



**CONSOLIDATED**  
**ANNUAL**  
**REPORT**

**OF GLOBE TRADE CENTRE S.A.**  
**CAPITAL GROUP**  
**FOR THE FINANCIAL YEAR**  
**ENDED 31 DECEMBER**

**2022**



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Warsaw, 25 April 2023

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## Dear Stakeholders,

The year 2022 has been challenging due to economic conditions, but we have managed to adapt to the changing reality. We reshuffled our portfolio to higher rated countries by selling 14 buildings (mostly in Belgrade). We also completed 3 office buildings: Pillar ( Hungary), GTC X (Serbia) and Sofia Tower 2 (Bulgaria). Our financial performance is stable. What pleases us immensely is that the shopping centres have successfully regained their pre-pandemic turnovers.

We have expanded our strategy pursuing new investments in certain new sectors. Potential new sectors identified to be considered for investment as part of the new strategy include:

- investment in innovation and technology parks
- investment in renewable energy facilities
- investment in development of PRS assets (private rented sector property - residential).

The new investments should:

- help GTC diversify its portfolio in new and fast-growing sectors which may be either based on direct real estate investments or operating in related investment platforms
- achieve expected returns from such investments at least the same or higher than the returns on currently held assets in the portfolio;
- involve sectors with more sustainable growth compared to traditional real estate;
- be made in segments of the market which should be resilient to present turbulent market conditions.

The Group made its first transaction under the new strategy – a joint venture investment worth EUR 115 million into a technology park project in Ireland. With this decision, GTC wanted to, among others, diversify its portfolio in new and fast-growing yet more sustainable sectors compared to traditional real estate.

We prioritize ESG principles. 87% of buildings within the Group's portfolio have been awarded green certificates or are under recertification process. All our properties in Poland, Romania, Hungary and Croatia, as well as the Advance Business Center office complex in Bulgaria use green energy. In addition, we cooperated with WWF Poland to raise awareness among our tenants, employees, business representatives and the public about the importance of environmental protection in today's world. Our educational campaigns have reached more than a million people, who helped purchase equipment that will play an important role in protecting endangered tigers in Malaysia and the sparse brown bear population in Poland.

During 2022, a number of talented professionals at GTC have taken on management positions, while the Group has undergone a transformation to strengthen the role of the regional leaders who best understand local markets. This allows us to respond faster and better to emerge opportunities and challenges on the individual markets.

## PORTFOLIO DEVELOPMENT

We put a lot of effort into optimizing our portfolio, focusing on sustainable investments compliant with the ESG principles in key CEE markets, while disposing of some of our assets.

We invested over EUR 310 million in income producing assets in Hungary. The funds from sale of the landmark sale of a standing office portfolio in Belgrade were shifted towards higher rated countries. At the beginning of 2022 the sale of office properties in Belgrade (Green Heart, FortyOne, Belgrade Business Center, 19 Avenue and GTC House with 122,175 sq m GLA), has been finalized. The transaction, valued at EUR 267.6 million; above the book value, became one of the biggest transactions of its kind in the CEE region, the funds were shifted towards higher rated countries as we invested over EUR 310 million in income producing assets in Hungary.

We also sold Cascade in Bucharest (making profit of close to 20%), Matrix A and B in Zagreb (return on cost exceeding 22% and 7% above book value) and at the beginning of 2023 Forest Offices in Debrecen.

We also focused on our development activity. In 2022, after completed the Pillar office building in Budapest (29,100 sq m), which was fully preleased we commenced the construction of a brand new Centre Point 3 (36,000 sq m GLA) office building in Budapest. Moreover after the success of Matrix A & B we started the construction of Matrix C, an A-class office building in Zagreb (10,500 sq m GLA). We have also purchased land for our future developments.

## TENANT MANAGEMENT

For many years we have been building a tenant-friendly and tenant-oriented real estate environment in Central and Eastern Europe. We equip our office and retail spaces with modern solutions that meet strict industry requirements. This approach, combined with efficient management and the new projects in our portfolio, has allowed us to maintain a high occupancy rate of 88% with signed leases for 163,600 sq m.

We are seeing more leasing activity than in the past year, and our properties are gaining interest from potential tenants due to the high quality, modernity or attractive location of the buildings in our portfolio. Our office leasing teams are constantly working with tenants, monitoring their needs and changes in working models. Tenants appreciate our activities in the corporate social responsibility and sustainable construction areas. This confidence is confirmed by a number of contracts involving lease extensions and expansions, but also by the high share of new clients in the overall number of contracts concluded. We signed office leases for 110,600 sq m.

We are seeing a positive trend in all shopping centers. The number of visitors is increasing, and turnover has exceeded pre-Covid levels. Retailers continue to expand and prolong their leases. The shopping centers remaining in our portfolio, despite the difficult recent economic conditions, showed excellent rental performance, generating strong revenues. Occupancy rates have reached 96%— our success is due to a combination of factors, including strategic location selection, a high-quality tenant mix and a proactive management approach. As a result, our shopping centers have become popular destinations for customers and achieved strong sales and revenue growth.

We remain focused on delivering value for our investors and are confident in our ability to continue generating strong rental income in the future.

## SUSTAINABILITY FOR THE WIN

Sustainability is our priority. We actively strive to develop environmentally neutral buildings, featuring the latest solutions that meet the strictest BREEAM or LEED criteria. The major accomplishments in 2022 included LEED Platinum certification for Nothus office building in Aeropark Business Centre in Warsaw and LEED Gold certification for Pillar office building in Budapest. In total, we have renewed or received green certificates for 19 buildings in 2022. We are proud to say that currently 87% of buildings within the Group's portfolio are LEED/BREEAM certified or under recertification process, which confirms the use of green solutions in the properties. 13% is currently under certification process, as we are determined to obtain full certification of our portfolio.

Moreover, we have been improving our operations to meet the highest ESG indicators. All our properties in Poland, Romania, Hungary and Croatia, as well as the Advance Business Center I and II office buildings in Bulgaria use green energy. Galeria Północna in Warsaw has taken an important step towards sustainability – in 2022, it has begun to produce its own energy after 224 photovoltaic panels had been activated on the roof of the facility.

Local offices have also engaged in pro-environmental activities. We are proud of our cooperation with WWF Poland aimed to raise awareness among the public and business representatives about the importance of environmental protection in today's world through educational campaigns.

All these and other activities have been summarized in our second ESG report.

## FINANCIAL RESULTS

We have a very solid, well performing property portfolio, with retail assets outperforming the market. At the end of December 2022, our total revenues reached EUR 167 million. The Group recognized decrease in rental revenues following the sale of Serbian office portfolio in the first quarter of 2022 and Cascade office building in the third quarter of 2022 and due to a decline in average occupancy rate of the office portfolio in Poland and Romania. The decrease was partially compensated by an increase in rental revenues following acquisition of income generating properties and the completion of Pillar and an increase in rental revenues from the retail portfolio as a result of the end of the Covid-19 related discounts and measures taken to help the retail tenants, as well as an increase in an average rental rate following the indexation of its rental rates to the European CPI.

Rental gross margin reached EUR 119 million.

FFO I reached EUR 68 million (FFO per share at EUR 0.12). EPRA NTA amounted to EUR 1.273 million, EPRA NTA per share at EUR 2.22. Net LTV ratio amounted to 45.6% (LTV adjusted for disposal of Forrest Offices Debrecen, concluded on 30 January 2023, is 44.5%).

We have a solid cash position of EUR 115 million, which is primarily due to the sale of Serbian assets, one Romanian entity and 2 Croatian assets (net of cash in disposed entities) combined with capital increase partially offset by an investment in Kildare Technology Campus purchase of completed assets and land and expenditure on investment property. Available credit facilities amount to EUR 94 million.

Our Group's success can be attributed to our commitment to delivering high-quality services to our clients and our focus on innovation and continuous improvement. We have also been able to effectively adapt to changing market conditions and leverage new opportunities for growth.

## CORPORATE GOVERNANCE

The year 2022 brought further significant changes to both the Management Board and regional offices. Following Yovav Carmi's resignation from the President of Management Board, in his place the Company's Supervisory Board appointed Zoltán Fekete, who since March has headed all GTC's operations in Central and Eastern Europe.

Danny Bercovich has been promoted to the position of Regional Director of Retail and is now heading the company's operations and development strategy in the retail segment. Ziv Gigi, who previously served as Country Manager of Bulgaria and Romania, has been promoted to the position of Executive Director SEE Region – his responsibilities include executing the company's strategy and development plan, as well as overseeing all operational activities in Bulgaria, Romania, Serbia and Croatia. In early November, Agnieszka Ciupak joined GTC as Executive Director for Poland – she is responsible for all operations including leasing, adaptation work, asset management, marketing and HR across the Group.

During the year, a number of talented professionals at GTC have taken on management positions, and the Group has undergone a transformation to strengthen the role of our regional leaders who best understand local markets. This will allow us to respond faster and better to emerging opportunities and challenges on the individual markets.

## AWARDS & RECOGNITIONS

The continued efforts to improve the environmental impact of our properties have been met with numerous awards and recognitions. In 2022, EPRA Sustainability Best Practices Recommendations has once again marked GTC's ESG report with Silver Award for the excellent reporting standards and comprehensive data provided.

Moreover, GTC has been recognized for its work at the 2022-2023 European Property Awards, receiving awards in the Mixed Use Architecture and Mixed Use Development categories for Sofia Tower II in Bulgaria.

The sale of the Belgrade office portfolio to Indotek Group has also been recognized and honored with Investment Deal of the Year Award at the 4th annual CRE Awards.

Big thank you and congratulations to everyone behind this amazing success!

## IN RELATIONSHIP WE TRUST

We would like to thank all our stakeholders and business partners for the trust and boundless faith in the GTC Group's performance. The year 2022 has yet again proved the strength coming from our employees. Without their engagement, experience, and extensive sector knowledge, we would not have succeeded.

GTC Group is resilient, diversified, open to new possibilities and fully committed to facing the challenges and opportunities that 2023 holds for us. We look into the future with confidence and hope, believing that we could enhance the deal flow, mitigate risk, and optimize performance effectively through our regional platform. Thank you for being a part of our journey – your trust in our mission and vision is what drives us towards new ambitious goals and projects.

Our success, and our ability to face future challenges, would not be possible without our employees, tenants, banks and bondholders. Whatever 2023 holds, we look forward to working together and believe in the future full of possibilities.

*Sincerely,  
Members of the management board  
Globe Trade Centre S.A.*



**Zoltán Fekete**  
Chief Executive Officer



**Ariel A. Ferstman**  
Chief Financial  
Officer



**János Gárdai**  
Chief Operating Officer

**MANAGEMENT BOARD'S REPORT**  
ON THE ACTIVITIES OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP  
IN THE FINANCIAL YEAR ENDED **31 DECEMBER 2022**



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## 1. Introduction

The GTC Group is an experienced, established, and fully integrated, real estate company operating in the CEE and SEE region with a primary focus on Poland and Budapest and capital cities in the SEE region including Bucharest, Belgrade, Zagreb and Sofia, where it directly manages, acquires and develops primarily high-quality office and retail real estate assets in prime locations. The Company is listed on the Warsaw Stock Exchange and inward listed on the Johannesburg Stock Exchange. The Group operates a fully-integrated asset management platform and is represented by local teams in each of its core markets.

### GTC GROUP:

Poland,  
Hungary,  
Belgrade,  
Bucharest,  
Sofia  
and Zagreb

As of 31 December 2022, the book value of the Group's total property portfolio was €2,321,908. The breakdown of the Group's property portfolio was as follows:

- 44 completed commercial buildings (including 1 office building held for sale), including 38 office buildings and 6 retail properties with a total combined commercial space of approximately 762 thousand sq m of GLA, an occupancy rate at 88% and a book value of €2,050,571 which accounts for 88% of the Group's total property portfolio;
- three office buildings under construction with a total GLA of approximately 61 thousand sq m and a book value of €51,487, which accounts for 2% of the Group's total property portfolio;
- investment landbank intended for future development (including 1 land plot in Poland held for sale in the amount of €3,198) with the book value of €153,604 which accounts for 7% of the Group's total property portfolio;
- residential landbank which accounts for €26,226 (including part of land in Romania held for sale in the amount of €680), which accounts for 1% of the Group's total property portfolio; and
- right of use of lands under perpetual usufruct, including assets held for sale with value of €40,020 which accounts for 2% of the Group's total property portfolio.

44 <sup>1</sup>	762,000 <sup>1</sup>	3	landbank for
completed	sq m of	buildings	future
buildings	GLA	under	development
		construction	

<sup>1</sup> Including 1 asset held for sale (24,900 sq m)

Additionally, GTC holds:

- 25% of technology campus (booked as a non-current financial assets) with nine completed buildings with a total GLA of approximately 102 thousand sq m (extends over 72 ha of which 34 ha is undeveloped) and GTC's share of book value amounted to €117,641, which accounts for 5% of the Group's total property portfolio including non-current financial assets;
- 34% of 4 completed commercial buildings (booked as a non-current financial assets) including 3 office buildings and 1 retail property with a total combined commercial space of approximately 41 thousand sq m of GLA, and GTC's share of book value amounted to €12,627 which accounts for less than 1% of the Group's total property portfolio including non-current financial assets.

As of 31 December 2022, the book value of the Group's total property portfolio including non-current financial assets was €2,452,176.

The Group's headquarters are located in Warsaw, at Komitetu Obrony Robotników 45A.

## TERMS AND ABBREVIATIONS

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 Globe Trade Centre S.A.;

**the Group or the GTC Group** are to Globe Trade Centre S.A. and its consolidated subsidiaries;

**Shares** is to the shares in Globe Trade Centre S.A., which were introduced to public trading on the Warsaw Stock Exchange in May 2004 and later and are marked under the PLGTC0000037 code and inward listed on Johannesburg Stock Exchange in August 2016;

**Bonds** is to the bonds issued by Globe Trade Centre S.A. or its consolidated subsidiaries and introduced to alternative trading market and marked with the ISIN codes PLGTC0000292, PLGTC0000318, HU0000360102, HU0000360284 and XS2356039268;

**the Report** is to the consolidated annual report prepared according to art. 71 of the Decree of the Finance Minister of 29 March 2018 on current and periodical information published by issuers of securities and conditions of qualifying as equivalent the information required by the provisions of the law of a country not being a member state;

<b>CEE</b>	is to the Group of countries that are within the region of Central and Eastern Europe (Poland, Hungary);
<b>SEE</b>	is to the Group of countries that are within the region of South-Eastern Europe (Bulgaria, Croatia, Romania, and Serbia);
<b>Net rentable area, NRA, or net leasable area, NLA</b>	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;
<b>Gross rentable area or gross leasable area, GLA</b>	are to the amount of the office or retail space available to be rented in completed assets multiplied by add-on-factor. The gross leasable area is the area for which tenants pay rent, and thus the area that produces income for the Group;
<b>Total property portfolio</b>	is to book value of the Group's property portfolio, including: investment properties (completed, under construction and landbank), residential landbank, assets held for sale, and the rights of use of lands under perpetual usufruct;
<b>Commercial properties</b>	is to properties with respect to which GTC Group derives revenue from rent and includes both office and retail properties;
<b>Occupancy rate</b>	is to average occupancy of the completed assets based on square meters ("sq m") of the gross leasable area;
<b>Funds From Operations, FFO, FFO I</b>	are to profit before tax less tax paid, after adjusting for non-cash transactions (such as fair value or real estate remeasurement, depreciation and amortization share base payment provision and unpaid financial expenses), the share of profit/(loss) of associates and joint ventures, and one-off items (such as FX differences and residential activity and other non-recurring items);
<b>EPRA NTA</b>	is a net asset value measure under the assumption that the entities buy and sell assets, thereby crystallizing certain levels of deferred tax liability. It is computed as the total equity less non-controlling interest, excluding the derivatives at fair value as well as deferred taxation on property (unless such item is related to assets held for sale);

- In-place rent** is 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;
- Net loan to value (LTV); net loan-to-value ratio** are to net debt divided by Gross Asset Value. **Net debt** is calculated as total financial debt net of cash and cash equivalents and deposits and excluding loans from non-controlling interest and deferred debt issuance costs. **Gross Asset Value** is investment properties (excluding the right of use under land leases), residential landbank, assets held for sale, financial assets, building for own use, and share on equity investments. Net loan to value provides a general assessment of financial risk undertaken;
- The average cost of debt; average interest rate** is calculated as a weighted average interest rate of total debt, as adjusted to reflect the impact of contracted interest rate swaps and cross-currency swaps by the Group;
- 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;
- PLN or zloty** are to the lawful currency of Poland;
- HUF** is to the lawful currency of Hungary;
- JSE** is to the Johannesburg Stock Exchange.

## 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 PLN 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 2022.

## 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 Group 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 Group 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 2022 and 2021. 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 2022 (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 2022.

Selected financial data presented in PLN is derived from the consolidated financial statements for the year ended 31 December 2022 presented in accordance with IFRS and prepared in the Polish language and Polish zloty as a presentation currency. The financial statements of Group's companies prepared in their functional currencies are included in the consolidated financial statements by a translation into euro or PLN using appropriate exchange rates outlined in *IAS 21 The Effects of Changes in Foreign Exchange Rates*.

The reader is advised not to view such conversions as a representation that such zloty amounts actually represent such euro amounts or could be or could have been converted into euro at the rates indicated or at any other rate.

	For the 12-month period ended 31 December			
	2022		2021	
(in thousands)	€	PLN	€	PLN
<b>Consolidated Income Statement</b>				
Revenues from operations	166,563	780,664	171,951	785,369
Cost of operations	(47,365)	(222,000)	(44,356)	(202,592)
Gross margin from operations	119,198	558,664	127,595	582,777
Selling expenses	(1,768)	(8,286)	(1,652)	(7,545)
Administration expenses	(15,040)	(70,491)	(14,145)	(64,606)
Loss from revaluation of investment property and residential landbank	(29,422)	(139,166)	(12,867)	(59,493)
Finance income/(cost), net	(31,696)	(148,556)	(42,977)	(196,294)
Net profit	24,761	115,216	42,736	194,644
Basic and diluted earnings per share (not in thousands)	0.04	0.19	0.09	0.39
Weighted average number of issued ordinary shares (not in thousands)	574,255,122	574,255,122	487,742,245	487,742,245
<b>Consolidated Cash Flow Statement</b>				
Net cash from operating activities	88,088	412,860	106,427	486,095
Net cash used in investing activities	(77,740)	(364,519)	(366,652)	(1,674,644)
Net cash from financing activities	10,797	38,003	84,906	387,799
Cash and cash equivalents at the end of the period	115,079	539,709	96,633	444,454

(in thousands)	€	For the 12-month period ended			
		31 December			
		2022		2021	
	€	PLN	€	PLN	
<b>Consolidated statement of financial position</b>					
Investment property (completed and under construction)	2,054,358	9,634,734	2,062,389	9,485,752	
Investment property landbank	150,406	705,389	139,843	643,194	
Right of use (investment property)	38,899	182,432	38,428	176,746	
Residential landbank	26,610	124,798	27,002	124,193	
Assets held for sale	51,635	242,163	292,001	1,343,029	
Cash and cash equivalents	115,079	539,709	87,468	402,300	
Receivables from shareholders	-	-	123,425	567,681	
Non-current financial assets (related to investment property) measured at fair value through profit or loss	130,341	611,286	-	-	
Others	102,554	480,968	73,193	336,643	
Total assets	2,669,882	12,521,479	2,843,749	13,079,538	
Non-current liabilities	1,433,841	6,724,580	1,487,683	6,842,449	
Current liabilities including liabilities related to assets held for sale	100,454	471,110	239,077	1,099,610	
Total Equity	1,135,587	5,325,789	1,116,989	5,137,479	
Share capital	12,920	57,426	11,007	48,556	
Unregistered share capital increase	-	-	120,295	557,939	

### 3. Key risk factors

#### RISK FACTORS RELATING TO THE GROUP'S BUSINESS

##### THE IMPACT OF THE GEOPOLITICAL SITUATION DUE TO THE WAR IN UKRAINE ON THE GROUP'S OPERATIONS AND FINANCIAL RESULTS

Even though the Group does not conduct any activities in the territory of Ukraine, Russia or Belarus, it cannot be ruled out that the current geopolitical situation in Europe triggered by the ongoing war in Ukraine, which has resulted in a number of macroeconomic consequences for Poland and other European countries, may also have an impact on the Group's operations.

The risk area related with the conflict in Ukraine includes, *inter alia*, limitations in the availability of construction materials, equipment, services, interruption or disruption in the continuity of supplies, an extraordinary increase in the prices of key raw materials, limited availability of employees, especially male workers from Ukraine resulting from their return to their country to participate in military operations, a decline in demand on the property market due to uncertainty as to the possible development of the current economic and political situation, combined with

high inflation, an increase in interest rates as well as decreased availability and higher cost of external debt financing, which has resulted in a slowdown in the real estate market.

Moreover, the continuation of the war, its scale and further course of military operations may cause an extension of the set of economic sanctions imposed thus far, further disruption in supply chains, limited availability of subcontractors and a general increase in the prices of materials resulting from, among others, rising energy prices, which in turn may translate into significant costs of the implementation of investments carried out by the Group.

A significantly higher and volatile costs of energy (severe energy crunch because of steep cuts in natural gas supplies from Russia following the outbreak of the Russia-Ukraine conflict) and general uncertainties related to the impact of the war in Ukraine on both global and the SEE/CEE economy and the deterioration of the global and regional economies may adversely impact the economic situation of the Group's tenant and limit their spending and the appetite for extending the lease agreements. The above may have an adverse effect on the Group's business, financial condition and results of operations.

As at the date of this Report, the impact of the war in Ukraine on the Group's operations is not material; however, it is not possible to estimate the scale of such impact in the future and due to high volatility, the management board monitors the situation on an ongoing basis and analyses its potential impact both from the perspective of individual projects and the entire Group and its long-term investment plans.

### **THE IMPACT OF THE COVID-19 PANDEMIC AND ANY POTENTIAL OTHER PANDEMICS ON THE OPERATIONS AND FINANCIAL STANDING OF THE GROUP**

While the risk of the COVID-19 pandemic cannot yet be ruled out (e.g. given the recent outbreaks in China), its expected impact on the Group's business might be lower than in 2020 or in 2021, when its operations were exposed to a number of measures taken by the government in order to minimise the risk of the spread of the COVID-19 pandemic, including lockdowns and closures of shopping centres, limited operations, limited working hours, etc. The restrictions introduced by the government directly affected the course of business processes and the organisation of the Group's operations. For instance, the tenants in the Group's shopping centres were unable to trade for three to five months during 2020 and around an average of three months during 2021 (in the period between January and May). As a consequence, following the lockdown periods, in Poland tenants were released from rent payment obligations while in other countries the tenants were given various discounts and other relief in order to continue operating in very challenging circumstances. The Group cannot rule out that it will need to take the same course of action if analogous restrictions are introduced in the future in case of an outbreak of any new pandemic or the spread of COVID-19 or further variants thereof.

Even though it seems that the peak of the COVID-19 pandemic has already passed since numerous people have been vaccinated and the number of infected persons has decreased significantly, the risk of the further spread of the SARS-CoV-2 virus and the occurrence of its mutations cannot be ruled out entirely. The Group cannot exclude the risk of the occurrence of any new pandemic that will have consequences similar to the COVID-19 pandemic. Thus, the extent of the impact of the COVID-19 pandemic or any future pandemic on the Group is still uncertain and depends on a number of factors, such as the duration and scope of the

pandemic, and the suitability and effectiveness of measures adopted by authorities in response to the pandemic. The occurrence or escalation of one or more of the above developments may significantly negatively impact the Group's business, financial condition, prospects and results of operations.

### **THE CHANGE IN THE WORKING MODEL MAY HAVE A NEGATIVE IMPACT ON THE OPERATIONS AND FINANCIAL RESULTS OF THE GROUP**

The Group observes that the COVID-19 pandemic hastened a change of work patterns and resulted in a growing share of employees working in a hybrid mode combining work from home with office work as well as working only from home. This trend is continuing despite lifting the pandemic restrictions.

Such changes in the work model are also reflected in recent changes in the labour law that were introduced in Poland concerning the regulation of remote working (the regulations entered into force on 7 April 2023).

Both those factors, i.e. the introduced legal regulations and the practise of hybrid work and working from home are leading to a significant decrease in the occupancy of office buildings, especially in regional cities in Poland (including Katowice, Poznań and Łódź), resulting in lower rental income generated by such buildings and in consequence possibly having a material adverse effect on the Group's business, financial condition, and operational results.

### **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. 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.

The current unfavourable macroeconomic trends including growing inflation and higher interest rates may have a negative impact on the Group and lead to a decrease in purchasing power and lower store turnovers and, as a consequence, result in pressure on rental rates in shopping centres or may impact the tenants' ability to meet their rental obligations towards the Group, especially in light of the higher total rental costs due to an increase in service charges. Additionally, a weakening economy, coupled with higher rental costs and a hybrid working model may have a negative impact on demand for office space and lead to higher vacancy levels (resulting in lower-than-expected revenue streams). Despite the temporary slowdown in the e-commerce market, its further growth is expected and such growth, in the long term, may result in a reduced demand for retail space and decreased rental income.

Rising inflation translated into an increase in interest rates (and further increases in interest rates are expected), which has an impact on availability and cost of debt, which can decrease demand for real properties or/and increase the cost of financing. However, as at 31 December 2022, 95% of the Group's debt was either based on a fixed rate or hedged against interest rate fluctuations by using derivative instruments, meaning its exposure to changes in interest rates

is limited. Decreased demand for real properties may lead to a decrease in prices that real estate investors are prepared to pay for real properties and, as a consequence, a decline in the value of properties cannot be ruled out.

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 favourable 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 in Poland and in capital cities in the countries in which the Group operates, supplemented by selected development projects in the Group's property portfolio; (ii) improving the efficiency of the Group's asset management activities to maximise 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.

Moreover, the management board, expanding the existing strategy of the Group, decided to pursue potential new investments in certain new sectors and geographical regions that may

diverge from the current core scope of the Group's operations (namely, the development and management of office, retail and certain other types of real estate). Potential new sectors identified by the Group to be considered for investment as part of the new strategy include: (i) investment in innovation and technology parks; (ii) investment in selected renewable energy facilities in Poland and Hungary to complement its current offering and better address tenants' needs; and (iii) investment in the development of PRS assets (private rented sector property – residential) in Poland by investing as a minority shareholder in an investment platform with an experienced developer and financial investors and taking advantage of potential favourable developments in this sector.

On 9 August 2022, an agreement concerning a transaction involving a joint venture investment in an innovation park in Kildare, Ireland that involves an investment of approximately EUR 115,000 thousand was concluded. The project involves six lettable buildings with designated uses including industrial, warehouse, manufacturing and office/lab space. The site and the campus are planned to be converted into a Life Science and Technology campus. Although investment in these new sectors will not constitute more than 10% of the Group's assets, the successful implementation of the Group's strategy may result in certain changes to the Group's property portfolio, including, for example, its geographic composition and composition 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 achieved in the future and investment criteria that have been developed by the Group to achieve the expected level of returns on acquired assets. Such assumptions may prove to be partially or wholly incorrect or inaccurate and as a result, the return on an investment may be lower than expected. 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 a project 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 downwards. The Group can also not guarantee that the service provider it chooses to carry out its due diligence will identify all of the risks related to a given project. In addition, the Group cannot guarantee that it will be able to have recourse to the seller of a given property for not disclosing such risks.

Furthermore, as part of its strategy, the Group is reorganising 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 realise its expected rates of return on the new acquisitions.

Moreover, the Group may fail to achieve its 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, such as volatile market conditions, a lack of capital resources needed for

expansion and the changing price and availability of investment targets in the relevant markets, as well as amendments to applicable laws.

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 programme, and it may be unable to achieve, or it could encounter delays in achieving, the planned outcomes of its strategy and development programme. 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 AND, CONSEQUENTLY, THE GROUP'S CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT MAY BE SUBJECT TO SIGNIFICANT FLUCTUATIONS**

The Group's income depends heavily on the changes in the value of assets on the property markets, which is subject to fluctuations. The fair values of the Group's investment properties are assessed semi-annually (as at 30 June and 31 December of each year), by reputable external valuers, based on the discounted cash-flows method (DCF) from investment properties, which method is inherently subjective and uncertain, as such assessment is based on assumptions that may change or turn out to be incorrect (e.g. as to expected rental values, fit-out costs, the time necessary for renting a specific property, etc.).

The property valuations are 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 on different methodologies, forecasts and assumptions.

The Group's property valuations are made using the discounted rates applicable to the relevant local real estate market or, in the 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.

Any change in the discounted rates used by the valuer will have an impact on the valuation of a given property. Furthermore, any change to the 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. 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 values of its investment properties, regardless of whether 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 in other years profits for the same assets and residential projects.

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.

Furthermore, if the forecasts and assumptions on which the valuations of the projects in the Group's portfolio are based prove to be inaccurate or are subject to changes due to the changing environment, the actual values of the projects in the Group's portfolio may differ materially from those stated in the valuation reports. Valuations based on inaccurate assumptions 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 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, increased inflation and higher interest rates as well as taking into account a growing significance of e-commerce and changes of work patterns connected with working in a hybrid mode by combining work from home with office work or from home only, 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 AND DEVELOP SELECTED PROJECTS**

In accordance with the strategy of the Group, the Group intends to expand its business through: (i) the acquisition of yielding properties; (ii) asset management focused on realising the full potential of, and maximising returns from, the Group's portfolio; and (iii) the development of selected projects as well as investments in new sectors, including innovation and technology parks, renewable energy facilities and PRS asset development. 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 properties at attractive prices and on favourable 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 realise their values; and (ii) acquire properties and develop the intended projects.

The Group also intends to focus on maximising 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 existing 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. The Group may also overestimate the probability of obtaining the required approvals and administrative decisions or a temporary delay in obtaining them. Any incorrect assessment of the attractiveness of a given location and the possibility of implementing a project in accordance with the assumptions may result in difficulties in achieving the expected rate of return within a specified time. 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 figures 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 of the risks related to the property in question (e.g. soil contamination, discovery of archaeological monuments, unexploded ordnance or other specific conditions), and as a consequence, the assumed return rate for a given project will not

be achieved. Additionally, in connection with any potential contamination or hazardous substances, penalties may be imposed on the Group, including the Group being forced to incur unforeseen costs of repairing damages related to such contamination. The Group also 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 both the COVID-19 pandemic and war in Ukraine, 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. There is also a risk of reduced demand for office and retail space resulting from changes in the working model due to the increase of working in a hybrid mode or working from home, as well as changes in shopping preferences combined with the growing significance of online shopping instead of conventional shopping.

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 2022, 5% 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, any investments in new sectors, including investments in innovation and technology parks or renewable energy facilities may not achieve the expected returns on at least the same or higher than the returns on assets there are currently held in the portfolio of the Group.

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 reorganising 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 realise 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 at 31 December 2022. 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 ENERGY CRISIS MAY HAVE A NEGATIVE EFFECT ON THE LEVEL OF SERVICE CHARGES IMPOSED BY THE GROUP ON ITS TENANTS AND, AS A RESULT, ON THE ABILITY OF TENANTS TO COVER SUCH SERVICE CHARGES AND MAY LEAD TO INTRODUCTION OF RESTRICTIONS ON THE SUPPLY AND OFF-TAKE OF ELECTRICITY**

Russia's invasion of Ukraine resulted in immediate volatility on the global stock markets, and uncertainties are anticipated in relation to the cost and availability of energy and natural resources, in particular in Europe. The Group cannot exclude that further rapid growth of electricity and gas prices will not have a negative effect on its annual spending on service

charges (which are forecasted annually at the beginning of each calendar year and settled with tenants after the end of the year), which in addition to rental rates constitute the total cost of renting an office or retail space for the tenant. With insufficient state aid being provided to enterprises in connection with the current energy crisis, it also cannot be ruled out that tenants of the Group will be unable to cover rental costs.

Moreover, in certain circumstances, inter alia, in the event of a threat to the energy security of the Republic of Poland consisting of a long-term imbalance in the fuel and energy market, the relevant restrictions on the supply and off-take of electricity may be introduced. The landlords as off-takers may be liable in the case of the non-application of such restrictions. The introduction of such restrictions may in turn affect the performance of the obligations of the landlords under the lease agreements concluded by the Group, in particular to ensure the supply of electricity to the subject of a given lease. In some situations, e.g. if the tenant is not able to use the subject of the lease in accordance with its intended use for an extended period due to such restrictions, this may result in the tenants demanding rent reductions or even attempting to terminate the lease agreements.

The above may have an 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, general consumer activity is decreasing, the importance of e-commerce is increasing, 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) minimising 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 favour 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 favourable 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 properties taking into account the unfavourable macroeconomic situation caused by the COVID-19 pandemic and the war in Ukraine. 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 favourable economic conditions or mitigate the impact of unfavourable 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 modernisation, 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 modernisation 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**

The completion of projects, in particular the implementation of new developments by the Group requires the obtainment of various consents, arrangements and permits (including planning permission, environmental permits, building permits and occupancy permits). Obtaining the relevant administrative decisions is a formal and legal requirement for the commencement, operation and delivery of any development project to its users, whereas any errors, internal discrepancies in such decisions or the completion of the investment otherwise than in compliance with the terms thereof may result in the suspension of or delay in the investment process. 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.

As the relevant decisions concerning the development process are issued by the respective public administration authorities in accordance with administrative procedure regulations, with a special focus on satisfying the interests of local communities (e.g. some environmental protection and planning matters are subject to extensive social consultations), the Group does not have full control over the efficiency of the process of securing the required administrative decisions and cannot guarantee that all of the necessary documents will be issued within the expected deadlines or that they are not appealed before they become final, or that the obtained consents and decisions will not be withdrawn.

Failure to obtain the required decisions, any delay in obtaining such or any changes thereto may adversely affect the ability to commence, conduct or complete any existing or new projects of the Group. Furthermore, one cannot entirely rule out the risk of changes to administrative decisions concerning any completed projects or such decisions being challenged in the case of the disclosure of legal defects of such decisions, or even declaring the invalidity of any administrative decisions issued in violation of applicable law.

Additionally, no assurances can be given that 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, as the procedure of obtaining the necessary administrative decisions may also be subject to delays related to hostile actions of any third parties entitled to challenge any issued decisions, including entities holding ownership titles to any properties neighbouring the properties on which investment projects of the Group are

carried out or will be carried out in the future. Third parties may, by participating in administrative proceedings related to investment procedures, take action preventing the Group from obtaining the relevant decisions, including by appealing against any decisions issued in the course of investment procedures to administrative authorities of the second instance or to administrative courts. Such actions may result in the suspension of or delays in any deadlines stated in the timetable and abandoning the investment. Any claims raised against the Group, regardless of their validity, may also adversely affect the image of the Group and its projects or the perception of the Group's operations and its projects by its end customers or investors.

