This landbank, designated for future commercial development, includes projects on Group's focus for the coming years.

The Group's rich investment property landbank designated for future development allows us to extend the planned projects in areas where there will be demand for commercial properties.

4.5 Overview of the markets on which the Group operates¹

¹ This market commentary was prepared by Jones Lang LaSalle IP, Inc. It is based on material that we believe to be reliable. Whilst every effort has been made to ensure its accuracy, we cannot offer any warranty that it contains no factual errors. We would like to be told of any such errors in order to correct them. Please note, the below-presented market commentaries are based on information available to us as at 24 February 2022.

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On 24 February 2022, Russian forces entered Ukraine and military conflict ensued. At the time this report and financial statements were prepared the extent of the conflict and its longer-term impact are unknown. The conflict caused immediate volatility in global stock markets and uncertainties are anticipated in relation to the cost and availability of energy and natural resources, particularly within Europe. Significant economic sanctions have been imposed against Russia by the European Union. The direct impact on the real estate markets where the Company operates is yet unknown. At this stage, there is no evidence that transaction activity within the Markets that the Company operates and the sentiment of buyers or sellers has changed.

This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which this report was prepared. In recognition of the potential for market conditions to move rapidly as the conflict in Ukraine evolves, we highlight the importance of date of 24 February 2022 to which the market information relates to.

With varying recent and ongoing policy responses to the COVID-19 pandemic across the region and the mitigating implications differing by market and sector, we provide no assurance that market conditions will not change unfavorably as a result of future events that are unknown to us.

4.5.1 Office market in Budapest

Budapest

The total modern, existing office stock currently adds up to 3.96 million sq m, consisting of 3.3 million sq m of 'A' and 'B' category speculative office space as well as 653,830 sq m of owner-occupied space.

In the first quarter of 2021 24,700 sq m office space was delivered in the Greater Budapest market, which is almost 50% lower than the first quarter of 2020 volume. In the second quarter of 2021, 19,760 sq m of new office space was delivered to the Budapest office market in the form of BudaPart City, the second completed office building in the namesake urban development project in the South Buda submarket.

All handovers planned for the second half of 2021 were finally postponed to the first half of 2022, so no new completions happened in Budapest in the second half of the year.

Despite a few postponed hand-over dates, developers are still active on the market. The volume of deliveries under construction with a handover date of 2022-2023 is approximately 480,000 sq m. This amount includes those four buildings, which were expected to be handed over in the fourth quarter of 2021, but the delivery dates were again postponed (Office Garden IV, Buda Palota, F99 & Green Court Office, adding up to 62,650 sq m). From this almost 0.5 million sq m office space 37%, approximately 175,000 sq m is already pre-let. There are HQ projects as well, such as MOL Campus (the first high-rise office building in Budapest), Bosch Campus II or The Pillar on Váci Corridor for ExxonMobile. Most developments are in the Váci Corridor, Pest Central South and Buda South submarkets.

Regarding 2021 gross take up, the transactions reached 365,210 sq m this year, which means 11% increase compared to 2020, but is still half of the gross take-up registered in 2019. Although in three quarters out of four renewals dominated the transactions during the year, the share of new leases and renewals became equal at the end of the year with 40-40%. The share of preleases reached only 12%, followed by expansions with 8% and occupier owned transactions with less than 1%.

The strongest occupational activity in the fourth quarter of 2021 was again recorded in the Váci Corridor submarket with 34% of the total demand (37,190 sq m). Buda South submarket is ranked second in this respect with 23% share, followed by Buda Central (12%), and Buda North attracted 9% of the total demand.

Total leasing activity is still below the 2019 data, but the increasing tendency has continued (approximately 11%) and can be seen in 2021, compared to the total transactions of 2020. The fourth quarter of 2021 gross take-up is 28% higher than the fourth quarter of 2020 data but is still half of the amount registered in the fourth quarter of 2019.

The share of renewals started to increase quarter by quarter due to the current economic circumstances, however, in 2021 we witnessed a small increase again in new leases as well. The fourth quarter of 2021 office market statistics are still just showing the signs of gradual recovery from the effects of COVID-19 pandemic.

Real estate strategies are still under reconsideration, but the number of transactions has started to show a small increase year-on-year. New leases are still picking up (+40% year-on-year), which shows gradually improving tenant expectations. Pre-leases dropped significantly compared to 2019 and remained the same level in 2020 and 2021; tenants are more cautious in their decision makings. Due to the efficiency of remote working, hybrid model and subleasing trends are still in place. In line with the global workplace trends there is a growing demand for serviced offices which is clearly reflected in the growing number of new locations and increased sizes of flex operators. Vacancy has slightly increased in the fourth quarter of 2021, it is 9.18%, while net absorption is positive.

The office vacancy rate has slightly increased to 9.18% in the fourth quarter of 2021, representing a 0.09 p.p. increase quarter-on-quarter and a 0.06 p.p. increase year-on-year.

The highest rents (prime rent) are registered in the CBD submarket at 25 €/sq m/month. The average rents in Budapest for existing Class 'A' buildings are between 15.00 - 18.00 €/sq m/month and in the case of Class 'B' buildings between 12.00 - 15.00 €/sq m/month.

4.5.2 Investment market in Hungary

The Hungarian investment market generated approximately €1.3 billion in 2021. Although this volume is 7% above the 2020 record, it is still significantly behind the pre-pandemic levels of €1.7 - 1.8 billion.

The relative underperformance of the market was mainly due to the significant undersupply of available products for sale (especially in an open-market tender), which was particularly critical during the first half of 2021. From the middle of the year an uptick in investment activity was recorded, however it wasn't enough to boost the annual statistics.

Over 85% of the annual volume was generated by income producing assets, whereas the rest was made up by development site sales and the disposals of properties suitable for re-development purposes. We recorded a notable, 25% rise in the volume of development site sales compared to 2020.

As usual the strongest activity was recorded in the office asset class, which generated approximately 70% of the annual volume. It was followed by the sale of logistics assets with 10.7% and surprisingly re-development opportunities and development sites with 10.5%.

Similarly to 2020, there was minimal activity in the hotel and retail asset categories in 2021.

Prime office yield stood at the fourth quarter of 2021 at 5.00% while prime retail yield stood at 6.25%.

5. Operating and financial review

5.1 General factors affecting operating and financial results

The economic crisis may slow down the general economy in Hungary. Such economic downturn in Hungary may result in reduced demand for property, growth of vacancy rates, and increased competition in the real estate market, which may adversely affect the Issuer's ability to sell or let its completed projects at their expected yields and rates of return. The reduced demand for property that, on the one hand, may result in a drop-in sales dynamic, and, on the other, an increase in vacancy rates and lower rent revenues from leased space, may significantly impact the results of operations of the Issuer. Specifically, the Group may be forced to change some of its investment plans. Additionally, the Issuer may not be able to develop numerous plans.

The Group derives the majority of its revenue from operations from rental activities, including rental and service revenue. The amount the Issuer can charge for rent largely depends on the property's location and condition and is influenced by local market trends and the state of the Hungarian economy. The Group's revenue from rent is particularly affected by the delivery of new rent spaces, changes in vacancy rates and the Group's ability to implement rent increases. Rental income is also dependent upon the time of completion of the Group's development projects as well as on its ability to let such completed properties at favorable rent levels.

The Group's results of operations depend heavily on the fluctuation of the value of assets on the property markets. The Group revalues its investment properties at least twice per year. Any change in fair value of investment property is thereafter recognized as a gain or loss in the income statement. The following three significant factors influence the valuation of the Group's properties: (i) the cash flow arising from operational performance, (ii) the expected rental rates and (iii) the capitalization rates that result from the interest rates in the market and the risk premiums applied to the Group's business.

The cash flow arising from operational performance is primarily determined by current gross rental income per sq. m, vacancy rate trends, total portfolio size, maintenance and administrative expenses, and operating expenses. Expected rental values are determined predominantly by expected development of the macroeconomic indicators as GDP growth, disposable income, etc. as well as micro conditions such as new developments in the immediate neighborhood, competition, etc. Capitalization rates are influenced by prevailing interest rates and risk premium. In the absence of other changes when capitalization rates increase, market value decreases and vice versa. Small changes in one or some of these factors can have a considerable effect on the fair value of the Group's investment properties and on the results of its operations. Moreover, the valuation of the Group's landbank additionally depends on among others the building rights and the expected timing of the projects. The value of landbank which is assessed using a comparative method is determined by referring to the market prices applied in transactions relating to similar properties.

Real estate development companies, such as the Group, usually finance their real estate projects with proceeds from bank loans, loans extended by their holding companies or the issuance of debt securities. The availability and cost of procuring financing are of material importance to the implementation of the Group's projects and for the Group's development prospects, as well as its ability to repay existing debt. Finally, the availability and cost of financing may impact the Group's development dynamics and the Group's net profit.

5.2 Specific factors affecting financial and operating results

On 12 March 2021, Office Planet Kft. was newly founded and on 1 April 2021, it acquired 70% shares in companies GTC Business Park d.o.o. Beograd, GTC Medunarodni Razvoj Nekretnina d.o.o. Beograd, GTC BBC d.o.o., Demo Invest d.o.o. and Atlas Centar d.o.o. via share capital increase.

On 17 March 2021, GTC Real Estate Development Hungary Pltd. issued 10-year green bonds with the total nominal value of EUR 53.8 million denominated in HUF to finance real estate acquisitions, redevelopment and constructions of projects. The bonds are fully and irrevocable guaranteed by GTC SA and were issued at a yield of 2.68% with an annual fixed coupon of 2.6%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 17 March 2031.

On 17 March 2021, GTC Real Estate Development Hungary Pltd. entered into cross-currency interest swap agreements with two different banks to hedge the total green bonds liability against foreign exchange fluctuations. The green bonds were fixed to the Euro, and the fixed annual coupon was swapped for an average annual interest fixed rate of 0.93%.

On 30 April 2021, Globe Office Investments Kft., an indirect wholly-owned subsidiary of the Company, acquired from a company related to the majority shareholder of the Company a 15,700 sqm Class A office building on Váci corridor (Váci Green D) in Budapest for a consideration of EUR 51 million. The transaction was partially financed by a bank facility in the amount of EUR 25 million.

On 12 May 2021, GTC Hungary Real Estate Development Company Pltd., a wholly-owned subsidiary of the Company, acquired 100% holding of Winmark Ingatlanfejlesztő Kft ("Winmark"), which owns the Ericsson Headquarter Office Building and the evosoft Hungary Headquarter (Siemens Group) Office Building two class A office buildings in Budapest from WING Real Estate Group for a consideration of EUR 160.3 million, which was financed partially by a bank facility in the amount of EUR 80 million.

On 21 May 2021, GTC S.A. signed a sale and purchase agreement, concerning the sale of the entire share capital of Serbian subsidiaries including Atlas Centar d.o.o. Beograd ("Atlas Centar"), Demo Invest d.o.o. Novi Beograd ("Demo Invest"), GTC BBC d.o.o. ("BBC"), GTC Business Park d.o.o. Beograd ("Business Park"), GTC Medjunarodni Razvoj Nekretnina d.o.o. Beograd ("GTC MRN") which are owned by GTC Hungary Pltd. in 70%. The purchase price under the Agreement shall be calculated on an enterprise value basis, based on a property value of aggregate EUR 267.6 million. The transaction was successfully closed on 12 January 2022. GTC Group has received an amount of EUR 134.3 million net proceeds before tax

On 9 June 2021, the registered share capital of GTC Hungary increased in the amount of EUR 7.85 million from its sole-shareholders cash contribution and simultaneously EUR 7.85 million cash contribution was transferred into the capital reserves of GTC Hungary.

On 23 June 2021, GTC Aurora Luxembourg S.A., a wholly-owned subsidiary of the Globe Trade Centre S.A., issued 5-year unsecured green bonds with the total nominal value of EUR 500 million denominated in EUR to primarily refinance existing secured debt on its projects within GTC Group. On 25 June 2021, GTC Aurora Luxembourg S.A. provided loan to GTC Real Estate Development Hungary Pltd. with the amount of EUR 490 million which then has been allocated to GTC Group subsidiaries for repayment of existing bank loans.

On 25 June 2021, GTC Metro Kft. a wholly-owned subsidiary of the Company repaid the full outstanding amount of the loan with CIB bank in amount of EUR 13 million.

On 28 June 2021, the registered share capital of GTC Hungary increased in the amount of EUR 12.5 million from its sole-shareholders cash contribution and simultaneously EUR 12.5 million cash contribution was transferred into the capital reserves of GTC Hungary.

5.3 Statement of financial position

5.3.1 Key items of the statement of financial position

INVESTMENT PROPERTY

Investment properties that are owned by the Group comprise office and commercial space, including property under construction. Investment property can be split up into (i) completed investment property; (ii) investment property under construction; (iii) investment property landplots, and (iv) right of use.

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Investment in associates and joint ventures is accounted for pursuant to the equity method. Such investment is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate and joint ventures.

ASSETS HELD FOR SALE

Assets held for sale comprise office or retail space and land plots that are designated for sale.

BLOCKED DEPOSITS

Short-term blocked, and long-term blocked deposits are restricted and can be used only for certain operating activities as determined by underlying contractual undertakings.

DERIVATIVES

Derivatives include hedge instruments held by the Group that mitigates the risk of interest and currency rate fluctuations. In relation to the instruments qualified as cash flow hedges, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income, and the ineffective portion (if any) is recognized in net profit or loss. The classification of hedges in the statement of the financial position depends on their maturity. For derivatives that do not qualify for hedge accounting, any gain or losses arising from changes in fair value are recorded directly in net profit and loss for the year. The fair value of interest rate swap contracts is determined by calculating the present value of cash flows of each leg of the transaction, taking into account several risk statistics.

5.3.2 Financial position as of 31 December 2021 compared to 31 December 2020

NON-CURRENT ASSETS

The value of non-current assets as of 31 December 2021 was EUR 1,186,790, out of which EUR 582,883 was investment properties (completed office buildings, investment properties under constructions and landbanks) and EUR 595,480 was loan granted to related parties.

The value of non-current assets on the date of 31 December 2020 was EUR 323,500, out of which EUR 319,683 was investment properties (completed office buildings, investment properties under constructions and landbanks).

CURRENT ASSETS

The value of the current assets on the date of 31 December 2021 was EUR 30,250, out of which EUR 1,163 was trade receivables, EUR 9,218 was prepayments and deferred expenses, EUR 2,749 was short-term deposits and EUR 15,338 was cash and cash equivalents.

The value of the current assets on the date of 31 December 2020 was EUR 152,123, out of which EUR 162 was trade receivables, EUR 2,135 was prepayments and deferred expenses, EUR 1,893 was VAT Receivables, EUR 2,328 was short-term deposits and EUR 145,366 was cash and cash equivalents.

LIABILITIES

The value of the liabilities on the date of 31 December 2021 was EUR 1,280,500 from which EUR **1,095,336** was long-term liabilities to related undertakings and EUR 172,058 was liabilities held for sale.

The value of the liabilities on the date of 31 December 2020 was EUR 393,708 from which EUR 379,234 was long-term liabilities to related undertakings.

PRESENTATION OF EQUITY, SHORT -LONG TERM LOANS

The equity was EUR 223,624 in the financial year of 2021 and EUR 81,915 in the financial year of 2020.

The value of the long-term liabilities on the date of 31 December 2021 was EUR 1,036,089 from which EUR 394,816 was long-term part of Issuer's subsidiaries' bank loan financing and EUR 641,273 was long-term loans from shareholders. The value of the short-term liabilities on the date of 31 December 2021 was EUR 13,106 from which EUR 4,427 was short-term part Comapny's subsidiaries' bank loan financing.

The value of the long-term liabilities on the date of 31 December 2020 was EUR 379,234 from which EUR 217,716 was long-term part of Company's subsidiaries' bank loan financing and bonds and EUR 139,989 was long-term loans from shareholders. The value of the short-term liabilities on the date of 31 December 2020 was EUR 14,474 from which EUR 4,380 was short-term part Company's subsidiaries' bank loan financing.

5.4 Consolidated income statement

5.4.1 Key items of the consolidated income statement

REVENUES FROM OPERATIONS

Revenues from operations consist of:

- rental income, which consists of monthly rental payments paid by tenants of the Group's investment properties for the office or retail space rented by such tenants. Rental income is recognized as income over the lease term;
- service income, which comprises fees paid by the tenants of the Group's investment properties to cover the costs of the services provided by the Group in relation to their leases.

COST OF OPERATIONS

Costs of operations consist of:

- service costs, which consist of all the costs that are related to the management services provided to the individual tenants within the Group's properties — service costs should be covered by service income.

GROSS MARGIN FROM OPERATIONS

Gross margin from operations is equal to the revenues from operations less the cost of operations.

SELLING EXPENSES

Selling expenses include:

- brokerage and similar fees incurred to originate the lease or sale of space;
- marketing and advertising costs; and
- payroll and related expenses directly related to leasing or sales personnel.

ADMINISTRATIVE EXPENSES

Administration expenses include:

- payroll, management fees, and other expenses that include the salaries of all employees that are not directly involved in sales or rental activities;
- provisions made to account for the share-based incentive program that was granted to key personnel;

- costs related to the sale of investment properties;
- costs of an audit, legal and other advisors;
- office expenses;
- depreciation and amortization expenses include depreciation and amortization of the Group's property, plant, and equipment; and
- others.

PROFIT/(LOSS) FROM THE REVALUATION/IMPAIRMENT OF ASSETS

Net valuation gains (loss) on investment property and investment properties under development reflect the change in the fair value of investment properties and investment property under development.

FINANCIAL INCOME/(EXPENSE), NET

Financial income includes interest on loans granted to associate companies and interest on bank deposits.

Financial expenses include interest on borrowings and deferred debt rising expenses. Borrowing costs are expensed in the period in which they are incurred, except for those that are directly attributable to construction. In such a case, borrowing costs are capitalized as part of the cost of the asset. Borrowing costs include interest and foreign exchange differences.

Additionally, financial income or expenses include settlement of financial assets and gain or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting.

TAXATION

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted as of the balance sheet date and any adjustments to tax payable in respect of previous years. Generally, the Group disposes of property holding companies rather than the real estate itself, in part because, in certain jurisdictions, the sale and disposal of real estate are generally subject to real estate transfer tax and/or VAT.

5.4.2 Comparison of financial results for the year ended 31 December 2021 with the result for the corresponding period of 2020

SALES REVENUE

The Group achieved net sales revenue of EUR 48,230 in the financial year of 2021 which amount comes solely from the Issuer's and its subsidiaries' domestic activity in both years. The net sales revenue of the Issuer in the financial year of 2020 was EUR 21,926. Sales revenue is driven by the rental income received that was 78% of sales revenue in FY2021 and 77% of sales revenue in FY2020.

GROSS MARGIN

The amount of the gross margin in the financial year of 2021 was EUR 37,805. The average statistical number of employees was 43 in 2021.

The amount of the gross margin in the financial year of 2020 was EUR 17,026. The average statistical number of employees was 31 in 2020.

PROFIT FROM REVALUATION OF ASSETS

The profit from revaluation of assets was EUR 13,210 in 2021 and was EUR 15,073 in the financial year of 2020.

OPERATIONAL RESULTS

The profit from continuing operation was EUR 47,277 and the amount of the EBITDA was EUR 34,067 in 2021.

The profit from continuing operation was EUR 30,764 and the amount of the EBITDA was EUR 15,691 in 2020.

FINANCIAL EXPENSES, NET

The financial expenses in the financial year of 2021 was loss of EUR 11,209 and in the financial year of 2020 was loss of EUR 6,069. Financial income is mainly driven by interest received from parent company (EUR 9,707 in FY2021). While financial expenses mainly consist of interest on member loans (EUR 10,960 in FY2021 and EUR 3,317 in FY2020), interest on bank loans (EUR 8,828 in FY2021 and EUR 2,909 in FY2020), bank cost and depreciation of borrowing costs (EUR 642 in FY2021 and EUR 307 in FY 2020), non- realized foreign exchange loss (EUR 269 in FY2021 and EUR 1,527 in FY2020) and Interest on lease liability (EUR 217 in FY2021).

PROFIT FOR THE PERIOD

The profit for the period in the financial year of 2021 was EUR 34,177 and in the financial year of 2020 was EUR 22,087.

5.5 Consolidated cash flow statement

5.5.1 Key items from consolidated cash flow statement

NET CASH FROM (USED IN) OPERATING ACTIVITIES

The operating cash flow is the cash that the Group generates through running its business and comprises cash inflows from rental activities.

NET CASH USED IN INVESTING ACTIVITIES

The investing cash flow is the aggregate change in the Group's cash position resulting from any gains (or losses) from investments in the financial markets, investment properties, and operating subsidiaries, as well as changes resulting from amounts spent on investments in capital assets, such as property, plant, and equipment.

NET CASH FROM (USED IN) FINANCING ACTIVITIES

The cash flow from (used in) financing activities accounts for, inter alia, the payment of cash dividends, receiving proceeds from loans or bonds, and issuing stock.

CASH AND CASH EQUIVALENTS

Cash balance consists of cash in banks. Cash in banks may earn interest at floating rates based on daily bank deposit rates if those are positive. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates if those are positive. All cash is deposited in banks. All cash and cash equivalents are available for use by the Group.

5.5.2 Cash flow analysis

The table below presents an extract of the cash flow for the period of twelve months ended on 31 December 2021 and 2020:

	<u>Year ended 31</u> <u>December</u> <u>2021</u>	<u>Year ended 31</u> <u>December</u> <u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	31,990	15,974
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investments properties	(260,330)	(45,449)
Decrease in short term investments	(648)	380
Purchase of PPE	(485)	(107)
Provided loan	(586,452)	-
Proceeds from disposal of investment properties	-	62,649
Interest received	687	-
Acquisition of businesses, net of cash acquired	(831)	-
Net cash used in investing activities	(848,059)	17,473
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term borrowings	(21,551)	(23,014)
Proceeds of long-term borrowings	195,963	123,041
Borrowing cost	(562)	(315)
Proceeds from related parties-loan	490,000	-
Proceeds from the issuance of shares	40,700	-
Interest paid	(9,398)	(2,878)
Net cash from (used in) financing activities	695,152	96,834
Effect of foreign currency translation	(337)	(947)
Net increase/(decrease) in cash and cash equivalents	(121,254)	129,334
Cash and cash equivalents, at the beginning of the year	145,366	16,032
Cash and cash equivalents, at the end of the year	24,112	145,366

The net cash from operating activities of the Issuer was EUR 31,990 in 2021 and EUR 15,974 in 2020. In contrast, the net cash from investing activities was EUR 848,059 in 2021 and EUR 17,473 in 2020. The net cash from financing activities was EUR 695,152 in 2021 and EUR 96,834 in 2020.

6. Information on risk management

The Company's principal financial liabilities comprise bank and shareholders' loans, trade payables and other long-term payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company has various financial assets such as trade receivables, long-term loan receivables, cash and short-term deposits.

The main risks arising from the Company's financial instruments are market risk, interest risk, liquidity risk, foreign currency risk and credit risk. The management board reviews and agreed policies for managing each of these risks.

MARKET RISK

The Company operates in real estate in emerging markets. Such markets are vulnerable to the risks existing in developing countries, mostly political risks and exposure to local economies. The Company is exposed to fluctuations of supply and demand in the real estate markets in which it operates. These in turn can have a detrimental effect on occupancy rates in the investment properties, levels of rent, and the sale potential of the properties in question. In addition, the demand for office and commercial space may go down, as a result of an increase in supply, and in the face of increasing competition from "high-end" suppliers (international companies and networks with powerful financial backing).

The management of the Company believes that the following factors contribute significantly to its operating success and dealing with risk mentioned above:

1. Skilled management team with real estate experience and its constant presence in the country.
2. Close working relations with international financing institutions.
3. Focus on selection of major projects which are constructed in stages, according to demand.
4. Strict due diligence before embarking on a project, and adherence to project completion dates committed to.

Based on the factors mentioned above the management believes it will be able to sufficiently control the impact of the market risks in the future.

CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure capital preservation and maintain healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company decides on leverage policy, repayment of loans, investment and divestment of assets.

No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

The Group monitors its gearing ratio, which is Gross Project and Corporate Debt less Cash & Deposits, (as defined in IFRS) divided by its real estate investment value. The Group's long-term strategy is to keep its loan-to-value ratio ("LTV") at a level of 40 per cent., however in case of acquisitions the Company may deviate temporarily.

	31 December 2021	31 December 2020
(1) Loans, net of cash and deposits (*)	431,159	72,857
(2) Investment properties, assets held for sale and building for own use	866,786	321,704
LTV [(1)/(2)]	49,74%	22.7%

(*) Excluding loans from shareholder and deferred issuance debt expenses but including loans related to assets held for sale.

Financial leverage takes the form of a loan or other borrowings (debt), the proceeds of which are reinvested with the intent to earn a greater rate of return than the cost of interest.

The current macroeconomic conditions create uncertainty about market conditions and in particular over the level of demand for the Company's commercial space that may influence the operating costs and availability of bank finance in the foreseeable future.

As of and for the year ended 31 December 2021, the Company reports equity of EUR 183.5 million and net profit of EUR 26.1 million.

The Company meets its day to day working capital requirements through generation of cash inflow from rental income, and additional support of its shareholders.

LIQUIDITY RISK

The Company's objective is to maintain a balance between continuity of funding its investments and timely servicing its debt and maintaining sufficient working capital resources.

INTEREST RATE RISK

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. To manage the interest rate risk the Company enters, from time to time, into interest rate swaps and interest rate options.

(i) Sensitivity analysis to changes in interest rate

The table below presents the sensitivity of profit (loss) before tax due to change in Euribor*:

	31 December 2021	For the year ended 31 December 2020
50bp increase in Euribor/Bubor rate		
Bank loans	(256)	(135)
50bp decrease in Euribor/Bubor rate		
Bank loans	256	135

*Company swapped a floating 3-M EURIBOR interest rate for the majority of the bank loans

(ii) Foreign currency risk

As a result of the Company's investments, the Company's balance sheet and profit or loss can be affected by movements in the HUF/Euro exchange rates. The Company seeks to mitigate the effect of its currency exposure by attempting to match the currency of the income with that of the construction costs and financing currency. In 2020 and 2021, the Company entered into a cross-currency interest rate swap transaction to hedge this risk (see Note 22(c) of Consolidated Financial Statements for the year ended 31 December 2021).

The table below presents the sensitivity of profit (loss) before tax due to change in foreign exchange:

2021 EUR/HUF				2020 EUR/HUF			
+10%	+5%	-5%	-10%	+10%	+5%	-5%	-10%
(299)	(150)	150	299	(881)	(440)	440	881

(iii) Credit risks

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation. To manage this risk the Company periodically assesses the financial viability of its customers.

The Company trades only with recognized, creditworthy third parties. The Company controls its credit risk by the application of credit approvals, limits and monitoring procedures. To manage this risk the Company periodically assesses the financial viability of customers. Counter parties to financial instruments consist of a large number of prime financial institutions. The Company does not expect any counter parties to fail to meet their obligations, given their high credit ratings the Company has no significant concentration of credit risk with any single counterparty or group counterparties.