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 THE 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, labour or other costs, as well as the lack or limited availability of materials and of qualified workers which may make completion of projects uneconomical;
- costs of external financing;
- 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.

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 REALISE 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.

**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.

**CLIMATE CHANGES MAY REQUIRE CHANGES IN THE OPERATION OF THE GROUP'S PROPERTIES, AND NOT ADAPTING TO THESE CHANGES IN A TIMELY MANNER COULD CREATE A COMPETITIVE DISADVANTAGE AND DECREASE IN RENTAL REVENUE, WHILE ADAPTING TO CHANGES MAY REQUIRE ADDITIONAL CAPITAL EXPENDITURE**

Over last several years the Group has observed changes in climate with significant changes in the average air temperature in the region in which the Group operates. As a result, the Group has invested to upgrade infrastructure in certain of its properties in order to address such increases in average air temperatures. The Group strives to prepare its properties for changing climate in the best possible way. However, it cannot be guaranteed that the Group will not suffer a competitive disadvantage or decrease in rental revenue as a result of not adapting to those changes in timely or appropriate manner. Additionally, the Group cannot assess at that stage what adjustments to its properties will be required going forward to adapt the properties to the changes in climate and what capital expenditure will be required to make those adaptations.

## 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 in a number of countries the Group operates in, including Poland, 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 unfavourable 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. Thus, despite monitoring the risks in the various areas of the Group's operations, the risk of disputes with the tax authorities in terms of the assessment of the tax consequences of certain events or transactions specific to the business of the Group and the industry in which it operates cannot be ruled out.

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.

Moreover, in relation to the cross-border nature of the Group's business, the international agreements, including the double tax treaties, to which members of the Group are a party, also have an effect on the Group companies' business. Different interpretations of the double tax treaties by the tax authorities as well as any changes to these treaties may have a material adverse effect on the business, financial standing or results of the Group companies.

### **CHANGES IN LAWS COULD ADVERSELY AFFECT THE GROUP**

The Group's operations are subject to various regulations in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria and other jurisdictions in which the Group conducts business activities, such as fire and safety requirements, environmental regulations, labour laws, and land use restrictions. If the Group's projects and properties do not comply with these requirements, the Group may incur regulatory fines or damages.

In addition, changes in the labour law introduced in Poland concerning the regulation of remote working may result in a growing share of employees working from home or in a hybrid mode, which may result in a reduced demand for office space.

Moreover, there can be no assurance that if perpetual usufruct fees in Poland are increased, the Group will be able to pass such costs onto its tenants in the form of increased service charges as such increase might lead to a given property becoming less competitive as compared to properties not situated on land subject to perpetual usufruct fees.

Furthermore, the imposition of more strict environmental, health and safety laws or enforcement policies in Central and Eastern Europe ("CEE") and South Eastern Europe ("SEE") could result in substantial costs and liabilities for the Group and could subject the properties that the Group owns or operates (or those formerly owned or operated by the Group) to more rigorous scrutiny than is currently applied. Consequently, compliance with these laws could result in substantial costs resulting from any required removal, investigation or remediation, and the presence of such substances on the Group's properties may restrict its ability to sell the property or use the property as collateral.

New, or amendments to existing, laws, rules, regulations, or ordinances could require significant unanticipated expenditures or impose restrictions on the use of the properties and could have a material adverse effect on the Group's business, financial condition and results of operations.

### **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 FAVOURABLE TERMS**

The Group's real estate developments are financed under loans that 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 currencies of

the geographical markets in which the Group operates, including Polish zloty, Bulgarian leva, Hungarian forint, Romanian lei or Serbian dinar.

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 favourable 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 favourable 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 IN WHICH 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.

For 12-month period ended 31 December 2022, all of the Group's revenues were sourced from its operations in CEE and SEE countries, particularly Poland (41%), Hungary (28%), Bulgaria (9%), Croatia (9%), Romania (7%) and Serbia (6%). These markets are subject to greater risk than more developed markets. CEE and SEE countries still present various risks to investors, such as instability or changes in national or local government authorities, land expropriation, changes in taxation legislation or regulation, changes to business practices or customs, changes to laws and regulations relating to currency repatriation and limitations on the level of foreign investment or development. In particular, the Group is affected by rules and regulations regarding foreign ownership of real estate and personal property. Such rules may change quickly and significantly and, as a result, impact the Group's ownership and may cause it to lose property or assets without legal recourse.

Furthermore, some countries in which the Group operates (such as Serbia) may regulate or require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is a deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on foreign capital remittances abroad. Any such restrictions may adversely affect the Group's ability to repatriate investment loans or to remit dividends. Some CEE and SEE countries, have experienced substantial, and in some periods extremely high, rates of inflation for many years.

Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on the economies and securities markets of certain emerging countries.

In addition, adverse political or economic developments in the countries in which the Group operates and/or neighbouring countries could have a significant negative impact on, among other things, gross domestic product, foreign trade or economies in general of individual countries. The countries and the region in which the Group operates have experienced and may still be subject to potential political instability caused by changes in governments, political deadlock in the legislative process, tension and conflict between federal and regional authorities, corruption among government officials and social and ethnic unrest. In particular, the ongoing armed conflict in the territory of Ukraine and uncertainties regarding its duration, scale and the relationship of the CEE and SEE countries with Russia may affect the attitude of investors towards the regional real estate market and their willingness to invest in the countries neighbouring with Ukraine and Russia, where the Group operates.

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.

### **THE LAND AND MORTGAGE REGISTRY SYSTEMS IN CERTAIN OF THE CEE AND SEE JURISDICTIONS ARE OPAQUE AND INEFFICIENT, AND THE GROUP'S PROPERTIES MAY BE SUBJECT TO RESTITUTION CLAIMS**

The land and mortgage registry systems in certain of the CEE and SEE jurisdictions are non-transparent and inefficient, which may result in delays in the land acquisition process and the registration of many plots into one consolidated plot, which is a requirement before certain projects can be developed. This inefficiency could have a material adverse effect on the business, cash flows, financial condition and results of operations of the Group.

Moreover, the Group may be exposed to the inherent risk related to investing in real estate situated in CEE and SEE countries resulting from the unregulated legal status of some of such real estate properties. Following the introduction of nationalisation in certain CEE and SEE jurisdictions, including Poland and Hungary, during the post-war years, many privately-owned properties and businesses were taken over by such states. In many cases, the requisition of the property took place in contravention of prevailing laws. After the CEE and SEE countries moved to a market economy system in 1989-1990, many former property owners or their legal successors took steps to recover the properties or businesses lost after the war or to obtain compensation. For many years, efforts have been made to regulate the issue of restitution claims in Poland. Despite several attempts, no act regulating the restitution process has been passed in Poland. Under the current law, former owners of properties or their legal successors may file applications with the authorities for the administrative decisions under which the properties were taken away from them to be declared invalid, unless a period of ten years has lapsed from the date of their delivery or announcement. As at the date of the Report, there are no proceedings underway seeking the invalidation of administrative decisions issued by the authorities concerning properties held by the Group. There is no guarantee, however, that restitution claims may not be brought against the Group in the future, and this could have a material adverse effect on the Group's business, financial condition and results of operations.

### **THE GROUP'S CLAIMS TO THE TITLES TO INVESTMENT AND DEVELOPMENT PROPERTIES MAY BE SUBJECT TO CHALLENGE IN CERTAIN CASES, AND PERMITS IN RELATION TO SUCH PROPERTIES MAY HAVE BEEN OBTAINED IN BREACH OF APPLICABLE LAWS**

It may be difficult or, in certain cases, impossible for the Group to establish with certainty that title to a property has been vested in a relevant Group company due to the fact that real estate laws in Poland and other jurisdictions in which the Group operates are complicated and often ambiguous and/or contradictory and the relevant registries may not be reliable. For example, under the laws of Poland, transactions involving real estate may be challenged on many grounds, including where the seller or assignor to a given property did not have the right to dispose of such property, for a breach of the corporate approval requirements by a counterparty or a failure to register the transfer of a title in an official register, when required. Also, even if a title to real property is registered, it may still be contested. Therefore, there can be no assurance that the Group's claim to a title would be upheld if challenged. Further, it is possible that permits, authorisations, re-zoning approvals or other similar decisions may have been obtained in

breach of applicable laws or regulations. Such matters would be susceptible to subsequent challenge. Similar issues may arise in the context of compliance with privatisation procedures and auctions related to the acquisition of land leases and development rights. It may be difficult, or impossible, to monitor, assess or verify these concerns. If any of these permits, authorisations, re-zoning approvals or other similar requirements were to be challenged, this may have a material adverse effect on the Group's business, financial condition and results of operations.

## **RISK FACTORS RELATING TO THE SHAREHOLDING STRUCTURE OF THE COMPANY AND TO CORPORATE GOVERNANCE**

### **THERE MAY BE POTENTIAL CONFLICT OF INTEREST BETWEEN THE GROUP AND THE GROUP'S CONTROLLING SHAREHOLDER**

As at the date of this Report, the GTC's dominant entity is Optimum Venture Private Equity Fund, which is a sole shareholder of GTC Holding Zártkörűen Működő Részvénytársaság holding directly 3.81% of the Company's share capital and a sole shareholder of Alpine Holding Korlátolt Felelősségű Társaság, which indirectly, i.e. through Global Debt Strategy S.à r.l. and further through GTC Dutch Holdings B.V. ("**GTC Dutch**") holds 43.1% of the Company's share capital. Optimum is an investment fund managed by Optima Investment Fund Management Zrt. ("**Optima**"), controlled by Pallas Athene Foundation. Furthermore, on 18 February 2022, GTC Dutch and Icona Securitization Opportunities Group S.A. R.L. ("**Icona**"), holding 15.7% of the share capital of the Company, concluded an assignment agreement, which came into force on 1 March 2022, based on which Icona transferred to GTC Dutch its rights to exercise the voting rights attached to the shares held by Icona. Under such agreement, Icona granted to GTC Dutch an unconditional and irrevocable power of attorney to exercise all of the voting rights attached to its shares in the Company. Moreover, since 1 March 2022, GTC Holding Zrt., GTC Dutch and Icona have been acting in concert based on an agreement concerning their jointly agreed policy towards the Company and the exercise of voting rights in respect of selected matters (such as the approval of the annual report, the distribution of profits generated by the Company, the discharge of duties, the determination of the annual dividend and any interim dividend distributed by the Company, changes to the remuneration policy, etc.) at the general meeting of the Company.

As at the date of this Report, Optima representatives constitute the majority of the supervisory board and may thus control the appointment of the management board. Consequently, Optima may influence the decision making process for the Group. Accordingly, when considering any investment, business and operational matters of the Group and the most appropriate uses of the Group's available cash, the interests of Optima, GTC Dutch, GTC Holding Zrt. and Icona may not be aligned with the interests of the Group or of its other stakeholders. Any such conflicts of interest may have a material adverse effect on the Group's business, financial condition and results of operations.

Moreover, Optima operates in the same market as the Group and they may compete over investments that the Group may be interested in. Any such conflicts of interest may have an adverse effect on the Group's business, financial condition and results of operations.

Furthermore, as in the case of any significant shareholder, all of the shares of the Group may be offered for sale without any restrictions and there can be no assurance as to whether or not they will be sold on the market and at which price. Such sale, or new issuance of shares, may adversely affect the price of the Group's share in the market, or an offering of the Company's shares, if any.

#### **THE RELATED-PARTY TRANSACTIONS CARRIED OUT BY THE GROUP COMPANIES COULD BE QUESTIONED BY THE TAX AUTHORITIES**

The Group has carried out transactions with related parties. When concluding and performing related party transactions, the Group seeks to ensure that such transactions (i) comply with the applicable transfer pricing regulations and (ii) are completed following the issue of a fairness opinion. However, due to the specific nature of related-party transactions, the complexity and ambiguity of legal regulations governing the methods of examining the prices applied, as well as the difficulties in identifying comparable transactions for reference purposes, no assurance can be given that specific Group companies will not be subject to inspections or other investigative activities undertaken by tax authorities or fiscal control authorities. Should the methods of determining arm's-length terms for the purpose of the above transactions be challenged, this may have a material adverse effect on the business, financial condition and results of operations of the Group companies.

## **4. Presentation of the Group**

### **4.1 General information about the Group**

The GTC Group is an experienced, established, and fully integrated real estate company operating in the CEE and SEE region with a primary focus on Poland and Budapest and capital cities in the SEE region, including Bucharest, Belgrade, Zagreb, and Sofia, where it directly manages, acquires and develops primarily high-quality office and retail real estate assets in prime locations. The Company is listed on the Warsaw Stock Exchange and listed on the Johannesburg Stock Exchange. The Group operates a fully-integrated asset management platform and is represented by local teams in each of its core markets.

As of 31 December 2022, the book value of the Group's total property portfolio was €2,321,908. The breakdown of the Group's property portfolio was as follows:

- 44 completed commercial buildings (including 1 office building held for sale), including 38 office buildings and 6 retail properties with a total combined commercial space of approximately 762 thousand sq m of GLA, an occupancy rate at 88% and a book value of €2,050,571 which accounts for 88% of the Group's total property portfolio;

- three office buildings under construction with a total GLA of approximately 61 thousand sq m and a book value of €51,487, which accounts for 2% of the Group's total property portfolio;
- investment landbank intended for future development (including 1 land plot in Poland held for sale in the amount of €3,198) with the book value of €153,604 which accounts for 7% of the Group's total property portfolio;
- residential landbank which accounts for €26,226 (including part of land in Romania held for sale in the amount of €680), which accounts for 1% of the Group's total property portfolio; and
- right of use of lands under perpetual usufruct with value of €40,020 which accounts for 2% of the Group's total property portfolio.

Additionally, GTC holds

- 25% of technology campus (booked as a non-current financial assets) with nine completed buildings with a total GLA of approximately 102 thousand sq m (extends over 72 ha of which 34 ha is undeveloped) and GTC's share of book value amounted to €117,641, which accounts for 5% of the Group's total property portfolio including non-current financial assets;
- 34% of 4 completed commercial buildings (booked as a non-current financial assets) including 3 office buildings and 1 retail property with a total combined commercial space of approximately 41 thousand sq m of GLA, and GTC's share of book value amounted to €12,627 which accounts for less than 1% of the Group's total property portfolio including non-current financial assets.

As of 31 December 2022, the book value of the Group's total property portfolio including non-current financial assets was €2,452,176.

The Group's headquarters are located in Warsaw, at Komitetu Obrony Robotników 45A.

## 4.2 Main events of 2022

### MANAGEMENT BOARD CHANGES AND OTHER CORPORATE EVENTS

On 4 January 2022, National Court Register registered the amendment to the Company's articles of association regarding the increase of the Company's share capital through the issuance of ordinary series O bearer shares. On 10-11 January 2022, the Group recorded proceeds from issue of share capital (net of issuance costs) in amount of €120,400.

On 10 January 2022, the Company received notifications from GTC Holding Zrt and GTC Dutch Holdings B.V regarding a change in the total number of votes in the Company resulting from issue of 88,700,000 ordinary O series shares and registration of the increase in the Company's share capital. Before the abovementioned change, GTC Holding Zrt held, directly and indirectly, 320,466,380 shares in the Company, entitling to 320,466,380 votes in the

Company, representing 66% of the share capital of the Company and carried the right to 66% of the total number of votes in the Company. After the abovementioned change, GTC Holding Zrt holds, directly and indirectly, 359,528,880 shares in the Company, entitling to 359,528,880 votes in the Company, representing 62.61% of the share capital of the Company and carrying the right to 62.61% of the total number of votes in the Company.

On 14 January 2022, GTC entered into a mutual employment contract termination agreement with Mr. Yovav Carmi, former President of the Management Board. Subsequently, Mr Carmi resigned from his seat on the Management Board of the Company and other subsidiaries.

On 21 January 2022, the management board of the Warsaw Stock Exchange (WSE) adopted resolution regarding the admission and introduction to stock exchange trading on the main market of the WSE of 88,700,000 ordinary bearer series O shares in the Company with a nominal value of PLN 0.10 each, according to which the management board of the WSE stated that the series O shares are admitted to trading on the main market and resolved to introduce them to stock exchange trading on 26 January 2022.

On 28 January 2022, Mr. Gyula Nagy resigned from his seat on the Management Board of the Company.

On 19 February 2022, the Company received notification from GTC Dutch Holdings B.V. with its registered office in Amsterdam, the Netherlands (the "Seller") and Icona Securitization Opportunities Group S.à r.l. acting on behalf of its compartment Central European Investments with its registered office in Luxembourg, Grand Duchy of Luxembourg (the "Buyer") that the Seller and the Buyer entered into a preliminary share purchase agreement relating to the acquisition by the Buyer from the Seller of 15.7% of the shares in the Company.

However, pursuant to the notification, the Buyer and the Seller agreed that the shareholders' agreement will constitute an acting in concert agreement within the meaning of Articles 87(1)(5) and 87(1)(6) in connection with Article 87(3) of the Act of 29 July 2005 on Public Offerings and the Conditions for the Introduction of Financial Instruments to the Organised Trading System and Public Companies (the "Act on Public Offering") on joint policy towards the Company and exercising of voting rights on selected matters in an agreed manner. Also, pursuant to the assignment agreement, the Buyer will, among others, transfer to the Seller its voting rights attached to the Shares and grant the power of attorney to exercise voting rights attached to the shares. The assignment agreement expires in case either call or put option under the call and put option agreement is exercised and/or in case of a material default under the transaction documentation. On 1 March 2022, the Company received notification that the transaction was completed, and the Buyer acquired 15.7% of the shares in the Company.

As a result of execution of the transaction, Icona Securitization Opportunities Group S.à r.l. holds 90,176,000 ordinary bearer shares in the Company which constitute 15.7% of total votes at GTC's general meeting, with reservations that (i) all the voting rights were transferred to the Seller and that (ii) Buyer granted the Power of Attorney to Buyer's Voting Rights to the Seller.

As a result of execution of the Transaction GTC Holding Zrt holds jointly 269,352,880 shares of the Company, entitling to 269,352,880 votes in the Company, representing 46.9% of the

share capital of the Company and carrying the right to 46.9% of the total number of votes in the Company, including:

- directly holds 21,891,289 shares of the Company, entitling to 21,891,289 votes in the Company, representing 3.8% of the share capital of the Company and carrying the right to 3.8% of the total number of votes in the Company; and
- indirectly (i.e. through GTC Dutch Holdings B.V.) holds 247,461,591 shares of the Company, entitling to 247,461,591 votes in the Company, representing 43.1% of the share capital of the Company and carrying the right to 43.1% of the total number of votes in the Company.

In addition, GTC Holding Zrt also holds indirectly, through GTC Dutch Holdings B.V., the Buyer's Voting Rights, i.e. the right to exercise 90,176,000 votes in the Company, entitling to 15.7% of the total number of votes in the Company.

Since 1 March 2022, GTC Holding Zrt, GTC Dutch Holdings B.V. and Icona Securitization Opportunities Group S.à r.l. are acting in concert based on the agreement concerning joint policy towards the Company and exercising of voting rights on selected matters at the general meeting of the Company in an agreed manner.

On 17 March 2022, the supervisory board of the Company appointed Zoltán Fekete as the President of the Management Board of the Company, effective immediately.

On 14 June 2022, the Company's shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 160,800 (€34,400). On 18 October 2022, dividend to shareholders was paid in the amount of €33,200.

On 5 July 2022, effective from 15 July 2022, Mr. Pedja Petronijevic resigned from his seat on the Management Board of the Company.

On 10 August 2022, the Management Board of GTC S.A. announced re-orientation of strategy of the Group, within which the Management Board decided to pursue potential new investments in certain new sectors which may diverge from the current core scope of the Company's operations (namely, the development and management of office, retail and certain other types of real estate). Potential new sectors identified for investment as part of the new strategy include:

1. investment in innovation and technology parks;
2. investment in renewable energy facilities; and
3. investment in development of PRS assets (private rented sector property - residential).

On 12 September 2022, the Company received notification on a change in the shareholding of the Company. Pursuant to the Notification, as a result of completion of the intra-group corporate reorganization Global Debt Strategy S.à r.l. ("GDS") being a subsidiary of Alpine Holding Korlátolt Felelősségű Társaságthe ("Alpine"), directly acquired from GTC Holding control over 100% of the shares of GTC Dutch Holdings B.V. As a result of the transaction

Alpine holds indirectly (i.e. through GDS, which in turn indirectly holds through GTC Dutch Holdings B.V) 43.10% of GTC's shares. For more details please see current report no 40/2022.

## **SUPERVISORY BOARD CHANGES**

On 11 March 2022, Mr. Zoltán Fekete resigned from his seat on the supervisory board of the Company. The resignation is effective immediately.

On 11 March 2022, GTC Dutch Holdings B.V. appointed Mr. Gyula Nagy as member of the supervisory board of the Company, effective immediately.

On 22 April 2022, Icona Securitization Opportunities Group S.à r.l. appointed Mr. Bruno Vannini as a member of the supervisory board of the Company, effective immediately.

On 1 June 2022, AVIVA Otwarty Fundusz Emerytalny Aviva Santander reappointed Mr. Marcin Murawski as a member of the supervisory board of the Company, effective 14 June 2022.

On 14 June 2022, the term of office of Mariusz Grendowicz as an independent member of the supervisory board of the Company expired.

On 14 June 2022, the Annual General Meeting appointed Artur Kozieja as an independent member of the supervisory board for a period of three years.

On 2 September 2022 GTC Dutch Holdings B.V. appointed Mr. Mariusz Grendowicz as member of the Supervisory Board of the Company, effective as of 2 September 2022.

On 15 November 2022, Mr. Daniel Obajtek resigned from his seat on the supervisory board of the Company, effective immediately.

## **ACQUISITIONS AND DEVELOPMENTS**

On 13 January 2022, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Zeta DBRNT Kft. ("GTC DBRNT Projekt Kft") from a company related to the majority shareholder of the Company, which owns an existing office building on the Danube riverbank with GLA of 2,540 sqm for a consideration of €7,700. Due to the nature of transaction, the transaction was treated as asset deal.

On 4 February 2022, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Epsilon PSZTSZR Kft. ("GTC PSZTSZR Projekt Kft") from a company related to the majority shareholder of the Company, which owns a land plot of 25,330 sqm in Budapest with existing six old buildings for a consideration of €9,900. The Group is refurbishing the existing buildings and once refurbished, the project will provide a 15,000 sqm new Class A office campus. Due to the nature of transaction, the transaction was treated as asset deal.

On 11 February 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, acquired from Groton Global Corp Napred company ("GTC B41 d.o.o.") in Belgrade holding a land plot of 19,537 sqm for a consideration of €33,800.

In March 2022, the Group has completed a Class A office building in Budapest, Hungary – Pillar.

In March 2022, the Group commenced the development of the third building within the Matrix Office Park in Zagreb – Matrix C.

On 4 July 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, established GTC K43-45 Property Kft. in Budapest for future development project. In July 2022, GTC K43-45 Property Kft acquired a landplot in CBD in Budapest for a consideration of €6,550. The project has an existing building permit for the development of approximately 6,400 sqm of hospitality, student housing or short-term rental apartments.

On 9 August 2022, the Group entered into an agreement concerning a transaction involving a joint venture investment into an innovation park in County Kildare, Ireland (the “Transaction”). The Transaction involves an investment of approximately €115,000 into the Kildare Innovation Campus. The project involves other international professional investors acting through a Luxemburg partnership advised by Icona Capital, an entity from the same group as GTC’s minority partner (for more details please refer to note 18 in consolidated financial statement for the year ended 31 December 2022).

On 28 August 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, acquired 34% of units in Regional Multi Asset Fund Compartment 2 of Trigal Alternative Investment Fund GP S.á.r.l. (“Fund”) for consideration of €12,600 from an entity related to the majority shareholder. The Fund’s focus is commercial real estate investments in Slovenia and Croatia with a total gross asset value of €68,750. The fund expected maturity is in Q4 2028.

In December 2022, the Group has completed a Class A office building in Sofia, Bulgaria – Sofia Tower 2.

In October 2022, the Group has completed a Class A office building in Belgrade, Serbia – GTC X.

In the fourth quarter 2022, the Group commenced the development of the third building within the Center Point complex in Budapest, Hungary – Center Point 3.

## **DISPOSAL OF SUBSIDIARIES**

On 12 January 2022, GTC Group finalized sale of the entire share capital of Serbian subsidiaries: Atlas Centar d.o.o. Beograd, Demo Invest d.o.o. Novi Beograd, GTC BBC d.o.o., GTC Business Park d.o.o. Beograd, GTC Medjunarodni Razvoj Nekretnina d.o.o. Beograd and Commercial and Residential Ventures d.o.o. Beograd and Hungarian company Office Planet Kft. ( which has 70% in shares of sold Serbian entities), following the satisfaction of customary conditions precedent. For details please refer to note 33 to the Consolidated Financial Statements for the year ended 31 December 2022.

On 28 July 2022, GTC has sold Cascade Building S.R.L., a wholly-owned subsidiary of the Company owning Cascade Office Building in Bucharest (4,211 sqm) for €10,300. Net proceeds from sale of subsidiary were €9,600.

On 30 November 2022, GTC has sold GTC Matrix d.o.o. a wholly-owned subsidiary of the Company owning a portfolio of two A-class office buildings in Zagreb – Matrix A and B for €52,200. Net proceeds from sale of GTC Matrix d.o.o. were €51,300.

## **DISPOSAL OF ASSETS**

On 19 July 2022, GTC FOD Property Kft., a wholly-owned subsidiary of the Company, signed a sale and purchase agreement, concerning the sale of the office building Forest Office Debrecen owned by the subsidiary. The selling price under the agreement is HUF 19.1 billion (an equivalent of €47,700 as at 31 December 2022). The transaction was closed on 30 January 2023.

## **REPAYMENT OF BONDS, BANK LOAN REFINANCING AND OTHER CHANGES TO BANK LOAN AGREEMENTS**

On 18 April 2022, GTC SA repaid all bonds issued under ISIN code PLGTC0000292 (full redemption). The original nominal value was EUR 9,440. As of balance sheet date, credit facility was not used.

On 13 May 2022, GTC SA signed an amendment agreement to the revolving facility agreement dated 29 October 2021. As a result, the available amount of unsecured revolving credit facility was increased to €94,000.

On 18 May 2022, Globis Wrocław Sp. z o.o., a wholly-owned subsidiary of the Company, signed a prolongation of the existing facility with Santander Bank Polska. Final repayment date was extended to 31 August 2025 and the outstanding balance of the loan in the amount of €13,500 will be paid as a balloon payment on the maturity date.

On 28 June 2022, GTC UBP Sp. z o.o., a wholly-owned subsidiary of the Company, signed with Berlin Hyp AG amendment agreement to bank loan agreement, according to which a prepayment of €6,100 was made at the beginning of July 2022. The outstanding balance of the loan will be paid as the balloon payment on the maturity date.

On 4 November 2022, GTC SA repaid partially bonds issued under ISIN code PLGTC0000318 (one-third of total issue) in the amount of €17,100 (PLN 73,333) – including hedge component.

## **IMPACT OF THE SITUATION IN UKRAINE ON GTC GROUP**

Since the start of the war in Ukraine on 24 February 2022, even though the Group does not conduct any activities in the territory of Ukraine, Russia or Belarus, it cannot be ruled out that the current geopolitical situation in Europe triggered by this war, which has resulted in a number of macroeconomic consequences for Poland and other European countries, may also have an impact on the Group's operations. The continuation of the war, its scale and further course of military operations may cause an extension of the set of economic sanctions imposed thus far, further disruption in supply chains, limited availability of subcontractors and a general increase in the prices of materials resulting from, among others, rising energy prices, which in turn may translate into significant costs of the implementation of investments carried out by the Group. A significantly higher and volatile costs of energy (severe energy crunch because of steep cuts in natural gas supplies from Russia following the outbreak of the Russia-Ukraine

conflict) and general uncertainties related to the impact of the war in Ukraine on both global and the SEE/CEE economy and the deterioration of the global and regional economies may adversely impact the economic situation of the Group.

As at the date of this report, the impact of the war in Ukraine on the Group's operations is not material. However, it is not possible to estimate the scale of such impact in the future and due to high volatility, the Company monitors the situation on an ongoing basis and analyses its potential impact both from the perspective of individual projects and the entire Group and its long-term investment plans.

#### **EVENTS THAT TOOK PLACE AFTER 31 DECEMBER 2022:**

On 2 January 2023, Otwarty Fundusz Emerytalny PZU "Złota Jesień" appointed Mr. Sławomir Niemierka as member of the Supervisory Board of the Company, effective as of 2 January 2023.

On 19 July 2022, GTC FOD Property Kft., a wholly-owned subsidiary of the Company, signed a sale and purchase agreement, concerning the sale of the office building owned by the subsidiary. The selling price under the Agreement is HUF 19.1 billion (ca. €47,700 as of 31 December 2022). As of 30 January 2023 the full purchase price was paid and the transaction was completed.

On 31 March 2023, GTC Origine Zrt., a wholly-owned subsidiary of the Company, signed a quota transfer agreement to acquire 100% holding of Tiszai Fény Alfa Kft, which owns 9 newly developed solar power plants with installed nominal capacity of max 0.5 MW each, operating in Tiszafüred, Hungary for a consideration of HUF 2.4 billion (ca EUR 6.4m). The project shall be financed partially by a bank facility in the amount of EUR 2.6 million. The transaction is expected to close in Q2 2023.

## **4.3 Structure of the Group**

The structure of Globe Trade Centre S.A. Capital Group as of 31 December 2022 is presented in the consolidated financial statements for the year ended 31 December 2022 in Note 8 "Investment in subsidiaries."

The following changes in the structure of the Group occurred in the year ended 31 December 2022:

- acquisition of GTC PSZTSZR Projekt Kft,
- acquisition of GTC DBRNT Projekt Kft,
- acquisition of GTC B41 d.o.o.,
- acquisition of non-controlling interest and increase to 75% share in GML American Regency Pipera S.R.L.;

- sale of Office Planet Kft.,
- sale of Commercial and Residential Ventures d.o.o. Beograd,
- sale of GTC BBC d.o.o.,
- sale of Atlas Centar d.o.o. Beograd,
- sale of Demo Invest d.o.o. Novi Beograd,
- sale of GTC Business Park d.o.o. Beograd,
- sale of GTC Medj Razvoj Nekretnina d.o.o. Beograd,
- sale of Cascade Building S.R.L.,
- sale of GTC Matrix d.o.o.,
- establishment of wholly-owned subsidiary GTC Flex EAD,
- establishment of wholly-owned subsidiary GTC K43-45 Property Kft.,
- establishment of wholly-owned subsidiary GTC Liffey Kft.,
- establishment of wholly-owned subsidiary GTC UK Real Estate Investments Ltd.,
- change in Glamp d.o.o. Beograd shareholder structure: now GTC S.A. holds directly 30% of shares and remaining 70% shares through a wholly-owned subsidiary GTC Hungary.

## **4.4 Changes to the principal rules of the management of the Company and the Group**

There were no changes to the principal rules of management of the Company and the Group.

During 2022, the following changes in the composition of the management board took place:

- on 13 December 2021, the supervisory board of the Company appointed Mr. Pedja Petronijevic to the management board of the Company (Chief Development Officer) effective as of 15 January 2022 and Mr. János Gárdai to the management board of the Company (Chief Operating Officer) effective as of 1 February 2022. (see current report no 18/2021);
- on 14 January 2022, GTC entered into a mutual employment contract termination agreement with Mr. Yovav Carmi former President of the management board. Subsequently Mr. Carmi resigned from his seat on the management board of the Company and other subsidiaries The resignation is effective immediately (see current report no 7/2022);

- on 28 January 2022, Mr. Gyula Nagy resigned from his seat on the management board of the Company. The resignation is effective immediately (see current report no 11/2022);
- on 17 March 2022, the supervisory board of the Company appointed Mr. Zoltán Fekete to the management board of the Company as the President of the management board (see current report no 21/2022);
- on 5 July 2022, Mr. Pedja Petronijevic resigned from his seat on the management board of the Company. The resignation is effective on 15 July 2022 (see current report no 35/2022).

## 4.5 The Group's Strategy

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 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.

Additionally, in August 2022, the management board of GTC announces strategy expansion. Potential new sectors identified to be considered for investment as part of the new strategy include:

- investment in innovation and technology parks
- investment in renewable energy facilities
- investment in development of PRS assets (private rented sector property - residential).

The management board assumes that the new investments should:

- help GTC diversify its portfolio in new and fast-growing sectors which may be either based on direct real estate investments or operating in related investment platforms
- achieve expected returns from such investments at least the same or higher than the returns on currently held assets in the portfolio;
- involve sectors with more sustainable growth compared to traditional real estate;
- be made in segments of the market which should be resilient to present turbulent market conditions.

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's acquisition strategy includes the acquisition of income generating real estate assets located in European countries, preferable those with higher credit ratings, 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.

### **Optimisation 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 Group's strict criteria, the 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.

During 2022, the Group completed three projects consisting of 55 thousand sq m of office space:

- Pillar - an office building in Budapest, Hungary with an intended GLA of approximately 29,100 sq m;
- Sofia Tower 2 - an office building (part of Mall of Sofia) in Sofia, Bulgaria, with an intended GLA of approximately 7,800 sq m and
- GTC X - an office building in Belgrade, Serbia, with an intended GLA of approximately 17,700 sq m.

Currently, the Group has three projects consisting of 61 thousand sq m of office space under construction:

- Matrix C - an office building in Zagreb, Croatia, with an intended GLA of approximately 10,500 sq m;
- Center Point 3 - an office building in Budapest, Hungary, with an intended GLA of approximately 36,000 sq m and
- Rose Hill Business Campus - an office building in Budapest, Hungary, with an intended GLA of approximately 14,700 sq m.

As of 31 December 2022, projects under construction represent approximately 2% of the Group's portfolio value.

We hold a number of landplots allowing for further development of commercial space. 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 Group intends to continue its real estate management and development activities in Warsaw or regional cities in Poland and in capital cities of European countries, 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 Group adopted the first iteration of its ESG policy. The 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 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 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 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 Group to achieve its business objectives without placing an excessive burden on the environment;
- actively managing the 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 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 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 Group delivers modern buildings, equipped with technology solutions that meet the strict BREEAM or LEED criteria. The 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 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 Group is at all times cognisant of the SDGs in operating its business.

The 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 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.