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that those will not meet their payment obligations.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and blocked deposits the Company's exposure to credit risk equals to the carrying amount of these instruments.

The maximum exposure to credit risk as of the reporting date is the full amount presented. The Company cooperates with reputable banks.

There are no material financial assets as of the reporting dates, which are overdue and not impaired. There are no significant financial assets impaired.

Repayments of long-term bank loans and interest are scheduled as follows (contractual cash-flow)

	31 December 2021	31 December 2020
First year	13,278	9,409
Second year	14,516	9,303
Third year	15,609	9,673
Fourth year	16,340	10,331
Fifth year	115,485	18,250
Thereafter	289,914	209,078
	465,144	266,043

FAIR VALUE

As of 31 December 2021, and 2020, all loans bear floating interest rate while bonds are bearing fixed interest rate (however, as of 31 December 2021 and 2020, 79% and 76% of loans are hedged and 100% of bonds are hedged as of 31 December 2021). Therefore, the fair value of the borrowings which are related to the floating component of the interest equals to the market rate.

Fair value of all other financial assets/liabilities equals to carrying value. For fair value of investment property please refer to Note 16. of Consolidated Financial Statements for the year ended 31 December 2021.

Fair value hierarchy

As at 31 December 2021, the Group held several hedge instruments carried at fair value on the statement of financial position.

Valuations of hedges are considered as level 2 fair value measurements. During the year ended 31 December 2021 and 31 December 2020, there were no transfers between Level 2 and Level 3 fair value measurements.

COVID-19

The COVID-19 pandemic has triggered a wave of strong negative effects on the global economy. The lockdowns brought a large part of the world's economic activity to an unparalleled standstill: consumers stayed home, companies lost revenue, and terminated employees – which, consequently, led to a rise in unemployment. Rescue packages by national governments and the EU, as well as supporting monetary policies by the European Central Bank have been implemented to moderate the economic impact of the pandemic. However, the scope and duration of the pandemic and possible future containment measures are still impossible to predict. From mid-March 2020, it became apparent that the economic disruptions caused by the Covid-19 virus and the increased market uncertainty combined with increased volatility in the financial markets might lead to a potential decrease in rental revenues, a potential decrease in the Company assets' values, as well as impact on the Company's compliance with financial covenants.

The government adopted tenant support packages, such as rent support through subsidizing part of any rental discounts. The Group engaged tenants in discussions about collecting rent and service charges as well as the terms of any support by the Group. The Group implemented multi-pronged measures to support tenants and encourage consumer spendings, such as reducing rent, allowing rent payment in instalments, waiving late payment interest and service charges.

As for each year end, investment properties have been valued by external independent appraisers as described in the Note 15 Investment properties of Consolidated Financial Statements for the year ended 31 December 2021. Those appraisals have been performed in a context of the current COVID-19 pandemic characterised by lack of transactions since the outbreak of the pandemic and difficulties to estimate future market prospects.

The increased uncertainty and increased volatility in the financial markets might have an effect in the future asset valuations, as well as impact on the Company's compliance with financial covenants. While the exact effect of the coronavirus is unknown and unknowable, it is clear that it poses substantial risks of reduction of income, increasing yields, increasing collection costs, and FX volatility.

During the COVID-19 pandemic, the Group took immediate steps to preserve its strong liquidity position in light of the uncertain impact of the pandemic. These steps included cost and CAPEX measures in the Company. As of 31 December 2021, the Group holds cash in the amount of EUR 24 million.

The Group runs stress tests, which indicated that the going concern assumption remains valid for at least 12 months from the financial statement publication date.

The Group is continuously assessing the situation and undertakes mitigating steps to reduce the impact that may be caused by the adverse market situation.

MANAGEMENT BOARD'S REPRESENTATIONS

The Management Board of GTC Hungary Real Estate Development Pltd. represented by:

Dr. Klára Bujdosó, Member of the Board

Csaba Zovát, Member of the Board

Ariel Alejandro Ferstman, Member of the Board

hereby represents that to the best of its knowledge:

- (i) the consolidated financial statement is in accordance with the applicable accounting standards to the best of GTC Hungary's knowledge and the annual figures provide a true and fair view of the assets, liabilities, financial position, profit or loss of GTC Hungary and the consolidated companies; and
- (ii) the consolidated management report provides a reliable picture of the situation, development and performance of GTC Hungary and the consolidated companies, describing the main risks and uncertainties as well.

Budapest, 28 April 2022



Dr. Klára Bujdosó
Member of the Board



Csaba Zovát
Member of the Board



Ariel Alejandro Ferstman
Member of the Board

GTC HUNGARY REAL ESTATE DEVELOPMENT PLTD.

**IFRS CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021**

WITH THE INDEPENDENT AUDITOR'S REPORT

Budapest, 28 April 2022



Ariel Ferstman
Member of the Board



Csaba Zovát
Member of the Board

GTC Hungary Real Estate Development Pltd.

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Independent Auditor's Report

to the Shareholders of GTC Hungary Real Estate Development Pltd.

Opinion

We have audited the consolidated financial statements of GTC Hungary Real Estate Development Pltd. and its subsidiaries (the „Group”) for the year 2021 which comprise the consolidated statement of financial position as at December 31, 2021 (which shows a total assets of EUR 1 504 124 thousands) and the related consolidated statement of comprehensive income (which shows a net profit for the year of EUR 10 337 thousands), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and consolidated notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of GTC Hungary Real Estate Development Pltd. and its subsidiaries as at December 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS”), and the consolidated financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (hereinafter: “the Accounting Act”) relevant to the entities preparing consolidated financial statements in accordance with EU IFRS.

Basis for the opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing (“HNSA”) and with applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report.

We are independent of the Company in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors’ Rules on ethics and professional conduct of auditors and on disciplinary process and, as well as with respect to issues not covered by these Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we also comply with further ethical requirements set out in these.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BDO Magyarország Könyvvizsgáló Kft. egy magyar korlátolt felelősségű társaság, az egyesült királyságbeli BDO International Limited garancia alapú korlátolt felelősségű társaság tagja és a független cégekből álló nemzetközi BDO hálózat része.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our audit addressed the Key Audit Matter
Debts outstanding from bond issuance With reference to point 23 of the Notes in the consolidated financial statements The Group reveals debts with value of EUR 160 976 thousands, within the framework of the Bond program approved by the Hungarian National Bank, from bond issuance introduced to regulated market at 31 December 2021. We considered the accounting of liabilities stemming from bond issuance, with particular emphasis on valuation and demonstration of them in the consolidated financial statements, and the related interest settlement as a key audit matter.	Our audit procedures included fundamental audit procedures, as follows: <ul style="list-style-type: none">- we requested external confirmation issuing the bonds considering the quantity and value of bonds issued- review of the balance of liabilities stemming from the bond issuance, valued at fair value- we tested the appropriate application of the relevant financial reporting standards, the accounting and disclosures.

Other information: the business report

The other information comprises the consolidated business report of GTC Hungary Real Estate Development Pltd. and its subsidiaries for the year 2021. Management is responsible for the preparation of the consolidated business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the consolidated financial statements expressed in the "Opinion" section of our independent auditor's report does not cover the consolidated business report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated business report and, in doing so, consider whether the consolidated business report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that the consolidated business report is materially misstated we are required to report this fact and the nature of the misstatement.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the consolidated business report also include reviewing the consolidated business report to assess whether the consolidated business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the consolidated business report complies with the requirements of Section 95/B. (2) e) and f) of the Accounting Act. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in

BDO Magyarország Könyvvizsgáló Kft. egy magyar korlátolt felelősségű társaság, az egyesült királyságbeli BDO International Limited garancia alapú korlátolt felelősségű társaság tagja és a független cégekből álló nemzetközi BDO hálózat része.

BDO Hungary Audit Ltd., a Hungarian limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent firms.



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Section 95/B. (2) a)-d), g) and h) and Section 95/C (2) a)-e) has been provided in the consolidated business report.

In our opinion, the consolidated business report of GTC Hungary Real Estate Development Pltd. and its subsidiaries for 2021 corresponds to the consolidated financial statements of GTC Hungary Real Estate Development Pltd. and its subsidiaries for 2021 and the relevant provisions of the Accounting Act in all material respects. The information referred to in Section 95/B. (2) a)-d), g) and h)) and Section 95/C (2) a)-e) of the Accounting Act has been provided. As there is no other regulation prescribing further requirements for the Group's consolidated business report, we do not express an opinion in this respect.

We are not aware of any other material inconsistency or material misstatement in the consolidated business report therefore we have nothing to report in this respect.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

The auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

BDO Magyarország Könyvvizsgáló Kft. egy magyar korlátolt felelősségű társaság, az egyesült királyságbeli BDO International Limited garancia alapú korlátolt felelősségű társaság tagja és a független cégekből álló nemzetközi BDO hálózat része.

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resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis in the preparation of the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Budapest, April 28, 2022

BDO Hungary Audit Ltd.
1103 Budapest, Köér utca 2/A
Registration number: 002387


Ferenc Baumgartner
Managing Director




Edmond Gaál
Certified Auditor
Chamber registration No.:
007299

This is the translation of the original Hungarian statutory report. In case of any discrepancies, the original Hungarian version prevails.

BDO Magyarország Könyvvizsgáló Kft. egy magyar korlátolt felelősségű társaság, az egyesült királyságbeli BDO International Limited garancia alapú korlátolt felelősségű társaság tagja és a független cégekből álló nemzetközi BDO hálózat része.

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GTC Hungary Real Estate Development Pltd.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2021
(in thousands of Euro)

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Properties, plant and equipment	(15)	3,469	2,272
Investment properties	(16)	582,883	319,683
Blocked deposits	(18)	1,770	1,545
Loan granted to related parties	(27)	595,480	-
Derivatives	(23)	50	-
Deferred tax assets	(14)	3,138	-
		1,186,790	323,500
Assets held for sale	(20)	287,084	-
Current assets			
Trade receivables		1,163	162
Accrued income		670	102
Prepayments and deferred expenses	(19)	9,218	2,135
Derivatives	(23)	128	-
VAT receivable		897	1,893
Income tax receivable	(14)	87	137
Short-term deposits	(18)	2,749	2,328
Cash and cash equivalents	(17)	15,338	145,366
		30,250	152,123
TOTAL ASSETS		1,504,124	475,623
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	(2)	20,366	16
Share premium		20,350	-
Foreign currency translation reserve		(6,209)	(6,209)
Cash-flow hedge reserve	(23)	(29,979)	(5,952)
Transaction reserve	(5)	61,332	-
Retained earnings		123,256	94,060
		189,116	81,915
Non-controlling interest	(21)	34,508	-
		223,624	81,915
Non-current liabilities			
Non-current portion of long-term borrowing, net of deferred debt expenses	(24)	394,816	217,716
Non-current portion of long-term loans from related parties	(27)	641,273	139,989
Lease liability		14	41
Derivatives	(23)	36,339	7,703
Deferred tax liabilities	(14)	20,097	12,240
Deposits from tenants		1,770	1,545
Other long-term liabilities	(27)	1,027	-
		1,095,336	379,234
Liabilities held for sale	(20)	172,058	-
Current Liabilities			
Trade payables and other payables	(22)	7,077	5,881
Deposits from tenants		45	52
Current portion of long-term borrowing	(24)	4,427	4,380
Lease liability current portion		5	25
VAT payable		818	269
Income tax payables		535	3,392
Advances received		135	196
Derivatives	(23)	64	279
		13,106	14,474
TOTAL EQUITY AND LIABILITIES		1,504,124	475,623

The accompanying notes are an integral part of this consolidated statement of financial position.

GTC Hungary Real Estate Development Pltd.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the year ended 31 December 2021
(in thousands of Euro)

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Rental income	(7)	37,429	16,902
Management fees	(27)	128	-
Service charge revenue	(8)	10,673	5,024
Service charge costs	(8)	(10,425)	(4,900)
Gross margin from operations		37,805	17,026
Profit from revaluation	(16)	13,210	15,073
Selling expenses	(9)	(332)	(262)
Administrative expenses	(10)	(3,135)	(1,212)
Other income / (expense), net	(12)	(271)	139
Profit from continuing operations before tax and finance cost		47,277	30,764
Finance income	(11)	9,707	1,991
Finance cost	(11)	(20,916)	(8,060)
Profit before tax		36,068	24,695
Taxation	(14)	(1,891)	(2,608)
Profit for the period		34,177	22,087
Attributable to:			
Equity holders of the Company		29,196	22,087
Non-controlling interest		4,981	-
Loss on cash flow hedge	(23)	(26,354)	(6,296)
Deferred tax income on cash-flow hedge	(14)	2,514	495
Net loss on cash-flow hedge		(23,840)	(5,801)
Foreign currency translation loss		-	(3,391)
Total comprehensive profit for the period, net of tax		10,337	12,895
Attributable to:			
Equity holders of the Company		5,169	12,895
Non-controlling interest		5,168	-

The accompanying notes are an integral part of this consolidated statement of financial position.

GTC Hungary Real Estate Development Pltd.
CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021
(in thousands of Euro)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		36,068	24,695
Adjustments for			
Depreciation	(15)	164	102
Gain from revaluation of assets	(16)	(13,210)	(15,073)
Other finance expense (F/X)	(11)	1,770	396
Net interest expense	(11)	10,641	5,498
Operating cash flow before working capital changes		35,433	15,618
Changes in trade receivables		365	2,937
Changes in other current assets		(1,781)	(1,077)
Changes in trade and other payables		3,718	(68)
Cash generated in operations		37,735	17,410
Tax paid in the period	(14)	(5,745)	(1,436)
Net cash from operating activities		31,990	15,974
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on investments properties	(16)	(260,330)	(45,449)
Decrease in short term investments		(648)	380
Purchase of PPE	(15)	(485)	(107)
Provided loan	(27)	(586,452)	-
Proceeds from disposal of investment properties	(16)	-	62,649
Interest received		687	-
Acquisition of businesses, net of cash acquired		(831)	-
Net cash used in investing activities		(848,059)	17,473
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term borrowings	(24)	(21,551)	(23,014)
Proceeds of long-term borrowings	(24)	195,963	123,041
Borrowing cost		(562)	(315)
Proceeds from related parties-loan		490,000	-
Proceeds from the issuance of shares	(2)	40,700	-
Interest paid	(11)	(9,398)	(2,878)
Net cash generated in financing activities		695,152	96,834
Effect of foreign currency translation		(337)	(947)
Net increase in cash and cash equivalents		(121,254)	129,334
Cash and cash equivalents, at beginning of year	(17)	145,366	16,032
Cash and cash equivalents at the end of the period	(17)	24,112	145,366

The accompanying notes are an integral part of this consolidated statement of cash flows

GTC Hungary Real Estate Development Pltd.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021
(in thousands of Euro)

	Share Capital	Share Premium	Cash-flow hedge reserve	Foreign currency translation reserve	Transaction reserve	Retained earnings	Total	Non-controlling interest	Total
Balances as of 1 January 2020	16	-	(151)	(2,818)	-	114,555	111,602	2,758	114,360
Other comprehensive loss	-	-	(5,801)	(3,391)	-	-	(9,192)	-	(9,192)
Dividend distributed	-	-	-	-	-	(45,340)	(45,340)	-	(45,340)
Profit for the period ended	-	-	-	-	-	22,087	22,087	-	22,087
Capital restructuring	-	-	-	-	-	2,758	2,758	(2,758)	-
Balances as of 1 January 2021	16	-	(5,952)	(6,209)	-	94,060	81,915	-	81,915
Issuance of share capital (Note 6)	20,350	20,350	-	-	-	-	40,700	-	40,700
Other comprehensive (loss)/income	-	-	(24,027)	-	-	-	(24,027)	187	(23,840)
Profit for the period ended	-	-	-	-	-	29,196	29,196	4,981	34,177
Transaction reserve (Note 5)	-	-	-	-	61,332	-	61,332	-	61,332
Non-controlling interest (Note 21)	-	-	-	-	-	-	-	29,340	29,340
Balances as of 31 December 2021	20,366	20,350	(29,979)	(6,209)	61,332	123,256	189,116	34,508	223,624

The accompanying notes are an integral part of this consolidated statement of changes in equity

GTC Hungary Real Estate Development Pltd.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021
(in thousands of Euro)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Principal activities

GTC Hungary Real Estate Development Pltd. (the "Company", "GTC") was registered in Budapest in September 1998. The Company's registered office is 1138 Budapest, 22 Népfürdő Road. The Company owns commercial office companies in Budapest, Hungary. The Company is developing, and leasing or selling space to commercial and individual tenants, through its directly and indirectly owned subsidiaries (together "the Group").

The Group's business activity is development and rental of office. There is no seasonality in the business of the Group companies.

As of 31 December 2021, and 2020 the number of full-time equivalent personnel working in the Group companies was 43 and 31, respectively.

2. Shareholders structure

The Company is a fully-owned subsidiary of Globe Trade Center S.A. ("GTC Poland", "GTC SA"), listed on the Warsaw Stock Exchange (WSE) and is inward listed on Johannesburg stock exchange (JSE). The majority shareholder of GTC S.A. is GTC Holding Zrt. See the description of new share issues in Note 6.

Share capital comprises the following as of 31 December 2021:

Shares	Authorized in HUF	Issued and fully paid in EURO	Issued and fully paid in HUF	Nr of shares issued	Nominal value in HUF
Class "B" Common shares	7 107 400 000	20 385 042	7 107 400 000	7 107 400	1 000
Class "A" Preference shares	2 499 000	8 035	2 499 000	2 499	1 000
TOTAL	7 109 899 000	20 366 077	7 109 899 000	7 109 899	

Share capital comprises the following as of 31 December 2020:

Shares	Authorized in HUF	Issued and fully paid in EURO	Issued and fully paid in HUF	Nr of shares issued	Nominal value in HUF
Class "B" Common shares	2 501 000	8 042	2 501 000	2 501	1 000
Class "A" Preference shares	2 499 000	8 035	2 499 000	2 499	1 000
TOTAL	5 000 000	16 077	5 000 000	5 000	

3. Basis of presentation

The Company maintains its books of account in accordance with the accounting principles and practices employed by enterprises in Hungary as required by Hungarian accounting regulations. The accompanying consolidated financial statements reflect certain adjustments not reflected in the Company's books to present these statements in accordance with standards issued by the International Accounting Standards Board.

GTC Hungary Real Estate Development Pltd.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021
(in thousands of Euro)

3. Basis of presentation (continued)

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU ("EU IFRS"). At the date of authorization of these consolidated financial statements, taking into account the EU's ongoing process of IFRS endorsement and the nature of the Group's activities, there is no difference between International Financial Reporting Standards applying to these consolidated financial statements and International Financial Reporting Standards endorsed by the European Union.

(a) Going concern

The Group's policies and processes are aimed at managing the Group's capital, financial and liquidity risks on a sound basis. The Group meets its day to day working capital requirements through generation of operating cash-flows from rental income. Further details of liquidity risks and capital management processes are described in Note 24.

As of 31 December 2021, the Group's net working capital (defined as current assets less current liabilities) amounted to Euro 17 million.

The management has analyzed the timing, nature and scale of potential financing needs of particular subsidiaries and believes that cash on hand, as well as, expected operating cash-flows will be sufficient to fund the Group's anticipated cash requirements for working capital purposes, for at least the next twelve months from the balance sheet date. Consequently, the consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least 12 months from the balance sheet date.

(b) Changes in accounting policies

The accounting policies adopted in the preparation of the attached consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. No changes to comparative data or error corrections were made.

Standards issued and effective for financial years beginning on or after 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020). These amendments complement those made in 2019 ('IBOR – phase 1') and focus on the effects on entities when an existing interest rate benchmark is replaced with a new benchmark rate as a result of the reform.
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020).

The Company's assessment is that above changes (new standards/ amendments) has no material impact.

Standards issued but not yet effective:

- Amendments to IFRS 16 Leases: Covid-19 Related Rent Concessions (issued on 31 March 2021) – effective for financial years beginning on or after 1 April 2021;
- Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to standards 2018-2020 (Annual improvements) - issued on 14 May 2020 and effective for financial years beginning on or after 1 January 2022;
- Amendments to IAS 1 - Disclosure of accounting policies and IAS 8 - Definition of accounting estimates (issued on 12 February 2021) — effective for financial years beginning on or after 1 January 2023;

GTC Hungary Real Estate Development Pltd.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021
(in thousands of Euro)

3. Basis of presentation (continued)

- IFRS 17 Insurance Contracts (issued on 18 May 2017 and amended on 25 June 2020) – effective for financial years beginning on or after 1 January 2023;
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020 and amended 15 July 2020) – effective for financial years beginning on or after 1 January 2023;
- Amendment to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information (issued on 9 December 2021) — effective for financial years beginning on or after 1 April 2023;
- Amendments to IAS 12: Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) — effective for financial years beginning on or after 1 April 2023.

The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union.

The Group plans to adopt all new standards on the required effective date and will not restate comparative information. The Group does not expect significant impact on its statement of financial position and equity.

4. Accounting Policies

(a) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis, except for completed investment properties, investment properties under construction ('IPUC') if certain condition described in Note 4(c) (ii) are met, and derivative financial instruments that have been measured at fair value.

(b) Properties, Plant and Equipment

Properties, Plant and equipment consist of vehicles, owner-occupied property and equipment. Plant and equipment are recorded at cost less accumulated depreciation and impairment. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Reassessment of the useful life and indications for impairment is done each quarter.

The following depreciation rates have been applied:

	Depreciation rates
Equipment	10 -33 %
Properties	2 %
Vehicles	20 %

Assets under construction other than investment property are shown at cost. The direct costs paid to subcontractors for the improvement of the property are capitalized into construction in progress. Capitalized costs also include borrowing costs, planning and design costs, construction overheads and other related costs. Assets under construction are not depreciated.

(c) Investment properties

Investment property comprises of a land plot or a building or a part of a building held to earn rental income and/or for capital appreciation and property that is being constructed or developed for future use as investment property (investment property under construction).

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

GTC Hungary Real Estate Development Pltd.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021
(in thousands of Euro)

4. Accounting Policies (continued)

Subsequent to initial recognition, investment properties are stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognized in the profit or loss for the year in which it arose, after accounting for the related impact on deferred tax.

(i) Completed Investment properties

Investment properties are stated at fair value according to the fair value model, which reflects market conditions at the reporting date.

Completed investment properties were externally valued by independent appraisers as of 31 December 2021 and 31 December 2020 based on open market values (RICS Standards). Completed properties are either valued on the basis of discounted cash flow or - as deemed appropriate - on basis of the Income capitalization or yield method. The applied method is defined by the valuer.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

(ii) Investment property under construction ('IPUC')

The Group revalues IPUC based on its fair value, for which a substantial part of the development risks has been eliminated. IPUC, which does not meet this condition is presented at the lower of cost or recoverable amount. Recoverable amount is a fair value, externally valued by independent appraisers.

Land is reclassified to IPUC at the moment, at which active development of this land begins.

The Group has adopted the following criteria to assess whether the substantial risks are eliminated with regard to particular IPUC:

- agreement with general contractor is signed;
- building permit is obtained;
- at least 20% of the rentable area is leased to tenants (based on the signed lease agreements and letter of intents).

The fair values of IPUC were determined, as at their development stage at the end of the reporting period. Valuations were performed in accordance with RICS and IVSC Valuation Standards using the residual method approach.

The future assets' value is estimated based on the expected future income from the project, using yields that are higher than the current yields of similar completed property. The remaining expected costs to completion are deducted from the estimated future assets value.

For projects where the completion is expected in the future, also a developer profit margin of unexecuted works, was deducted from the value. The profit margin deducted is reduced when the construction is closer to completion.

(iii) Hierarchy of investment property

Fair value hierarchy is based on the sourced of input used to estimate the fair value:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,

GTC Hungary Real Estate Development Pltd.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021
(in thousands of Euro)

4. Accounting Policies (continued)

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

All investment properties are categorized in Level 2 or Level 3 of the fair value hierarchy.

The Group considered all investment value under construction carried at fair value as properties categorized in Level 3.

The Group considered completed investment properties as properties categorize in Level 2 or Level 3, based on the liquidity in the market it operates.

The Group applied the simplified classification rules of the investment properties fair value hierarchy based on the two main criteria: the type of investment property (retail/office) and mainly its location.

The fair value measurement of completed investment property is based on the market assumptions made by the independent appraisers. Those assumptions depend on the observable market transactions.

(d) Investment in associates

Investment in associates is accounted for under the equity method. The investment is carried in the statement of financial position at cost plus post acquisition changes in the Group share of net assets of the associate.

(e) Investment in Joint Ventures

Investments in Joint Ventures are accounted for under the equity method. The investment is carried in the statement of financial position at cost plus post acquisition changes in the Group share of net assets of the Joint Ventures.

(f) Lease origination costs

The costs incurred to originate a lease (mainly brokers' fees) for available rental space are added to the carrying value of investment property until the date of revaluation of the related investment property to its fair value. If as of the date of revaluation carrying value is higher than fair value the costs are recognized in the income statement.

(g) Non-current assets held for sale

Non-current assets and their disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This requirement can be fulfilled only if the occurrence of a sale transaction is highly probable, and the item of assets is available for immediate sale in its present condition. The classification of an asset as held for sale assumes the intent of entity's management to realize the transaction of sale within one year from the moment of asset classification to the held for sale category. Non-current assets held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

(h) Advances received

Advances received (related to pre-sales of residential units) are deferred to the extent that they are not reflected as revenue as described below in Note 4(k).

(i) Rental revenue

Rental revenues result from operating leases and are recognized as income over the lease term on a straight-line basis.

(j) Interest and dividend income

Interest income is recognized on an accrual basis using the effective interest method that is the rate that exactly discounts estimated future cash flows through the expected life of financial instruments to the net carrying amount of the underlying financial asset or liability.

Dividend income is recognized when the shareholders' right to receive payments is established.

GTC Hungary Real Estate Development Pltd.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021
(in thousands of Euro)

4. Accounting Policies (continued)

(k) Contract revenue and costs recognition

Group has the following revenue stream:

- **Rental income.** The main source of income of the Group, which is charged to tenants on monthly basis, based on rent fee rate, agreed in contract.
- **Service charge** represents fees paid by the tenants of the Group's investment properties to cover the costs of the services provided by the Group in relation to their leases. Service charge is billed on monthly basis, based on service fee rate, agreed in Contract, which represents the best estimate for particular project. Allocation of service charge to tenants is done based on leased area.

Heating, water and sewage are billed separately on monthly basis, based on leased area and rates, agreed in Contact.

Service charge revenue under IFRS 15.

Service charge revenue is recognised under IFRS 15 when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Group recognizes two kind of performance obligations in the Group:

- **Acting as an agent.** Some tenants install counters for electricity. In this case the invoices for electricity are billed through GTC entities and addressed to the tenants directly. The Group recognizes cost and corresponding income at the same amount. For financial statement purpose such income and expenses are disclosed on net basis, as GTC acts as an agent.
- **Acting as a principal.** In the other cases, all service charges are billed to GTC entities on monthly basis. The Group bills the tenants based on the rates in the contract on monthly basis. By the end of the year, the Group does reconciliation of actual service charges costs vs. billed one, and then bill for deficit or return the overpayment to the tenant if it is required. For financial statement purpose such expenses are disclosed on gross basis, as GTC acts as a principal.