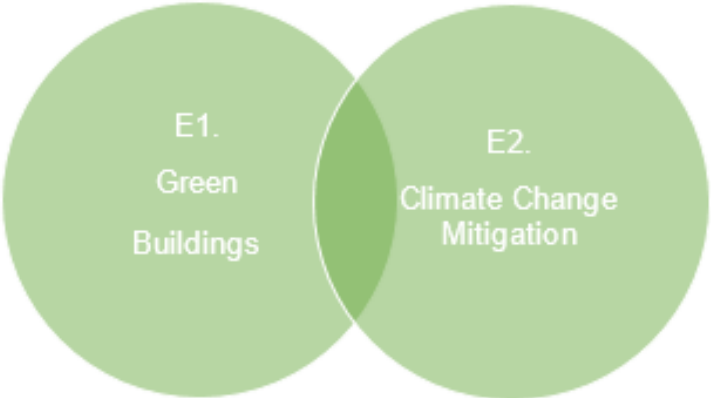
The Group acknowledges the importance of its real estate footprint to society and the environment, and the benefits of maintaining and operating of an efficient and high-quality portfolio.

## ESG Policy Pillars

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

<p style="text-align: center;"><b>ENVIRONMENT:</b> 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><b>FOCUS AREAS OF THE PILLAR:</b></p> <ul style="list-style-type: none"> <li>E.1. Green Buildings</li> <li>E.2. Climate Change Mitigation</li> </ul>	<p style="text-align: center;"><b>SOCIAL:</b> 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><b>FOCUS AREAS OF THE PILLAR:</b></p> <ul style="list-style-type: none"> <li>S.1. Tenants</li> <li>S.2. People</li> <li>S.3. Communities</li> </ul>	<p style="text-align: center;"><b>GOVERNANCE:</b> 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><b>FOCUS AREAS OF THE PILLAR:</b></p> <ul style="list-style-type: none"> <li>G.1. Compliance</li> <li>G.2. Risk Management</li> <li>G.3. Transparency</li> </ul>
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**Pillar I. Focus on Environmental issues ( E )**



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

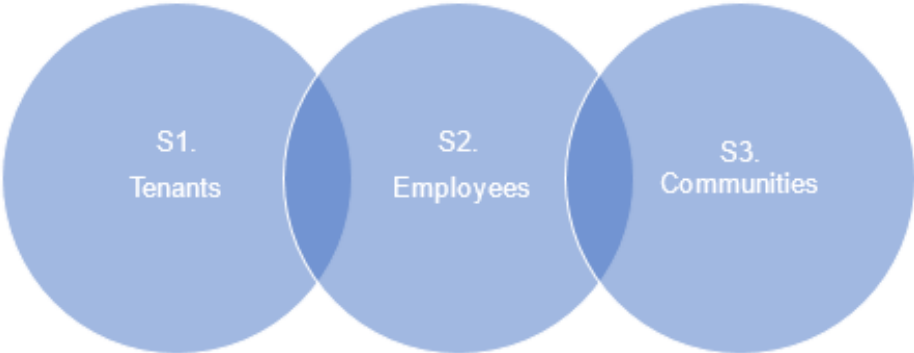
**E1. Green Buildings**

- 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 organisation, developing and monitoring the implementation of the Policy is coordinated by the management board, with the support and assistance of local technical teams.

## 4.6 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 CEE and SEE supplemented by selected development activities.

As of 31 December 2022, the book value of the Group's investment property, residential landbank, and real estate assets held for sale (including right of use) amounted to €2,321,908. The Group's investment properties include income generating assets (completed properties including 1 office building held for sale), projects under construction, commercial landbank, and residential landbank as well as right of use of lands under perpetual usufruct and residential landbank.

Additionally, GTC holds 25% of technology campus (booked as a non-current financial assets) with GTC's share of book value of €117,641, and 34% in the investment fund which holds 4 completed commercial buildings in the SEE region (booked as a non-current financial assets) with GTC's share of book value of €12,627.

### INVESTMENT PORTFOLIO

#### COMPLETED INVESTMENT PORTFOLIO AND REAL ESTATE ASSETS HELD FOR SALE

As of 31 December 2022, the Group manages completed commercial properties with a combined gross rentable area of approximately 762<sup>2</sup> thousand sq m, including 38 office buildings and 6 shopping malls, which constituted 88% of the total property portfolio.

<sup>2</sup> Includes 1 office building held for sale with 25 thousand GLA.

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 ExxonMobil, evosoft, Ericsson, KEF, IBM, Allegro, MKB Bank, Rempetrol, Concentrix, UniCredit, CBRE, LOT, Deloitte, KPMG and others.

The Group's shopping centers are located in both capital cities as well as in secondary cities in Poland, Serbia, Bulgaria, Croatia and Hungary. They are always very highly ranked in the city of their location. The tenants include big multinationals as well as local brands like Carrefour, Cinema City, H&M and the Inditex Group, and others.

### **PROJECTS UNDER CONSTRUCTION**

As of 31 December 2022, the Group had three office buildings classified as an investment under construction with a book value of €51,487, which constituted 2% of the Group's total property portfolio.

### **INVESTMENT PROPERTY LANDBANK**

As of 31 December 2022 the Group had land of €153,604 classified as an investment property landbank designated for the future development (€150,406) and commercial land in Poland classified for sale (€3,198), which constituted 7% of the Group's total property portfolio (by value). The landbank has been designated for projects that are on the Group's focus for the coming year, but that have not yet begun, including, Advance Business Center 3 and Napred combined with land plots with a longer estimated development period.

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.

### **RIGHT OF USE - INVESTMENT PROPERTY**

The Group recognized the right of use of lands under perpetual usufruct in the amount €40,020 which constituted 2% of the Group's total property portfolio. The right of use of lands under perpetual usufruct mainly includes right of use of: investment property landbank of €17,526, completed investment property of €21,373.

### **RESIDENTIAL LANDBANK**

As of 31 December 2022, the Group held a residential landbank (including land in Romania held for sale in amount €680 and right of use of residential landbank of €1,064) with a total value of €27,290 which constituted 1% of the Group's total property portfolio.

**NON-CURRENT FINANCIAL ASSETS (RELATED TO INVESTMENT PROPERTY)**

**TECHNOLOGY HUB**

On 9 August 2022, the Group entered into an agreement for a joint investment into an innovation park in County Kildare, Ireland. This transaction involved an initial investment of approximately EUR 115 million into the Kildare Innovation Campus and additional investment of EUR 2 million as at 22 September 2022, according to agreement terms.

As of 31 December 2022, the Group held a minority of 25% of notes (debt instruments) issued by a Luxembourg securitization vehicle financial instrument which accrues a variable return subject to the future proceeds derived from project. The Kildare Innovation Campus extends over 72 ha (of which 34 ha is undeveloped). The fair value of non-current financial assets (Innovation Campus) was €117,641 (for more details please refer to note 18 in consolidated financial statement for the year ended 31 December 2022).

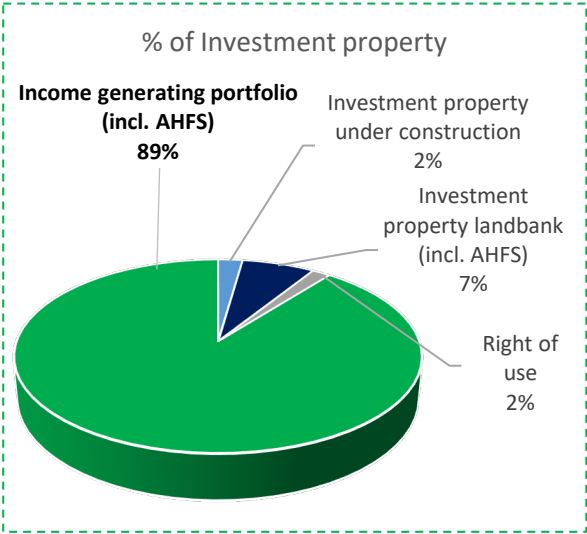
**REAL ESTATE INVESTMENTS IN SLOVENIA AND CROATIA**

Additionally, as of 31 December 2022, the Group holds 34% of units in Regional Multi Asset Fund Compartment 2 of Trigal Alternative Investment Fund GP S.á.r.l. (“Fund”) The Fund is focus on commercial real estate investments in Slovenia and Croatia with a total gross asset value of €68,750. The fund expected maturity is in Q4 2028. The fair value of non-current financial assets (Fund) was €12,627.

As of 31 December 2022, the Group held a non-current financial assets (related to investment property) measured at fair value through profit or loss with a total value of €130,341.

**4.6.1 Overview of the investment portfolio**

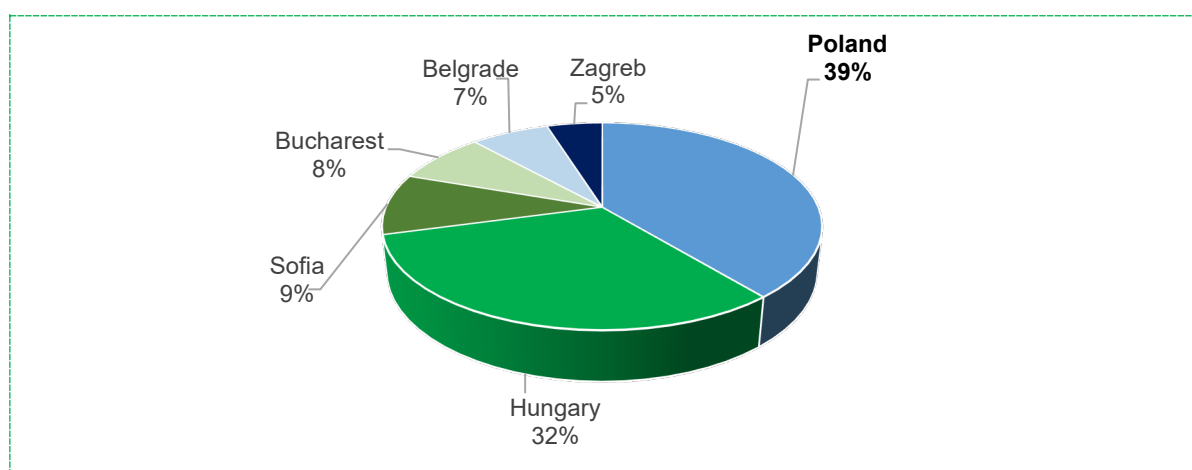
The Group’s strategy focuses on creating value from active management of a growing real estate portfolio in CEE and SEE. The Group has a presence in Poland, Hungary, Belgrade, Bucharest, Zagreb, and Sofia. The Group focused on commercial assets, mainly office buildings and office parks as well as retail and entertainment centers. The Group’s investment properties include income generating assets (completed properties and real estate assets held for sale excluding right of use), projects under construction, investment property landbank (including land held for sale) and right of use.



## 4.6.1.1 Overview of income generating portfolio including real estate assets held for sale

As of 31 December 2022, the Group had 44 income generating assets totalling 762 thousand sq m and valued at €2,050,571 including 1 office asset held for sale valued at €47,700 (disposed on 30 June 2023). The average occupancy rate within the income generating portfolio was 88% (87% excluding office building held for sale) as of 31 December 2022. The portfolio was valued based on an average yield of 6.8%. The average duration of leases in the Group's income generating portfolio was 3.7 years (3.6 years excluding office building held for sale), and the average rental rate was €17.5/sq m/month (€17.7/sq m/month excluding office building held for sale).

Approximately 39% of the income generating portfolio (by value) is located in Poland, 32% in Hungary, 9% in Sofia, 8% in Bucharest, 7% in Belgrade, and 5% in Zagreb.

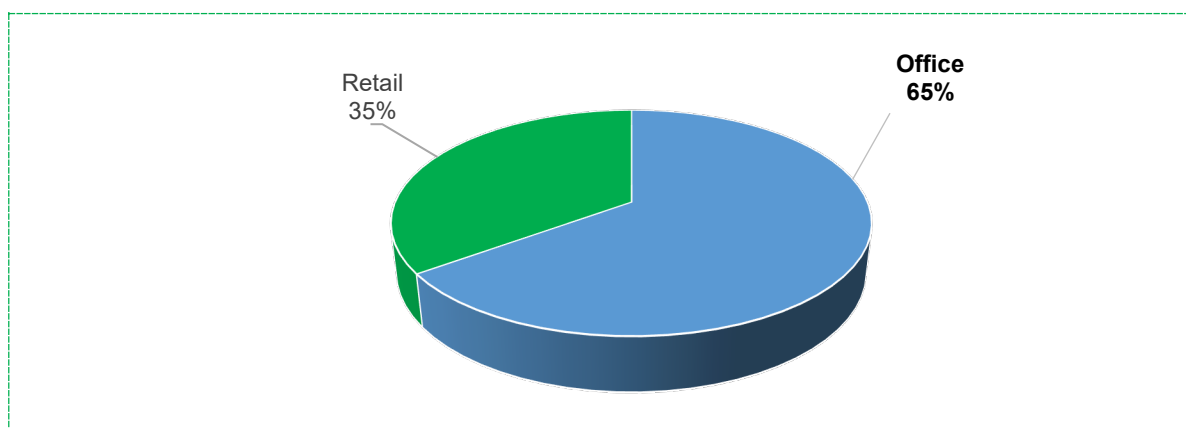


The following table presents income generating portfolio by country in which the Group operates as of 31 December 2022:

Location	Total gross leasable area (sq m)	% of GLA (sq m)	Average occupancy (%)	Book value (€)	% of total book value
Poland	309,300	41%	85%	799,138	39%
Hungary*	229,700	30%	89%	652,348	32%
Sofia	74,700	10%	91%	195,300	9%
Bucharest	62,500	8%	74%	163,785	8%
Belgrade	51,600	7%	98%	140,400	7%
Zagreb	34,400	4%	98%	99,600	5%
<b>Total</b>	<b>762,200</b>	<b>100%</b>	<b>88%</b>	<b>2,050,571</b>	<b>100%</b>

\*Includes 1 office asset held for sale.

The Group is focused on the office sector. As of 31 December 2022, office properties accounted for around 65%, and retail properties accounted for the remaining 35% of the book value of income generating portfolio.



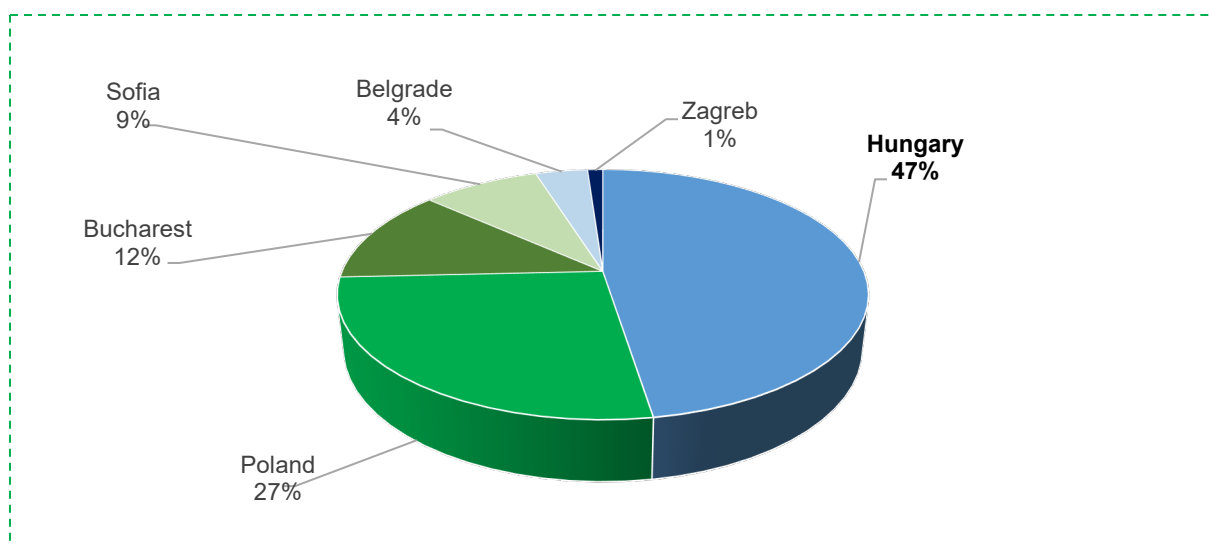
The following table presents income generating portfolio by sector as of 31 December 2022:

Usage type	Total gross leasable area (sq m)	% of GLA (sq m)	Average occupancy (%)	Book value (€)	% of total book value
Office	558,000	73%	84%	1,330,671	65%
Retail	204,200	27%	96%	719,900	35%
<b>Total</b>	<b>762,200</b>	<b>100%</b>	<b>88%</b>	<b>2,050,571</b>	<b>100%</b>

#### 4.6.1.1.1 Overview of the office portfolio

As of 31 December 2022, the Group office portfolio comprises 38 office buildings (including 1 building held for sale). Total gross rentable office space was 558 thousand sq m compared to 649 thousand sq m as of 31 December 2021. The total value of the office portfolio as of 31 December 2022 was €1,330,671 ( including the book value asset held for sale in the amount of €47,700) compared to €1,475,542 ( including the book value assets held for sale in the amount of €266,763) as of 31 December 2021. The decrease in value is mainly attributable to sale of Serbian office portfolio partially offset by completion of 3 office buildings – Pillar (Budapest) ,GTC X (Belgrade) and Sofia Tower 2 (Sofia).

The Group's office buildings are located in Poland and Hungary and capital cities of CEE and SEE region: Belgrade, Zagreb, Bucharest, and Sofia.



The following table presents the office portfolio by country as of 31 December 2022:

Location	Total gross leasable area (sq m)	% of GLA (sq m)	Average occupancy (%)	Book value (€)	% of total book value
Hungary	223,200	40%	89%	631,648	47%
Poland	195,700	35%	80%	356,438	27%
Bucharest	62,500	11%	74%	163,785	12%
Sofia	52,000	10%	89%	113,600	9%
Belgrade	17,700	3%	94%	50,400	4%
Zagreb	6,900	1%	96%	14,800	1%
<b>Total</b>	<b>558,000</b>	<b>100%</b>	<b>84%</b>	<b>1.330,671</b>	<b>100%</b>

#### 4.6.1.1.1 Office portfolio in Hungary

The Group's total gross rentable area in Hungary comprises 223 thousand sq m in twelve office buildings located mostly in Budapest (one office building in Debrecen was classified as held for sale and finally sold on 30 January 2023). The occupancy rate was 89% (87% excluding office building held for sale). The average duration of leases was 4.1 years at the year-end (3.9 years excluding office building held for sale), and the applied average yield was 6.1% (6.0% excluding office building held for sale). The average rental rate generated by the office portfolio in Hungary was €16.4 sq m/month (€16.8/sq m/month excluding office building held for sale). The book value of the Group's office portfolio in Hungary amounted to €631,648 as of 31 December 2022, as compared to €505,437 as of 31 December 2021. This increase is attributable mainly to the completion of Pillar office building and acquisition of one office building.

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&II	Budapest	100%	40,700	2004/2006 under redevelopment
Duna Tower	Budapest	100%	31,200	2006
GTC Metro	Budapest	100%	16,200	2010
Vaci 173-177 <sup>1</sup>	Budapest	100%	6,400	-
Vaci Greens D	Budapest	100%	15,600	2018
Ericsson Headquarter evosoft Hungary Ltd. Headquarter	Budapest	100%	21,100	2017
V188	Budapest	100%	20,700	2020
Forest Offices <sup>2</sup>	Debrecen	100%	15,000	2001
Döbrentei <sup>1 3</sup>	Budapest	100%	24,900	2018
Pillar	Budapest	100%	2,300	-
			29,100	2022
<b>Total</b>			<b>223,200</b>	

<sup>1</sup>Property acquired as landbank for future development, with a small office building located on the plot.

<sup>2</sup> Building classified as asset held for sale and finally disposed in January 2023..

<sup>3</sup> Acquired in 2022.

## 4.6.1.1.1.2 Office portfolio in Poland

The total gross rentable area in Poland comprises 196 thousand sq m in 16 office buildings located in Warsaw, Kraków, Łódź, Katowice, Poznań and Wrocław. The average occupancy rate was at the level of 80%. The average duration of leases was 3.0 years at the year-end, and applied average yield was at the level of 7.7%. The average rental rate generated by the office portfolio in Poland was at the level of €14.7/sq m/month. The book value of the office portfolio in Poland amounted to €356,438 as of 31 December 2022 compared to €373,639 as of 31 December 2021. The decrease comes from a decline in expected rental values and an decrease in occupancy rate.

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

<b>Property</b>	<b>Location</b>	<b>GTC's share</b>	<b>Total gross rentable area</b>	<b>Year of completion</b>
		<b>(%)</b>	<b>(sq m)</b>	
Galileo	Kraków	100%	10,600	2003
Globis Poznań	Poznań	100%	13,800	2003
Newton	Kraków	100%	10,800	2007
Edison	Kraków	100%	10,900	2007
Nothus	Warsaw	100%	9,600	2007
Zephirus	Warsaw	100%	9,600	2008
Globis Wrocław	Wrocław	100%	16,100	2008
University Business Park A	Łódź	100%	20,200	2010
Francuska Office Centre A&B	Katowice	100%	23,000	2010
Sterlinga Business Center	Łódź	100%	13,400	2010
Corius	Warsaw	100%	9,600	2011
Pixel	Poznań	100%	14,400	2013
Pascal	Kraków	100%	5,900	2014
University Business Park B	Łódź	100%	20,200	2016
Artico	Warsaw	100%	7,600	2017
		<b>Total</b>	<b>195,700</b>	

### 4.6.1.1.1.3 Office portfolio in Sofia

The Group's total gross rentable area in Sofia comprises 52 thousand sq m in four office buildings. The occupancy rate of the Group's office portfolio in Sofia was 89%. The average duration of leases was 3.4 years at the year-end, and the applied average yield was 7.9%. The average rental rate generated by the office portfolio in Sofia was at the level of €16.0/sq m/month. Book value of the Group's office portfolio in Sofia amounted to €113,600 as of 31 December 2022 compared to €95,800 as of 31 December 2021. The increase in value was attributed to the completion of Sofia Tower 2.

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

<b>Property</b>	<b>GTC's share (%)</b>	<b>Total gross rentable area (sq m)</b>	<b>Year of completion</b>
Advance Business Center I	100%	16,000	2019
Advance Business Center II	100%	17,800	2020
Sofia Tower	100%	10,400	2006
Sofia Tower 2	100%	7,800	2022
	<b>Total</b>	<b>52,000</b>	

#### 4.6.1.1.1.4 Office portfolio in Bucharest

The Group's total gross rentable area in Bucharest comprises 62 thousand sq m in four office buildings. The occupancy rate was 74%. The average duration of leases was 4.0 years at the year-end, and the applied average yield was 6.3%. The average rental rate generated by the office portfolio in Bucharest was at the level of €18.8/sq m/month. Book value of the Group's office portfolio in Bucharest amounted to €163,785 as of 31 December 2022, compared to €171,985 as of 31 December 2021. The decrease comes mainly from sale of Cascade office building.

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

<b>Property</b>	<b>GTC's share (%)</b>	<b>Total gross rentable area (sq m)</b>	<b>Year of completion</b>
Premium Plaza	100%	8,500	2008
City Gate	100%	47,600	2009
Premium Point	100%	6,400	2009
	<b>Total</b>	<b>62,500</b>	

#### 4.6.1.1.1.5 Office portfolio in Belgrade

The Group's total gross rentable area in Belgrade comprises 18 thousand sq m in one office building. The occupancy rate was at the level of 94%. The average duration of leases was 5.8 years at the year-end, and the applied average yield was 7.2%. The average rental rate generated by the office portfolio in Belgrade was at €18.0/sq m/month. The book value of the Group's office portfolio in Belgrade amounted to €50,400 as of 31 December 2022 compared to €266,763 as of 31 December 2021. All the 11 office assets in Belgrade were held for sale

in 2021. The decrease in value was attributed to the sale of completed office portfolio in Q1 2022 partially offset by completion of GTC X in Q3 2022.

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

<b>Property</b>	<b>GTC's share (%)</b>	<b>Total gross rentable area (sq m)</b>	<b>Year of completion</b>
GTC X	100%	17,700	2022
	<b>Total</b>	<b>17,700</b>	

#### 4.6.1.1.1.6 Office portfolio in Zagreb

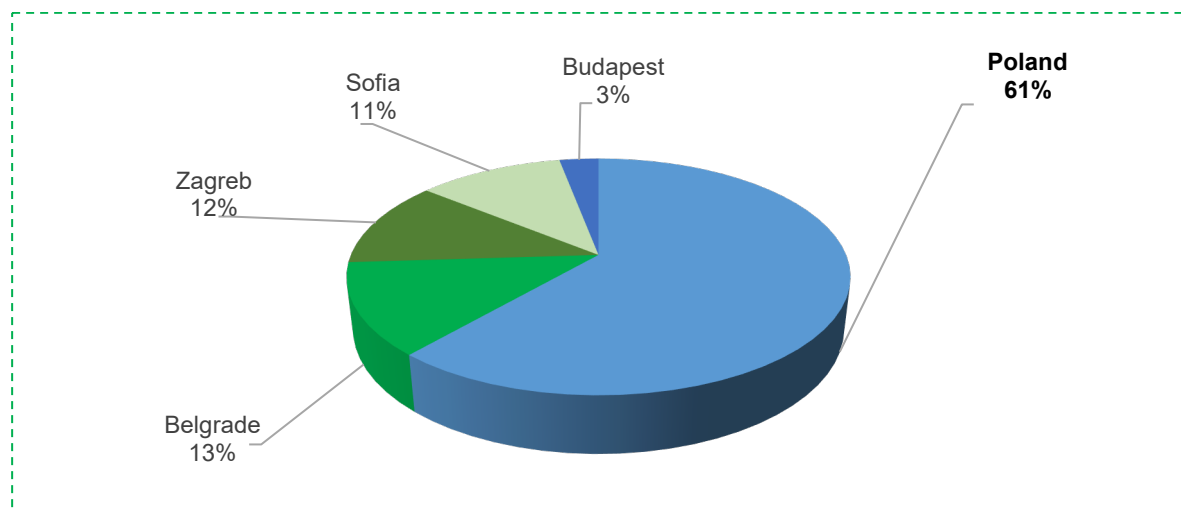
The Group's total gross rentable area in Zagreb comprises 7 thousand sq m in one office building. The occupancy rate of the Group's office portfolio in Zagreb was 96%. The average duration of leases was 2.9 years at the year-end and applied average yield was 8.4%. The average rental rate generated by the office portfolio in Zagreb was at the level of €15.5/sq m/month. Book value of the Group's office portfolio in Zagreb amounted to €14,800 as of 31 December 2022 compared to €61,918 as of 31 December 2021. The decrease in value was attributed to the sale of Matrix A and B.

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

<b>Property</b>	<b>GTC's share (%)</b>	<b>Total gross rentable area (sq m)</b>	<b>Year of completion</b>
Avenue Centre	70%	6,900	2007
	<b>Total</b>	<b>6,900</b>	

## 4.6.1.1.2 Overview of the retail portfolio

As of 31 December 2022, the Group's retail properties comprised six shopping centres with a total gross rentable area of 204 thousand sq m. The total value of retail investment properties as of 31 December 2022 was €719,900 compared to €721,200 as of 31 December 2021.



The following table presents the retail portfolio by country as of 31 December 2022:

Location	Total gross leasable area (sq m)	% of total retail portfolio (%)	Average occupancy (%)	Book value (€)	% of total book value
Poland	113,600	56%	95%	442,700	61%
Belgrade	33,900	17%	100%	90,000	13%
Zagreb	27,500	13%	98%	84,800	12%
Sofia	22,700	11%	97%	81,700	11%
Budapest	6,500	3%	89%	20,700	3%
<b>Total</b>	<b>204,200</b>	<b>100%</b>	<b>96%</b>	<b>719,900</b>	<b>100%</b>

### 4.6.1.1.2.1 Retail portfolio in Poland

The total gross rentable retail space in Poland comprises 114 thousand sq m in two retail schemes located in Warsaw and Częstochowa. The average occupancy rate was 95%. The average duration of leases was 3.3 years at the year-end, and the applied average yield was 6.2%. The average rental rate generated by the retail portfolio in Poland was €21.5/sq m/month. The book value of the Group's retail portfolio in Poland amounted to €442,700 as of 31 December 2022, as compared to €443,000 as of 31 December 2021.

The following table lists the Group's retail properties located in Poland:

<b>Property</b>	<b>Location</b>	<b>GTC's share (%)</b>	<b>Total gross rentable area (sq m)</b>	<b>Year of completion</b>
Galeria Jurajska	Częstochowa	100%	48,600	2009
Galeria Północna	Warsaw	100%	65,000	2017
		<b>Total</b>	<b>113,600</b>	

#### 4.6.1.1.2.2 Retail portfolio in Belgrade

The total gross rentable retail space in Belgrade comprises 34 thousand sq m in one shopping mall. The average occupancy rate was 100%. The average duration of leases was 4.4 years at the year-end, and the applied average yield was 8.5%. The average rental rate generated by the retail portfolio in Belgrade was at €18.7/ sq m/month. Book value of the Group's retail portfolio in Belgrade amounted to €90,000 as of 31 December 2022 as compared to €90,700 as of 31 December 2021.

The following table lists the Group's retail properties located in Belgrade:

<b>Property</b>	<b>GTC's share (%)</b>	<b>Total gross rentable area (sq m)</b>	<b>Year of completion</b>
Ada Mall	100%	33,900	2019
		<b>Total</b>	<b>33,900</b>

#### 4.6.1.1.2.3 Retail portfolio in Zagreb

The Group's total gross rentable retail space in Zagreb comprises 28 thousand sq m in one retail scheme. The occupancy rate was 98%. The average duration of leases was 4.0 years at the year-end, and the applied average yield was 8.3%. The average rental rate generated by the retail portfolio in Zagreb was at the €21.7/sq m/month. Book value of the Group's retail portfolio in Zagreb amounted to €84,800 as of 31 December 2022 compared to €85,400 as of 31 December 2021.

The following table lists the Group's retail properties located in Zagreb:

Property	GTC's share (%)	Total gross rentable area (sq m)	Year of completion
Avenue Mall Zagreb	70%	27,500	2007
<b>Total</b>		<b>27,500</b>	

#### 4.6.1.1.2.4 Retail portfolio in Sofia

The Group's total gross rentable retail space in Sofia comprises 23 thousand sq m in one retail scheme. The occupancy rate was 97%. The average duration of leases was 4.1 years at the year-end, and the applied average yield was 7.2%. The average rental rate generated by the retail portfolio in Sofia was €22.3 /sq m/month. The book value of the Group's retail portfolio in Sofia amounted to €81,700 as of 31 December 2022 as compared to €80,500 as of 31 December 2021.

The following table lists the Group's retail properties located in Sofia:

Property	GTC's share (%)	Total gross rentable area (sq m)	Year of completion
Mall of Sofia	100%	22,700	2006
<b>Total</b>		<b>22,700</b>	

#### 4.6.1.1.2.5 Retail portfolio in Budapest

The Group's total gross rentable retail space in Budapest comprises 6 thousand sq m in one retail scheme. The occupancy rate was 89%. The average duration of leases was 4.9 years at the year-end, and the applied average yield was 6.0%. The average rental rate generated by the retail portfolio in Budapest was at €18.1/sq m/month. The book value of the Group's retail portfolio in Budapest amounted to €20,700 thousand as of 31 December 2022 as compared to €21,600 as of 31 December 2021.

The following table lists the Group's retail properties located in Budapest.

Property	GTC's share (%)	Total gross rentable area (sq m)	Year of completion
Hegyvidék Office and Retail Center	100%	6,500	2012
<b>Total</b>		<b>6,500</b>	

## 4.6.1.2 Overview of properties under construction

As of 31 December 2022, the Group had three office projects with a total gross rentable area of 61 thousand sq m and a book value of €51,487.

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

<b>Property</b>	<b>Segment</b>	<b>Location</b>	<b>GTC's share</b>	<b>Total gross leasable area (sq m)</b>	<b>Expected completion</b>
Matrix C	office	Zagreb, Croatia	100%	10,500	Q2 2023
Center Point 3	office	Budapest, Hungary	100%	36,000	Q3 2025
Rose Hill Campus	office	Budapest, Hungary	100%	14,700	Q1 2024
<b>Total</b>				<b>61,200</b>	

## 4.6.1.3 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 in SEE, the timeframe for stabilization of had to be re-assessed, and consequently expectations for stabilized income were deferred.

As of 31 December 2022, the Group had land classified as investment property landbank designated for future commercial development of €150,406 and land bank held for sale of €3,198. The landbank, designated for future commercial development, includes projects on Group's focus for the coming years.

The following table lists the Group's projects that are ready to be launched in next 24 months:

<b>Property</b>	<b>Segment</b>	<b>Location</b>	<b>GTC's share</b>	<b>Total gross leasable area (sq m)</b>
Advance Business Center 3	office	Sofia, Bulgaria	100%	9,200
Spatio	residential	Bucharest, Romania	100%	23,100
Napred	office	Belgrade, Serbia	100%	72,400
<b>Total</b>				<b>104,700</b>

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.

#### 4.6.1.4 Right of use

The Group recognized the right of use of lands under perpetual usufruct in the amount €40,020 which constituted 2% of the Group's total property portfolio. The right of use of lands under perpetual usufruct mainly includes right of use of: investment property landbank of €17,526, completed investment property of €21,373.

#### 4.6.2 Residential landbank

As of 31 December 2022, the Group held a residential landbank (including land in Romania held for sale in amount €680 and right of use of residential landbank of €1,064.) with a total value of €27,290 which constituted 1% of the Group's total property portfolio.

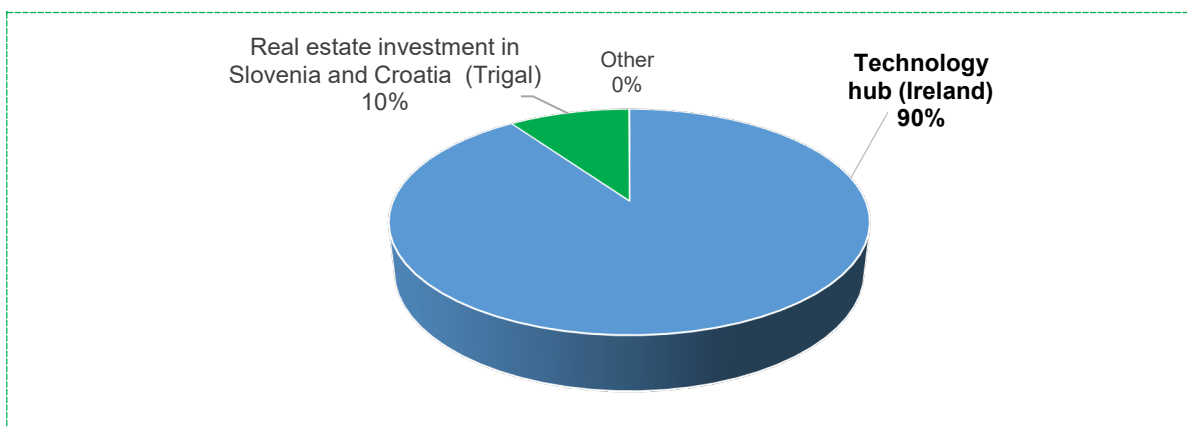
#### 4.6.3 Non-current financial assets (related to investment property)

GTC holds 25% of technology campus (booked as a non-current financial assets) with GTC's share of book value of €117,641, and 34% of 4 completed commercial buildings (booked as a non-current financial assets) with GTC's share of book value of €12,627.