The costs related to the real estate development incurred during the construction period are capitalized in inventory. Once revenue is recognised, the costs in respect of sold units are expensed.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized as from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed.

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4. Accounting Policies (continued)

The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

(m) Share issuance expenses

Share issuance costs are deducted from equity (share premium), net of any related income tax benefits.

(n) Income taxes & other taxes

The current provision for corporate income tax for the Group companies is calculated in accordance with tax regulations ruling in particular country of operations and is based on the profit or loss reported under relevant tax regulations.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured using the tax rates enacted to taxable income in the years in which these temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which each company of the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

At each reporting date, the Group companies re-assess unrecognized deferred tax assets and the carrying amount of deferred tax assets. The companies recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The companies conversely reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset that might be utilized.

Deferred tax relating to items recognized outside profit or loss is also recognized outside profit or loss: under other comprehensive income if relates to items recognized under other comprehensive income, or under equity – if relates to items recognized in equity.

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4. Accounting Policies (continued)

Deferred tax assets and deferred tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes that are levied by the same taxation authority.

Revenues, expenses and assets are recognized net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- receivables and payables, which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

If according to the Group's assessment it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group determines taxable income (tax loss), tax base, unused tax losses and unused tax credits and tax rates, after considering in its tax return the applied or planned approach to taxation.

If the Group ascertains that it is not probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group reflects the impact of this uncertainty in determining taxable income (tax loss), unused tax losses, unused tax credits or tax rates. The Group accounts for this effect using the following methods:

- determining the most probable amount – it is a single amount from among possible results; or
- providing the expected amount – it is the sum total of the amounts weighted by probability from among possible results.

(o) Foreign exchange differences

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. Transactions denominated in a foreign currency (including Hungarian Forint) are recorded in Euro at the actual exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at period-end using period-end exchange rates. Foreign currency translation differences are charged to the income statement. The following exchange rates were used for valuation purposes in cases where a certain lease is denominated in local currency as of 31 December 2021, and 2020: HUF/EUR 369 and HUF/EUR 365.13 respectively.

(p) Interest bearing loans and borrowings and debt securities

All loans and borrowings and debt securities are initially recognized at fair value, net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings and debt securities are measured at amortized cost using the effective interest rate method, except for liabilities designated as hedged items, which are measured in accordance with hedge accounting policies, as described in Note 4(v).

Debt issuance expenses are deducted from the amount of debt originally recognized. These costs are amortized through the income statement over the estimated duration of the loan, except to the extent that they are directly attributable to construction. Debt issuance expenses represent an adjustment to effective interest rates.

Amortized cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Gains and losses are recognized in profit or loss when the liabilities are derecognized.

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4. Accounting Policies (continued)

(q) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (k) Contract revenue and costs recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

(i) *Financial assets at amortized cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include trade receivables, loans to associate and short-term deposits under current financial assets.

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4. Accounting Policies (continued)

(ii) Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have such debt instruments.

(iii) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have such equity instruments.

(iv) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Group does not have such instruments.

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4. Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(v) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

(vi) Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

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4. Accounting Policies (continued)

The table below presents the categorization of financial assets and liabilities:

Item	Category	Measurement
	<u>Financial assets/liabilities</u>	
Cash and short-term deposits	Financial assets at amortised cost	Amortised cost
Debtors	Financial assets at amortised cost	Amortised cost
Trade and other payables	Financial liabilities at amortised cost	Amortised cost
Long and short term borrowings	Financial liabilities at amortised cost	Amortised cost
Deposits from tenants	Financial liabilities at amortised cost	Amortised cost
Long term payables	Financial liabilities at amortised cost	Amortised cost
Interest rate swaps	Hedging (cash flow hedges)	Fair value – adjusted to other comprehensive income (effective portion) / adjusted to profit or loss (ineffective portion)
Cross-currency interest swap	Financial liabilities at fair value through other comprehensive income / profit or loss	Fair value related to interest – adjusted to other comprehensive income Fair value related to currency – adjusted to profit or loss

(r) Cash and cash equivalents

Cash comprises cash on hand and on-call deposits. Cash equivalents are short-term highly liquid investments that readily convert to a known amount of cash and which are subject to insignificant risk of changes in value.

(s) Accounts receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Section q) Financial instruments – initial recognition and subsequent measurement. The carrying amount of accounts receivables is equal to its fair value.

(t) Impairment of non-current assets.

The carrying value of assets not measured at fair value is periodically reviewed by the Management Board to determine whether impairment may exist. In particular, the Management Board assessed whether the impairment indicators exist. Based upon its most recent analysis, management believes that there are no impairment indicators.

(u) Purchase of shares of non-controlling interest

If the Group increases its share in the net assets of its controlled subsidiaries the difference between the consideration paid/payable and the carrying amount of non-controlling interest is recognized in equity attributable to equity holders of the parent. The Group initially recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

(v) Derivatives and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps and cap, to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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4. Accounting Policies (continued)

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point of time, any cumulative gain or loss recognized in equity is transferred to net profit or loss for the year.

For derivatives that do not qualify for hedge accounting, any gain or losses arising from changes in fair value are recorded directly to net profit and loss of the year.

The fair value of cross-currency interest swap, interest rate swaps and caps contracts is determined by reference to market values for similar instruments (fair value level hierarchy 2).

(w) Estimations

The preparation of financial statements in accordance with International Financial Reporting Standards requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at balance date. The actual results may differ from these estimates.

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4. Accounting Policies (continued)

Investment property represents property held for long-term rental yields. Investment property is carried at fair value which is established at least annually by an independent registered valuer based on discounted projected cash flows from the investment property using the discounts rates applicable for the local real estate market and updated by Management judgment or - as deemed appropriate – on basis of the Income capitalisation or yield method. The applied method and main assumptions as defined in note 16 are defined by the valuer.

The changes in the fair value of investment property are included in the profit or loss for the period in which it arises.

The group uses estimates in determining the amortization rates used.

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. In selecting the appropriate methods and assumptions, the Group applies professional judgment.

The Group recognizes deferred tax asset based on the assumption that taxable profits will be available in the future against which the deferred tax asset can be utilised. Deterioration of future taxable profits might render this assumption unreasonable.

(x) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgments:

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Significant accounting judgements related to investment property are presented in note 4(c).

Significant accounting judgements related to market liquidity of investment property are presented in note 4(c), (iii).

The Group classifies its residential inventory to current or non-current assets, based on their development stage within the business operating cycle. The normal operating cycle most cases falls within period of 1-5 years. Residential projects, which are active, are classified as current inventory. Residential projects which are planned to be completed in a period longer than the operating cycle are classified as residential landbank under non-current assets.

The Group determines whether a transaction or other event is a business combination by applying the definition of business in IFRS 3.

Deferred tax with respect to outside temporary differences relating to subsidiaries was calculated based on estimated probability that these temporary differences will be realized in the foreseeable future.

The Group also makes assessment of probability of realization of deferred tax asset. If necessary, the Group decreases deferred tax asset to the realizable value.

The group uses judgements in determining the settlement of share-based payment in cash.

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4. Accounting Policies (continued)

(y) Basis of Consolidation

The consolidated financial statements comprise the financial statements of GTC and the financial statements of its subsidiaries for the year ended 31 December 2021.

The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company, using consistent accounting policies, and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee.

The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if it has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All significant intercompany balances and transactions, including unrealized gains arising from intra-group transactions, have been eliminated in full. Unrealized losses are eliminated unless they indicate impairment.

(z) Provisions

Provisions are recognized when the Group has present obligation, (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

(aa) Short term deposits

Short-term deposits include deposits related to loan agreements, and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements. Deposits related to loan agreements can be used anytime (for the defined purposes upon approval of the lender), as so, they are presented within current assets.

(ab) Deposits from tenants

Deposits from tenants include deposits received from tenants to secure the obligation of the tenants towards the landlord. The deposits are refundable in the end of the lease.

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5. Investment in subsidiaries and business combinations

The consolidated financial statements include the financial statements of the Company, its subsidiaries (hereinafter: Group) listed below as at the end of each year. In brackets, we mention the name of the project the subsidiary is part of as of 31 December 2021.

	Consolidated subsidiaries	31 December	31 December
		2021	2020
1	Váci Út 81-85 Kft. (Center Point I + II + III)	100%	100%
2	Center Point I. Kft. (Center Point I)	100%	100%
3	Center Point II. Kft. (Center Point II + III)	100%	100%
4	Riverside Apartments Kft. (Riverside) ⁽¹⁾	100%	100%
5	GTC Metro Kft. (Metro)	100%	100%
6	Albertfalva Kft. (Szeremi Gate)	100%	100%
7	Spiral I. Kft.	100%	100%
8	GTC White House Kft.	100%	100%
9	GTC Duna Kft. (Duna Tower)	100%	100%
10	VRK Tower Kft. (Twins)	100%	100%
11	Kompakt Land Kft. (Pillar)	100%	100%
12	GTC Future Kft. (GTC Future) ⁽⁴⁾	100%	100%
13	Globe Office Investments Kft. ⁽⁴⁾	100%	100%
14	Office Planet Kft. ⁽²⁾	100%	-
15	GTC Business Park d.o.o. Beograd	70%	-
16	GTC Medunarodni Razvoj Nekretnina d.o.o. Beograd	70%	-
17	GTC BBC d.o.o	70%	-
18	Demo Invest d.o.o.	70%	-
19	Atlas Centar d.o.o.	70%	-
20	Halsey Investments Sp. z.o.o. ⁽³⁾	100%	-
21	GTC Univerzum Projekt Kft. <i>/previously Winmark/</i> (Univerzum) ⁽³⁾	100%	-

⁽¹⁾ The company is under liquidation

⁽²⁾ Newly established fully owned subsidiary in 2021

⁽³⁾ Acquired fully owned subsidiary in 2021

- GTC Hungary Pltd. holds 100% of Váci Út 81-85 Kft.. Váci Út 81-85 Kft.. owns the land for the Center Point I and Center Point II projects and Center Point III future development project.
- Váci út 81-85 Kft holds 100% of Center Point I Kft. Center Point I. Kft. owns an office building in Budapest, Hungary.
- Váci út 81-85 Kft holds 100% of Center Point II Kft. Center Point II. Kft owns an office building in Budapest, Hungary.
- GTC Hungary Pltd. holds 100% of Riverside Apartments Kft. As of 1 April 2016, the Company started the voluntary liquidation of the subsidiary.
- GTC Hungary Pltd. holds 100% of GTC Metro Kft. GTC Metro Kft. owns an office building in Budapest, Hungary.
- GTC Hungary Pltd. holds 100% of Albertfalva Ltd. Albertfalva Kft. owns land plots.

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5. Investment in subsidiaries and business combinations (continued)

7. GTC Hungary Pltd. holds 100% of Spiral I Kft. (formerly Spiral Holding Kft). Spiral I. Kft. owned an office building which was sold in 2020.
8. GTC Hungary Pltd. holds 100% of GTC White House Kft. GTC White House Kft owned an office building which was sold in 2019.
9. GTC Hungary Pltd. holds 100% of GTC Duna Kft. GTC Duna Kft. owns an office building in Budapest, Hungary
10. GTC Hungary Pltd. holds 100% of VRK Tower Kft. VRK Tower Kft. owns land plots designated for future office projects.
11. GTC Hungary Pltd. holds 100% of Kompakt Land Kft. Kompakt Land Kft. owns a future office project under construction.
12. GTC Hungary Pltd. holds 100% of GTC Future Kft. owns office building and land plots in Budapest, Hungary designated for future office projects.
13. GTC Hungary Pltd. holds 100% of Globe Office Investments Kft. owns an office building in Budapest, Hungary.
14. GTC Hungary Pltd. holds 100% of Office Planet Kft. newly founded in 1 April 2021. (See Note 6)
- 15-19. On 12 March 2021, Office Planet Ltd. was newly founded and on 1 April 2021, it acquired 70% shares in companies GTC Business Park d.o.o. Beograd, GTC Medunarodni Razvoj Nekretnina d.o.o. Beograd, GTC BBC d.o.o., Demo Invest d.o.o. and Atlas Centar d.o.o. ('Serbian Porfolio') via share capital increase. 30% shares of these companies is still owned by GTC SA. At the acquisition date the fair value of the net assets of these entities in total was EUR 97.8 million while the fair value of total consideration transferred in cash was EUR 7.1 million. Consequently, in the business combination the company recognized positive transaction reserve in the equity with the amount of EUR 61.3 million.

Identifiable assets, liabilities and non-controlling interest at acquisition date comprise:

	Fair value at acquisition date
Assets	
Investment properties	269,324
Cash and deposit	12,578
Other Assets	10,030
Total Assets	291,932
Liabilities	
Loans	172,924
Deferred tax liability	10,508
Other liabilities	10,701
Total Liabilities	194,133
Fair value of net assets	97,799
Non-controlling interest	29,340
Transaction reserve	61,332
Total consideration transferred	7,127

From the date of acquisition, the Serbian portfolio contributed EUR 15,030 thousands of rental revenue and EUR 10,133 thousands to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, rental revenue from continuing operations would have been EUR 42,439 thousands and profit before tax from continuing operations for the Group would have been EUR 39,446 thousands.

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5. Investment in subsidiaries and business combinations (continued)

20. GTC Hungary Pltd. holds 100% of Halsey Investments Sp. z.o.o. newly acquired in 23 March 2021 designated for future office project.
21. GTC Hungary Pltd. holds 100% of GTC Univerzum Projekt Kft. (previously Winmark Kft.) acquired in 12 May 2021 which owns 2 office buildings. (See Note 6).