As of 31 December 2022, the Group held a non-current financial assets (related to investment property) measured at fair value through profit or loss with a total value of €130,341.

The fair value of non-current financial assets was as follows:

	<b>31 December 2022</b>
Notes (Ireland)	117,641
Units (Trigal)	12,627
Other	73
<b>Total</b>	<b>130,341</b>



### TECHNOLOGY HUB

On 9 August 2022, the Group entered into an agreement for a joint investment into an innovation park in County Kildare, Ireland. This transaction involved an initial investment of approximately EUR 115 million into the Kildare Innovation Campus and additional investment of EUR 2 million as at 22 September 2022, according to agreement terms. GTC acquired financial instruments, a minority of 25% of notes (debt instruments) issued by a Luxembourg securitization vehicle, which entitle to participate in profit generated by the campus. The debt instruments do not meet SPPI test therefore they are measured at fair value through profit or loss.

Kildare Innovation Campus, located outside of Dublin, extends over 72 ha (of which 34 ha is undeveloped). There are nine buildings that form the campus (around 101,685 sqm): six are lettable buildings with designated uses including industrial, warehouse, manufacturing and office/lab space. In addition, there are three amenity buildings, comprising a gym, a plant area, a campus canteen, and an energy center. The campus currently generates around €6,260 gross rental income per annum. A masterplan has been prepared whereby the site and the campus are planned to be converted into a Life Science and Technology campus with a total of approximately 135,000 sq m. GTC's investment is protected by customary investor protection mechanisms in case of certain significant project milestones are not achieved in a satisfactory manner.

The fair value of non-current financial assets (Innovation Campus) was €117,641. (for more details please refer to note 18 in consolidated financial statement for the year ended 31 December 2022).

### REAL ESTATE INVESTMENTS IN SLOVENIA AND CROATIA

On 28 August 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, acquired 34% of units in Regional Multi Asset Fund Compartment 2 of Trigal Alternative Investment Fund GP S.á.r.l. ("Fund") for consideration of €12,600 from an entity related to the Majority shareholder. The Fund is focus on commercial real estate investments in Slovenia and Croatia with a total gross asset value of €68,750.

The fund expected maturity is in Q4 2028.

The following table lists the Fund's properties:

<b>Property</b>	<b>City/Country</b>	<b>Type</b>	<b>GTC's share (%)</b>	<b>Total gross rentable area (sq m)</b>	<b>Year of completion</b>
Feniks Building	Ljubljana, Slovenia	Office	34%	14,685	2007
Point Shopping Center	Zagreb, Croatia	Retail	34%	13,644	2013
Rezidenca Building (Loma Center)	Ljubljana, Slovenia	Mixed-use	34%	8,043	2006
Kare A Building (Krdu Building)	Kranj, Slovenia	office	34%	4,928	2007
			<b>Total</b>	<b>41,300</b>	

Non-current 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 recognised in the income statement.

## 4.7 Overview of the markets on which the Group operates<sup>3</sup>

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 8 February 2023.

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As at the date of valuation and at the time this report was drafted, there are a number of negative factors recognized as influencing property markets, exerting downward pressure on property values and reducing liquidity. These include:

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## Ukraine

The full extent of the war in Ukraine and its wider long-term implications, whilst unknown, are contributing to the volatility in global stock markets, high cost inflation, and supply chain delays, particularly within Europe. Further, significant sanctions imposed against Russia and the risk that the war could escalate and directly involve NATO countries are also adversely impacting activities and sentiment.

## Global Economy

The wider global economy is facing several additional negative factors that are contributing to significant cost inflation and causing interest rates to increase.

## Market activity

The property markets can mostly be described as functioning, but there is evidence that both transaction activity, and the sentiment of buyers and sellers, are changing in a number of markets and property sectors. There is a general perception of a changing real estate market and there is a risk that continued volatility, coupled with rising interest rates, will have a material and direct impact on pricing as yields increase. Evidence is starting to emerge of wider bid spreads and price renegotiations, with some transactions even being terminated.

This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly, we highlight the critical importance of the valuation date and advise you to keep the valuation under regular and early review.

## **4.7.1** Office market

Post-pandemic organizations need to define the new purpose for the office and establish the metrics and space typologies that need to be included or adapted in order to respond to new workstyles and the needs of a distributed workforce. The approach to footprint optimization will largely be determined by an organization's appetite for implementing the adapted Next Normal Ways of Working. Embracing hybrid work is key to supporting organizational agility and workforce flexibility.

Each organization's hybrid policy and their structure of implementation will impact office usage. It will differ according to expected peaks in office utilization while supporting work process requirements, business and community needs. Remote working is enabled by effective technology, linking spaces equipped with the right tools and a culture that supports hybrid working. Worker-centric offices become more social & collaborative, affecting layouts and designs while supporting key activities required.

Workplace evolution from cellular spaces and open plan offices providing efficiency towards more flexible spaces offering activity based options for effectiveness has been going on for the past 10-15 years. The pandemic accelerated this trend and put an emphasis on the workplace

experience replying to the diverse needs of teams and individuals. Employees today want more flexibility, more autonomy and the ability to decide when and where to work – in the office, at home or a third place and in the virtual spaces.

Agile and further cooperation methodologies also require redesigned workspaces for different activities both on site and in the virtual space. The overall workplace experience is increasingly about shared function, wellness, hospitality and adaptivity to the ever-changing business needs, leading to the fulfillment of ESG principles – offering a holistic view on the work environment.

As 69% of employers are having difficulties filling jobs, workplace environment became the number one indicator for attraction and retention of workforce. Prioritizing flexibility and work-life balance over salary, 45% of office workers want to work from home 2 or more days a week after the pandemic (also reducing commute time), and 24% feels their wellbeing is best supported in the office. While the purpose of the office has shifted towards social functions, collaboration and innovation, it needs to offer a variety of spaces and technology for focused work more than ever (28% can better focus in the office).

Based on research it seems imperative for businesses to understand how their employees work in a hybrid environment and explore opportunities to ensure a more relevant and highly supportive workplace offering that can adaptively respond to fast changing needs of the business and organization. Workplace transformation is a change process that starts with a workplace strategy co-created with employees and requires change management throughout the entire process of assessment, design and delivery.

Taking into account the start of the pandemic in 2020 and the average 5-year office lease contract, majority of pre-pandemic leases will expire in 2025, therefore companies need to create a new (post-pandemic, hybrid) workplace strategy and reconsider their office space during 2023-2024 accordingly.

## **Budapest**

Office market statistics and changing market dynamics still trigger supply-demand imbalances. However, 2022 had a solid leasing activity, as well as the share of net-take up exceeded the volume of renewals.

Although tenants are still cautious about their relocation and lease extension decisions, slowly improving levels of supply and demand can be seen in the office market. The office vacancy rate has risen further to 11.3%, whilst demand in the 2022 still predicts a progressively improving office market in Budapest.

The total modern, existing office stock currently adds up to 4.25 million sq m, consisting of 3.475 million sq m of 'A' and 'B' category speculative office space as well as 775,000 sq m of owner-occupied space.

Total deliveries in 2022 amount to 267,425 sqm.

Most notable were deliveries in Q3-Q4. For example, the H2O Phase 1 and the owner-occupied MOL Campus with a total of 75,910 sq m. Three new speculative office buildings (Millennium Gardens, Budapest One II. & III. phase, Major Udvar) and a new owner-occupied

building (Bosch Campus II) were delivered to the office market with a total of 82,420 sq m in Q3.

The lack of new supply seems to have been temporary in the previous year. At the end of the fourth quarter, the volume of new deliveries being under construction for 2023, 2024 and 2025 stands at 271,600 sq m out of which approximately 97,000 sq m is already pre-leased.

The total demand of 2022 added up to 391,670 sqm, which shows a 7% increase from 2021, however in Q4 2022, total demand reached 101,480 which was 9% below the same period of previous year. Lease renewals stood for the largest share of total leasing activity with 42%, followed by new leases in the existing stock with 38%, expansions of existing premises reached 9%, pre-leases in new developments reached 7%, while the share of owner-occupied buildings was 4% of the total demand.

Net absorption has remained positive by the end of the fourth quarter, amounting to 53,480 sqm and reached 158,510 sqm year-to-date.

The strongest occupational activity was recorded in Váci Corridor submarket, attracting 37% of the total demand. Central Pest submarket reached second place with 21%, followed by the North Buda with 14%.

The office vacancy rate increased to 11.3%, representing a 0.3 pps increase quarter-on-quarter and 2.1 pps increase year-on-year. The lowest vacancy was registered in North Buda with a 4.1% vacancy rate, whereas the highest vacancy rate remained in the Periphery submarket (31.8%).

In general, we note a trend of increasing rents and service charges due to uncertainty regarding corporates' long-term office strategies caused by the effects of the war, the energy and the construction price increase.

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 up to 18.00 €/sq m/month and in the case of Class 'B' buildings between 12.00 - 15.00 €/sq m/month.

## **Warsaw**

2022 was supposed to bring a long-awaited stabilisation after over two years of turmoil related to Covid-19. However, the Russian aggression in Ukraine has extended this period of disruption with the markets entering a new phase of uncertainty. Geopolitical tensions, an energy crisis and a change in the policies of central banks have triggered recession fears. Although tenant activity in 2022 in Warsaw returned to pre-pandemic levels, currently, all real estate market players remain extremely cautious in taking strategic decisions, as they consider short-term factors (budgetary constraints, new supply gap, inflationary pressure) and long-term issues (hybrid work, sustainable development).

Total existing modern office stock in Warsaw stood at 6.3 million sq m in Q4 2022, of which 11.6% is immediately available. The supply side over 2023 looks set to record a rather weak performance. As the upcoming quarters will see only a moderate increase in construction activity, it is predicted that 2024 will also register a limited number of new investments entering the market.

2022 saw delivery of 236,800 sq m of new office space, of which only 8,700 sq m was completed in Q4. The biggest stock increases were recorded in CBD (99,100 sq m), City Centre (88,700 sq m) and Mokotów (32,000 sq m). During the year a few flagship projects were completed, including Varso Tower (63,800 sq m) and Forest Tower (51,500 sq m) both by HB Reavis, and SkySawa (31,300 sq m) by PHN. In recent years, annual new supply has stood at record levels of 200,000-300,000 sq m. This trend will be reversed over the next two years. In line with our forecast, new office buildings planned for delivery in 2023 will account for 74,000 sq m and 82,000 sq m in 2024.

Despite the market turmoil, leasing activity in 2022 was one of the strongest performances on record. Full-year take-up amounted to 860,000 sq m, which is similar to the record years of 2018-2019. In 2022, the market witnessed the completions of a few spectacular lease agreements > 20,000 sq m. Activity was led by companies in the financial sector, namely PKO BP in SkySawa (pre-let, 31,300 sq m), Pekao S.A. in Forest Tower (pre-let, 30,000 sq m) and Grupa ING in Plac Unii (renegotiation & expansion, 23,500 sq m).

At the end of December 2022, the vacancy rate stood at 11.6% (10.5% in the central zones and 12.4% outside the centre), a decrease of 1.1 p.p. y-o-y and 0.6 p.p. on the previous quarter, respectively. The coming quarters will see a steady decrease in office space availability in the central zones. The vacancy rate in non-central locations will also experience a similar trend, albeit at a slower rate.

Q4 2022 recorded no change in rents for prime office properties located in the central zones. At the end of December, these rents ranged from € 18 to € 26/sq m/month. Rents outside the city centre remained relatively stable at € 11-17/sq m/month. Upward pressure on prime rents will persist over the coming months, especially across the central zones. Currently, mainly due to higher fit-out costs, tenants are predominantly signing longer-term contracts (i.e. for at least seven years) in new buildings. Shorter contracts (three to five years) can still be concluded in older office buildings. Currently, the key element of each lease agreement is flexibility in terms of potential space expansion or reduction. Companies want to ensure that they will be able to swiftly adjust their office requirements in response to risks related to hybrid work and volatile economic conditions.

In 2023, both tenants and landlords will have to face increasing costs of space maintenance. Soaring energy prices and labour costs will translate into much higher service charges across all asset types. According to a preliminary assessment, the rise in service charges y/y will be 30% on average (though in some cases, it may exceed 60%).

## Regional cities Poland

After a gentle slowdown in tenant activity in Q3, the last three months of 2022 again saw a recovery on the corporate side. As a result, the volume of demand on an annual basis amounted to more than 623,200 sqm (+6% y-o-y). This shows that there is not year-on-year decline in office interest. The forecasted total tenant activity for the next few years may remain at a similar level. The so-called "flight to quality" is evident in both the capital and regional markets. Demand for offices remains largely generated by tenant relocations to better quality office buildings. In 2022, more than 50% of the volume of tenant activity was signed in buildings up to five years old, of which 10% were the pre-lets. The largest deals concluded in 2022 are the renegotiation of a confidential tenant in Green Day in Wroclaw for 14,800 sqm, the

relocation of Capgemini in Krakow (pre-let, 13,800 sqm, Fabryczna Office Park) and a new agreement signed by PWC in Katowice in the KTW II building for 12,900 sqm.

In 2022, new completions in regional markets totaled over 405,300 sqm, of which only 73,800 sqm was delivered in Q4. The most space was delivered in Katowice (127,300 sqm) and Krakow (100,500 sqm). At the end of Q4 2022, about 600,000 sqm of modern office space were under construction, which, compared to, for example, 2018 when more than 1 million sqm were under construction, confirms a significant slowdown on the part of investors. As a result of this level of developer filings and the current situation, a gap in new supply is expected in Poland's largest office markets outside of Warsaw starting in 2024.

At the end of 2022, the vacancy rate for the eight major regional markets was 15.3%. The index remained at a comparable level to the previous quarter but was still 1.2 p.p. higher than the same period in 2021. In Q4 2022 the highest share of available office space was recorded in Łódź and Katowice – 21% and 17.1% respectively. With the delivery of new office projects to the market, the vacancy rate will show an upward trend over the course of 2023, while a gradual decline may occur with the gap in new supply estimated for 2024.

In 2022, prime assets across the majority of regional markets recorded rental increases of € 0.25-0,50/ sqm/month. In Q4 2022, the highest rates among the main regional markets were registered in Kraków (€ 14-16 / sqm / month), Wrocław (€ 14-15.5 / sqm / month) and the Tri-City (€ 13.5-15.5 / sqm / month). The regional cities will face upward pressure on prime rental rates moving forward due to recovering occupier activity and high fit-out costs.

## Belgrade

Belgrade office stock is at the level of 1.12 million sq m of GLA, whereas the speculative office stock of Class A and Class B buildings equals 825,000 sq m (75%) while the largest share of modern office supply is situated in New Belgrade's CBD (74%).

Belgrade office market has noted booming year despite ongoing geopolitical and economic circumstances, with several deliveries being added to Belgrade office stock.

During 2022, 85,772 sq m of quality office space has been added to the market. Another 195,000 sq m of modern office space is underway, planned for completion in 2023 and 2024.

Among notable openings is the Skyline AFI Tower with 31 floors and LEED Gold certificate. In New Belgrade, two new office buildings were opened: GTC Office X and Floor Art completed Bridge Plaza. Class B office building Alco BC 1 has been also opened in New Belgrade.

In 2023 we expect further office building openings, especially in the New Belgrade area and City Center. Namely A class office building – Revolucija by local developer Granit Invest and BIGZ. AFI continues with further phase of Airport City and Zmaj office complex along E75 highway. Construction works continue also on the TB 65 office building. GTC is also preparing new scheme along the Napred area.

The Belgrade office market registered 61 office deals in a total take-up volume of app. 59,000 sq m in Q4 2022. Summarizing the whole year, 2022 annual take-up amounted to a record 230,000 sq m representing a year-on-year growth of 45%. Out of annual demand, 86% is recorded in Class A office buildings. The average deal size rose close to 1,000 sq m, mostly due to increased demand for larger premises. Namely, after the easing of COVID-19 related

restrictions during 2021, when some occupiers downsized their offices, 2022 saw increased activity in larger deals, recording 69 transactions of 1,000 sq m and more, as compared to 31 large transactions during 2021.

Headline rents are between 14.5 - 17.0 €/sq m/month (up from 16.5 reported in 2021) in Class A office buildings. Market practice is that buildings are well measure and provisioned with add-on factor to add value to the landlord.

Amid strong occupier activity and lack of new deliveries, the vacancy rate has continued its downward trend and decreased from 7.75% to below 5.00% at the end of the 2022, where we expect the vacancy to stabilize having in mind the pipeline projects that set for completion during 2023-24.

## Zagreb

Zagreb office market is developing and maturing. Most of the office stock is in the Centre of the city, New Zagreb, and the Business District East and West. The Croatian office rental market has more office stock than Belgrade which has double the population. The stock of A and B class offices is approximately 1.5 million sq m.

Zagreb Office market ended the year 2022 with one more new delivery on the market, i.e. the first phase of City Island project has been completed, which contributed to the total supply of modern office stock in Zagreb with additional 15,000 sq m of GLA. Summarizing whole 2022, two office buildings were completed in Zagreb, totaling approx. 20,500 sq m. Hence, the total supply of modern office stock in Zagreb now stands at approx. 1,552,700 sq m, out of which share of Class A stock is 38%, while Class B share is 62%. Additionally, several new office projects are under construction or in preparation phase including Radnicka 75 office building of 3,300 sq m GLA, which is planned for completion in Q1 2023 as well as Grawe Garden Centar totaling 2,100 sq m GLA which should be completed in Q3 2023. Furthermore, Matrix C office building, the third phase of the GTC's Matrix office park, which construction commenced in spring 2022.

During the 2022, after a moderate leasing activity in the first quarter 9,800 sq m, leasing activity picked up in the second quarter, amounting to 20,400 sq m, in the third quarter leasing activity continued in line with the market practice for summer months, when tenants are less active, with the results on the similar level as in Q1. However, in the fourth quarter leasing activity picked up amounting to 22,560 sq m, which resulted with the overall leasing activity in 2022 amounting 62,600 sq m. If we analyze the share per type of business, Consumer sector was the key performer, followed by Computers & Hi-Tech and Manufacturing sectors.

Office vacancy is currently at a record low of below 4% and is expected to remain stable due to low levels of upcoming new supply.

Rental levels are currently generally in the range 13.00 - 15.50 €/sq m/month and are unlikely to move significantly in the short term. However, in certain cases, when it comes to the prime office space, recently developed and situated at the most attractive locations, asking prices vary between EUR 16-17 per square meter on a monthly basis.

## Bucharest

Bucharest modern office stock reached 3.32 million sq m at the end of 2022, after the delivery of 5 buildings with a total gross leasable area of 105,000 sq m until the third quarter of 2022. Overall, during 2022, 124,500 m<sup>2</sup> of office buildings were delivered in Bucharest, 49% below deliveries in 2021.

The Centre-West submarket inaugurated 2 buildings with the highest share of new supply (45%). Sema Offices London & Oslo, with a total area of 31,500 sq m developed by River Development, was delivered in Q1, and AFI Tech Park (Phase 2) with a total area of 24,500 sq m developed by AFI Europe, was delivered in Q2.

Center submarket claimed 22%, with 2 delivered buildings: Tandem, developed by Forte Partners with a total area of 21,000 sq m, in Q1, and, H Tudor Arghezi 21, developed by Hagag with a total area of 7,000 sq m of GLA, in Q3.

Equilibrium (Phase 2), having a total GLA of 19,500 sq m and developed by Skanska, was delivered in Q4 in Floreasca-Barbu Vacarescu submarket (represents 16% of 2022 deliveries). @ EXPO B1 & B2, having a total GLA of 21,000 sq m and developed by Atenor, was delivered in Q1 in North-West (Expozitiei) submarket (represents 17% of 2022 deliveries).

Total gross transactions volume in Bucharest in Q4 2022 totaled almost 85,000 sq m, 29% over the previous quarter, but almost the same as Q4 2021. During 2022 overall, a total of 286,100 sq m were rented in Bucharest, a figure similar to the one registered in 2021. However, net take-up increased by 3% compared with 2021, to 140,500 sq m.

Renewals and renegotiations had the largest share in total transactions volume for 2022.

Most tenants opted for higher-quality office space, approximately 85% of the occupied space during Q4 being in A-class buildings.

Largest renewal transactions in 2022 were represented by Infineon, a renew & expansion deal of 10,000 sq m in Novo Park (in Q3) and NXP, which renewed 9,900 sq m in Campus 6.1 (in Q3).

The vacancy rate throughout 2022 registered a constant decrease, from 14.3% in Q1 to 12.5% in Q4. This was mainly due to higher net take-up during the period and relatively low deliveries.

Prime office rents in Bucharest have increased in 2022 by circa 8% from 18.5 euro in Q1 to 20 euro per sq m per month in Q4, mainly to absorb the inflationary pressure through indexation.

## Sofia

The current modern office stock for rent in Sofia reached 2.11 million sq m at the end of 2022, out of which 61% are considered class A.

Construction activity in H2 2022 decreased by 9% compared to the first half of the year and stands at 228,300 sq m. Two small projects with a total of 10,000 sq m broke ground in the areas of Broad Center and Hladilnika and a 12,000 m<sup>2</sup> project in CBD resumed construction. Most of the construction activity is located in Hladilnika (22%) and along Tsarigradsko Shosse (26%). New construction permits are expected in the areas of Hladilnika and Business Park Sofia.

Approximately 42,000 sq m were delivered in Sofia in H2 2022, adding to a total of 65,000 sq m for the year. This is a steep decrease compared to the volume in 2021 (216,000 sq m). More than half (55%) of the areas that were delivered in 2022 are already leased.

A strong finish of the year for the office space market in Sofia with net take-up standing at 78,800 sq m for H2 2022. This adds up to a total of 158,100 sq m for the year, which is an 11% increase compared to the net take-up volume in 2021.

Another positive aspect is the notable increase in net absorption, with 52,700 sq m for the second half of 2022 and a total of 77,700 sq m for the entire year. This is still below the pre-pandemic levels but is definitely a breath of fresh air for office space developers as it resulted in a notable drop in vacancy, away from the twenty percent mark.

However, the market continues to be dominated by “same-size” relocations or slight contraction of mature companies and a considerable portion of the increase of the net absorption could be contributed to younger companies that are rapidly expanding in the last couple of quarters.

Top tier class A office properties continue to be in high demand as companies increasingly bet on premium working environment to attract talent in an ever so competitive labor market. Hybrid work continues to be the norm with only a slight increase in attendance levels.

A considerable share of the companies that relocated or regeared their leases in 2022 are betting long term on a hybrid ratio between 40% and 50%. On the positive note BPO and IT companies continue to increase the size of their operations in Sofia which counterbalances the above trend and has resulted in the positive net absorption.

Approximately 83,000 sq m are estimated to be delivered in 2023, out of which circa 18% are already pre-leased and another 24% are owner occupied, the remaining being speculative.

The vacancy rate in Sofia has decreased to 18.8%, compared to 20.1% at the end of H1 2022. Vacancy levels have fallen across all submarkets including Tsarigradsko Shosse where the vacancy now stands at 32%.

Falling vacancy levels, especially in more competitive submarkets, increased transactions volume and high inflation have put an upward pressure on rental levels resulting in a slight increase in average asking rents by 1.7%. The disparity between different submarkets remains, as average asking rates in areas with below market availability, such as Hladilnika, have increased with 1.8% while rental levels on Tsarigradsko Shosse decreased slightly with 0.5%.

Prime rents have also increased to €15.5 / sq m while class A rents range from €11.5 – 15.5 / sq m depending on the submarket and building specifications.

## **4.7.2** Retail market

### **Poland**

Forecasts for the next four years point to Poland outperforming and closing the gap on countries in the eurozone. The dynamics of catching-up are anticipated to resume along easing inflation.

Although the first few months of 2023 may see a continuation of 2022's challenging market conditions, short and mid-term economic headwinds are anticipated to ease as the year progresses.

Whereas the eurozone and Poland are likely to face negative GDP dynamics in 2023, Poland is anticipated to rebound with an aggregated 9.1% increase between 2023 and 2026, compared to 5.9% for the Eurozone in the same period (Oxford Economics).

Healthy retail market fundamentals are reflected in the very positive retail sales forecast for the next two years. The average year on year growth of retail sales in Poland (real prices) is expected to be 3.6% in 2023-2026 versus 1.4% for the Eurozone. However, such robust dynamics might be somehow mitigated and postponed by further inflationary pressures becoming more burdensome for Polish citizens.

Secondly, the COVID-19 pandemic has led to major changes in consumer habits and influenced unprecedented growth of e-commerce sales due to the introduced lockdowns and social distancing measures for consumers in Poland. However, with Polish consumers getting back to brick-and-mortar shopping, total e-commerce sales growth rate is returning to pre-covid levels (13% y/y forecasted for 2023). Thus, one of the major challenges will be to provide best-in-class omnichannel solutions for both physical and online clients.

Despite the challenging market conditions, 2022 concluded with a very healthy result for newly delivered space. Total completions for the year summed up to almost 500,000 sq.m. well above the 5-year average across all retail formats. Some 52% of this space was delivered within retail parks, scoring the best annual result in the market history. These were followed by stand-alone warehouses', which accounted for 21%, convenience schemes (17%) and shopping centres (9%).

The largest retail schemes that opened in 2022 included the following: Shopping centre Karuzela in Kołobrzeg (30,000 sq. m. GLA), Retail Park Atut Ruczaj 2 in Kraków

(+25,000 sq. m. GLA), Retail Park Atut Galicyjska in Kraków (20,000 sq. m.), Retail Park Aniołów Park in Częstochowa (17,500 sq. m. GLA) and stand-alone warehouse Agata Meble in Radom (17,000 sq m GLA).

At the same time, however, approx. 22,600 sq. m. GLA was withdrawn from the market due to the closures of a shopping centre and retail park in addition to retail space reduction in the Supersam shopping centre in Katowice.

As a result, at the end of 2022, the total modern retail stock in Poland, including large-scale formats and convenience centres, stood at a total of 16.9 million sq. m. GLA. Four hundred and nine shopping centres account for 9.9 million sq. m. of that space, which equates to a shopping centre density of 260 sq. m. per 1,000 residents, which is more than the European average of 255 sq. m. per 1,000 residents but still less than the average for Western Europe (279 sq. m. per 1,000 residents).

The average vacancy rate for eight major agglomerations in Poland stood at approx. 5.2% in the first half of 2022 (considering the shopping centre format), noting a 73 bps year-on-year decrease.

Nonetheless, the pandemic had a limited impact on the vacancy rates in shopping centres in major agglomerations. The lowest vacancy rate (1.9%) was recorded in the Krakow

agglomeration, which marks a decrease in the rate compared to the first half of 2021 (2.8%). On the contrary, the Lodz, Poznan, Szczecin and Tri-city agglomerations observed a slight increase in the vacancy rate in the range from 0.3% p.p. to 0.7% p.p. compared with the first half of 2021.

## **Warsaw agglomeration**

The Warsaw agglomeration remains Poland's largest market, with 2.02 million sq. m. in large-scale retail formats (GLA > 5,000 sq. m.). A shopping centre format dominates market in Warsaw, with 66% of the stock within big-scale properties.

In terms of the density of shopping centres, Warsaw with 500 sq. m. per 1,000 residents, ranks in the middle among eight major Polish agglomerations. Poznań and Wrocław lead the ranking with 717 and 678 sq. m. per 1,000 residents, respectively. At the same time, the purchasing power of the Warsaw agglomeration reaching €12,525 per capita / year is the highest in the country (exceeds the national average of €7,893 by 57%).

Approximately 53,000 sq. m. GLA is currently under-construction in the Warsaw agglomeration, which consists of shopping centre and retail park formats. The largest project underway is a redevelopment of Nowy Fort Wola by Mayland (28,000 sq. m. GLA).

The average vacancy rate in Warsaw agglomeration remained stable and in August 2022 accounted for 5.3% of total existing stock (considering the shopping centre format), which places Warsaw at a moderate level compared to major agglomerations, just below Poznań and Tri-City.

Prime rents in Warsaw, defined as rents for a 100 sq. m. unit for a fashion and accessories sector tenant noted in the best shopping centres in the market, in the fourth quarter of 2022 stood at the level of 98 – 108 €/ sq. m. / month, which is the highest number recorded in Poland.

## **Belgrade**

Although fourth quarter remarked the outbreak of new strain of Coronavirus, there were no new restrictions imposed.

The market become relatively saturated in during 2020 with opening of BEO Shopping Centre and iBW Galerija.

Total stock in the market amounts to 421,000 sq m representing a density of 254 sq m per 1,000 inhabitants.

Summarizing the whole year, Belgrade retail supply grew by app. 25,000 sq. m, due to completion of three retail parks, all located in suburban municipalities. Throughout the previous year, the most active of all retail sectors was the retail park segment, a trend that will also continue in the forthcoming period. In terms of the future offer, Belgrade retail stock will be enriched by completion of four retail parks during 2023. Israeli investor AFI announced the construction of AFI City Zmaj after the acquisition of the location Zmaj on the highway E75.

During 2022, there has been a strong leasing activity across Belgrade. The most preferred retail scheme for tenants was retail parks followed by shopping centres. Several international brands entered Serbian market in 2022 within existing and newly opened retail schemes, as

well as prime high street locations: Elisabetta Franchi, Karl Lagerfeld, Furla, s. Oliver, Colin's, DoGo, to name a few.

The pandemic era has led to certain changes in consumer behaviour across the globe and emerging trends included the development of online grocery platforms, increasing demand for click & collect, while retailers started to use different omnichannel models, selling on the social platforms, launching an online store, etc. Customer experience has become essential, and landlords are trying to follow the global trends and improve offer by providing additional benefits to the consumers, especially in food and beverage and entertainment segment. Additionally, operators such as Wolt and Glovo are constantly expanding their offer, from F&B to home decor and DIY categories, while 2022 saw the opening of their first ship-from-store concept stores.

Average prime rental rates currently stand at approximately 26.00 - 28.00 €/sq m/month.

## Zagreb

In 2022 shopping centers were allowed principally undisturbed operations with no major restrictions and their operation stabilized at pre pandemic levels.

In the second half of 2022, Zagreb retail market was marked by the opening of the Retail Park Branimirova, developed by Osijek-based developer M-Nekretnine, totaling 8,000 sq m. Summarizing the entire year, with this latest addition, total retail stock in Zagreb was increased to the level of 538,600 sq m of GLA. In terms of the future offer, Zagreb retail stock will be enriched by completion of two retail parks during 2023, which are currently in development phase, both set for completion in the second half 2023.

Shopping center density in Zagreb is about 645 sq m per 1,000 inhabitants. In recent years negotiation strength in the shopping center market in Zagreb has been with occupiers. However, with the improvement of economic and market conditions, we have noted shopping centers stabilizing their position in the market and there has been a fundamental shift by occupiers to the higher quality and better performing schemes.

Regarding newcomers on Zagreb retail market, during 2022, several new brands entered the market, including Equivalenza, the largest Spanish cosmetic brand that opened its first store in Zagreb high-street zone in the first half of the year, as well as Canadian shoe brand Aldo that opened its first outlet store in the second half of the year.

Average prime shopping center rental rates are currently approximately 19.00 - 21.00 €/sq m/month.

## Sofia

The unstable economic situation does not have a negative impact on the development of retail parks and on the expansion of the number of tenants who decide to enter these schemes.

At the end of 2022, an increase in consumption was observed in the country, which accordingly affected the growth in the demand for commercial space.

Retail parks gain priority in development, as they have a more efficient distribution of budget funds and profitability. They occupy a key position in commercial areas. This interest in development is due to the short construction time, the low costs for tenants to maintain the

common spaces of the premises and, as a result, a large flow of people due to lower prices for consumers.

Compared to the first half of 2022, the total modern stock in Bulgaria, including shopping centers, retail parks and outlet centers, has increased by 70,250 sq m during H2. Currently, it amounts to over 1,17 million sq m, out of which 542,800 sq m operating in Sofia. With 815,000 sq m stock countrywide, the shopping center segment didn't see any new completions over the last few years, and this trend will continue in 2023.

No new shopping centers have been delivered in Sofia in 2022. The same trend will continue in 2023 and 2024. Developers and retailers focus on retail parks. Moreover, in 2022, not a single retail park was opened in Sofia.

In the first half of 2022, two retail parks opened: Sevlievo Retail Park and Via Park Sever, in Plovdiv, with a total gross floor area of 22,000 sq m. However, during the second half of 2022, several retail parks opened in other parts of the country: Retail Park Pernik Plaza, Sliven Retail Park, Razlog Retail Park, Smolyan Retail Park, Karlovo Retail Park, Holiday Park Retail Park - Pazardzhik, Retail Park Haskovo, Retail Park Kardjali, with a total gross floor area of 70,250 m<sup>2</sup>.

The retail park projects planned for Sofia have a total area of 130,000 sq m GLA. The delivery for some was initially expected for late 2023 and early 2024 but has since shifted for the end of 2024 or beginning 2025.

The total availability in retail parks in Sofia amounts to 79,000 sq m, including 3 parks, with 99% occupancy.

Consumer demand is aimed at discount chains, drugstores, sports stores, supermarkets, as well as specialty furniture and home decor stores.

The main driver is fast moving goods, drugstores and sports retailers, which continue their expansion in Sofia and regional cities. Discount stores and budget clothing brands that have entered the market in recent years are also adding new stores.

This has stimulated entrepreneurs to develop their businesses and expand actively in smaller cities, and we believe that this expansion will continue in the next two years.

By the end of 2022, retail parks in Bulgaria have reached an area of 355,500 sq m. Moreover, a total of almost 187,000 m<sup>2</sup> are pending delivery.

The Polish discount chain Pepco continued to actively expand its store network. In 2021 the company opened 39 stores in Bulgaria and in 2022 it opened 31 new stores. At the moment, they have 134 stores. The company plans to open another 34 stores in 2023.

Polish fast fashion retailer LPP (House, Cropp, Sinsay) is also actively increasing the number of stores in the country. In 2021 the company opened 7 stores and by the end of 2022 were opened 28 new stores. The company also announced expansion plan aimed at opening new stores in Bulgaria for its brands respectively in 2023: Sinsay 18 units, Cropp 3 units, Reserved + RE Kid 1 units, House 2 units, Mohito 1 units).