All inter-company balances and transactions are eliminated on consolidation.

6. Events in the period

On 12 March 2021, Office Planet Kft. was newly founded and on 1 April 2021, it acquired 70% shares in companies GTC Business Park d.o.o. Beograd, GTC Medunarodni Razvoj Nekretnina d.o.o. Beograd, GTC BBC d.o.o., Demo Invest d.o.o. and Atlas Centar d.o.o. via share capital increase.

On 17 March 2021, GTC Real Estate Development Hungary Pltd. issued 10-year green bonds with the total nominal value of EUR 53.8 million denominated in HUF to finance real estate acquisitions, redevelopment and constructions of projects. The bonds are fully and irrevocable guaranteed by GTC SA and were issued at a yield of 2.68% with an annual fixed coupon of 2.6%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 17 March 2031.

On 17 March 2021, GTC Real Estate Development Hungary Pltd. entered into cross-currency interest swap agreements with two different banks to hedge the total green bonds liability against foreign exchange fluctuations. The green bonds were fixed to the Euro, and the fixed annual coupon was swapped for an average annual interest fixed rate of 0.93%.

On 30 April 2021, Globe Office Investments Kft., an indirect wholly-owned subsidiary of the Company, acquired from a company related to the majority shareholder of the Company a 15,700 sqm Class A office building on Váci corridor (Váci Green D) in Budapest for a consideration of EUR 51 million. The transaction was partially financed by a bank facility in the amount of EUR 25 million.

On 12 May 2021, GTC Hungary Real Estate Development Company Pltd., a wholly-owned subsidiary of the Company, acquired 100% holding of Winmark Ingatlanfejlesztő Kft ("Winmark"), which owns the Ericsson Headquarter Office Building and the evosoft Hungary Headquarter (Siemens Group) Office Building two class A office buildings in Budapest from WING Real Estate Group for a consideration of EUR 160.3 million, which was financed partially by a bank facility in the amount of EUR 80 million.

On 21 May 2021, GTC S.A. signed a sale and purchase agreement, concerning the sale of the entire share capital of Serbian subsidiaries including Atlas Centar d.o.o. Beograd ("Atlas Centar"), Demo Invest d.o.o. Novi Beograd ("Demo Invest"), GTC BBC d.o.o. ("BBC"), GTC Business Park d.o.o. Beograd ("Business Park"), GTC Medjunarodni Razvoj Nekretnina d.o.o. Beograd ("GTC MRN") which are owned by GTC Hungary Pltd. in 70%. The purchase price under the Agreement shall be calculated on an enterprise value basis, based on a property value of aggregate EUR 267.6 million. The transaction was successfully closed on 12 January 2022. GTC Group has received an amount of EUR 134.3 million net proceeds before tax

On 9 June 2021, the registered share capital of GTC Hungary increased in the amount of EUR 7.85 million from its sole-shareholders cash contribution and simultaneously EUR 7.85 million cash contribution was transferred into the capital reserves of GTC Hungary.

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6. Events in the period (continued)

On 23 June 2021, GTC Aurora Luxembourg S.A., a wholly-owned subsidiary of the Globe Trade Centre S.A., issued 5-year unsecured green bonds with the total nominal value of EUR 500 million denominated in EUR to primarily refinance existing secured debt on its projects within GTC Group. On 25 June 2021, GTC Aurora Luxembourg S.A. provided loan to GTC Real Estate Development Hungary Pltd. with the amount of EUR 490 million which then has been allocated to GTC Group subsidiaries for repayment of existing bank loans.

On 25 June 2021, GTC Metro Kft. a wholly-owned subsidiary of the Company repaid the full outstanding amount of the loan with CIB bank in amount of EUR 13 million.

On 28 June 2021, the registered share capital of GTC Hungary increased in the amount of EUR 12.5 million from its sole-shareholders cash contribution and simultaneously EUR 12.5 million cash contribution was transferred into the capital reserves of GTC Hungary.

7. Rental income

Rental income comprises of the following:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Rental income (excluding straight-lining of lease incentives)	37,569	17,059
Straight-lining of lease incentives (Note 16)	(140)	(157)
Rental income	37,429	16,902

Future minimum rentals receivable (without Serbian portfolio) under operating leases from completed projects are, as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Within 1 year	33,442	14,818
After 1 year, but not more than 5 years	94,169	46,113
More than 5 years	37,070	19,176
	164,681	80,107

8. Service recharge income and costs

	<u>31 December 2021</u>	<u>31 December 2020</u>
Service revenue	10,673	5,024
Service costs	10,425	4,900
Gross margin on services	248	124

Service recharge cost relate to investment properties, which generate rental income. Income arising from cost recharged to tenants is recognized in the period in which the cost can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue as the Group acts as principal in this respect.

9. Selling expenses

Selling expenses comprise the following:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Payroll and related expenses	229	220
Advertising and marketing	103	42
	332	262

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10. Administration expenses

Administration expenses comprise the following:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Management fees (see Note 26)	1,288	-
Office rent (see Note 26)	52	-
Remuneration and fees	948	675
Audit and valuations	154	106
Legal and tax advisers	119	93
Office and insurance expenses	245	128
Travel expenses	73	65
Depreciation	164	102
Other expenses	92	43
Total	<u>3,135</u>	<u>1,212</u>

11. Finance income and finance cost

Finance income comprise the following:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Foreign exchange gain	-	1,173
Interest income related parties	9,707	729
Swap interest income	-	89
Total	<u>9,707</u>	<u>1,991</u>

Finance costs comprise the following:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Interest expenses related parties	10,960	3,318
Interest expenses on bonds and bank loans	8,828	2,908
Bank costs and depreciation of borrowing costs	642	307
Interest on lease liability	217	-
Foreign exchange loss	269	1,527
Total	<u>20,916</u>	<u>8,060</u>

The weighted average interest rate (including hedges) on the Group's loans (excluding loans related to assets held for sale and related party's loans) as of 31 December 2021 was 1.66% p.a. (2.1% p.a. as of 31 December 2020).

12. Other income / (expense), net

Other income / (expense), net comprises the following:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Land cost and other income/(expense)	(271)	139
Other income / (expense), net	<u>(271)</u>	<u>139</u>

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13. Segmental analysis

The Group's core market is in Budapest, Hungary. However in March 2021 the Group acquired 70% shares in companies operating in Beograd, Serbia. Sale of Serbian entities took place on 12 January 2022, for details please refer to note 6 Events in the period and note 28 Subsequent events. Consequently, the Serbian assets and liabilities are classified as Asset held for sale as of 31 December 2021 (see note 20). The result of the operation in Serbia is presented in note 20. All the other Company's activities and assets are located in Budapest, Hungary.

The Company has not identified different operating segments based on its business activity. At the end of 2016, the Company sold the majority of residential projects and the Company has operation only in the office segment.

14. Taxation

The major components of tax expenses are as follows:

	31 December 2021	31 December 2020
Current year tax expense	(2,042)	(3,892)
Previous year tax credit/(expense)	(242)	8
Deferred tax credit/(charge)	668	1,276
Withholding tax	(275)	-
Total income tax expense	(1,891)	(2,608)

The Company pays taxes in jurisdiction of Hungary and Serbia. The Company does not constitute a tax group under local legislation. Therefore, every subsidiary in the Company is a separate taxpayer.

The enacted tax rates in the various countries were as follows:

	31 December 2021	31 December 2020
Hungary	9%	9%
Serbia	15%	-

The reconciliation between the deferred tax expense and the product of accounting profit multiplied by the applicable tax rate is as follows:

	31 December 2021	31 December 2020
Accounting profit before tax	36,068	24,695
Taxable expenses at the applicable tax rate in each country of activity	(3,805)	(2,203)
Non-deductible expenses (income) and others	(32)	18
Unrecognized deferred tax asset, net	(271)	(670)
Carry forwards tax losses for which no deferred tax assets were recognized	-	211
Local tax on income, net	(510)	(403)
Deferred tax recognized on business combinations and acquisitions	3,148	-
Exchange differences in Euro companies	(262)	422
Withholding tax	(275)	-
Previous years income tax	116	17
Tax expense	(1,891)	(2,608)

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14. Taxation (continued)

Components and movements of the deferred tax assets are as follows:

	As of 31 December 2020	Reclass	charge to equity	As of 31 December 2021
Revaluation of a cross currency interest rate swap (cash flow hedge)	-	624	2,514	3,138
Total	-	624	2,514	3,138

Components and movements of the deferred tax liabilities are as follows:

	As of 1 January 2020	Credit to income statement	Credit to equity	As of 31 December 2020	Reclass	Credit/ (charge) to income statement	Charge to equity	As of 31 December 2021
Fair value adjustment of non-current assets	(15,131)	826		(14,305)	-	(7,681)	-	(21,986)
Tax loss carry forward	1,520	54	-	1,574	-	(166)	-	1,408
Revaluation of an cross currency interest rate swap (cash flow hedge)	-	204	495	699	(624)	(58)	-	17
Revaluation of an interest rate swap (cash flow hedge) to fair value	15	-	79	94	-	(25)	(94)	(25)
Financial instruments (*)	(494)	192	-	(302)	-	791	-	489
Total	(14,090)	1,276	574	(12,240)	(624)	(7,139)	(94)	(20,097)

(*) Mostly deferred foreign exchange gain and deferred loan cost

The components of the deferred tax balance were calculated at a Corporate Income Tax rate of 9%.

Deferred tax losses

Losses carried forward may be utilized to decrease the corporate income tax base up to 50% of income tax base in any one year. The limitation of the utilization of losses carried forward is five years for the tax losses generated after 1 January 2015. The Company can use the losses incurred by the end of the 2014 tax year until 2030 based on FIFO method. The Company recognizes deferred tax assets only on those Company's subsidiaries' carry forward losses where there is plan that, future taxable profits will be available against loss-carry forward. The Company's subsidiaries have utilizable losses carried forward as of 31 December 2021 and 2020 in the amount of approximately Euro 110.5 million and Euro 112.3 million, respectively.

The Company hasn't recognized deferred tax assets for losses carried forward as of 31 December 2021 and 2020 in the amount of approximately Euro 93 million and Euro 99.3 million, respectively.

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15. Properties, Plant and Equipment

The movements in properties, plant and equipment for the years ended 31 December 2021 and 2020 were as follows:

	Owner-occupied property	Vehicles	Other	Total
Cost				
As at 1 January 2021	2,093	234	271	2,598
Additions	124	173	127	424
Transfer from Investment Property	1,000	-	-	1,000
Disposal	-	(78)	(7)	(85)
Gross book value as at 31 December 2021	3,217	329	391	3,937
Accumulated Depreciation				
As at 1 January 2021	72	74	179	325
Depreciation for the period	54	42	55	151
Disposal	-	(3)	(5)	(8)
Accumulated depreciation as at 31 December 2021	126	113	229	468
Net book value as at 31 December 2021	3,091	216	162	3,469

	Owner-occupied property	Vehicles	Other	Total
Cost				
As at 1 January 2020	2,046	200	227	2,473
Additions	47	34	30	111
Gross book value as at 31 December 2020	2,093	234	257	2,584
Accumulated Depreciation				
As at 1 January 2020	31	41	145	217
Depreciation for the period	41	33	28	102
Translation adjustment	-	-	(7)	(7)
Accumulated depreciation as at 31 December 2020	72	74	166	312
Net book value as at 31 December 2020	2,021	160	91	2,272

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16. Investment Property

The investment property that owned by the Group are office and commercial space, including property under construction:

Investment property can be split up as follows:

	31 December 2021	31 December 2020
Completed investment property	425,337	206,138
Investment property under construction	102,900	60,300
Investment property landbank at cost	54,646	53,245
Total	582,883	319,683

The movements in investment properties for the year ended 31 December 2021 and 31 December 2020 were as follows:

	31 December 2021	31 December 2020
Fair value as of 1 January	319,683	324,817
Purchase of completed assets and land	497,512	22,100
Capitalised expenditure ⁽³⁾	42,602	24,214
Translation adjustment ⁽²⁾	-	(5,643)
Reduction of lease income (SIC 15) ⁽¹⁾	(140)	(157)
Adjustment to fair value, net	13,210	15,073
Borrowing cost capitalized ⁽⁴⁾	1,900	1,116
Transfers to property, plant and equipment	(1,000)	-
Transfer to Asset held for sale ⁽⁵⁾	(287,084)	-
Investment properties sold ⁽⁶⁾	-	(61,837)
Fair value as of 31 December	582,883	319,683

- (1) Fair value of investment property reflect the impact of rent incentive provided for tenants which is presented separately in this disclosure in line with paragraph 4 of SIC 15.
- (2) The functional currency in Spiral I was HUF in 2020
- (3) The additions are related to Pillar – IPUC, and a general CAPEX and fit-out works on the completed office buildings.
- (4) Capitalized borrowing costs on development projects in an amount of EUR 1,900 thousand (2019: EUR 259 thousand), that represents borrowing costs capitalized during the year using a capitalization rate of 4%.
- (5) Disposal of Serbian entities took place in 12 January 2022. Please see note 6, 20 and 28
- (6) Spiral I office building was sold in 2020

The fair value gain from investment properties comprise of:

	31 December 2021	31 December 2020
Fair value gain of properties completed in prior years, net	4,425	12,610
Fair value gain of properties under construction, net	7,923	2,513
Fair value (loss) / gain of properties plots, net	-	(50)
Fair value gain of asset held for sale	1,091	-
Reversal of impairment/(Impairment) adjustment	(229)	-
Total fair value gain from investment properties	13,210	15,073

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16. Investment Property (continued)

The valuations had been determined on a market value basis in accordance with the RICS valuation Standards. The valuation was performed by Jones Lang LaSalle (JLL), accredited independent valuers with a recognized and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

Management is constantly monitoring its assets and believes that the value of assets as at the end of December 2021 reflects the current macroeconomic climate and expectations.