The German discount store chain KiK ended 2021 with 21 stores in Bulgaria. Same happened in 2022. Having 42 stores at present, their plans are to open 100 stores in Bulgaria, with 10-15 new locations per year.

The German discount chain for household needs Tedi which entered the Bulgarian market recently with the store format between 700 and 800 sqm, plans to open the first 10 stores in Bulgaria in 2023.

The Danish company JYSK started operations in Bulgaria in 2005. Now JYSK Bulgaria has 49 stores in addition to its e-commerce. The company plans to continue expanding with new stores on the local market in 2023, as well as kick off delivery operations in Turkey. JYSK Bulgaria will open at least 6 new stores in Bulgaria in 2023.

In the last months of 2022, the vacancy rate in Sofia rose to 6.6%.

Prime rental rates currently stand at 35 €/sq m/month for shopping centres, 8-10 €/sq m/month for retail parks and 50 €/sq m/month for high street.

Prime rents relate to a well-located 100 sq m unit shop from the fashion and accessories category. The unit is part of the leading retail assets in the capital city (for retail parks – 2,000 sq m units).

### 4.7.3 Investment market

#### Poland

The Poland investment volumes almost reached the €6 billion threshold during 2022 which translates into the fourth best full year result on record, however down by 6% on 2021. Despite this continuing robust activity, performance is divergent across both property sectors and asset subtypes.

In 2022 the total office investments in Poland reached €2.2 billion, exceeding the full year volume of the previous year by 26%. The impressive amount of capital allocated in the office segment was generated by core Warsaw transactions of unprecedented scale. Transactions concluded in the regional markets accounted for over 50% of 2022's turnover. US & European capital has dominated overall volumes across all sectors in 2022. European investors have been represented mainly by Germany, Czech Republic and Sweden.

Rising financing and development costs have caused upward movement in office yields. However, best in class assets, as was seen during the last year, remain a very attractive investment product. As of the end of Q 4 the yield for prime Warsaw assets, with five-year lease agreements, was expected at approx. 5.25%. The prime cap rates in Kraków and Wrocław which remain the core regional cities, are currently at approx. 6.00%.

The 2022 retail investment volume exceeded €1.4 billion which translates into the highest level reached since 2019 and a substantial growth compared to results of 2020 and 2021 up 99% and 40% respectively. Although, there is still no recent transactional evidence in Warsaw, JLL estimates the prime shopping centre yields at 5.75%. Following compression in Q1 the prime cap rates for the best retail parks are currently estimated 6.75%.

#### Hungary

The annual activity resulted in result of just above €900 mill., marking the lowest annual activity since 2015 in the country. This subdued activity clearly reflects the economic headwinds which impact real estate all around the world. The rising interest rates in parallel with the worsening

economic sentiment hinder investment activity and make buyers and financial providers cautious. Financing terms and conditions are becoming stricter while banks are getting selective in regards of asset classes, locations, and property fundamentals. Furthermore, buyers focus on ESG requirements in parallel with peaking scrutiny on energy efficiency and many older assets struggle to meet these high requirements.

Approximately 80% of the annual volume included income generating transactions, while the remaining 20% was made up by assets suitable for redevelopment purposes, development sites and owner occupation. Approx. 24% of the annual volume was generated by a mega-deal: the sale of a significant part of Tesco's Hungarian portfolio including 14 assets country-wide. The transaction is among the top 10 largest deals in the Hungarian market ever. As usually, domestic purchasers remained the most active buyers on the market generating more than 60% of the acquisitions. That said, despite of the difficult market environment we recorded a wide variety of active international buyers from all over the world including China, France, Canada, UK, USA etc.

The strongest activity was recorded in the office asset class, which generated approx. 35% of the annual investment volume. It was closely followed by retail (30%), due to the Tesco disposals. The logistics sector generated 17% of the volumes whereas the remaining 18% was made up by hotels, re-development opportunities and development sites.

Despite that only a handful of assets were traded, there were some landmark and trophy assets among them. The French investment fund portfolio manager, Groupama Gan REIM, acquired two premium assets in Budapest: Freedom Palace and Green Court Offices. Freedom Palace is a trophy office building in the CBD and was traded with the lowest office yield ever in the Budapest real estate market. Green Court Offices is a brand new, 18,800 sq m office building situated at the Váci Corridor submarket and marked the largest office deal in 2022 in terms of ticket size. After a long marketing process, the disposal of Akadémia Business Center, a 12,700 sq m CBD building, was finalized by the German asset manager, DWS. The asset was acquired by the Pan-European investment manager, Europa Capital, in partnership with ConvergenCe. Furthermore, CA Immo finalized the disposal of R70, a first-generation, 19,000 sq m office building situated in downtown Budapest. The property was acquired by Épkar, a local construction company. During the second half of the year the Hungarian investment manager, WING, also transacted two of its office buildings: Máriássy Ház Modern & Loft. The properties were acquired by GRAWE Immo Ag, the real estate subsidiary of the Austrian GRAWE Group.

Over 2022 yields have shifted in every asset class and a visible repricing happened. According to our views prime yields stand at 5.75% for offices, 6.25% for logistics and 6.50% for shopping centers.

Looking ahead we expect investment activity to pick up somewhat during 2023 once the pricing gap between vendors and purchasers closes.

## **Bucharest**

During 2022 overall, investment deals worth over €1.25 bln. were concluded, 39% above 2021. This is the highest volume recorded since 2007.

We expect investment volumes in 2023 to reach around €800-900 million. This would be in line with the last 5-year average.

The Bucharest investment volumes almost reached €874 million in 2022, accounting for approximately 70% of the total investment volume.

In 2022, the office sector accounted for 63% of total investment volumes, with almost €784 million, followed by retail, with 24% (approximately €305 million), industrial with 8% (€106 million) and hotels with 5% (€58 million).

By far the largest investment deal closed in 2022 was the sale of CA Immo's office portfolio in Bucharest, consisting of 7 buildings with a total GLA of 165,000 m<sup>2</sup>, to local investor Paval Holding, for a reported €377 million.

The second-largest investment deal closed in 2022 was the sale of 60% of a portfolio consisting of 6 retail parks. Prime Kapital sold its shares to MAS Real Estate, which already owned the remaining 40%, for approximately €192 million.

In Q4, the office sector accounted for 80% of total investment volumes, with almost €480 million, followed by retail, with 12% (approximately €70 million), hotels, with 5% (€31 million), while the rest was represented by industrial properties.

By far the largest investment deal closed in Q4 2022 was the sale of CA Immo's office portfolio in Bucharest, consisting of 7 buildings with a total GLA of 165,000 m<sup>2</sup>, to local investor Paval Holding, for a reported €377 million.

The second-largest deal in Q4 was the sale of the first phase of U-Center Campus in Bucharest, developed by Forte Partners, also to Paval Holding, for an estimated €87 million.

Despite the ongoing war in Ukraine and high inflation (and consequent increase in interest rates), the market remains fairly liquid.

During Q4 2022, prime office yields increased by 25 bps, to 7.00%, while prime retail and industrial yields remained the same as in the previous quarter, at 7.25%, respectively 7.50%.

There is upward pressure on yields, that we expect will materialize in the first half of 2023, followed by a more stable second half. Nevertheless, rent indexation and the increase of prime rents will limit the impact of the yield increases on capital values.

Despite of the external factors, the appetite for financing the real estate sector remains in place, especially for prime, income-generating assets. However, hedging requirements and related costs are making financing more expensive.

## **Sofia**

The investment volume in Bulgaria in H2 2022 reached €190 mil, compared to €95.6 mil in H1 (excluding investment land). The total investment activity of close to €300 mil for the entire 2022 brings the year to the typical market levels before the effects of Covid-19.

The market recorded increased interest in the hotel sector as 8 hotels throughout the country were sold in H2. Typically for Bulgaria, the major portion of the market activity is represented by local investors (both sellers and buyers). Continuing the trend from H1, buyers in the office segment are mostly occupiers.

Prime yields for all asset classes remained unchanged as in H1 2022 and were 7.5% for office and shopping centers and 8% for industrial.

As usual, the bulk of all transactions was registered in Sofia. The largest office transaction was the sale-purchase of Mirastar (M2) (built area 28,000 sqm) to the Bulgarian crypto lender Nexo, which is going to occupy 100% of the building.

However, the largest transaction on the market was the sale-purchase of Transcapital's warehouses on Botevgradsko Blvd. in Sofia, for an estimate €67.5 mil, bought by CTP. The property includes existing logistics facilities as well as land potential for further development. CTP stated that they are going to invest an additional €150 mil in the development phase.

Interestingly, the owner of Transcapital also sold another personal investment in the hotel segment, consisting of a portfolio of 4 hotels under the Lion brand (in Sofia, Sunny Beach, Borovets and Bansko). The portfolio was acquired by a local investor.

There were 2 notable transactions in the retail sector – Central Market Hall in Sofia was sold to German retailer Kaufland for €17.5 mil and Retail Park Varna was sold by Bluehouse to a local investor for €13.5 mil.

The general expectation for 2023 is for an increase in the interest rates and hence a slight increase in yields as well. We are yet to find out whether such a scenario will actually become reality as levels of Non-Performing Loans are low for the time being and owners are not pushed to sell.

## Belgrade

Although there have not been any prime asset sales in 2022, we estimate that the prime office yield would be in region of 7.25% - 7.75%. Belgrade has always been a fairly subdued market slow but constant office development, unlike Bulgaria at the on-set EU entrance where there was a massive Boom and Crash of office assets. In comparison, Bulgaria with a similar sized market has more than double the office space.

The most recent is the transactions occurred in 2021, between NEPI Roskcastle and BIG CEE in June 2021 for Kragujevac Plaza Shopping Centre (22.300 sq m of GLA) and Krusevac retail park (8.600 sq m of GLA) for €61 million and Delta City Shopping center was sold to MPC Properties for €115 million.

GTC sold eleven office buildings in five office parks (Green Heart, FortyOne, Belgrade Business Center, 19 Avenue and GTC House), with total area 122,175 sq m to Hungarian investor Indotek Group for €267.6million. This transaction was completed in Q1 2022. This is the biggest transaction ever in the Belgrade market in the office sector.

These transactions that have been realised after the COVID 19 pandemic, confirm liquidity of the Serbian real estate market including retail segment, and the applied yield levels.

## Zagreb

Generally, within the region, Croatia has been among the most active markets considering real estate development and investment volumes. On the economic side, Croatian attractiveness to investors has been underpinned by the fact that Croatia is EU member, its expected economy growth, as well as increasing GDP per capita and purchasing power. On the retail

development side, this is underpinned by the stabilization of retail market as well as the lowest yields in the region. Considering relevant assets - shopping centers, such schemes have been appealing for investors as well, due to the stabilization of market, limited further expansion, and continuous entrance of new brands to the market.

We have noted solid interest in 2021 (Kaufland buying an office building, Business Building One (BB1), Wiener Insurance bought an office building in Radnicka Street and the T-com office building was purchased by the M + Group).

Solid interest in Zagreb office real estate segment has continued (with the transaction carried out in 2022: Agram Group bought Zagreb office tower from Forten Group. The asset comprises office premises on 16 floors as well as garage areas amounting to 6,700 square meters overall.

Also, in 2022 GTC Matrix A and B office buildings were traded to strong local RE group, confirming investors interest and liquidity on the market.

Both prime office and retail yields remain stable, office yield stands at 7.25% and retail yield at 7%.

*Source: JLL in collaboration with IPC Partners and Atrium Property Services d.o.o.*

## **4.8 Information on the Company's policy on sponsorship, charity, and other similar activities.**

As a Group, we set ourselves ambitious business goals that we want to implement in a sustainable manner. It is a responsible task for our entire team, which is why creating a stable and motivating work environment is so important to us. All our corporate social responsibility activities are run in a coordinated manner to support local communities in which the Group operates. Such support involves:

- **Enhancement of local infrastructure**, including road and traffic infrastructure. Throughout the Group, we share the principle of taking responsibility for the space we create. The infrastructure created in connection with or for the purposes of the developments constructed is handed over to the local self-government free of charge to be used by all residents. Moreover, prior to the development of the Group's projects, public green areas (such as squares and parks) are placed on undeveloped plots or plots which will surround future developments following their completion by the Group.
- **Local initiatives**. The Group takes an active part in a great number of non-profit activities as a partner, organizer, or sponsor. We often present our projects to local communities. We actively participate in public meetings dedicated to spatial planning. The Group's regional offices know the needs of the local community and the market in which they operate best, so they decide which social topics form a priority for them. The Group participates in and supports local initiatives such as:
  - help for refugees in Ukraine;
  - organization of a free Polish language course for refugees from Ukraine;
  - support of Red Cross with providing a place for blood donations;

- support of charity organizations with providing a place in our shopping malls and office buildings for promotional activities in attracting sponsors and making people aware of their initiatives as well as humanitarian associations and charities;
- promotion of local businesses by continuously providing organic and home-made products for all visitors,
- organization of artwork competition for local elementary schools;
- free medical examination for women and men;
- organization of family picnics;
- organization of monthly garage sales;
- organization of Christmas gift collection;
- opening free parking at night due to bad weather conditions;
- planting trees in Romanian forests;
- a donation of 100 young tree trees to the city of Belgrade.

Additionally Group supports local institutions:

- KAPTÁR Adult Day-care Center in Budapest (provided the day-care center with a monthly allowance);
- the Budapest based St. John's Hospital's preterm intensive care unit (donation);
- Pediatric Hospital in Sofia (sponsoring purchase of body warmer device before blood infusion).

Additionally, Group conducted several local initiatives with support sports activities or participated in sponsorship :

- yoga training - promotion of active leisure time activities;
- exercise games for children during holiday;
- city games for families - promotion of outdoor activities;
- volleyball festival - promotion of a healthy lifestyle;
- Beach Volleyball tournament - Cup of Silesia;
- Open 40+ Championship in beach volleyball in Galeria Jurajska;
- the North Bridge Run ("Bieg przez Most") in Warsaw;
- Charity volleyball – JLL volleyball tournament;
- Mam's Run ("Białołęcki Bieg Mam") in Warsaw;
- Independence Run ("Bieg Niepodległości") in Warsaw and
- Love Run race in Zagreb.

- **Embracing environmental certification.** Out of focus on the environment, the investments of the Company and the Group are fully compliant with LEED or BREEAM guidelines. The Group certified and recertified 17 properties in 2020, 18 in 2021 and 19 in 2022, and is currently in the process of certifying or recertifying 5 other properties its portfolio with LEED and/or BREEAM with a target of 100% certification of the portfolio. As of 31 December 2022, approximately 87% of our properties holds a green certificate or are under recertification, which proves the sustainability of the properties that GTC develop and manage.
- **Partnership for the protection of biodiversity:** With the support of WWF Poland, GTC educated its employees, tenants and local communities on environmental protection and encouraged joint ecological activities.

In 2022, the Group had expenses on the support of charity in the total amount of €439, including: €405 for social organizations, €24 for general donations, €8 for sport related actions and €2 for sponsorship of culture.

## 5. Operating and financial review

### 5.1 General factors affecting operating and financial results

#### GENERAL FACTORS AFFECTING OPERATING AND FINANCIAL RESULTS

The key factors affecting the Group's financial and operating results are discussed below. The Management believes that the following factors and important market trends have significantly affected the Group's results of operations since the end of the period covered by the latest published audited financial statements, and the Group expects that such factors and trends will continue to have a significant impact on the Group's results of operations in the future.

#### ECONOMIC CONDITIONS IN CEE AND SEE

The economic crisis may slow down the general economy in the countries where the Group operates. The economic downturn in those countries may result in reduced demand for property, growth of vacancy rates, and increased competition in the real estate market, which may adversely affect the Group'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 dynamics, 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 Group. Specifically, the Group may be a force to change some of its investment plans. Additionally, the Group may not be able to develop numerous projects in the countries where it operates.

#### REAL ESTATE MARKET IN CEE AND SEE

The Group derives the majority of its revenue from operations from rental activities, including rental and service revenue. For the year ended 31 December 2022 and for the year ended 31

December 2021, the Group derived 74% and 76%, respectively, of its revenues from operations as rental revenue, which significantly depends on the rental rates per sq m and occupancy rates. The amount the Group can charge for rent largely depends on the property's location and condition and is influenced by local market trends and the state of local economies. 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 favourable rent levels. Moreover, for the year ended 31 December 2022 and for the year ended 31 December 2021, the Group derived 26% and 24%, respectively, of its revenues from operations as service revenue, reflecting certain costs the Group passes on to its tenants.

The vast majority of the Group's lease agreements are concluded in euro and include a clause that provides for the full indexation of the rent linked to the European Index of Consumer Prices. When a lease is concluded in another currency, it is typically indexed to euro and linked to the consumer price index of the relevant country currency.

## **REAL ESTATE VALUATION**

The Group's results of operations depend heavily on the fluctuation of the value of assets on the property markets. The Group has its properties valued by external valuers at least twice a year, every June and December. Any change in the 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 the operational performance is primarily determined by current gross rental income per square meter, 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 like 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 premiums. 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, assessed using a comparative method, is determined by referring to the market prices applied in transactions relating to similar properties.

The Group recognized a net loss from revaluation of €29,422 in the year ended 31 December 2022 and €12,867 net loss from revaluation in the year ended 31 December 2021.

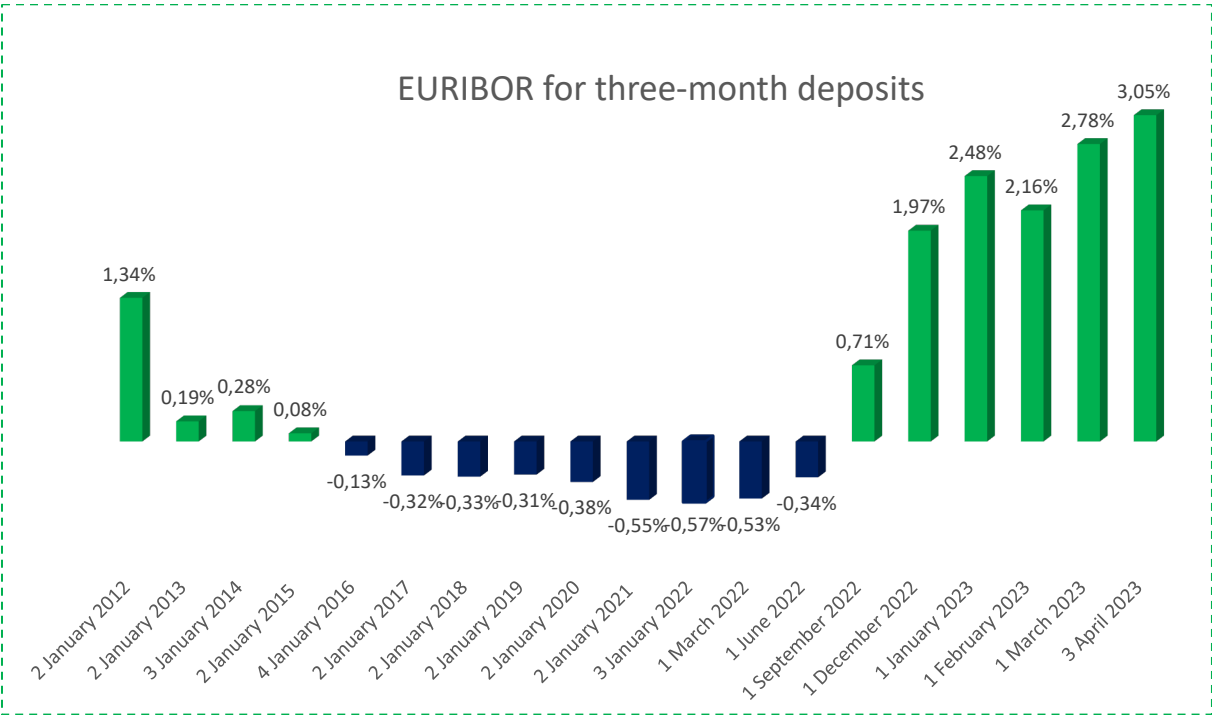
**IMPACT OF INTEREST RATE MOVEMENTS**

Increases in interest rates generally increase the Group’s financing costs. However, as of 31 December 2022, 95% of the Group’s borrowings were either based on fixed interest rate or hedged against interest rate fluctuations, mainly through interest rate swaps and cap transactions.

In an economic environment in which availability of financing is not scarce, demand for investment properties generally tends to increase when interest rates are low, leading to higher valuations of the Group’s existing investment portfolio. Conversely, increased interest rates generally adversely affect the valuation of the Group’s properties, resulting in recognition of impairment that could negatively affect the Group’s income.

Historically, EURIBOR rates have remained close to zero or in the negative territory as presented on the graph below. However due to the inflationary pressure in the last six months of the year the European Central Bank has decided to increase interest rates and it is expected that these shall continue to be on the positive territory in the next years to come.

The graph presents EURIBOR for three-month deposits for the period between 2012 – 2023.



**IMPACT OF FOREIGN EXCHANGE RATE MOVEMENTS**

For year ended 31 December 2022 and 31 December 2021, a vast majority of the Group’s revenues and costs were incurred or derived in euro. Nonetheless, the exchange rates against euro of the local currencies of the countries the Group operates in are an essential factor as the credit facilities obtained may be denominated in either euro or local currencies.

The Group presents its financial statements in euro, its operations, however, are based locally in Poland, Romania, Hungary, Croatia, Serbia, and Bulgaria. The Group receives the vast

majority of its revenue from rent denominated in euro, however, it receives a certain portion of its income and incurs most of its costs (including the vast majority of its selling expenses and administrative expenses) in local currencies, including the Polish zlotys, Bulgarian levas, Hungarian forints, Romanian leis, and Serbian dinars. In particular, the significant portion of the financial costs incurred by the Group includes: (i) the interest on the bonds issued by the Group in Polish zlotys, and (ii) the interest on the bonds issued by the Group in Hungarian forints. The exchange rates between local currencies and the euro have historically fluctuated. The Group hedges its foreign exchange exposure.

The income tax expense (both actual and deferred) in the jurisdictions in which the Group conducts its operations is incurred in such local currencies. Consequently, such income tax expense was and may continue to be materially affected by foreign exchange rate movements.

Accordingly, the foreign exchange rate movements have a material impact on the Group's operations and financial results.

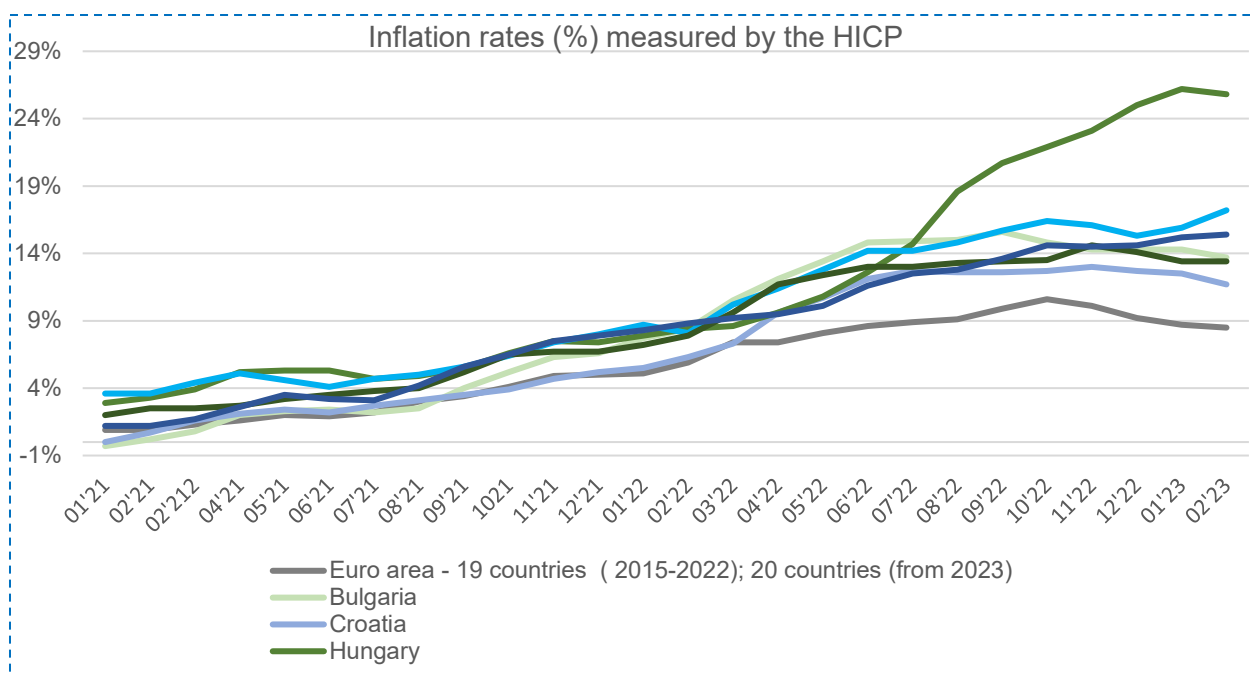
### **IMPACT OF INFLATION**

The COVID-19 outbreak in Europe has led governments to implement rescue packages, as well as supporting monetary policies by the European Central Bank to moderate the economic impact of the pandemic which have a direct or indirect impact on household consumption and thus consumer price indices. Increase of price of energy and services significantly influences the inflation rate.

The Group's financial results are linked to the consumer price index as on one hand its rental revenue is indexed to the European CPI and on the other hand part of its debt is based on floating interest rate, which also may fluctuate as a result of the inflation. Although as of 31 December 2022, 95% of its debt is based on fixed rate or hedged against interest rate fluctuations so the exposure to the changes in interest rate is limited.

Additionally, the Group operates shopping malls and part of its rent (approximately 5% of total revenues from rental activity in 2022) is based on the tenant's turnover, which in may be dependent on the inflation. Tenants' turnover might have an impact on the Group's operations and financial results.

According to Eurostat, the Euro area annual inflation was 9.2% in December 2022 and is expected to further grow. The graph below presents below the Harmonized Index of Consumer Prices (HICP) in countries which Group's operate and the Euro area. The main index reference period currently used is 2015.



\* definition differs (see metadata at <https://ec.europa.eu/eurostat/web/hicp/overview>)

Source: <https://ec.europa.eu/eurostat/web/hicp/overview>

## AVAILABILITY OF FINANCING

In the CEE and SEE markets, real estate development companies, including the companies of the Group, usually finance their real estate projects with proceeds from the issue of the bonds, proceeds from bank loans, loans extended by their holding companies. 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. The unstable geopolitical situation may have negative impact on the cost and availability of the financing. Finally, the availability and cost of financing may impact the Group's development dynamics and the Group's net profit.

## IMPACT OF THE SITUATION IN UKRAINE ON GTC GROUP

Since the start of the war in Ukraine on 24 February 2022, even though the Group does not conduct any activities in the territory of Ukraine, Russia or Belarus, it cannot be ruled out that the current geopolitical situation in Europe triggered by this war, which has resulted in a number of macroeconomic consequences for Poland and other European countries, may also have an impact on the Group's operations. The continuation of the war, its scale and further course of military operations may cause an extension of the set of economic sanctions imposed thus far, further disruption in supply chains, limited availability of subcontractors and a general increase in the prices of materials resulting from, among others, rising energy prices, which in turn may translate into significant costs of the implementation of investments carried out by the Group. A significantly higher and volatile costs of energy (severe energy crunch because of steep cuts in natural gas supplies from Russia following the outbreak of the Russia-Ukraine conflict) and general uncertainties related to the impact of the war in Ukraine on both global and the SEE/CEE economy and the deterioration of the global and regional economies may adversely impact the economic situation of the Group.

As at the date of this Report, the impact of the war in Ukraine on the Group's operations is not material. However, it is not possible to estimate the scale of such impact in the future and due to high volatility, the Company monitors the situation on an ongoing basis and analyses its potential impact both from the perspective of individual projects and the entire Group and its long-term investment plans.

## 5.2 Specific factors affecting financial and operating results

### CORPORATE EVENTS

On 10-11 January 2022, the Group recorded proceeds from issue of share capital (net of issuance costs) in amount of €120,400.

On 18 October 2022, dividend to shareholders was paid in the amount of €33,200.

### ACQUISITIONS AND DEVELOPMENTS

During the year 2022 Group acquired:

- 100% holding of G-Zeta DBRNT Kft. ("GTC DBRNT Projekt Kft") for a consideration of €7,700;
- 100% holding of G-Epsilon PSZTSZR Kft. ("GTC PSZTSZR Projekt Kft") for a consideration of €9,900;
- land plot of 19,537 sqm in Belgrade for a consideration of €33,800;
- land plot in CBD in Budapest for a consideration of €6,550;
- a minority of 25% of notes (debt instruments) in innovation park in County Kildare, Ireland The Transaction involves an initial investment of approximately €115,000;
- 34% of units in Regional Multi Asset Fund Compartment 2 of Trigal Alternative Investment Fund GP S.á.r.l. ("Fund") for consideration of €12,600.

In 2022, the Group has completed:

- a Class A office building in Budapest, Hungary – Pillar;
- a Class A office building in Belgrade, Serbia – GTC X; and
- a Class A office building in Sofia, Bulgaria – Sofia Tower 2.

In March 2022, the Group commenced the development of the third building within the Matrix Office Park in Zagreb – Matrix C.

## DISPOSAL OF SUBSIDIARIES

During the year 2022 Group have sold:

- the entire share capital of Serbian subsidiaries: Atlas Centar d.o.o. Beograd, Demo Invest d.o.o. Novi Beograd, GTC BBC d.o.o., GTC Business Park d.o.o. Beograd, GTC Medjunarodni Razvoj Nekretnina d.o.o. Beograd and Commercial and Residential Ventures d.o.o. Beograd and Hungarian company Office Planet Kft. (which has 70% in shares of sold Serbian entities) Net proceeds from sale of Serbian completed office portfolio were €125,112 (net of cash in disposed assets of €10,475).
- Cascade Building S.R.L., owning Cascade Office Building in Bucharest (4,211 sqm). Net proceeds from sale of subsidiary were €9,600.
- GTC Matrix d.o.o., owning a portfolio of two A-class office buildings in Zagreb – Matrix A and B. Net proceeds from sale of GTC Matrix d.o.o. were €51,300.
- Forest Office Debrecen, office building in Debrecen. The selling price under the agreement is HUF 19.1 billion (an equivalent of €47,700 as at 31 December 2022). The transaction was closed on 30 January 2023.

## REPAYMENT OF BONDS, BANK LOAN REFINANCING AND OTHER CHANGES TO BANK LOAN AGREEMENTS

During the year 2022 Group

- repaid all bonds issued under ISIN code PLGTC0000292 (full redemption). The original nominal value was €9,440.
- increased revolving credit facility to €94,000. As of balance sheet date, credit facility was not used.
- extended final repayment date to 31 August 2025 of the existing facility with Santander Bank Polska and the outstanding balance of the loan in the amount of €13,500 will be paid as a balloon payment on the maturity date.
- prepaid of €6,100 from loan in Berlin Hyp AG (UBP project) . The outstanding balance of the loan will be paid as the balloon payment on the maturity date.
- repaid partially bonds issued under ISIN code PLGTC0000318 (one-third of total issue) in the amount of €17,100 (PLN 73,333) – including hedge component.

## 5.3 Presentation of differences between achieved financial results and published forecasts

The Group did not publish forecasts for 2022.

## **5.4** Statement of financial position

### **5.4.1** 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 land plots, and (iv) right of use.

#### **RESIDENTIAL LANDBANK**

The Group classifies its residential inventory as current or non-current assets based on their development stage within the business operating cycle. The normal operating cycle, in most cases, falls within a period of one to five years. The Group classifies residential inventory, the development of which is planned to be commenced at least one year after the balance sheet date as residential landbank, which is part of its non-current assets.

#### **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.

#### **NON-CURRENT FINANCIAL ASSETS (RELATED TO INVESTMENT PROPERTY) MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS**

Non-current 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 recognised in the income statement.

#### **DERIVATIVES**

Derivatives include hedge instruments held by the Group that mitigate 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 gains 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.

## 5.4.2 Financial position as of 31 December 2022 compared to 31 December 2021

### ASSETS

Total assets decreased by €173,867 (6%) to €2,669,882 as of 31 December 2022 from €2,843,749 as of 31 December 2021.

The value of investment property increased by €3,003 to €2,243,663 as of 31 December 2022 from €2,240,660 as of 31 December 2021, mainly due to investment of €92,192 mostly into assets under construction and €58,519 mostly into the acquisition of a new landbank in Serbia and three assets in Hungary. This increase was partially offset mainly by a reclassification of office building – Forest Office Debrecen and a land in Poland in the amount of €52,296 to assets held for sale, sale of Cascade office building, Matrix A and B for the amount of €61,392, sale of land plots in Poland for the amount of €8,887 and adjustment to fair value of €27,002 loss.

The value of assets held for sale decreased by €240,366 (82%) to €51,635 as of 31 December 2022 from €292,001 as of 31 December 2021, mainly as a result of the completion of the sale of Serbian entities (incl. real estate assets, cash and deposits, and other assets) partially offset by the reclassification of Forest Office Debrecen (€47,700) to assets held for sale.

The value of derivatives increased by €24,021 to €24,847 as of 31 December 2022 from €826 as of 31 December 2021, mainly attributable to the positive valuation of IRS instruments related to secured bank loans.

The value of non-current financial assets (related to investment property) measured at fair value through profit or loss increased by €130,341 as of 31 December 2022 from €0 as of 31 December 2021, mainly due to an initial investment into the Kildare Innovation Campus, Ireland in the amount of €115,000 through the issuance of notes and acquisition of units in Regional Multi Asset Fund Compartment 2 of Trigal Alternative Investment Fund GP S.á.r.l. in the amount of €12,600.

The value of receivables from shareholders decreased to €0 as of 31 December 2022 from €123,425 as of 31 December 2021, following the registration of capital increase by the National Court Register and recording proceeds in January 2022.

The value of prepayments, deferred expenses and other receivables decreased by €3,776 (33%) to €7,739 as of 31 December 2022 from €11,515 as of 31 December 2021, mainly as a result of a decreased on the advances to constructors related to the completion of Pillar office building in Hungary.

The value of VAT and other tax receivables increased to €5,305 as of 31 December 2022 from €2,957 as of 31 December 2021, mainly as a result of purchase of assets and due to development activity.

The value of cash and cash equivalents increased by €27,611 (32%) to €115,079 as of 31 December 2022 from €87,468 as of 31 December 2021, mainly as a result of the disposal of activity in Belgrade, Bucharest and Zagreb on the office sector (net of cash in disposed entities) of €186,163 combined with capital increase in the amount of €120,386, partially offset by the purchase of non-current financial assets (related to investment property) measured at fair value through profit or loss in the amount of €130,341, purchase of completed assets and land in the total amount of €58,113 and expenditures on investment property of €85,359.

## LIABILITIES

The value of loans and bonds decreased by €61,596 (5%) to €1,237,855 as of 31 December 2022 as compared to €1,299,451 as of 31 December 2021 mainly due to repayment of bonds and loans in the amount of €52,125, foreign exchange gain on bonds in PLN and HUF of €12,025 and conversion of loan from non-controlling interest to equity of €5,887. The decrease was offset mainly by drawdown of a top up loan related to the completion of the Pillar project of €6,173.

The value of liabilities held for sale decreased to €0 as of 31 December 2022 from 154,831 as of 31 December 2021 following the disposal of office properties in Serbia.

The value of lease liabilities (incl. current portion of lease liabilities) increased by €2,906 (7%) to €41,871 as of 31 December 2022 from €38,965 as of 31 December 2021, mainly due to the recognition of lease liabilities in the amount of €4,815.

The value of derivatives increased by €7,554 (18%) to €48,978 as of 31 December 2022 from €41,424 as of 31 December 2021 mainly due changes in fair value in relation to the cross currency interest swaps on the Hungarian bonds.

The value of trade payables and provisions increased by €10,116 (33%) to €41,208 as of 31 December 2022 from €31,092 as of 31 December 2021, mainly due to liabilities related to development activity.

The value of income tax payable increased by €2,571 to €3,571 as of 31 December 2022 from €1,000 as of 31 December 2021, mainly due to the income tax payable on the sale of Serbian office portfolio.

## EQUITY

The value of unregistered share capital decreased to €0 as of 31 December 2022 from €120,295 as at 31 December 2021, following registration of the capital increase by National Court Register (Krajowy Rejestr Sądowy).

The value of share capital increased by €1,913 (17%) to €12,920 as of 31 December 2022 from €11,007 as at 31 December 2021, following reclassification of unregistered share capital after share capital increase was registered.

The value of share premium increased by €118,382 (22%) to €668,904 as of 31 December 2022 from €550,522 as at 31 December 2021, following the share capital increase at a price above the nominal value.

The value of accumulated profit decreased by €11,172 (2%) to €490,532 as of 31 December 2022 from €501,704 as of 31 December 2021, following distribution of 2021 profit in the form of dividend in the amount of €34,583 partially offset by recognition of profit for the period, in the amount of €23,411.

The value of hedge reserve decreased by €23,388 (76%) to €7,515 as of 31 December 2022 from €30,903 as of 31 December 2021, mainly due to the positive revaluation of the IRS instruments related to secured bank loans, which resulted mainly from an increase in market interest rates.

The value of equity increased by €18,598 (2%) to €1,135,587 as of 31 December 2022 from €1,116,989 as of 31 December 2021 mainly due to recognition of profit of €24,761 and a positive change in the value of hedge reserve by €23,388. Increase was partially offset by distribution of 2021 profit in the form of dividend in the amount of €34,583.

## **5.5 Consolidated income statement**

### **5.5.1 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 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.

## **ADMINISTRATION 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 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 gains 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.

## 5.5.2 Comparison of financial results for the year ended 31 December 2022 with the result for the corresponding period of 2021

### REVENUES FROM RENTAL ACTIVITY

Rental and service revenues decreased by €5,388 (3%) to €166,563 in the year ended 31 December 2022 compared to €171,951 in the year ended 31 December 2021. The Group recognized a decrease in rental revenues of €25,200 following the sale of Serbian office portfolio in the first quarter of 2022 and Cascade office building in the third quarter of 2022. Additionally, the Group observed a decline in average occupancy rate of the office portfolio in Poland and Romania which had a negative impact on revenues.

The decrease was partially compensated by an increase in rental revenues following acquisition of income generating properties and the completion of Pillar in Budapest and GTC X in Belgrade in the amount of €15,300 and an increase in rental revenues from the retail portfolio in the amount of €11,100 as a result of the end of the Covid-19 related discounts and measures taken to help the retail tenants. The Group observed also an increase in an average rental rate following the indexation of its rental rates to the European CPI.

### COST OF RENTAL ACTIVITY

Service cost increased by €3,009 (7%) to €47,365 in the year ended 31 December 2022 as compared to €44,356 in the year ended 31 December 2021. The Group recognized an increase in service costs following acquisition of income generating properties and completion of Pillar and GTC X of €4,850 and an increase in service of €3,500 coming from inflation increase of operational costs. The increase was partially offset by a decrease in the service costs due to the sale of Serbian office portfolio in the first quarter of 2022 and Cascade office building in the third quarter of 2022 of €5,350.

### GROSS MARGIN FROM OPERATIONS

Gross margin (profit) from operations decreased by €8,397 (7%) to €119,198 in the year ended 31 December 2022 as compared to €127,595 in the year ended 31 December 2021, mainly due to an increase in the service charge cost due to inflation, decline in an average occupancy

rate in Poland and Romania combined with a loss in rental and service revenues due to the sale of Serbian office portfolio.

The gross margin on rental activities in the year ended 31 December 2022 was 72% compared to 74% in the year ended 31 December 2021.

### **ADMINISTRATION EXPENSES**

Administration expenses (before provision for the share-based program) increased by €1,979 (14%) to €15,692 in the year ended 31 December 2022 from €13,713 in the year ended 31 December 2021 mainly due to an increase in audit, IT services and other advisory expenses. Mark-to-market of the share-based program resulted in a reversal of share-based provision of €652 in the year ended 31 December 2022 compared to the provision of €432 recognized in the year ended 31 December 2021. The above factors resulted in an increase of administration expenses of €895 (6%) to €15,040 in the year ended 31 December 2022 from €14,145 in the year ended 31 December 2021.

### **LOSS FROM THE REVALUATION OF INVESTMENT PROPERTY AND RESIDENTIAL LANDBANK**

Net loss from the revaluation of the assets amounted to €29,422 in the year ended 31 December 2022, compared to a net loss of €12,867 in the year ended 31 December 2021. Net loss from the revaluation of the investment properties is driven mainly by a decrease in occupancy and an increase in market yields and was partially offset by an increase in value of Matrix C in Zagreb and Pillar in Budapest.

### **FOREIGN EXCHANGE GAIN (LOSS), NET**

Foreign exchange loss amounted to €2,238 in the year ended 31 December 2022, compared to a foreign exchange gain of €196 in the year ended 31 December 2021.

### **FINANCE INCOME**

Finance income amounted to €1,412 in the year ended 31 December 2022 as compared to €304 in the year ended 31 December 2021.

### **FINANCE COSTS**

Finance cost decreased by €10,173 (24%) to €33,108 in the year ended 31 December 2022 as compared to €43,281 in the year ended 31 December 2021 mainly due to change of the financing strategy and shift to non-secured financing. The weighted average interest rate (including hedges) as of 31 December 2022 was 2.21%.

## PROFIT / (LOSS) BEFORE TAX

Profit before tax was €37,522 in the year ended 31 December 2022, compared to a profit before tax of €56,520 in the year ended 31 December 2021. The decrease mainly resulted from lower gross margin from operations, higher loss from revaluation and foreign exchange loss, partially offset by lower finance cost.

## TAXATION

Tax amounted to €12,761 in the year ended 31 December 2022, compared to a tax of €13,784 in the year ended 31 December 2021. Taxation consists mainly of €12,621 current tax expenses and €140 of deferred tax expenses.

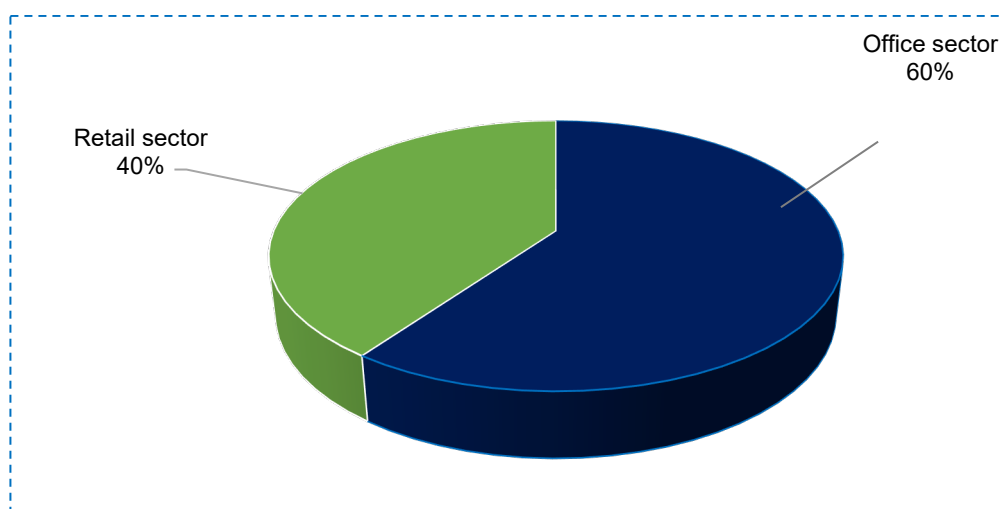
## NET PROFIT / (LOSS)

Net profit decreased by €17,975 (42%) to €24,761 in the year ended 31 December 2022, compared to a net profit of €42,736 in the year ended 31 December 2021. The decrease mainly resulted lower profit before tax.

## SEGMENTAL ANALYSIS

	Year ended 31 December 2022	Year ended 31 December 2021
Rental income from office sector	75,064	90,876
Service charge revenue from office sector	24,720	26,439
Rental income from retail sector	48,492	39,413
Service charge revenue from retail sector	18,287	15,223
<b>Total</b>	<b>166,563</b>	<b>171,951</b>

The chart below presents rental income by sector in the year ended 31 December 2022:



The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets, and other factors. GTC operates in six core markets: Poland, Hungary, Bucharest, Belgrade, Sofia and Zagreb.

Operating segments are divided into geographical zones, which have common characteristics and reflect the nature of management reporting structure:

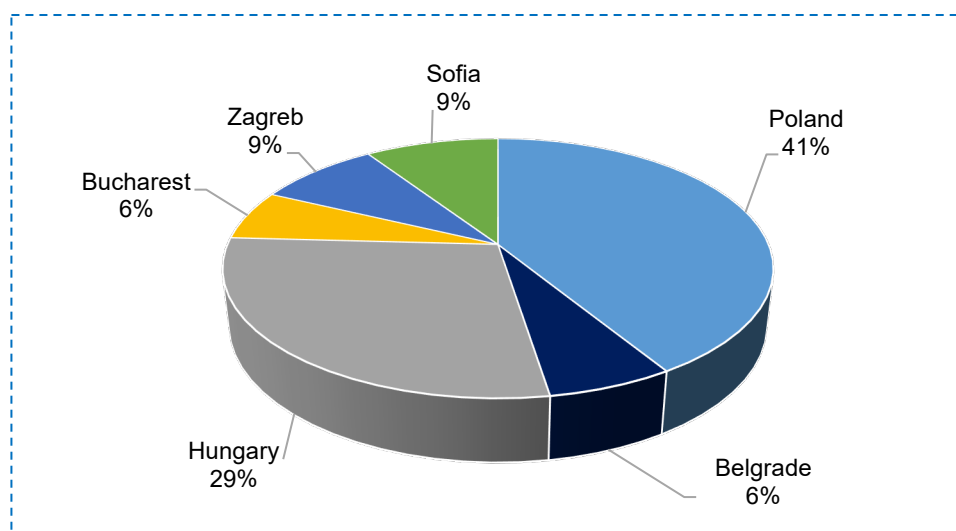
- a. Poland
- b. Belgrade
- c. Hungary
- d. Bucharest
- e. Zagreb
- f. Sofia
- g. Other

Segment analysis of rental income and costs for the year ended 31 December 2022 and 31 December 2021 is presented below:

<b>Year ended 31 December 2022</b>				
<b>Portfolio</b>	<b>Rental revenue</b>	<b>Service charge revenue</b>	<b>Service charge costs</b>	<b>Gross margin from operations</b>
Poland	49,922	18,291	(19,087)	49,126
Belgrade	7,899	2,543	(2,967)	7,475
Hungary	34,455	12,801	(13,438)	33,818
Bucharest	8,465	2,346	(3,399)	7,412
Zagreb	10,635	4,024	(4,434)	10,225
Sofia	12,180	3,002	(4,040)	11,142
<b>Total</b>	<b>123,556</b>	<b>43,007</b>	<b>(47,365)</b>	<b>119,198</b>

<b>Year ended 31 December 2021</b>				
<b>Portfolio</b>	<b>Rental revenue</b>	<b>Service charge revenue</b>	<b>Service charge costs</b>	<b>Gross margin from operations</b>
Poland	47,043	16,775	(17,959)	45,859
Belgrade	25,923	7,632	(8,139)	25,416
Hungary	25,898	7,793	(7,762)	25,929
Bucharest	12,022	2,997	(3,100)	11,919
Zagreb	9,519	3,706	(4,209)	9,016
Sofia	9,884	2,759	(3,187)	9,456
<b>Total</b>	<b>130,289</b>	<b>41,662</b>	<b>(44,356)</b>	<b>127,595</b>

The chart below presents gross margin by country in the year ended 31 December 2022:



Segment analysis of assets and liabilities as of 31 December 2022 is presented below:

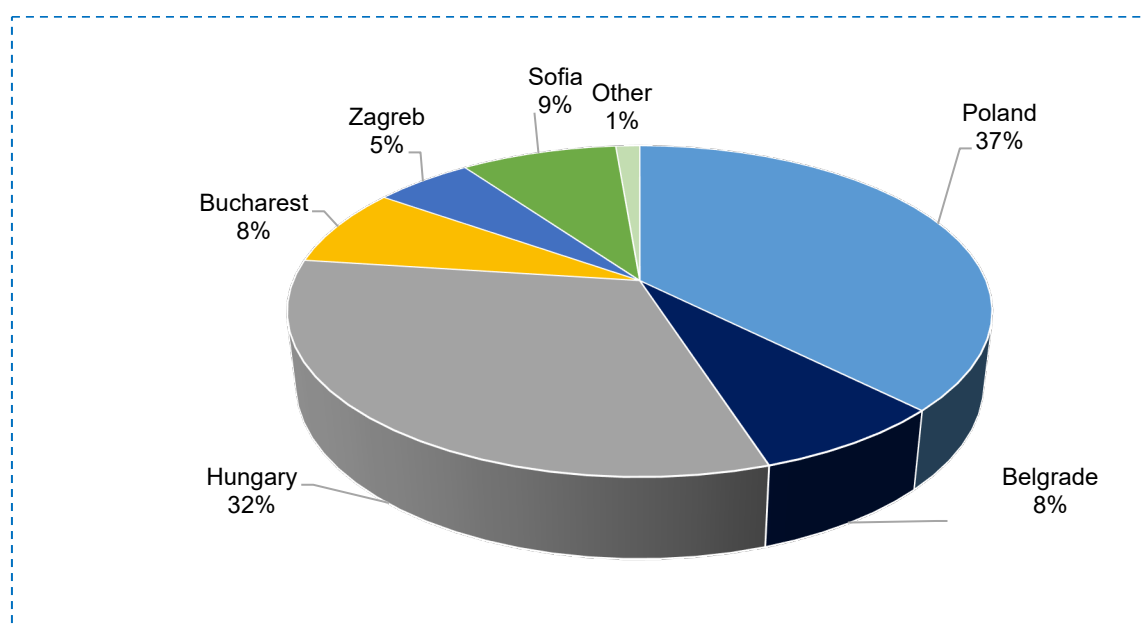
	Real estate (**)	Cash and deposits	Other	Total assets	Loans, bonds and leases	Deferred tax liabilities	Other	Total liabilities
Poland	874,148	28,348	20,895	<b>923,391</b>	277,675	61,293	14,678	<b>353,646</b>
Belgrade	175,662	4,824	2,372	<b>182,858</b>	815	3,085	8,039	<b>11,939</b>
Hungary	746,985	17,159	24,834	<b>788,978</b>	269,596	19,427	15,355	<b>304,378</b>
Bucharest	179,310	6,454	1,626	<b>187,390</b>	9,389	11,957	2,818	<b>24,164</b>
Zagreb	125,117	5,598	11,960	<b>142,675</b>	43,680	16,352	5,554	<b>65,586</b>
Sofia	199,360	4,571	1,185	<b>205,116</b>	71	8,716	6,883	<b>15,670</b>
Other	30,648	410	456	<b>31,514</b>	2,345	-	13	<b>2,358</b>
Non allocated (*)	-	72,688	135,272	<b>207,960</b>	684,252	20,346	51,956	<b>756,554</b>
<b>Total</b>	<b>2,331,230</b>	<b>140,052</b>	<b>198,600</b>	<b>2,669,882</b>	<b>1,287,823</b>	<b>141,176</b>	<b>105,296</b>	<b>1,534,295</b>

(\*) Loans, bonds and leases comprise mainly of bonds issued by GTC S.A., GTC Hungary and GTC Aurora Luxembourg S.A. Other liabilities comprise mainly of derivatives payable in the amount of €46,798, related to bonds in HUF.

Other assets represent mainly non-current financial assets in Ireland (€117.7 million) and in Luxembourg (€12.6 million).

(\*\*) Real estate comprise of investment property, residential landbank, assets held for sale and value of buildings and related improvements presented within property, plant and equipment (including right of use).

The chart below presents real estate by country in the year ended 31 December 2022:



Segment analysis of assets and liabilities as of 31 December 2021 is presented below:

	Real estate (**)	Cash and deposits	Other	Total assets	Loans, bonds and leases	Deferred tax liabilities	Other	Total liabilities
Poland	898,827	43,450	7,456	<b>949,733</b>	299,946	59,706	15,244	<b>374,896</b>
Belgrade	381,875	18,702	3,861	<b>404,438</b>	146,093	3,000	9,156	<b>158,249</b>
Hungary	699,036	28,207	15,302	<b>742,545</b>	267,243	20,057	11,269	<b>298,569</b>
Bucharest	187,047	10,745	1,249	<b>199,041</b>	15,406	13,062	3,925	<b>32,393</b>
Zagreb	163,020	6,243	11,385	<b>180,648</b>	43,704	16,992	4,271	<b>64,967</b>
Sofia	190,516	4,477	1,589	<b>196,582</b>	31	8,528	3,147	<b>11,706</b>
Other	29,835	464	-	<b>30,299</b>	-	-	-	-
Non allocated (*)	-	15,700	124,763	<b>140,463</b>	722,410	21,800	41,770	<b>785,980</b>
<b>Total</b>	<b>2,550,156</b>	<b>127,988</b>	<b>165,605</b>	<b>2,843,749</b>	<b>1,494,833</b>	<b>143,145</b>	<b>88,782</b>	<b>1,726,760</b>

(\*) In other assets are presented receivables from shareholders in the amount of €123,425. Loans, bonds and leases comprise mainly of bonds issued by GTC S.A., GTC Hungary and GTC Aurora Luxembourg S.A.

(\*\*) Real estate comprise of investment property, residential landbank and value of buildings and related improvements presented within property, plant and equipment.

Financial data prepared for the purposes of management reporting, on which segment reporting is based, are based on the same accounting principles that are used in the preparation of the consolidated financial statements of the Group.

## **5.6** Consolidated cash flow statement

### **5.6.1** 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 FROM (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.

## 5.6.2 Cash flow analysis

The table below presents an extract of the cash flow for the period of year ended on 31 December 2022 and 2021:

	<u>FY ended 31 December</u>	
	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net cash from operating activities</b>	<b>88,088</b>	<b>106,427</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures on investment property and property, plant and equipment	(85,359)	(92,784)
Purchase of completed assets and land, residential landbank and minority	(58,113)	(276,237)
Sale of landbank and residential landbank or subsidiary, net of cash in disposed assets	197,345	595
Purchase of non-current financial assets	(130,341)	-
Decrease in short term deposits designated for investment	-	1,150
Advances received for assets held for sale	-	1,210
VAT/tax on purchase/sale of investment property	(2,376)	(614)
Interest received	1,104	28
<b>Net cash used in investing activities</b>	<b>(77,740)</b>	<b>(366,652)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	6,173	706,070
Repayment of long-term borrowings	(52,125)	(585,323)
Interest paid and other financing breaking fees	(28,666)	(32,786)
Proceeds from issue of share capital, net of issuance costs	120,386	-
Dividend paid to shareholders	(33,210)	-
Repayment of lease liabilities	(642)	(516)
Loans origination payment	(236)	(8,147)
Dividend paid to non-controlling interest	(753)	(300)
Decrease/(increase) in short term deposits	(130)	5,908
<b>Net cash from financing activities</b>	<b>10,797</b>	<b>84,906</b>
Net foreign exchange difference related to cash and cash equivalents	(2,699)	(44)
Net increase/ (decrease) in cash and cash equivalents	18,446	(175,363)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>96,633</b>	<b>271,996</b>
Cash at banks and on hand	115,079	87,468
Cash at banks related to assets held for sale	-	9,165
<b>Cash and cash equivalents at the end of the period</b>	<b>115,079</b>	<b>96,633</b>

Net cash flow from operating activities decreased to €88,088 in the year ended 31 December 2022 from €106,427 in the year ended 31 December 2021. The decrease resulted from the tax paid and income loss due to the sale of office portfolio in Serbia partially offset by the completion and acquisition of the income generated properties in Hungary.

Net cash flow used in investing activities amounted to €77,740 in the year ended 31 December 2022 compared to €366,652 in the year ended 31 December 2021. Cash flow used in investing activities is mainly composed of purchase of non-current financial assets of €130,341, expenditure on investment properties and property, plant and equipment of €85,359, and purchase of completed assets and land of €58,113, partially offset by sale of landbank, Serbian Croatian and Romanian subsidiaries (net of cash in disposed entities) of €186,163.

Net cash flow from financing activities amounted to €10,797 in the year ended 31 December 2022, compared to €84,906 of cash flow from financing activities in the year ended 31 December 2021. Cash flow from financing activities is mainly composed of (i) proceeds from issue of share capital, net of issuance costs of €120,386; (ii) repayment of long-term borrowings of €52,125; (iii) dividend paid to shareholders in the amount of €33,210 and (iv) interest paid and other financing breaking fees in the amount of €28,666.

Cash and cash equivalents as of 31 December 2022 amounted to €115,079 compared to €96,633 as of 31 December 2021. The Group keeps its cash in the form of current accounts and bank deposits.

## **5.7** Future liquidity and capital resources

As of 31 December 2022, the Group believes that its cash balances, cash generated from disposal of properties, cash generated from leasing activities of its investment properties, and cash available under its existing and future loan facilities as well as revolving credit facility will fund its needs.

The Group endeavors to manage all its liabilities efficiently and is constantly reviewing its funding plans related to (i) the development and acquisition of commercial properties, (ii) debt servicing of its existing assets portfolio, and (iii) CAPEX. Such funding is sourced through available cash, operating income, and refinancing.

As of 31 December 2022, the Group's non-current liabilities amounted to €1,433,841 compared to €1,487,683 as of 31 December 2021.

The Group's total debt from long and short-term loans and borrowings as of 31 December 2022 amounted to €1,237,855, as compared to €1,441,403, including loans related to assets held for sale of €141,952 (net of deferred issuance debt expenses) as of 31 December 2021. The weighted average interest rate (including hedges) as of 31 December 2022 was 2.21%.

The Group's loans and borrowings are mainly denominated in euro. Debt in other currencies includes bonds (series maturing in 2022-2023) in PLN and green bonds issued by Hungarian subsidiary in HUF (series maturing in 2027-2031), which are hedged through cross currency interest rate swaps following the hedging policy of the Group.

The Group's net loan-to-value ratio amounted to 45.6% (LTV adjusted for disposal of Forrest Offices Debrecen, concluded on 30 January 2023, is 44.5%) as of 31 December 2022, compared to 52.5% as of 31 December 2021. The Group's long-term strategy is to keep its loan-to-value ratio at a level of 40%; however, in case of acquisitions, the Company may deviate temporarily.

As of 31 December 2022, 95% of the Group's loans (by value) were based on the fixed interest rate or hedged against interest fluctuations, mainly through interest rate swaps and cap transactions.

### **AVAILABILITY OF FINANCING**

In the CEE and SEE markets, real estate development companies, including the companies of the Group, usually finance their real estate projects with proceeds from the issue of the bonds, proceeds from bank loans, loans extended by their holding companies. 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 and its ability to repay existing debt. Finally, the availability and cost of financing may impact the Group's development dynamics and the Group's cash flow and net profit.

Traditionally, the principal sources of financing for the Group's core business included rental revenues, bank loans, proceeds from projects, proceeds from bonds issued by the Company, and proceeds from asset disposals.

The Management has prepared and analyzed the cash flow budget based on certain hypothetical defensive assumptions to assess the reasonableness of the going concern assumption given the current developments on the market. This analysis assumed certain loan repayment acceleration, negative impact on NOI, as well as other offsetting measures, which the Management may take to mitigate the risks, including deferring the development activity and dividend pay-out.

Based on Management's analysis, the current cash liquidity of the Company, and the budget assumptions, Management concluded that there is no material uncertainty as to the Company's ability to continue as a going concern in the foreseeable future i.e., at least in the next 12 months. Management notes that it is difficult to predict the ultimate short, medium, and long-term impact of the macroeconomic conditions on the financial markets and the Company's activities, but the expected impact may be significant. Accordingly, Management conclusions will be updated and may change from time to time.

## **6. Information on the use of proceeds from the issuance of shares and bonds**

In December 2021, the Company increased its capital in the way of issuance of 88,700,000 ordinary O series shares. Net proceeds in the amount of €120,386 from the issuance of the above mentioned shares were received in January 2022 and were allocated in strengthen Group's balance sheet.

## **7. Information on loans granted with a particular emphasis on related entities**

As of 31 December 2022, the Group does not have any long-term loans granted to its associates or joint ventures.

## **8. Information on granted and received guarantees with a particular emphasis on guarantees granted to related entities**

During the year ended 31 December 2022, the Group did not grant guarantees where the total value is material.

As of 31 December 2022 and 31 December 2021, there were no guarantees given to third parties. As at 31 December 2022, the guarantees granted amounted to €0.

Additionally, the Company gave typical warranties in connection with the sale of its assets under the sale agreements and construction completion and cost-overruns guarantee to secure construction loans. The risk involved in the above warranties and guarantees is very low.

In the normal course of business activities, the Group receives guarantees from the majority of its tenants to secure the rental payments on the leased space.

## **9. Off balance liabilities**

### **COMMITMENTS**

As of 31 December 2022 (and as at 31 December 2021), the Group had commitments contracted for in relation to future capital expenditures on investment properties without specified date, amounting to €116,500 (€29,700 as at 31 December 2021). These commitments are expected to be financed from available cash and current financing facilities, other external financing or future instalments under already contracted sale agreements and yet to be contracted sale agreements.

## **GUARANTEES**

As of 31 December 2022 and 31 December 2021 there were no guarantees given to third parties.

Additionally, the Company gave typical warranties in connection with the sale of its assets under the sale agreements and construction completion and cost-overruns guarantee to secure construction loans. The risk involved in the above warranties and guarantees is very low.

## **CROATIA**

In relation to the Marlera Golf project in Croatia, part of the land is held on a lease basis from the State. There is furthermore a Consortium agreement with the Ministry of Tourism of Croatia (Ministry) which includes a deadline for the completion of a golf course that has expired in 2014. If the deadline is not met, then the Ministry has the right to terminate the Consortium agreement which might automatically trigger the termination of the Land Acquisition Agreements, as well as collateral activation and damages claims. Prior to 2014, the Company has taken active steps to achieve an extension of the period for completing the project. In February 2014, the Company received a draft amendment from the Ministry expressing its good faith and intentions to prolong the abovementioned timeline however, the amendment was not formalized since then. Since formalization of the amendment is not at the sole discretion of the Group, the Management has decided to revalue the freehold asset in assuming no development of the golf course project. Furthermore, as a prudential measure, the Management has also written off the related collateral in the amount of €1,000 provided to the Ministry as a guarantee for completing the golf course. As of 31 December 2022 the book value of the investment in Marlera Golf project was assessed by an independent valuer at €6,800.

## **10. Major investments, local and foreign (securities, financial instruments, intangible assets, real estate), including capital investments outside the Group and its financing method**

The Group does not have any major local or foreign investments other than direct investments in real estate properties designated for development or through companies that hold such real estate.

## **11. Information on risk management**

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

The main risks arising from the Group's financial instruments are cash flow interest risk, liquidity risk, foreign currency risk and credit risk.

### INTEREST RATE RISK

The Group exposure to changes in interest rates that are not offset by hedge relates primarily to the Group's long-term debt obligations and loans granted. No other financial instruments, which are subject for interest rate risk.

The Group's policy is to obtain finance bearing variable interest rates. To manage the interest rate risk in a cost-efficient manner, the Group enters into interest rate swaps, swap currency or cap transactions.

The Group's loans are nominated or swapped into euro.

As at 31 December 2022, 95% of the Group's long-term loans and bonds is hedged (as at 31 December 2021 – 94%).

For 2022 year, a 50bp increase in EURIBOR rate would lead to €343 change in result before tax (2021: €486 change in result before tax).

On 7 July 2022 the Act on crowdfunding for business and support for borrowers was adopted which provides the basis for changing the WIBOR and WIBID benchmarks in Poland. As a follow up of legislative changes, in September 2022 the Steering Committee of the National Working Group for benchmark reform accepted the Roadmap for the replacement of WIBOR and WIBID benchmarks with WIRON index. The details regarding the replacement will be published in 2023, in the form of the Regulation of the Minister of Finance which will define the adjustment spread and the date from which the replacement applies. According to the Roadmap, the publication of old WIBOR/WIBID rates will cease in 2025.

### FOREIGN CURRENCY RISK

The Group enters into transactions in currencies other than the functional currency of the Group's subsidiaries. Therefore, it hedges the currency risk by either matching the currency of the inflow, outflow and cash and cash equivalent with that of the expenditures. It is element of hedge accounting policy of the Group.

Exchange rates as of 31 December 2022 and 2021 were as following:

	31 December 2022	31 December 2021
PLN/EUR	4.6899	4.5994
HUF/EUR	400.23	369.01

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

Rate/Percentage of change	2022 PLN/EUR				2021 PLN/EUR			
	5.1589 (+10%)	4.9244 (+5%)	4.4554 (-5%)	4.2209 (-10%)	5.0593 (+10%)	4.8294 (+5%)	4.3694 (-5%)	4.1395 (-10%)
Cash and blocked deposits	(3,895)	(1,948)	1,948	3,895	(3,709)	(1,855)	1,855	3,709
Trade and other receivables	(314)	(157)	157	314	(1,006)	(503)	503	1,006
Trade and other payables	1,289	644	(644)	(1,289)	1,608	804	(804)	(1,608)
Land leases	3,042	1,521	(1,521)	(3,042)	3,107	1,553	(1,553)	(3,107)
<b>Total</b>	<b>122</b>	<b>60</b>	<b>(60)</b>	<b>(122)</b>	<b>-</b>	<b>(1)</b>	<b>1</b>	<b>-</b>

The Group does not see any currency risk related to bonds denominated in PLN and HUF as they are hedged. Exposure to other currencies and other positions in the statement of financial position is not material.

The potential theoretical impact on the currency exposure whether the Group would have not hedged the PLN bonds and the HUF Bonds is as following:

Percentage of change in FX rate	(-10%)	(+10%)
Bonds in PLN	(3,150)	3,150
Bonds in HUF	(14,900)	14,900

## CREDIT RISK

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation. To manage this risk, the Group periodically assesses the financial viability of its customers. The Group does not expect any counter parties to fail in meeting their obligations. The Group 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. As of reporting date we don't have material impaired receivables.

With respect to loan granted to non-controlling interest it was assessed in Stage 1 as defined by IFRS 9 *Financial instruments*.

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

The maximum exposure to credit risk as of the reporting date is the full amount presented.

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

## LIQUIDITY RISK

As at 31 December 2022, the Group holds cash and cash equivalents (as defined in IFRS) in the amount of approximately €115 million. As described above, the Group attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) debt servicing of its existing assets portfolio; (ii) capex; and (iii) development of commercial properties. Such funding will be sourced through available cash, operating income, sales of assets and refinancing. The Management Board believes that based on its current assumptions, the Group will be able to settle all its liabilities for at least the next twelve months.

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

	31 December 2022	31 December 2021
First year (*)	76	127(**)
Second year	65	148
Third year	149	99
Fourth year	774	144
Fifth year	76	821
Thereafter	206	236
<b>Total</b>	<b>1,346</b>	<b>1,575</b>

(\*) Repaid during 12 months from reporting date.

(\*\*) Including €54m liabilities related to assets held for sale

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.

Repayments of long-term derivatives are scheduled as follows (million EUR) (the amounts are not discounted):

	31 December 2022	31 December 2021
1 – 4 years	-	-
Fifth year	3	-
Thereafter	44	39
<b>Total</b>	<b>47</b>	<b>39</b>

All derivative instruments mature within 1-10 years from the balance sheet date.

Long term finance lease represents lease payments for land subject to perpetual usufruct payments with maturity of 33 – 87 years. The Group pays an annual amount of €2,056 (€2,120 in 2021) as lease payment (principal and interest) for lands under perpetual usufruct.

Maturity dates of current financial liabilities as of 31 December 2022 were as following:

	<b>Total</b>	<b>Overdue</b>	<b>Up to a month</b>	<b>1-3 months</b>	<b>3 months – 1 year</b>
Trade payables and provisions	41,208	308	9,600	18,427	12,873
Current portion of long-term borrowing	48,571	-	140	2,966	45,465
Deposits from tenants	1,639	-	177	136	1,326
Current portion of lease liabilities	388	-	279	56	53
Derivatives	2,180	-	-	-	2,180
<b>Total</b>	<b>93,986</b>	<b>308</b>	<b>10,196</b>	<b>21,585</b>	<b>61,897</b>

Maturity dates of current financial liabilities as of 31 December 2021 were as following:

	<b>Total</b>	<b>Overdue</b>	<b>Up to a month</b>	<b>1-3 months</b>	<b>3 months – 1 year</b>
Trade payables and provisions	31,092	521	6,476	17,386	6,709
Current portion of long-term borrowing	44,337	-	-	3,825	40,512
Deposits from tenants	1,932	-	161	483	1,288
Current portion of lease liabilities	198	-	21	127	50
Derivatives	2,681	-	-	654	2,027
<b>Total</b>	<b>80,240</b>	<b>521</b>	<b>6,658</b>	<b>22,475</b>	<b>50,586</b>

## FAIR VALUE

As of 31 December 2022, 78% of all bank loans bears floating interest rate (79% as of 31 December 2021). However, as of 31 December 2022, 87% of these loans are hedged (81% as of 31 December 2021).