As of 31 December 2021, investment properties includes the following projects:

(a) Completed investment property

- Center Point 1 (office)
- Center Point 2 (office)
- Metro (office)
- Duna Tower (office)
- GTC Future (office)
- Váci Greens D (office)
- Univerzum (office)

The assumptions used in the valuations of the completed investment property are as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Book value	425,337	206,138
Valuation technique	DCF	DCF
GLA Thousand sqm (office)	152	97
Average ERV per building (range)	8.4-17.8	6-6 -15.2
Actual rent (including parking)	6.5-17.7	6.7-15.9
Yield (range)	6.0%-9.8%	7.1%-9.8%
Average occupancy	97%	95.4%
Average duration (years)	3.9	2.3
Category	Level 2	Level 2

(b) Investment property landbank (at cost):

- Szeremi Gate (office)
- VRK Tower (office)
- Center Point III (office)
- GTC Future (office)

	<u>31 December 2021</u>	<u>31 December 2020</u>
Book value	54,646	53,245
Valuation technique	Comparison/Residual	Comparison/Residual
Estimated building rights	196	196
Euro per sqm	279	272
Category	Level 3	Level 3

(c) Investment property under construction (at fair value):

- Pillar (office)

	<u>31 December 2021</u>	<u>31 December 2020</u>
Book value	102,900	60,300
Valuation technique	Residual	Residual
Estimated GLA	29,000	29,000
Euro per sqm	3,549	2,079
Category	Level 3	Level 3
ERV	15,95	15,95
Yield	5,75	5,75

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16. Investment Property (continued)

The table below presents the sensitivity of profit (loss) before tax as of 31 December 2021 and 2020 due to change in underlying assumptions (the values are presented in absolute numbers as a change can either be positive or negative):

Completed investment property	31 December 2021	31 December 2020
Change of 25 bp in yield	14,745	6,418
Change of 5% in estimated rental income	21,410	10,120

In order to estimate the impact of the yield change on the profit, the Company has considered the ratio between the yield change and average yield in the portfolio. This ratio was then multiplied by the total value of investment property.

In order to estimate the impact of the estimated rental income change on the profit, the Company has considered the ratio between the yield estimated rental income and average estimated rental income in the portfolio. This ratio was then multiplied by the total value of investment property.

Completed assets were revalued based on discounted cash flow.

Properties under construction are at fair value and they were revalued based on residual method. The valuations had been determined on a market value basis in accordance with the RICS valuation Standards. The valuation was performed by JLL, accredited independent valuers with a recognized and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

17. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2021 and 31 December 2020:

	31 December 2021	31 December 2020
Cash at banks and on hand	15,338	145,366
Cash at banks related to assets held for sale	8,774	-
Cash and cash equivalents at the end of the period	24,112	145,366

18. Short-term deposits and blocked deposits

Short-term deposits include deposits related to loan agreements, and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements. Short-term deposits and blocked deposits related to contractual commitments include mostly tenants' deposit account, security account, capex accounts, and deposits in order to settle contractual commitments related to the construction of this project.

19. Prepayment and deferred expenses

The balance of prepayment and deferred expenses increased from EUR 2,135 to EUR 9,218 in the year ended 31 December 2021.

The majority of the increase relates to advances to the constructor for the development activity in Pillar project.

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20. Asset held for sale and liabilities related to assets held for sale

The balance of assets held for sale increased significantly due to the planned disposal of Serbian entities (for details please refer to note 6).

The balance of assets held for sale (disposal group of Serbian entities) as of 31 December 2021 was as follows:

	Real Estate	Cash and deposit	Other Assets	Total
Atlas Centar	106,924	5,407	405	112,736
Demo Invest	62,126	3,500	283	65,909
GTC BBC	38,714	1,525	180	40,419
GTC Business Park	37,860	2,358	77	40,295
GTC MRN	25,682	1,921	123	27,726
	271,306	14,711	1,068	287,085

The balance of liabilities related to assets held for sale (disposal group of Serbian entities) as of 31 December 2021 was as follows:

	Lease Liability	Loans	Deferred Tax Liability	Other Liabilities	Total
Atlas Centar	924	59,833	67	1,956	62,780
Demo Invest	1,126	37,092	609	1,380	40,207
GTC BBC	714	28,240	623	434	30,011
GTC Business Park	960	20,468	922	676	23,026
GTC MRN	-	14,902	779	353	16,034
	3,724	160,535	3,000	4,799	172,058

Sale of Serbian entities took place on 12 January 2022, for details please refer to note 6 Events in the period and note 28 Subsequent events. The business of the Serbian entities represented the Group operating segment until 12 December 2021 which results for the period are presented below:

	31 December 2021
Gross Margin	15,261
Profit from revaluation (see Note 16)	1,091
Other expenses	(1,400)
Profit from continuing operation before tax and finance costs	14,952
Finance income	166
Finance cost	(4,985)
Profit before tax	(10,133)
Taxation	6,468
Profit for the period	16,601
Attributable to:	
Equity holders of the Company	11,620
Non-controlling interest	4,981
Gain on cash flow hedge	735
Deferred tax expense on cash-flow hedge	(110)
Total comprehensive profit for the period, net of tax	17,226
Attributable to:	
Equity holders of the Company	12,058
Non-controlling interest	5,168

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21. Non-controlling interest

Summarized financial information of the material non-controlling interest as of 31 December 2021 is presented below:

	31 December 2021
Non-current assets	271,306
Current assets	15,779
Total assets	287,085
Equity	115,027
Non-current liabilities	163,535
Current liabilities	8,523
Total equity and liabilities	287,085
Revenue	19,132
Profit / (loss) for the year	16,601
NCI share in equity	34,508
Loans received / (granted) from NCI	-
NCI share in profit / (loss)	4,981

22. Trade and other payables

The movement in trade and other payables for the year ended 31 December 2021 and 31 December 2020, respectively, was as follows:

	31 December 2021	31 December 2020
Balance as of 1 January	5,881	3,315
Charges related to investing activity	1,965	2,049
Charges related to foreign exchange movement	55	(292)
Charges related to operating activity	(824)	809
Balance as of 31 December	7,077	5,881

As of 31 December 2021, an amount of Euro 3.2 million of trade and other payables related to investing activity payables. This is planned to be financed mostly with long term loans (as of 31 December 2020 was Euro 4.5 million).

23. Derivatives

The Company holds instruments that hedge the risk involved in fluctuations of interest rates and foreign currency rates.

(a) Interest rate swap

On 15 November 2018, Center Point I and Center Point II Kft. entered into a derivative agreement for which it applied effective hedge accounting according to IAS 39. According to IAS 39, the portion of gain or loss on the interest rate swap that is determined to be an effective hedge is recognized directly in equity and the ineffective portion is recognized in net profit or loss. In order to achieve a very high efficiency of the hedging instrument, it was structured to match the exact cash flow of the loan throughout the duration of the hedging instrument. On 16 September 2019 an amendment of derivative agreement was signed after the refinance of loan to match the new cash flow with the hedging instrument. During the period 30 September 2019 – 30 September 2024, the Company swapped a floating 3-M Euribor interest rate into a fixed interest rate -0.08% p.a. The IRS was constructed to repay the Company the exact interest payments on the exact dates the Company has to repay to the lender. No "in-arrear" arrangement was done, or similar mismatching has been introduced. On 20 September 2019, GTC Duna Kft. entered into a derivative agreement for which it applied effective hedge accounting according to IAS 39.

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23. Derivatives (continued)

According to IAS 39, the portion of gain or loss on the interest rate swap that is determined to be an effective hedge is recognized directly in equity and the ineffective portion is recognized in net profit or loss. In order to achieve a very high efficiency of the hedging instrument, it was structured to match the exact cash flow of the loan throughout the duration of the hedging instrument.

During the period 30 September 2019 – 30 September 2024, the Company swapped a floating 3-M Euribor interest rate into a fixed interest rate -0.32% p.a. The IRS was constructed to repay the Company the exact interest payments on the exact dates the Company has to repay to the lender. No "in-arrear" arrangement was done, or similar mismatching has been introduced.

The derivative impact as of 31 December 2021 is positive equity reserve of EUR 371 thousand.

On 19 July 2021, Globe Office Investments Kft. entered into a derivative agreement for which it applied effective hedge accounting according to IAS 39. According to IAS 39, the portion of gain or loss on the interest rate swap that is determined to be an effective hedge is recognized directly in equity and the ineffective portion is recognized in net profit or loss. In order to achieve a very high efficiency of the hedging instrument, it was structured to match the exact cash flow of the loan throughout the duration of the hedging instrument.

During the period 19 July 2021 – 30 April 2026, the Company swapped a floating 3-M Euribor interest rate into a fixed interest rate -0.15% p.a. The IRS was constructed to repay the Company the exact interest payments on the exact dates the Company has to repay to the lender. No "in-arrear" arrangement was done, or similar mismatching has been introduced.

The derivative impact as of 31 December 2021 is positive equity reserve of EUR 75 thousand.

The fair value of the derivative assets is EUR 177 thousand and the fair value of derivative liabilities is EUR 176 thousand as of 31 December 2020

(b) Cross-currency interest rate swap

On 8 December 2020, GTC Hungary Pltd. entered into a derivative agreement for which it applied effective hedge accounting according to IAS 39. According to IAS 39, the portion of gain or loss on the cross-currency interest rate swap that is determined to be an effective hedge is recognized directly in equity and the ineffective portion is recognized in net profit or loss. In order to achieve a very high efficiency of the hedging instrument, it was structured to match the exact cash flow of the borrowing throughout the duration of the hedging instrument.

During the period 8 December 2020 – 8 December 2030, the Company swapped HUF exposure on the debt (bond issues) with interest rate of 2.25% to EUR exposure with interest rate of 0.99% in order to hedge the risk of foreign currency rate fluctuation.

Hedging relationship may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedged item and that of the hedging instrument to euro.

As of 31 December 2021 and 2020 the fair value of the derivative liabilities is EUR 28.38 million and EUR 6.93 million, respectively

On 17 March 2021, GTC Hungary Pltd. entered into a derivative agreement for which it applied effective hedge accounting according to IAS 39. According to IAS 39, the portion of gain or loss on the cross-currency interest rate swap that is determined to be an effective hedge is recognized directly in equity and the ineffective portion is recognized in net profit or loss. In order to achieve a very high efficiency of the hedging instrument, it was structured to match the exact cash flow of the borrowing throughout the duration of the hedging instrument. During the period 17 March 2021 – 17 March 2031, the Company swapped HUF exposure on the debt (bond issues) with interest rate of 2.60% to EUR exposure with interest rate of 0.93% in order to hedge the risk of foreign currency rate fluctuation. Hedging relationship may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedged item and that of the hedging instrument to euro. As of 31 December 2021 the fair value of the derivative liabilities is EUR 7.84 million.

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24. Non-current and current portion of borrowing

Non-current borrowing is linked to the following currencies and have been separated into the current portion and the non-current portion as disclosed below:

	Currency linkage	31 December 2021	31 December 2020
Loan from OTP (Center Point I)	Euro	20,725	21,538
Loan from OTP (Center Point II)	Euro	25,330	26,324
Loan from OTP (Duna Tower)	Euro	35,715	37,117
Loan from CIB (GTC Metro) ⁽¹⁾	Euro	-	12,105
Loan from Erste (Váci Greens D) ⁽²⁾	Euro	23,688	-
Loan from OTP (Univerzum) ⁽³⁾	Euro	80,000	-
Loan from UniCredit (Pillar)	Euro	50,827	13,718
Bonds issued in 2020 (GTC Hungary)	Euro	107,317	108,614
Bonds issued in 2021 (GTC Hungary) ⁽⁴⁾	Euro	53,659	-
Deferred debt expenses	Euro	(2,445)	(1,700)
		394,816	217,716

	Currency linkage	1 December 2021	31 December 2020
Loan from OTP (Center Point I)	Euro	813	813
Loan from OTP (Center Point II)	Euro	994	994
Loan from OTP (GTC Duna)	Euro	1,401	1,401
Loan from CIB (GTC Metro) ⁽¹⁾	Euro	-	1,172
Loan from Erste (Váci Greens D) ⁽²⁾	Euro	750	-
Bonds issued in 2020 (GTC Hungary)	Euro	72	-
Bonds issued in 2021 (GTC Hungary) ⁽⁴⁾	Euro	397	-
		4,427	4,380

- (1) On 25 June 2021, GTC Metro Kft. a wholly-owned subsidiary of the Company repaid the full outstanding amount of the loan with CIB bank in amount of EUR 13 million
- (2) On 19 March 2021, Globe Office Investments Kft. signed a credit facility agreement about EUR 25 million with Erste Bank.
- (3) On 3 June 2021, GTC Univerzum Projekt Kft. signed a credit facility agreement about EUR 80 million with OTP bank.
- (4) On 17 March 2021, GTC Real Estate Development Hungary Pltd. issued 10-year green bonds with the total nominal value of EUR 53.8 million denominated in HUF to finance real estate acquisitions, redevelopment and constructions of projects. The bonds are fully and irrevocable guaranteed by GTC SA and were issued at a yield of 2.68% with an annual fixed coupon of 2.6%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 17 March 2031. On 17 March 2021, GTC Real Estate Development Hungary Pltd. entered into cross-currency interest swap agreements with two different banks to hedge the total green bonds liability against foreign exchange fluctuations. The green bonds were fixed to the Euro, and the fixed annual coupon was swapped for an average annual interest fixed rate of 0.93%.