As of 31 December 2022, 5% of all bonds bears floating interest rate (7% as of 31 December 2021). However, as of 31 December 2022, 100% of these bonds are hedged (100% as of 31 December 2021).

For information related to loans granted/received from non-controlling interest please refer to note 28 of the consolidated financial statements for the year ended 31 December 2022.

Due to the recent significant increase of an interest rates where the Group operates, the fair value of the HUF Bonds significantly differs from its carrying value. It is due to the fact that all the HUF bonds as of the 31 December 2022 bear a fixed interest rate until maturity, however these bonds are hedged with cross-currency interest rate swaps.

Market value and fair value of bonds as of 31 December 2022 is presented below:

Series of bonds	Market value and fair value (in million EUR)
Bonds mature in 2023 (Poland) (PLGTC0000318) <sup>4</sup>	31.6
Green bonds mature in 2027-2030 (HU0000360102) <sup>5</sup>	45.1
Green bonds mature in 2028-2031 (HU0000360284) <sup>5</sup>	21.3
Green bonds mature in 2026 (XS2356039268) <sup>6</sup>	367.0

Fair value of all other financial assets/liabilities is close to the carrying value.

For the fair value of investment property, please refer to note 17 of the consolidated financial statements for the year ended 31 December 2022.

## FAIR VALUE HIERARCHY

As at 31 December 2022 and 2021, the Group held several derivatives carried at fair value in the statement of financial position.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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,

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

Valuations of derivatives are considered as level 2 fair value measurements. During the year ended 31 December 2022 and 31 December 2021, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements in respect to financial instruments.

## PRICE RISK

The Group is exposed to fluctuations in the real estate markets in which it operates. These can have an effect on the Group's results (due to changes in the market rent rates and in occupancy of the leased properties).

Further risks are described in *Item 3 Key risk factors* of this report.

<sup>4</sup> <https://gpwcatalyst.pl/notowania-obligacji-obligacje-korporacyjne>

<sup>5</sup> Fair value at level 2 was calculated based on assumption of market interest rate of 15%.

<sup>6</sup> <https://www.boerse-frankfurt.de/bond/xs2356039268-gtc-aurora-luxembourg-s-a-2-25-21-26>

## CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to provide for operational and value growth while prudently managing the capital and maintaining healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and adjusts it to dynamic economic conditions. While observing the capital structure, the Group decides on leverage policy, loans raising and repayments, investment or divestment of assets, dividend policy, and capital raise, if needed.

No changes were made in the objectives, policies, or processes during the years ended 31 December 2022 and 31 December 2021.

The Group monitors its gearing ratio, which is Gross Project and Corporate Debt less Cash & Deposits, 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. As of 31 December 2022, LTV was 45.6% (LTV adjusted for disposal of Forrest Offices Debrecen, concluded on 30 January 2023, is 44.5%).

## 12. Remuneration policy and human resources management

### 12.1 Remuneration policy

On 14 June 2022, the general meeting decided to revoke the existing wording of the Remuneration Policy of the Company, adopted on 27 August 2020. The Remuneration Policy governs the remuneration of the management and supervisory board members.

#### REMUNERATION OF THE MANAGEMENT BOARD

In accordance with the Remuneration Policy, the remuneration of the members of the management board is determined by the supervisory board and is set at a level appropriate to the roles assigned to individual persons and related responsibilities and takes into account the performance of any additional functions, qualifications and professional experience, the current market and economic situation, as well as the Company's financial and operational situation and needs.

Members of the management board are entitled to the following components of remuneration: (i) fixed remuneration; (ii) variable remuneration and related payouts; (iii) Phantom shares or other incentive programs either based on the Company's shares or the movement of prices of these shares to be established in the future by the general meeting or the supervisory board; (iv) compensation for compliance with the non-compete clause; and (v) a severance payment related to the termination of the legal relationship with the Company.

With respect to the variable components of remuneration, as defined in the Remuneration Policy, it is designed to be motivational and to reward the members of the management board for fulfilling their roles, discharging their responsibilities and delivering superior results. Variable remuneration targets and the related payouts reflect a range of expected levels of

performance. Members of the management board may be entitled to Annual Performance Bonus if they achieve the minimum level of the set targets in the given financial year. The Annual Performance Bonus should amount to a particular percentage or part of the maximum bonus amount, as specified in the contract with a particular member of the management board, depending on the level of achievement of the set targets. The Annual Performance Bonus awarded to members of the management board is determined by the supervisory board.

The Annual Performance Bonus is paid after the approval of the annual financial statements by the supervisory board of the Company. As of the date of this Report, the Annual Performance Bonus for 2022 has not yet been paid.

The Company determines the remuneration system so that the total share of the variable remuneration is between 30% (thirty per cent) and 300% (three hundred per cent) of the annual fixed remuneration for a particular member of the Management Board. The value of the Phantom Share Programme is not taken into account in the calculation of the above proportion between the fixed and variable parts of the remuneration.

Moreover, the management board members may receive and have received in 2022 additional benefits, such as: (i) private medical care, including for family members; and (ii) the use of company cars, company telephones and other electronic devices for private purposes and the covering of their costs.

The members of the management board may also receive compensation for compliance with the non-compete clause following the end of an engagement; however, the Company has exercised its right to withdraw from such non-compete obligations and such compensation has not been paid to the former members of the management board.

In 2022, there were changes in the composition of the management board. During the 2022 financial year, and in line with the Company's approved Policy regarding the remuneration of the management board members, management board members received a base fixed remuneration as well as variable elements of the remuneration in accordance with the relevant contract concluded with the Company or other entity from the Company's capital group. The establishment of a link between the management board member's remuneration in a form of Phantom Shares and the increase in the Company's share prices aligns such members' personal interest with the interests of the shareholders. The implementation of the Company's strategy and commitment to long-term interests should have a positive impact on the Company's share prices, which in turn should translate into higher remuneration of the management board members. In addition, it also increases the motivation of management board members and facilitates in the Company retaining them and, as such, contributes to the stability of the Company.

## **REMUNERATION OF THE SUPERVISORY BOARD**

Members of the supervisory board are entitled only to monthly fixed remuneration for performing their functions, or if performing additional functions in a separate committee(s), they are entitled to additional monthly fixed remuneration. The amount of the above-mentioned remuneration is determined by the general meeting. There are no performance-based variable components of remuneration or financial or non-financial benefits awarded to members of the supervisory board.

In 2022, there were changes in the composition of the supervisory board. The remuneration paid to the supervisory board members was granted and paid in compliance with the Remuneration Policy as the supervisory board members were granted only fixed remuneration for holding a position on the board and, in some cases, additional remuneration for performing additional functions in a separate committee(s) of the supervisory board.

The remuneration of supervisory board is approved by general meeting of shareholders.

## 12.2 Incentive system

The Company has a remuneration and incentive system that consists of a bonus for meeting specific goals or objectives set by the management board or supervisory board (as the case may be) or achieving special achievements. The Company's management board members, certain key managers are also incentivized by participation in Phantom Shares program, according to which a certain number of phantom shares is vested to the employee once a year.

The Phantom Shares grant to the entitled persons a right for a settlement from the Group in the amount equal to the difference between the average closing price for the Company's shares on the Warsaw Stock Exchange during the 30-day period prior to the date of delivery to the Company of the exercise notice, and settlement price ("strike") amount per share (adjustable for dividend). The Phantom Shares are not securities convertible or exchangeable into shares in the Company, in particular, they are not options on such shares. The Phantom Shares are merely a means of calculation of deferred variable compensation of the entitled persons, which depends on the future market price of the shares on the regulated market.

The company uses binomial model to evaluate the fair value of the phantom shares. The input data includes the date of valuation, strike price, and expiry date.

The Phantom shares (as presented in below mentioned table) have been accounted for based on future cash settlement.

As at December 31, 2022, the Group's share based payment liabilities amounted to €758 (as at 31 December 2021 €1,410). The gain recognized in the income statement amounted to €652 (in 2021: loss of €432).

As at 31 December 2022, phantom shares issued were as follows:

Strike (PLN)	Granted	Vested	Total
5.75 - 5.95	946,500	2,531,600	3,478,100
6.03 – 6.31	-	468,000	468,000
6.42 – 6.69	1,850,000	175,000	2,025,000
<b>Total</b>	<b>2,796,500</b>	<b>3,174,600</b>	<b>5,971,100</b>

As at 31 December 2021, phantom shares issued were as follows:

Strike (PLN)	Granted	Vested	Total
6.03	-	827,416	827,416
6.11	-	100,000	100,000
6.23	2,891,000	1,292,100	4,183,100
6.31	-	250,000	250,000
<b>Total</b>	<b>2,891,000</b>	<b>2,469,516</b>	<b>5,360,516</b>

The Phantom shares (as presented in above table) have been provided for assuming cash payments will be materialized, as the Company assesses that it is to be settled in cash.

Last year of exercise date	Number of phantom shares
2023	2,205,600
2025	1,875,000
Other*	1,890,500
<b>Total</b>	<b>5,971,100</b>

\* From one to twelve months after agreement termination.

The number of phantom shares were changed as follows:

<b>Number of phantom shares as of 1 January 2022</b>	<b>5,360,516</b>
Granted during the period*	2,742,000
Expired	(1,599,000)
Exercised during the period	(532,416)
<b>Number of phantom shares as of 31 December 2022</b>	<b>5,971,100</b>

\*In 2022 new phantom share program was introduced for management and key personnel.

## 12.2.1 Phantom Shares program control system

Granting Phantom Shares to members of the management board and setting their condition is reviewed and approved by the Remuneration Committee and the supervisory board and is in accordance with the Remuneration Policy.

Remuneration to other key personnel is set by the management board.

## 12.3 Agreements concluded between GTC and management board members

The Company has concluded agreements with its members of the board, providing for their basic compensation, performance-related bonus, participation in the Phantom Share program, severance payment in the case of their dismissal. Furthermore, the agreements contain a non-competition clause and confidentiality clause.

## 12.4 Evaluation of the remuneration policy for the realization of its objectives

The remuneration policy is consistent with the shareholders' target to have a long-term increase in shareholder value. Furthermore, it aims to provide stability in managing the Company and carrying out its policies by attracting and retaining highly skilled employees across the organization and operation countries of the Company. Such goals guarantee motivation for quality work and the good attitude of employees, stable financial results, in the long run, sound and effective risk management, supporting the implementation of the business strategy, and the reduction of conflict of interest.

## 12.5 Remuneration of the Members of the management board and supervisory board

### MANAGEMENT BOARD

The following table presents the remuneration of the members of the management board as of 31 December 2022 for the 12 months ended 31 December 2022:

Name	Periods	Fixed remuneration <sup>1</sup> (€) (not in thousand)	Variable remuneration <sup>1</sup> (€) (not in thousand)	Vested Phantom Shares (not in thousand)
Zoltán Fekete	17 March- 31 December 2022	233,887	-	-
Ariel Ferstman	1 January - 31 December 2022	283,435	290,000	177,000
János Gárdai	1 February - 31 December 2022	206,537	-	-
Pedja Petronijevic	15 January – 15 July 2022	75,573	126,555	-
Gyula Nagy	1 January – 28 February 2022	9,000	-	-
Yovav Carmi	1 January – 14 January 2022	37,500	592,169 <sup>2</sup>	-

<sup>1</sup> Remuneration (or fees to entities in which the holder is key personnel) consists of payment for 2022 and success fee amounts paid for present and the past year in addition to Group's Phantom Shares program exercised during 2022, as detailed in Item 12.2. Phantom shares. Fixed remuneration includes fringe benefits.

<sup>2</sup> Related to severance payment following the mutually agreed termination and to exercised phantom shares.

During 2022, the following changes in the composition of the management board took place:

- on 13 December 2021, the supervisory board of the Company appointed Mr. Pedja Petronijevic to the management board of the Company (Chief Development Officer) effective as of 15 January 2022 and Mr. János Gárdai to the management board of the

Company (Chief Operating Officer) effective as of 1 February 2022. (see current report no 18/2021).

- on 14 January 2022, GTC entered into a mutual employment contract termination agreement with Mr. Yovav Carmi former President of the management board. Subsequently Mr. Carmi resigned from his seat on the management board of the Company and other subsidiaries The resignation is effective immediately (see current report no 7/2022);
- on 28 January 2022, Mr. Gyula Nagy resigned from his seat on the management board of the Company. The resignation is effective immediately (see current report no 11/2022);
- on 17 March 2022, the supervisory board of the Company appointed Mr. Zoltán Fekete to the management board of the Company as the President of the management board (see current report no 21/2022);
- on 5 July 2022, Mr. Pedja Petronijevic resigned from his seat on the management board of the Company. The resignation is effective on 15 July 2022 (see current report no 35/2022).

## SUPERVISORY BOARD

The following table presents the remuneration of the members of the supervisory board as of 31 December 2022 for the 12 months ended 31 December 2022:

Name	Periods	Remuneration (€) (not in thousand)
Zoltán Fekete	1 January – 11 March 2022	4,838
János Péter Bartha	1 January - 31 December 2022	39,643
Lóránt Dudás	1 January - 31 December 2022	23,800
Balázs Figura	1 January - 31 December 2022	23,800
Mariusz Grendowicz	1 January – 14 June 2022 2 September -31 December 2022	20,410
Artur Kozieja	14 June - 31 December 2022	19,452
Marcin Murawski	1 January - 31 December 2022	33,210
Gyula Nagy	11 March - 31 December 2022	19,780
Daniel Obajtek	1 January – 15 November 2022	20,581
Bálint Szécsényi	1 January - 31 December 2022	23,791
Bruno Vannini	22 April - 31 December 2022	17,495

During 2022, the following changes in the composition of the supervisory board took place:

- on 11 March 2022, Mr. Zoltán Fekete resigned from his seat on the supervisory board of the Company. The resignation is effective immediately (see current report no 20/2022);
- on 11 March 2022, GTC Dutch Holdings B.V. appoints Mr. Gyula Nagy as member of the supervisory board of the Company, effective immediately (see current report no 20/2022);
- on 22 April 2022, Icona Securitization Opportunities Group S.à r.l. appointed Mr. Bruno Vannini as a member of the supervisory board of the Company, effective immediately (see current report no 24/2022);
- on 1 June 2022, AVIVA Otwarty Fundusz Emerytalny Aviva Santander. reappointed Mr. Marcin Murawski as a member of the supervisory board of the Company, effective 14 June 2022 (see current report no 29/2022);
- on 14 June 2022, the term of office of Mariusz Grendowicz as an independent member of the supervisory board of the Company has expired (see current report no 34/2022);
- on 14 June 2022, the Annual General Meeting with its resolution no 20 appointed Artur Kozieja as an independent member of the supervisory board for a period of three years (see current report no 34/2022);
- on 2 September 2022 GTC Dutch Holdings B.V. appoints Mr. Mariusz Grendowicz as member of the Supervisory Board of the Company, effective as of 2 September 2022 (see current report no 39/2022);
- on 15 November 2022, Mr. Daniel Obajtek resigned from his seat on the supervisory board of the Company, effective immediately (see current report no 48/2022).

Additionally on 2 January 2023 Otwarty Fundusz Emerytalny PZU “Złota Jesień” appoints Mr. Sławomir Niemierka as member of the supervisory board of the Company, effective as of 2 January 2023.

## 12.6 Number of employees

As of 31 December 2022 and 2021, the number of full time equivalent working employees in the Group companies was 223 and 211, respectively.

## 12.7 Training policy

The Company offers its employees various forms to raise professional qualifications. The key strategic training and workshops are conducted by external companies. Such training opportunities focus mainly on market and product knowledge, marketing, processes, and IT

applications competencies, asset management, legal, tax, and accounting. The Company believes that such training is increasing the employee's commitment to the performance of business tasks, improving his/her skills, and maintaining high customer service quality.

## 12.8 Information on any liabilities arising from pension and similar benefits for former members of the management board and the supervisory board

There are no liabilities arising from pension and similar benefits for former members of the management board and the supervisory board.

## 13. Shares in GTC held by members of the management board and the supervisory board

### SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD

The following table presents shares owned directly or indirectly by members of the Company's management board of the date of publication of this annual report, and changes in their holdings since the date of publication of the Group's last financial report (interim report for the three and nine-month period ended 30 September 2022) on 16 November 2022.

The information included in the table is based on information received from members of the management board.

Management board member	Balance as of 24 April 2023 (not in thousand)	The nominal value of shares in PLN (not in thousand)	Change since 16 November 2022 (not in thousand)
Zoltán Fekete	0	0	No change
Ariel Ferstman	5,240	524	No change
János Gárdai	0	0	No change
<b>Total</b>	<b>5,240</b>	<b>524</b>	

### SHARES OF GTC HELD BY MEMBERS OF THE SUPERVISORY BOARD

The following table presents shares owned directly or indirectly by members of the Company's supervisory board of the date of publication of this annual report, and changes in their holdings since the date of publication of the Group's last financial report (interim report for the three and nine-month period ended 30 September 2022) on 16 November 2022.

The information included in the table is based on information received from members of the supervisory board.

<b>Members of supervisory board</b>	<b>Balance as of 24 April 2023 (not in thousand)</b>	<b>The nominal value of shares in PLN (not in thousand)</b>	<b>Change since 16 November 2022</b>
János Péter Bartha	0	0	No change
Lóránt Dudás	0	0	No change
Balázs Figura	0	0	No change
Mariusz Grendowicz	13,348	1,335	No change
Artur Kozieja	0	0	No change
Marcin Murawski	0	0	No change
Gyula Nagy	0	0	No change
Bálint Szécsényi	0	0	No change
Bruno Vannini	0	0	No change
Sławomir Niemierka <sup>1</sup>	0	0	No change
<b>Total</b>	<b>13,348</b>	<b>1,335</b>	

<sup>1</sup> Change since 2 January 2023 r.

## **14. Transactions with related parties concluded on terms other than market terms**

The Group presents information on the material transactions that the Company, or its subsidiaries, concluded with a related party in the consolidated financial statements for the financial year ended 31 December 2022 in Note 36 Related Party Transactions.

In 2022 the Group did not conduct any material transactions with the related parties that are not based on arm's length basis.

In 2022 Group acquired several assets for the total consideration of €30,200 from companies related to the majority shareholder of the Company. All transactions were concluded on market terms. For further details please see *Item 4.2 Main events of 2022*.

## **15. Information on signed and terminated loan agreements within a given year**

On 13 May 2022, GTC SA signed an amendment agreement to revolving facility agreement dated 29 October 2021 with a club of four different banks. As a result, the available amount of unsecured revolving credit facility was increased to €94,000. As of balance sheet date, credit facility was not used.

On 18 May 2022, the Group signed a prolongation of the existing facility with Santander Bank Polska. Final repayment date was extended to 31 August 2025 and the outstanding balance of the loan in the amount of €13,500 will be paid as a balloon payment on the maturity date.

On 28 June 2022, the Group signed with Berlin Hyp AG amendment agreement to bank loan agreement, according to which a prepayment of €6,100 was made at the beginning of July 2022. The outstanding balance of the loan will be paid as the balloon payment on the maturity date. The loan will expire on 30 June 2026.

On 18 April 2022, GTC SA repaid all bonds issued under ISIN code PLGTC0000292 (full redemption). The original nominal value was €9,440.

On 4 November 2022, GTC SA prepaid 1/3 of the nominal value of its amortized bonds issued under ISIN code PLGTC0000318 in the amount of €17,100 (PLN 73,333).

All signed in year 2022 loan agreements are denominated in euro and interest is based on margin plus Euribor. The Group pays interest on its long term debt and bonds on weighted average 2.21% p.a.

## **16. Information on contracts of which the Company is aware of (including those concluded after the balance sheet date) which could result in a change in the shareholding structure in the future**

On 19 February 2022, the Company received notification from GTC Dutch Holdings B.V. with its registered office in Amsterdam, the Netherlands (the “Seller”, “GTC Dutch”) and Icona Securitization Opportunities Group S.à r.l. acting on behalf of its compartment Central European Investments with its registered office in Luxembourg, Grand Duchy of Luxembourg (the “Buyer”. “Icona”) that the Seller and the Buyer entered into a preliminary share purchase agreement relating to the acquisition by the Buyer from the Seller of 15.7% of the shares in the Company. However, pursuant to the notification, the Buyer and the Seller agreed that the shareholders’ agreement will constitute an acting in concert agreement within the meaning of Articles 87(1)(5) and 87(1)(6) in connection with Article 87(3) of the Act of 29 July 2005 on Public Offerings and the Conditions for the Introduction of Financial Instruments to the Organised Trading System and Public Companies (the “Act on Public Offering”) on joint policy towards the Company and exercising of voting rights on selected matters in an agreed manner. Also, pursuant to the assignment agreement, the Buyer will, among others, transfer to the Seller its voting rights attached to the Shares and grant the power of attorney to exercise voting rights attached to the shares. The assignment agreement expires in case either call or put option under the call and put option agreement is exercised and/or in case of a material default under the transaction documentation (“Transaction”). On 1 March 2022, the company received notification that the Transaction was completed, and the Buyer acquired 15.7% of the shares in the Company.

As a result of execution of the Transaction, Icona holds 90,176,000 ordinary bearer shares in the Company which constitute 15.7% of total votes at GTC’s general meeting, with reservations that (i) all the Buyer’s Voting Rights (as defined below) were transferred to the Seller and that (ii) Buyer granted the Power of Attorney to Icona Voting Rights to the Seller.

As a result of execution of the Transaction GTC Holding Zártkörűen Működő Részvénytársaság (“GTC Holding Zrt”) holds jointly 269,352,880 shares of the Company, entitling to 269,352,880 votes in the Company, representing 46.9% of the share capital of the Company and carrying the right to 46.9% of the total number of votes in the Company, including:

- directly holds 21,891,289 shares of the Company, entitling to 21,891,289 votes in the Company, representing 3.8% of the share capital of the Company and carrying the right to 3.8% of the total number of votes in the Company; and
- indirectly (i.e. through GTC Dutch) holds 247,461,591 shares of the Company, entitling to 247,461,591 votes in the Company, representing 43.1% of the share capital of the Company and carrying the right to 43.1% of the total number of votes in the Company.

In addition, GTC Holding Zrt also holds indirectly, through GTC Dutch, the Icona’s Voting Rights, i.e. the right to exercise 90,176,000 votes in the Company, entitling to 15.7% of the total number of votes in the Company.

Since 1 March 2022, GTC Holding Zrt, GTC Dutch and Icona are acting in concert based on the agreement concerning joint policy towards the Company and exercising of voting rights on selected matters at the general meeting of the Company in an agreed.

## **17. Proceedings before a court or public authority involving Globe Trade Centre SA or its subsidiaries the total value of the liabilities or claims is material**

There are no individual proceeding or group of proceedings before a court or public authority involving Globe Trade Centre SA or its subsidiaries, with the total value of liabilities or claims is material.

## **18. Material contracts signed during the year, including insurance contracts and co-operation contracts**

On 21 May 2021, Group signed a sale and purchase agreement, concerning the sale of the entire share capital of Serbian subsidiaries. On 12 January 2022, GTC Group finalized sale of the entire share capital of Serbian subsidiaries: Atlas Centar d.o.o. Beograd, Demo Invest d.o.o. Novi Beograd, GTC BBC d.o.o., GTC Business Park d.o.o. Beograd, GTC Medjunarodni Razvoj Nekretnina d.o.o. Beograd and Commercial and Residential Ventures d.o.o. Beograd and Hungarian company Office Planet Kft. ( which has 70% in shares of sold Serbian entities), following the satisfaction of customary conditions precedent. For details please refer to note 33 of the consolidated financial statements for year ended 31 December 2022.

As part of the newly re-oriented strategy, on 9 August 2022 the Group entered into an agreement concerning a transaction (the “Transaction”) involving a joint venture investment into an innovation park in Kildare, Ireland (the “Transaction”). The Transaction involves an initial investment of approximately €115,000 into the project described in current report no

36/2022. The project involves other international professional investors acting through a Luxembourg partnership advised by Icona Capital, an entity from the same group as GTC's minority partner.

## 19. Agreements with an entity certified to execute an audit of the financial statements

In February 2022, the Company entered into an agreement with PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., with headquarters located in Warsaw, („PwC”), for performance of the audit of the standalone financial statements of Globe Trade Centre S.A. and the consolidated financial statements of Globe Trade Centre Group for the financial years ended 31 December 2022-2024. Additionally to that agreement, the Group entered into various agreements with PwC in the countries of the relevant Group's subsidiaries.

The independent external auditor was selected by the resolution of the Company's supervisory board dated 9 February 2022.

The following summary presents a list of services provided by PwC and BDO Sp. z o.o. Sp.k. as well as remuneration for the services in the periods of 12 months ended on 31 December 2022 and 31 December 2021.

	For year ended	
	31 December 2022	31 December 2021
	€	€
Fee for audit and review of financial statements	769	440
Assessment of the remuneration report of the management board and the supervisory board, and other assurance and related services	35	41
<b>Total</b>	<b>804</b>	<b>481</b>

## 20. Statement on the application of the principles of corporate governance for the financial year ended 31 December 2022



**Globe Trade Centre S.A.**

**STATEMENT** ON APPLICATION OF THE PRINCIPLES OF

**CORPORATE GOVERNANCE**

FOR THE FINANCIAL YEAR ENDED **31 DECEMBER 2022**



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## **1. The principles of corporate governance to which the issuer is subject and the location where the set of principles is publicly available**

In July 2007, the Council of the Warsaw Stock Exchange adopted a set of principles for the corporate governance for joint-stock companies issuing shares, convertible bonds, or senior bonds that are admitted to trading on the stock exchange (the “**WSE Best Practices**”). The WSE Best Practices have been amended several times since then and were brought in line with recent legislative amendments, current international corporate governance trends, and the expectations of market participants. The last amendment took place on 29 March 2021, when the Warsaw Stock Exchange supervisory board adopted a resolution approving a new code of corporate governance, “Best Practice of GPW Listed Companies 2021” which came to force as of 1 July 2021 and is a base for this report on the application of the principles of corporate governance for the financial year ended 31 December 2022.

The content of the WSE Best Practices is publicly available on the website of the Warsaw Stock Exchange dedicated to those issues at <https://www.gpw.pl/best-practice2021>

## **2. The principles of corporate governance that the issuer has waived, including the reasons for such waiver**

We strive to make every possible effort to employ the corporate governance principles set out in the WSE Best Practices, and try to follow, in all areas of the Company’s business, all the recommendations regarding best practices of Warsaw Stock Exchange Listed Companies and all the recommendations directed to management boards, supervisory boards and shareholders.

Additionally, to implement a transparent and effective information policy, the Company provides fast and safe access to information for shareholders, analysts and investors, employing both traditional and modern technologies of publishing information about the Company to the greatest extent possible.

We strive to make every possible effort to employ all corporate governance principles

In 2022, the Company does not apply with three principles as informed in its statement of compliance with the Best Practice of GPW Listed Companies 2021, including:

Section	Principle	Comments of the company:
<p>1. Disclosure policy, investor communication</p>	<p><b>1.4.2</b></p> <p>To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others: present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.</p>	<p>The current strategy of the GTC Group does not contain the elements indicated in this rule. Still, the Company will consider the possibility of including them in the new strategy being developed by the Company in the future.</p>
<p>2. Management board, supervisory board</p>	<p><b>2.1</b></p> <p>Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.</p>	<p>The company does not plan to formally adopt a diversity policy towards the management board and the supervisory board as the main criteria in selecting its members are knowledge, experience, personality traits and education, and not, for example, age or gender.</p>

2. Management board, supervisory board	<p><b>2.2</b></p> <p>Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.</p>	<p>The company does not plan to formally adopt a diversity policy towards the management board and the supervisory board as the main criteria in selecting its members are knowledge, experience, personality traits and education, and not, for example, age or gender.</p>
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### **3. The principal characteristics of the internal control and risk management systems used with respect to the procedure of preparing financial statements and consolidated financial statements**

The management board is responsible for the Company's internal control system and its effectiveness in the process of preparing financial statements and interim reports prepared and published in accordance with the provisions of the Decree of the Finance Minister of 29 March 2018 on current and interim information provided by issuers of securities and the conditions for accepting, as equivalent, information required by the provisions of a country not being a member state.

The Company draws on its employees' extensive experience in the identification, documentation, recording, and controlling of economic operations, including numerous control procedures supported by modern information technologies used for the recording, processing, and presentation of operational and financial data.

In order to ensure the accuracy and reliability of the accounts of the parent and subsidiary companies, the Company applies a series of internal procedures in the area of transactional control systems and processes resulting from the activities of the Company and the capital group.

An important element of risk management, in relation to the financial reporting process, is ongoing internal controls exercised by main accountants on the holding and subsidiaries level.

The budgetary control system is based on quarterly and annual financial and operational reporting. Financial results are monitored regularly.

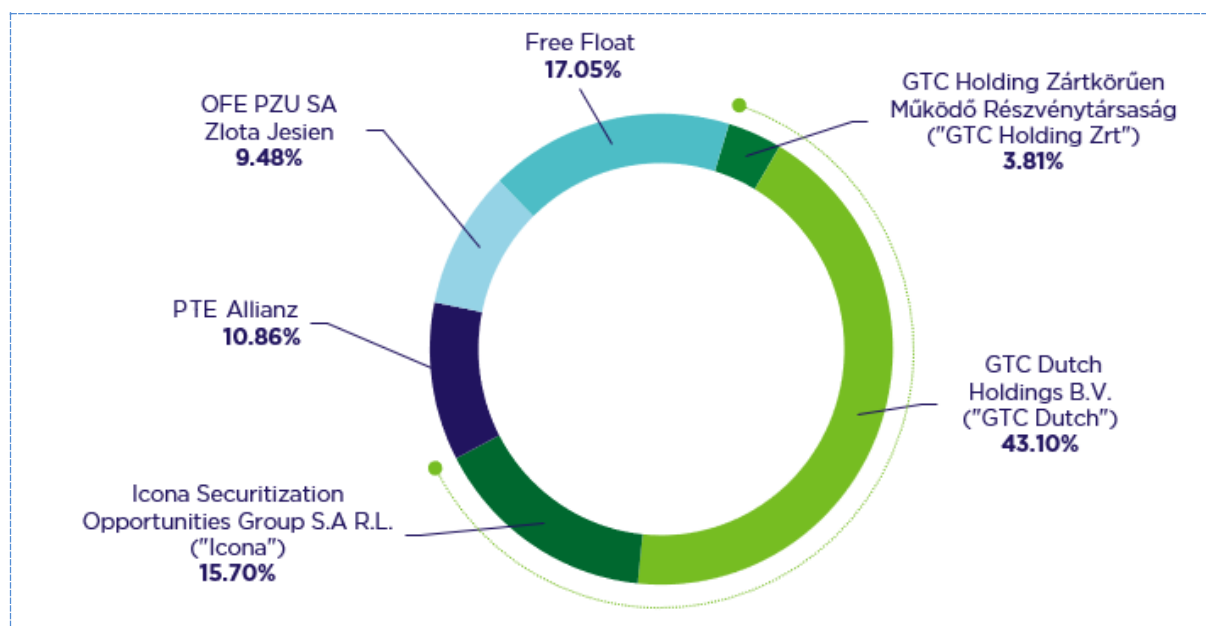
One of the basic elements of control in the preparation of financial statements of the Company and the Group is verification carried out by independent auditors. An auditor is chosen from a group of reputable firms which guarantee a high standard of service and independence. The supervisory board approves the choice of the auditor. The tasks of the independent auditor include, in particular: a review of semi-annual stand-alone and consolidated financial statements and an audit of annual stand-alone and consolidated financial statements.

An auditor's independence is fundamental to ensuring the accuracy of an audit of books. An audit committee, appointed to the Company's supervisory board, supervises the financial reporting process in the Company, in co-operation with the independent auditor, who participates in the audit committee meetings. The audit committee oversees the financial reporting process in order to ensure sustainability, transparency, and integrity of financial information. The audit committee includes one member of the supervisory board who meets the independence criteria set out in the Best Practices of WSE Listed Companies. The audit committee reports to the supervisory board.

Moreover, under Article 4a of the Act of 29 September 1994 on accounting, the duties of the supervisory board include ensuring that the financial statements and the report of the Company's operations meet the requirements of the law, and the supervisory board carries out this duty, using the powers under the law and the articles of association of the Company. This is yet another level of control exercised by an independent body to ensure the accuracy and reliability of the information presented in the separate and consolidated financial statements.

**4. Shareholders who, directly or indirectly, have substantial shareholding, including the number of shares held by them, the percentage share in the share capital, and the number of votes attached to their shares in the overall number of votes at the general meeting**

The following table presents the Company’s shareholders, who had no less than 5% of votes at the general meeting of GTC S.A. shareholders, as of the date of 31 December 2022.



In December 2021, the Company increased its capital in the way of issuance of 88,700,000 ordinary O series shares. The registration of those shares by Krajowy Depozyt Papierów Wartościowych S.A. (i.e. the Polish National Depository for Securities) took place on 26 January 2022 and resulted in change in the shareholding structure of GTC SA.

Additionally, on 19 February 2022, the Company received notification from GTC Dutch Holdings B.V. with its registered office in Amsterdam, the Netherlands (the “Seller”) and Icona Securitization Opportunities Group S.à r.l. acting on behalf of its compartment Central European Investments with its registered office in Luxembourg, Grand Duchy of Luxembourg (the “Buyer”, “Icona”) that the Seller and the Buyer entered into a preliminary share purchase agreement relating to the acquisition by the Buyer from the Seller of 15.7% of the shares in the Company. However, pursuant to the notification, the Buyer and the Seller agreed that the shareholders’ agreement will constitute an acting in concert agreement within the meaning of Articles 87(1)(5) and 87(1)(6) in connection with Article 87(3) of the Act of 29 July 2005 on Public Offerings and the Conditions for the Introduction of Financial Instruments to the Organised Trading System and Public Companies (the “Act on Public Offering”) on joint policy towards the Company and exercising of voting rights on selected matters in an agreed manner. Also, pursuant to the assignment agreement, the Buyer will, among others, transfer to the Seller its voting rights attached to the Shares and grant the power of attorney to exercise voting rights attached to the shares. The assignment agreement expires in case either call or put option under the call and put option agreement is exercised and/or in case of a material default under the transaction documentation. (“Transaction”). On 1 March 2022, the Company

received notification that the Transaction was completed, and the Buyer acquired 15.7% of the shares in the Company (see current reports no 13/2022 and 15/2022).

As a result of execution of the Transaction, Buyer holds 90,176,000 ordinary bearer shares in the Company which constitute 15.7% of total votes at GTC's general meeting, with reservations that (i) all the Icona Voting Rights (as defined below) were transferred to the Seller and that (ii) Icona granted the Power of Attorney to Buyer's Voting Rights to the Seller.