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24. Non-current and current portion of borrowing (continued)

Repayments of long-term loans and bonds are scheduled as follows:

	31 December 2021	31 December 2020
First year	4,427	4,380
Second year	5,293	4,380
Third year	6,472	4,860
Fourth year	7,268	5,595
Fifth year	108,080	13,809
Thereafter	270,148	190,774
	401,688	223,798

Significant terms

As securities for the bank loans, the banks have mortgage over the assets and security deposits together with assignment of the associated receivables and insurance rights.

In its financing agreements with banks, the Company undertakes to comply with certain financial covenants that are listed in those agreements; the main covenants are: maintaining a Loan-to-Value and Debt Service Coverage ratios in the company that holds the project.

In addition, substantially, all investment properties and IPUC that were financed by a lender have been pledged to secure the long-term loans from banks. Unless otherwise stated, fair value of the pledged assets exceeds the carrying value of the related loans.

All bank loans are denominated in Euro, bond liability is denominated in HUF.

As of 31 December 2021, there was no breach of loan covenants.

25. Financial risk management objectives and policies

The Company's principal financial liabilities comprise bank and shareholders' loans, trade payables and other long-term payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company has various financial assets such as trade receivables, long-term loan receivables, cash and short-term deposits.

The main risks arising from the Company's financial instruments are market risk, interest risk, liquidity risk, foreign currency risk and credit risk. The management board reviews and agreed policies for managing each of these risks.

(a) Market Risk

The Company operates in real estate in emerging markets. Such markets are vulnerable to the risks existing in developing countries, mostly political risks and exposure to local economies. The Company is exposed to fluctuations of supply and demand in the real estate markets in which it operates. These in turn can have a detrimental effect on occupancy rates in the investment properties, levels of rent, and the sale potential of the properties in question. In addition, the demand for office and commercial space may go down, as a result of an increase in supply, and in the face of increasing competition from "high-end" suppliers (international companies and networks with powerful financial backing).

The management of the Company believes that the following factors contribute significantly to its operating success and dealing with risk mentioned above:

1. Skilled management team with real estate experience and its constant presence in the country.
2. Close working relations with international financing institutions.

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25. Financial risk management objectives and policies (continued)

3. Focus on selection of major projects which are constructed in stages, according to demand.
4. Strict due diligence before embarking on a project, and adherence to project completion dates committed to.

Based on the factors mentioned above the management believes it will be able to sufficiently control the impact of the market risks in the future.

(b) Capital management

The primary objective of the Company's capital management is to ensure capital preservation and maintain healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company decides on leverage policy, repayment of loans, investment and divestment of assets.

No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

The Group monitors its gearing ratio, which is Gross Project and Corporate Debt less Cash & Deposits, (as defined in IFRS) divided by its real estate investment value. The Group's long-term strategy is to keep its loan-to-value ratio ("LTV") at a level of 40 per cent., however in case of acquisitions the Company may deviate temporarily.

	31 December 2021	31 December 2020
(1) Loans, net of cash and deposits (*)	431,159	72,857
(2) Investment properties, assets held for sale and building for own use	866,786	321,704
LTV [(1)/(2)]	49,74%	22.7%

(*) Excluding loans from shareholder and deferred issuance debt expenses but including loans related to assets held for sale.

Financial leverage takes the form of a loan or other borrowings (debt), the proceeds of which are reinvested with the intent to earn a greater rate of return than the cost of interest.

The current macroeconomic conditions create uncertainty about market conditions and in particular over the level of demand for the Company's commercial space that may influence the operating costs and availability of bank finance in the foreseeable future.

As of and for the year ended 31 December 2021, the Company reports equity of EUR 183.5 million and net profit of EUR 26.1 million.

The Company meets its day to day working capital requirements through generation of cash inflow from rental income, and additional support of its shareholders.

(c) Liquidity risk

The Company's objective is to maintain a balance between continuity of funding its investments and timely servicing its debt and maintaining sufficient working capital resources.

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25. Financial risk management objectives and policies (continued)

Repayments of long-term debt and interest are scheduled as follows (the amounts are not discounted):

	31 December 2021	31 December 2020
First year	13,278	9,409
Second year	14,516	9,303
Third year	15,609	9,673
Fourth year	16,340	10,331
Fifth year	115,485	18,250
Thereafter	289,914	209,078
	465,144	266,043

The above table does not contain payments relating to the market value of derivative instruments. The Group hedges significant parts of the interest risk related to floating interests rate with derivative instruments. Management plans to refinance some of the repayment amounts. All derivative instruments mature within 3-10 years from the balance sheet date (see details in Note 23)

(d) Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. To manage the interest rate risk the Company enters, from time to time, into interest rate swaps and interest rate options.

(i) *Sensitivity analysis to changes in interest rate*

The table below presents the sensitivity of profit (loss) before tax due to change in Euribor*:

	For the year ended	
	31 December	31 December
	2021	2020
50bp increase in Euribor/Bubor rate		
<i>Bank loans</i>	(256)	(135)
50bp decrease in Euribor/Bubor rate		
<i>Bank loans</i>	256	135

*Company swapped a floating 3-M EURIBOR interest rate for the majority of the bank loans
Foreign currency risk

As a result of the Company's investments, the Company's balance sheet and profit or loss can be affected by movements in the HUF/Euro exchange rates. The Company seeks to mitigate the effect of its currency exposure by attempting to match the currency of the income with that of the construction costs and financing currency. In 2020 and 2021, the Company entered into a cross-currency interest rate swap transaction to hedge this risk (see Note 23(b)).

The table below presents the sensitivity of profit (loss) before tax due to change in foreign exchange:

2021 EUR/HUF				2020 EUR/HUF			
+10%	+5%	-5%	-10%	+10%	+5%	-5%	-10%
(299)	(150)	150	299	(881)	(440)	440	881

(e) Credit risks

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation. To manage this risk the Company periodically assesses the financial viability of its customers.

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25. Financial risk management objectives and policies (continued)

The Company trades only with recognized, creditworthy third parties. The Company controls its credit risk by the application of credit approvals, limits and monitoring procedures. To manage this risk the Company periodically assesses the financial viability of customers. Counter parties to financial instruments consist of a large number of prime financial institutions. The Company does not expect any counter parties to fail to meet their obligations, given their high credit ratings the Company has no significant concentration of credit risk with any single counterparty or group counterparties.

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that those will not meet their payment obligations.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and blocked deposits the Company's exposure to credit risk equals to the carrying amount of these instruments.

The maximum exposure to credit risk as of the reporting date is the full amount presented. The Company cooperates with reputable banks.

There are no material financial assets as of the reporting dates, which are overdue and not impaired. There are no significant financial assets impaired.

Fair Value

As of 31 December 2021, and 2020, all loans bear floating interest rate while bonds are bearing fixed interest rate (however, as of 31 December 2021 and 2020, 79% and 76% of loans are hedged and 100% of bonds are hedged as of 31 December 2021). Therefore, the fair value of the borrowings which are related to the floating component of the interest equals to the market rate.

Fair value of all other financial assets/liabilities equals to carrying value. For fair value of investment property please refer to Note 16.

Fair value hierarchy

As at 31 December 2021, the Group held several hedge instruments carried at fair value on the statement of financial position.

Valuations of hedges are considered as level 2 fair value measurements. During the year ended 31 December 2021 and 31 December 2020, there were no transfers between Level 2 and Level 3 fair value measurements.

Covid-19

The COVID-19 pandemic has triggered a wave of strong negative effects on the global economy. The lockdowns brought a large part of the world's economic activity to an unparalleled standstill: consumers stayed home, companies lost revenue, and terminated employees – which, consequently, led to a rise in unemployment. Rescue packages by national governments and the EU, as well as supporting monetary policies by the European Central Bank have been implemented to moderate the economic impact of the pandemic. However, the scope and duration of the pandemic and possible future containment measures are still impossible to predict. From mid-March 2020, it became apparent that the economic disruptions caused by the Covid-19 virus and the increased market uncertainty combined with increased volatility in the financial markets might lead to a potential decrease in rental revenues, a potential decrease in the Company assets' values, as well as impact on the Company's compliance with financial covenants.

The government adopted tenant support packages, such as rent support through subsidizing part of any rental discounts. The Group engaged tenants in discussions about collecting rent and service charges as well as the terms of any support by the Group. The Group implemented multi-pronged measures to support tenants and encourage consumer spendings, such as reducing rent, allowing rent payment in instalments, waiving late payment interest and service charges.

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25. Financial risk management objectives and policies (continued)

As for each year end, investment properties have been valued by external independent appraisers as described in the Note 15 Investment properties. Those appraisals have been performed in a context of the current COVID-19 pandemic characterised by lack of transactions since the outbreak of the pandemic and difficulties to estimate future market prospects.

The increased uncertainty and increased volatility in the financial markets might have an effect in the future asset valuations, as well as impact on the Company's compliance with financial covenants. While the exact effect of the coronavirus is unknown and unknowable, it is clear that it poses substantial risks of reduction of income, increasing yields, increasing collection costs, and FX volatility.

During the COVID-19 pandemic, the Group took immediate steps to preserve its strong liquidity position in light of the uncertain impact of the pandemic. These steps included cost and CAPEX measures in the Company. As of 31 December 2021, the Group holds cash in the amount of EUR 24 million.

The Group runs stress tests, which indicated that the going concern assumption remains valid for at least 12 months from the financial statement publication date.

The Group is continuously assessing the situation and undertakes mitigating steps to reduce the impact that may be caused by the adverse market situation.

26. Changes in liabilities arising from financing activities

	1 January 2021	Cash- flows	Changes in fair values	Foreign exchange movement	Other	31 December 2021
Current portion of long-term borrowing	4,380	(4,380)	-	-	4,427	4,427
Non-current portion of long-term borrowing	109,101	129,441	-	-	(4,702)	233,840
Non-current portion of bond liability	108,616	52,571	-	(1,225)	1,014	160,976
Non-current portion of long-term loans from shareholders	139,989	490,000	-	-	11,284	641,273
Derivatives	7,980	-	28,421	-	2	36,403
Total liabilities from financing activities	370,066	667,632	28,421	(1,225)	12,025	1,076,919
	1 January 2020	Cash- flows	Changes in fair values	Foreign exchange movement	Other	31 December 2020
Current portion of long-term borrowing	19,092	(5,693)	-	(122)	(8,897)	4,380
Non-current portion of long-term borrowing	106,430	(3,604)	-	(1,826)	8,101	109,101
Non-current portion of bond liability	-	109,982	-	(1,527)	160	108,616
Non-current portion of long-term loans from shareholders	135,782	-	-	-	4,207	139,989
Derivatives	166	-	7,814	-	-	7,980
Total liabilities from financing activities	261,470	100,685	7,814	(3,475)	3,571	370,066

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, compensation with loan receivables and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings.

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27. Related party disclosures

The Company has entered into a variety of transactions with its related parties. It enters into transactions in the normal course of business on an arm's-length basis.

The transactions with related parties are made at normal market prices. Outstanding loans from related parties are unsecured and presented with accrued interest.

The most significant transactions and balances with related parties are presented below:

	Year ended 31 December 2021	Year ended 31 December 2020
Income Statement Transactions		
Rental revenue ⁽¹⁾	169	-
Service charge revenue ⁽¹⁾	43	-
Management fee income ⁽²⁾	128	-
Financial arrangement fee	-	88
Management fee expense	1,288	-
Office rent	52	-
Interest income	9,707	729
Financial expense	11,284	4,207
Balance Sheet Items		
Loans to related parties (Principal and interest)	595,480	-
Accounts receivables ^{(1) (2)}	203	-
Loans from shareholders	144,185	139,989
Loans from related parties	497,088	-
Trade and other payables	1,288	-
Long-term payable ⁽⁴⁾	1,027	-

- (1) Rental revenue and Service charge revenue in relation to rental guarantees provided by sellers, an entity related to the majority shareholder.
- (2) Management fee income from Hungarian GTC subsidiaries
- (3) In relation to purchase price retention from the seller, an entity related to the majority shareholder.

Remuneration as a short-term employee benefits of Company's senior managers for the year ended 31 December 2021 and 2020, amounted to Euro 311 thousand and Euro 267 thousand, respectively.

28. Commitments

As of 31 December 2021 (31 December 2020), the Group had commitments contracted for in relation to future building construction without specified date, amounting to Euro 12.5 million (Euro 31.8 million). These commitments are expected to be financed from available cash and current financing facilities, other external financing or future installments under already contracted sale agreements and yet to be contracted sale agreements.

29. Subsequent events

On 12 January 2022, GTC Group finalized sale of the entire share capital of Serbian subsidiaries: Atlas Centar d.o.o. Beograd ("Atlas Centar"), Demo Invest d.o.o. Novi Beograd ("Demo Invest"), GTC BBC d.o.o. ("BBC"), GTC Business Park d.o.o., following the satisfaction of customary conditions precedent.

On 15 February 2022 Pillar office building received the occupancy permit.

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29. Subsequent events (continued)

Impact of the situation in Ukraine on GTC Group

On 24 February 2022, Russian forces entered Ukraine and military conflict ensued. At the time this financial statements were prepared the extent of the conflict and its longer-term impact are unknown. The conflict caused immediate volatility in global stock markets and uncertainties are anticipated in relation to the cost and availability of energy and natural resources, particularly within Europe. Significant economic sanctions have been imposed against Russia by the European Union. The direct impact on the real estate markets where the Company operates is yet unknown. At this stage, there is no evidence that transaction activity within the Markets that the Company operates and the sentiment of buyers or sellers has changed.

30. Approval of financial statement

The financial statements were authorised for issue by the Management Board on 28 April 2022.