As a result of execution of the Transaction GTC Holding Zrt holds jointly 269,352,880 shares of the Company, entitling to 269,352,880 votes in the Company, representing 46.9% of the share capital of the Company and carrying the right to 46.9% of the total number of votes in the Company, including:

- directly holds 21,891,289 shares of the Company, entitling to 21,891,289 votes in the Company, representing 3.8% of the share capital of the Company and carrying the right to 3.8% of the total number of votes in the Company; and
- indirectly (i.e. through GTC Dutch) holds 247,461,591 shares of the Company, entitling to 247,461,591 votes in the Company, representing 43.1% of the share capital of the Company and carrying the right to 43.1% of the total number of votes in the Company.

In addition, GTC Holding Zrt also holds indirectly, through GTC Dutch, the Buyer's Voting Rights, i.e. the right to exercise 90,176,000 votes in the Company, entitling to 15.7% of the total number of votes in the Company. (see current report no 17/2022 and 18/2022)

Since 1 March 2022, GTC Holding Zrt, GTC Dutch and Icona are acting in concert based on the agreement concerning joint policy towards the Company and exercising of voting rights on selected matters at the general meeting of the Company in an agreed manner. (see current report no 19/2022)

On 30 December 2022, as a result of the merger Allianz OFE with Aviva Powszechne Towarzystwo Emerytalne Aviva Santander Spółka Akcyjna managing the Drugi Allianz Polska Otwarty Fundusz Emerytalny, in total, the balance on the accounts of Allianz OFE, Allianz DFE and Drugi Allianz OFE increased to 62,368,390 shares, constituting 10.86% of the company's share capital. (see current report no 2/2023).

The table is prepared based on information received directly from the shareholders or subscription information, and presents shareholder structure as of 31 December 2022 and as of the date of this report:

Shareholder	Number of shares and rights to the shares held (not in thousand)	% of share capital	Number of votes (not in thousand)	% of votes	Change in number of shares since 30 September 2022 (not in thousand)
GTC Dutch Holdings B.V.	247,461,591	43.10%	337,637,591	58.80%	No change
Icona Securitization Opportunities Group S.A R.L. <sup>2</sup>	90,176,000	15.70%	0	0%	No change
GTC Holding Zártkörűen Működő Részvénytársaság <sup>1</sup>	21,891,289	3.81%	21,891,289	3.81%	No change
PTE Allianz <sup>3</sup>	62,368,390	10.86%	62,368,390	10.86%	The merger Allianz OFE with Aviva PTE Aviva Santander SA Increase by 15,004,390 <sup>3</sup>
OFE PZU Złota Jesień	54,443,976	9.48%	54,443,976	9.48%	Increase by 943,976
Other shareholders	97 913 876	17.05%	97 913 876	17.05%	Decrease by 15,948,366
<b>Total</b>	<b>574,255,122</b>	<b>100.00%</b>	<b>574,255,122</b>	<b>100.00%</b>	No change

<sup>1</sup> directly holds 21,891,289 shares and indirectly through GTC Dutch Holdings B.V. (100% subsidiary of GTC Holding Zártkörűen Működő Részvénytársaság) holds 337,637,591 shares.

<sup>2</sup> Icona Securitization Opportunities Group S.A R.L. holds directly 15.70% of the share capital of the Company with reservations that all its voting rights were transferred to GTC Dutch Holdings B.V. and that Icona granted the power of attorney to its voting rights to GTC Dutch Holdings B.V.

<sup>3</sup> Before merger - in total, 15,004,159 shares were registered on the accounts of Allianz OFE and Allianz DFE, constituting 2.61% of the share capital of the company. On the account of Drugi Allianz OFE (managing by Aviva PTE Aviva Santander SA), 47,364,231 shares were registered, constituting 8.25% of the company's share capital. In previous report Company presented only Aviva OFE Aviva Santander shares in amount of 47,364,000 shares constituting 8.25% of the company's share capital.

## **5. Holders of any securities that grant special rights of control, including a description of such rights**

There are no special rights of control that would be attached to any securities in Globe Trade Centre S.A.

## **6. Restrictions concerning the exercise of voting rights, such as restriction of the exercise of voting rights by holders of any specific part or number of votes, time restrictions concerning the exercise of voting rights or regulations whereunder, with the co-operation of the Company, the equity rights related to the securities are separate from holding securities**

There are no restrictions applicable to the exercise of voting rights such as restriction of the exercise of voting rights by holders of any specific part or number of shares, any time restrictions applicable to the exercise of voting rights or regulations whereunder, with the co-operation of Globe Trade Centre S.A., the equity rights related to securities would be separate from holding securities.

## **7. Restrictions concerning the transfer of the ownership title to securities in Globe Trade Centre S.A.**

There are no limitations of transfer of ownership title to securities, except for those limitations that are resulting from the general provisions of the law, in particular contractual limitations regarding the transfer of the ownership rights to the securities issued by the Company.

## **8. Rules concerning the appointment and dismissal of management and the rights thereof, specifically the right to make decisions concerning the issuance and redemption of shares.**

Pursuant to Art. 12, the Company's statute the management board consists of one to seven members, appointed by the supervisory board for a three-year term.

Additionally, the supervisory board designates the president of the management board (CEO) and may designate deputy thereof.

The management board of the Company is responsible for the Company's day-to-day management and for its representation in dealing with third parties. All issues related to the Company's operations are in the scope of activities of the management board unless they are specified as the competence of the supervisory board or the general meeting by the provisions of applicable law or the articles of association.

Members of the management board participate, in particular, in general meetings and provide answers to questions asked during general meetings. Moreover, members of the management board invited to a supervisory board meeting by the chairman of the supervisory board participate in such meeting, with a right to voice their opinion on issues on the agenda.

The general meeting takes decisions regarding the issuance or buying back of shares in the Company. The competencies of the management board in the scope are limited to execution of any resolutions adopted by the general meeting.

## **9. Overview of the procedure of amending the Company's articles of association**

A change to the Company's articles of association requires a resolution of the general meeting and an entry into the Court register. The general provisions of law and the articles of association govern the procedure of adopting resolutions regarding changes to the articles of association.

## **10. The bylaws of the general meeting and its principal rights and description of rights of shareholders and their exercise, in particular the rules resulting from the bylaws of the general meeting, unless information on that scope results directly from the provisions of law**

The general meeting acts pursuant to the provisions of the Polish Commercial Companies Code and the articles of association.

The general meeting adopts resolutions regarding, in particular, the following issues:

- a) discussion and approval of reports of the management board and the financial statements for the previous year,
- b) decision about allocation of profits or covering of debts,
- c) signing off for the performance of duties for the supervisory board and the management board,
- d) determination of the supervisory board remuneration,
- e) changes to the articles of association of the Company,
- g) increase or decrease in the share capital,
- h) merger or transformation of the Company,
- i) dissolution or liquidation of the Company,

- j) issuance of convertible or priority bonds,
- k) sale or lease of the Company and the establishment of a right of use or sale of the Company's enterprise,
- l) all decisions regarding claims for damages upon the establishment of the Company, or the performance of management or supervision.

A general meeting can be attended by persons who are shareholders of the Company sixteen days before the date of the general meeting (the day of registration for participation in the general meeting).

A shareholder who is a natural person is entitled to participate in general meetings and execute voting rights in person or through a proxy. A shareholder, which is a legal entity, is entitled to participate in general meetings and execute voting rights through a person authorized to forward statements of will on their behalf or through a proxy.

A power of attorney to attend a general meeting and exercise voting rights must be in written or electronic form. For the purposes of identification of the shareholder who granted a power of attorney, a notice on the granting of such power of attorney electronically should contain:

- if the shareholder is an individual, a copy of an identity card, passport or any other official identification document confirming the identity of the shareholder; or
- if the shareholder is not an individual, a copy of an extract from a relevant register or any other document confirming the authorization of the individual(s) to represent the shareholder at the general meeting (e.g., an uninterrupted chain of powers of attorney).

The general meeting may be attended by members of the management board and supervisory board (in a composition which allows for substantive answers to the questions asked during the general meeting) and by the auditor of the Company, if the general meeting is held to discuss financial matters.

At the general meeting each participant is entitled to be elected the chairman of the general meeting, and also nominate one person as a candidate for the position of chairman of the general meeting. Until the election of the chairman, the general meeting may not take any decisions.

The chairman of the general meeting directs proceedings in accordance with the agreed agenda, provisions of law, the articles of association, and, in particular: gives the floor to speakers, orders votes and announces the results thereof. The chairman ensures efficient proceedings and respecting of the rights and interests of all shareholders.

After the creation and signing of the attendance list, the chairman confirms that the general meeting has been called in the correct manner and is authorized to pass resolutions.

The chairman of the general meeting closes the general meeting upon the exhausting of its agenda.

## 11. Personnel composition and changes in the previous business year and description of the functioning of the management, supervisory, or administrative bodies of the Company and its committees.

### THE MANAGEMENT BOARD

#### Composition of the management board

Currently, the management board is composed of three members. The following table presents the names, surnames, functions, dates of appointment, and dates of expiry of the current term of the members of the management board as of 31 December 2022:

<b>Name and surname</b>	<b>Function</b>	<b>Year of the first appointment</b>	<b>Year of appointment for the current term</b>	<b>Year of expiry of term</b>
Zoltán Fekete	President of the management board	2022	2022	2025
János Gárdai	Member of the management board and COO	2022	2022	2025
Ariel Ferstman	Member of the management board and CFO	2020	2020	2023

During 2022, the following changes in the composition of the management board took place:

- on 13 December 2021, the supervisory board of the Company appointed Mr. Pedja Petronijevic to the management board of the Company (Chief Development Officer) effective as of 15 January 2022 and Mr. János Gárdai to the management board of the Company (Chief Operating Officer) effective as of 1 February 2022. (see current report no 18/2021).
- on 14 January 2022, GTC entered into a mutual employment contract termination agreement with Mr. Yovav Carmi former President of the management board. Subsequently Mr. Carmi resigned from his seat on the management board of the Company and other subsidiaries The resignation is effective immediately (see current report no 7/2022);
- on 28 January 2022, Mr. Gyula Nagy resigned from his seat on the management board of the Company. The resignation is effective immediately (see current report no 11/2022);

- on 17 March 2022, the supervisory board of the Company appointed Mr. Zoltán Fekete to the management board of the Company as the President of the management board (see current report no 21/2022);
- on 5 July 2022, Mr. Pedja Petronijevic resigned from his seat on the management board of the Company. The resignation is effective on 15 July 2022 (see current report no 35/2022).

#### Description of operations of the management board

The management board runs the Company's business in a transparent and efficient way pursuant to the provisions of applicable law, its internal provisions, and the "Best Practices of WSE Listed Companies". When making decisions related to the Company's business, the members of the management board act within limits of justified business risk.

The President of the Management Board (CEO) jointly with any other member of the Management Board, or the two members of the management board acting jointly are entitled to make representations on the Company's behalf.

All issues related to the management of the Company which are not specified by the provisions of applicable law or the articles of association as competencies of the supervisory board or the general meeting are within the scope of competence of the management board.

Members of the management board participate in sessions of the general meeting and provide substantive answers to questions asked during the general meeting. Members of the management board invited to a meeting of the supervisory board by the chairman of the supervisory board participate in such meeting with the right to take the floor regarding issues on the agenda. Members of the management board are required to, within their scope of competence and the scope necessary to settle issues discussed by the supervisory board, submit explanations and information regarding the Company's business to the participants of a meeting of the supervisory board.

The management board makes any decisions considered (by the management board) to be important for the Company by passing resolutions at meetings thereof. Such resolutions are passed by a simple majority.

Moreover, the management board may adopt resolutions in writing or via a manner enabling instantaneous communication between the members of the management board by means of audio-video communication (e.g. teleconferencing, videoconferencing, etc.).

## THE SUPERVISORY BOARD

### The composition of the supervisory board

As of 31 December 2022, the supervisory board comprised of nine members. The following table presents the names, surnames, functions, dates of appointment, and dates of expiry of the current term of the members of the supervisory board:

Name and surname	Function	Year of the first appointment	Year of appointment for the current term	Year of expiry of term
János Péter Bartha <sup>1</sup>	Chairman of the supervisory board	2020	2020	2023
Lóránt Dudás	Member of the supervisory board	2020	2020	2023
Balázs Figura	Member of the supervisory board	2020	2020	2023
Mariusz Grendowicz	Member of the supervisory board	2000	2022	2025
Marcin Murawski <sup>1</sup>	Independent member of the supervisory board	2013	2022	2025
Artur Koziejka <sup>1 2</sup>	Independent member of the supervisory board	2022	2022	2025
Gyula Nagy	Member of the supervisory board	2022	2022	2025
Bálint Szécsényi	Member of the supervisory board	2020	2020	2023
Bruno Vannini	Member of the supervisory board	2022	2022	2025

<sup>1</sup> conforms with the independence criteria listed in the Best Practices of WSE Listed Companies.  
<sup>2</sup> conforms with the independence criteria listed in the articles of association of the Company

During 2022, the following changes in the composition of the supervisory board took place:

- on 11 March 2022, Mr. Zoltán Fekete resigned from his seat on the supervisory board of the Company. The resignation is effective immediately (see current report no 20/2022);
- on 11 March 2022, GTC Dutch Holdings B.V. appoints Mr. Gyula Nagy as member of the supervisory board of the Company, effective immediately (see current report no 20/2022);
- on 22 April 2022, Icona Securitization Opportunities Group S.à r.l. appointed Mr. Bruno Vannini as a member of the supervisory board of the Company, effective immediately (see current report no 24/2022);

- on 1 June 2022, AVIVA Otwarty Fundusz Emerytalny Aviva Santander. reappointed Mr. Marcin Murawski as a member of the supervisory board of the Company, effective 14 June 2022 (see current report no 29/2022);
- on 14 June 2022, the term of office of Mr. Mariusz Grendowicz as an independent member of the supervisory board of the Company has expired (see current report no 34/2022);
- on 14 June 2022, the Annual General Meeting with its resolution no 20 appointed Mr. Artur Koziejka as an independent member of the supervisory board for a period of three years (see current report no 34/2022);
- on 2 September 2022 GTC Dutch Holdings B.V. appoints Mr. Mariusz Grendowicz as member of the Supervisory Board of the Company, effective as of 2 September 2022 (see current report no 39/2022);
- on 15 November 2022, Mr. Daniel Obajtek resigned from his seat on the supervisory board of the Company, effective immediately (see current report no 48/2022).

#### Description of the operations of the supervisory board

The supervisory board acts pursuant to the Polish Commercial Companies Code and also pursuant to the articles of association of the Company and the supervisory board regulations dated 16 May 2017.

Pursuant to the Polish Commercial Companies Code, the supervisory board performs constant supervision over activities of the enterprise. Within the scope of its supervisory activities, the supervisory board may demand any information and documents regarding the Company's business from the management board.

Members of the supervisory board are required to take necessary steps to receive regular and full information from the management board regarding material matters concerning the Company's business and risks involved in the business and the strategies of risk management. The supervisory board may (while not infringing the competencies of other bodies of the Company) express their opinion on all the issues related to the Company's business, including forwarding motions and proposals to the management board.

In addition to the matters defined in the Polish Commercial Companies Code or other applicable laws the following are the competencies of the supervisory board:

- a) the determination of remuneration (including commissions) for the members of the Company's Management Board and representing the Company when executing agreements with Management Board members and in any disputes with Management Board members
- b) granting consent to the Company or an entity controlled by it for entering into a related-party transaction, in each case other than any intra-group transactions i.e. transactions between the Company or an entity controlled by it with another entity controlled by the

Company (the term “control” and “related-party transaction” shall be understood as provided in International Accounting Standard 24 (*Related party disclosures*))

- c) granting consent for the Company or an entity controlled by it to execute a transaction (in the form of a single legal act or a number of legal acts) resulting in the acquisition or disposal of assets, or the creation of a liability, in excess of EUR 30 million, except for (i) scheduled or early debt repayment; and (ii) hedging transactions in relation to such debt that have been approved by the Supervisory Board under this point; for the avoidance of doubt, prior to entering into any of the transactions referred above in this point c), in addition to the consent of the Supervisory Board, the consent of the respective management bodies of the entity controlled by the Company or the consent of the Management Board of the Company itself shall also be required, as the case may be, in each case to the extent required by (a) the constitutional documents of the entity controlled by the Company or this statute and (b) the respective legislation..

The supervisory board consists of five to twenty members, including the Chairman of the supervisory board. Each shareholder who holds individually more than 5% of shares in the Company's share capital (the “Initial Threshold”) is entitled to appoint one supervisory board member. Shareholders are further entitled to appoint one additional supervisory board member for each block of held shares constituting 5% of the Company's share capital above the Initial Threshold. Supervisory board members are appointed by a written notice of entitled shareholders given to the chairman of the general meeting at the general meeting or outside the general meeting delivered to the management board along with a written statement from the selected person that he/she agrees to be appointed to the supervisory board.

The number of supervisory board members is equal to the number of members appointed by the entitled shareholders, increased by one shareholder meeting delegate,, provided that in each case such number may not be lower than five.

Under the Company's articles of association, the supervisory board should consist of at least two members meeting the criteria of an independent member of the supervisory board as set out in the corporate governance regulations included in the Best Practices of Warsaw Stock Exchange listed Companies.

The chairman of the supervisory board calls meetings of the supervisory board. The chairman calls meetings of the supervisory board at his or her own initiative or upon the request of a member of the management board or a member of the supervisory board therefore. A meeting of the supervisory board must take place within two weeks but no earlier than on the 3 (third) business day after the receipt of such request by the Chairman of the Supervisory Board

Within the limits defined by law, the supervisory board may convene meetings both within the territory of the Republic of Poland and abroad. Resolutions of the Supervisory Board shall be adopted at Supervisory Board meetings, which may be held with the use of electronic communication to the fullest extent permitted by applicable laws. Resolutions of the Supervisory Board may be adopted in writing or by circulation to the fullest extent permitted by applicable laws, provided that all members are notified about the content of such a resolution by electronic mail to the addresses provided by the Supervisory Board members.

Unless the articles of association provide otherwise, resolutions of the supervisory board are adopted by absolute majority of votes cast in the presence of at least five supervisory board members. In the event of a tie, the Chairman has a casting vote.

Members of the supervisory board execute their rights and perform their duties in person. Members of the supervisory board may participate in general meetings.

Moreover, within the performance of their duties, the supervisory board is required to:

- a) once a year prepare and present to the general meeting a concise evaluation of the situation of the Company, taking into account the evaluation of the internal control system and the management system of risks that are important for the Company,
- b) once a year prepare and present to the annual general meeting an evaluation of its own performance,
- c) discuss and issue opinions on matters which are to be subject of the resolutions of the general meeting.

#### COMMITTEES OF THE SUPERVISORY BOARD

The supervisory board may appoint committees to investigate certain issues which are in the competence of the supervisory board or to act as advisory and opinion bodies to the supervisory board.

#### **AUDIT COMMITTEE**

The supervisory board has appointed the Audit Committee, whose principal task is to make administrative reviews, to exercise financial control, and to oversee financial reporting as well as internal and external audit procedures at the Company and at the companies in its group.

In 2022, the Audit Committee meet 5 times in total.

The following table presents the details on the Audit Committee members as of 31 December 2022:

Member	Function	Conforms with independence criteria	Knowledge and skills in the field of accounting or auditing of financial statements	Knowledge and skills in the real estate
Artur Kozieja	Member of the audit committee	Yes	Yes <sup>1</sup>	Yes <sup>1</sup>
Marcin Murawski	Chairman of the audit committee	Yes	Yes <sup>2</sup>	No
János Péter Bartha	Member of the audit committee	Yes	Yes <sup>3</sup>	No

<sup>1</sup> Artur Kozieja holds an MBA from the Wharton School of the University of Pennsylvania (USA) and is a graduate of the Diplomatic Academy in Beijing (China). Artur Kozieja, the founder of the Europlan group, is an experienced investor and investment banker who, between 1995 and 2017, worked as a senior executive at Credit Suisse, Morgan Stanley and Barclays Capital in London, where he was responsible for M&A transactions and the raising of capital for corporations, banks and countries in Central and Eastern Europe. In addition, as a partner in a family hotel business started in 1983, he also developed hotel projects in Lower Silesia in Poland. Since 2017, as part of the Europlan group, he has been carrying out hotel investments in Poland, where he has opened, among other things, the Lake Hill Resort & Spa hotel complex in the Karkonosze Mountains and the Metropolo by Golden Tulip hotel in Cracow, and is currently preparing several hotel projects in cooperation with international hotel chains.

<sup>2</sup> Marcin Murawski graduated from the Faculty of Management of Warsaw University in 1997. He has also the following certificates: ACCA, ACCA Practicing Certificate, KIBR entitlement, CIA. Since 2012 he has been a member of the supervisory board of CCC S.A. Between 2005 and 2012 Mr. Murawski was a director of the internal audit and inspection department at WARTA Group and secretary of the audit committee at TUIR WARTA S.A. and TUNŻ WARTA S.A. Between 1997 and 2005 he worked at PricewaterhouseCoopers Sp. z o.o., as manager of the audit department (2002-2005), senior assistant in the audit department (1999-2001), assistant in the audit department (1997-1999).

<sup>3</sup> János Péter Bartha is a seasoned investment banker with 18-year experience in private equity investments, especially extensive experience in privatisation, management of IPOs and M&A. Mr. Bartha started his banking carrier at the National Bank of Hungary in 1986, became CEO of Credit Suisse First Boston in 1990, and Head of Credit Suisse First Boston in Central and Eastern Europe in 1994.

## REMUNERATION COMMITTEE

The supervisory board has appointed the Remuneration Committee of the supervisory board, which has no decision-making authority and which is responsible for making recommendations to the supervisory board with respect to the remuneration of the members of the management board and the policies for setting such remuneration.

In 2022, the Remuneration Committee meet 3 times in total.

The following table presents the details on the Remuneration Committee members as of 31 December 2022:

Member	Function	Conforms with independence criteria	Knowledge and skills in the field of accounting or auditing of financial statements	Knowledge and skills in the real estate
Janos Peter Bartha	Chairman of the remuneration committee	Yes	Yes	No
Artur Koziejka	Member of the remuneration committee	Yes	Yes	Yes
Marcin Murawski	Chairman of the remuneration committee	Yes	Yes	No

## 12. Audit partner

The recommendation to select the audit firm to audit the financial statements met all the bidding legal conditions required in the procedure for selection of the audit firm to audit the financial statements.

The audit firm selected to audit financial statements provide also other services for the Company in 2022, including review of the remuneration report and review of the prospectus.

### **RULES FOR SELECTION OF AN INDEPENDENT AUDITOR WITHIN AN AUDIT FIRM TO AUDIT GTC S.A.'S FINANCIAL STATEMENTS, AS WELL AS THE RULES FOR CONDUCTING AUTHORISED NON-AUDIT SERVICES BY THE AUDIT FIRM.**

On 15 November 2022, the supervisory board of GTC approved the rules for the selection of an independent auditor according to the Act on Registered Auditors which were adopted by the Audit Committee of the Company on 15 November 2022.

The selection of an audit firm to audit and review the financial statements of the Company is the responsibility of the supervisory board. Decisions are taken in the form of an official resolution of the supervisory board, taking into account the prior recommendations of the Audit Committee.

The Audit Committee assesses the independence of the statutory auditor and consents to the provision of authorised non-audit services to the Company. The consent can be expressed after the assessment of the independence of the statutory auditor and after obtaining from the statutory auditor a confirmation that the provision of authorised non-audit services will be carried out in accordance with the independence requirements laid down for such services in the rules of professional ethics and standards of performing such services.

Main assumptions of the policy for selecting an audit firm for the purpose of conducting an audit:

1. the Company's supervisory board selects an audit firm to audit the financial statements. based on the prior recommendation of the Audit Committee of the supervisory board. The selection decision is taken in the form of a resolution of the supervisory board.
2. the Audit Committee, in its recommendation, shall:
  - recommend a preferred audit firm along with a justification of the preference of the Audit Committee;
  - state that the recommendation is free from third-party influence;
  - state that the Company has not entered into any agreements containing clauses that restrict the ability of the supervisory board to select an audit firm for the purposes of the audit of the Company's financial statements to certain categories or lists of audit firms; and
  - indicate the proposed remuneration for conducting the audit.
3. in the event that the selection conducted by the Audit Committee does not refer to the prolongation of the agreement for the purpose of the audit of the Company's financial statements, the recommendation of the Audit Committee must contain at least two options for the selection of an audit firm, along with justifications as well as an explanation of the reasons of the Audit Committee's preferred option.
4. the Audit Committee shall cooperate with the Company's management board in obtaining, analysing and evaluating the audit offers, and will be assisted by the management board in drafting the respective recommendation.
5. in the course of the selection procedure, the supervisory board and the Audit Committee shall consider:

- the principles of impartiality and independence of the audit firm. This shall include an analysis of other work carried out by the audit firm in the Company that extends beyond the scope of the auditing of the financial statements in order to avoid any conflict of interest;
- the experience and track record of the audit team in auditing financial statements of similar companies, its competencies and financial criteria;
- the maximum allowed duration of continuous engagements of statutory audits carried out by the same audit firm under any applicable law;
- the proposed remuneration for the audit;
- the assessment of the relation between the criteria specified in points 2 and 3 above and
- the assessment of the findings and conclusions of the annual report of the Polish Audit Supervision Agency (PANA).

### **13. Diversity policy in terms of the management, supervisory, or administrative bodies of the Company.**

The strategic objective of our diversity policy is to recruit and retain such workforce as to ensure delivery of the GTC Group's business objectives. The priority of diversity policy is to build a sense of trust between the management and other employees, and to treat everyone fairly regardless of their position.

The Company's diversity policy is centered on respecting the employees as an element of diversity-oriented culture regardless of gender, age, education and cultural heritage. It includes integrating employees in their workplace and ensuring that all employees are treated equally at work. The Company supports various social initiatives, which promote equal opportunities. Additionally, the Company joins charitable activities initiated by the employees. The principles of equal treatment at the workplace have been reflected in the company's bylaws, which are available to all employees. The Company values its enriched diversity policy in pursuing its goals.

GTC believes that people from different backgrounds can bring fresh ideas, thinking and approaches which make the way work is undertaken more effective and efficient.

GTC does not tolerate direct or indirect discrimination against any person on grounds of age, disability, gender, gender reassignment, marriage, civil partnership, pregnancy, maternity, race, religion or belief, or sexual orientation whether in the field of recruitment, terms and conditions of employment, remuneration, career progression, training, transfer or dismissal.

We provide equal opportunity to all who apply for vacancies through open competition and select candidates only on the basis of their ability, qualifications and suitability for the work, by using a clear and open process.

## MANAGEMENT BOARD'S REPRESENTATIONS

Pursuant to the requirements of the Regulation of the Council of Ministers of 29 March 2018 on ongoing and periodical information reported by issuers of securities and conditions of recognizing as equivalent information required by the law of a country not being a member state the Management Board of Globe Trade Centre S.A. represented by:

Zoltán Fekete, President of the Management Board

Ariel Alejandro Ferstman, Member of the Management Board

János Gárdai, Member of the Management Board

hereby represents that:

- to the best of its knowledge the consolidated financial statements for twelve months ended 31 December 2022 and the comparable data were prepared in accordance with the prevailing accounting principles, and they truly, reliably, and clearly reflect the asset and financial standing of the Group and its financial result in all material respects, and the annual Management Board's activity report contains a true image of the Group's development and achievements and its standing, including the description of basic risks and threats;

- the entity authorized to audit the financial statements, which has audited the consolidated financial statements, was selected in accordance with the regulations of law. That entity as well as the auditor who has carried out the audit fulfilled the conditions for expressing an unbiased and independent opinion about the audit pursuant to relevant provisions of the national law and industry norms.

Warsaw, 24 April 2023

Zoltán Fekete,  
President of the Management Board

Ariel Alejandro Ferstman  
Member of the Board

János Gárdai  
Member of the Board

**INFORMATION OF THE GLOBE TRADE CENTRE S.A. PREPARED ON THE BASIS OF  
THE SUPERVISORY BOARD'S STATEMENT ON APPOINTMENT OF THE AUDIT  
COMPANY FOR THE AUDIT OF THE YEARLY FINANCIAL STATEMENTS**

*(pursuant with § 70 section 1 item 7 and § 71 section 1 item 7 of the Regulation of the Ministry of Finance dated 29<sup>th</sup> March 2018 in respect of the current and periodical information given by the securities issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union)*

The Management Board of the Globe Trade Centre S.A. („Company”), on the basis of statement of the Supervisory Board of the Company on appointment of the audit company for audit of the yearly financial statements dated 9 February 2022 hereby informs that the selection of an auditor to audit yearly consolidated and standalone financial statements for the year 2022 was performed due to the binding laws and within the relevant internal regulations of Globe Trade Centre S.A. related to the selection policy of the audit company.

The Management Board informs that:

- audit company and members of the audit team performing audit of yearly consolidated and standalone financial statements for the financial year ended 31 December 2022 have met the criteria to prepare impartial and independent report on the yearly financial statements assessment due to the binding laws, standards of profession and professional ethics;
- the Company conforms with the rules of binding law regarding rotation of the audit company and key chartered auditor and obligatory grace periods;
- the Company has the policy for selecting an audit company for the purpose of conducting an audit and the policy for conducting authorised non-audit services for the benefit of the security issues by the audit company, entity connected with this audit company or member of its affiliate conducting non-audit services including services conditionally dismissed from the prohibition of performing services by the audit company.

Warsaw, 24 April 2023

Zoltán Fekete,  
President of the Management Board

Ariel Alejandro Ferstman  
Member of the Board

János Gárdai  
Member of the Board

**STATEMENT OF THE SUPERVISORY BOARD OF GLOBE TRADE CENTRE S.A. IN THE  
MATTER OF APPOINTMENT, COMPOSITION AND FUNCTIONING  
OF AUDIT COMMITTEE**

*(pursuant with the § 70 section 1 item 8 and § 71 section 1 item 8 of the Regulation of the Ministry of Finance dated 29<sup>th</sup> March 2018 in respect of the current and periodical information given by the securities issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union)*

The Supervisory Board states that within Globe Trade Centre S.A.:

- a) the rules on appointment, composition and functioning of audit committee are fulfilled, including meeting criteria of independence by its members and standards of having sufficient knowledge and skills in area of industry of operations of the issuer and accounting standards and the rules for audit of financial statements,
- b) audit committee has acted in accordance with the binding provisions of law reserved for audit committee.

Warsaw, 24 April 2023

János Péter Bartha  
Chairman of the Supervisory Board

**STATEMENT OF THE SUPERVISORY BOARD  
OF GLOBE TRADE CENTRE S.A. IN THE MATTER OF ASSESSMENT OF THE REPORT  
ON ACTIVITIES OF THE ISSUER AND FINANCIAL STATEMENTS AND ITS  
COMPLIANCE WITH THE BOOKS, DOCUMENTS AND STATE OF FACTS**

*(pursuant with the § 70 section 1 item 14 and § 71 section 1 item 12 of the Regulation of the Ministry of Finance dated 29<sup>th</sup> March 2018 in respect of the current and periodical information given by the securities issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union)*

The Supervisory Board, as the supervising body of Globe Trade Centre S.A. ("**Company**" or "**GTC**") has made assessment of the report on activities of the issuer and financial statements of the issuer in the aspect of its compliance with the books, documents and state of facts. In particular the Supervisory Board has verified:

- report on issuer's activity for year 2022,
- standalone financial statements of the issues for year 2022,
- consolidated financial statements of the capital group of the issuer for the year 2022.

The Supervisory Board in the effect of the performed assessment has stated that report on the Company's activities and report on activities of the Company's capital group for the year 2022 remains compliant in all material aspects with article 49 and 55 section 2a of Accounting Act and in the Regulation of the Ministry of Finance dated 29<sup>th</sup> March 2018 in respect of the current and periodical information given by the securities issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union and the information contained therein remains in compliance with the audited by certified auditor standalone and consolidated financial statements of the Company and the Company's capital group for the year 2022.

The Supervisory Board assesses that the presented by the Management Board of the Company standalone and consolidated financial statements of the Company and the Company's capital group for the year 2022 and report on activities of the Company and the Company's capital group for the year 2022 illustrates genuinely and clearly all the information inevitable and significant for the assessment of the financial standing of the Company and the Company's capital group prepared as at 31 December 2022, as well as it remains in compliance with the books, documents and state of facts.

The Supervisory Board has made a positive assessment of the standalone financial statements for the financial year 2022 and the report on activities of the Company and the Company's capital group for the year 2022 based on:

- content of the above statements, submitted by the Company's Management Board;
- report of the independent certified auditor i.e. PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., with its registered office in Warsaw made upon audit of the standalone financial statements of the Company and consolidated financial statements of the Company's capital group prepared as at 31st December 2021 as well as an additional report prepared for Audit Committee on the basis of article 11 Regulation (EU) No

537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, derogating the EU Commission Decision no. 2005/909 and according to the rules of Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision;

- meetings with the audit firm representatives, including the key certified auditor;
- information from Audit Committee regarding the process, effects and meaning of an audit for the clarity of financial reporting in the Company and also the role of the Committee in the process of audit of financial statements;
- results of other verifying activities in selected operational and financial areas.

Warsaw, 24 April 2023

János Péter Bartha  
Chairman of the Supervisory Board



# **GLOBE TRADE CENTRE S.A.**

## **CONSOLIDATED**

**FINANCIAL STATEMENTS FOR THE YEAR**

**ENDED 31 DECEMBER 2022**

**Globe Trade Centre S.A.**  
**Consolidated Statement of Financial Position**  
**as of 31 December 2022**  
**(in thousands of Euro)**

	Note	31 December 2022	31 December 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	17	2,243,663	2,240,660
Residential landbank	19	26,610	27,002
Property, plant and equipment	16	11,141	7,834
Blocked deposits	22	11,948	11,078
Deferred tax asset	15	3,161	3,786
Derivatives	20	17,054	826
Non-current financial assets (related to investment property) measured at fair value through profit or loss	18	130,341	-
Other non-current assets		190	163
Loan granted to non-controlling interest partner	28	10,936	10,628
		<b>2,455,044</b>	<b>2,301,977</b>
<b>Current assets</b>			
Accounts receivables		7,913	6,161
Accrued income		4,391	3,448
Receivables from shareholders	31	-	123,425
VAT and other tax receivables	27	5,305	2,957
Income tax receivables		1,958	456
Prepayments, deferred expenses and other receivables	34	7,739	11,515
Derivatives	20	7,793	-
Short-term blocked deposits	22	13,025	14,341
Cash and cash equivalents	23	115,079	87,468
Assets held for sale	33	51,635	292,001
		<b>214,838</b>	<b>541,772</b>
<b>TOTAL ASSETS</b>		<b>2,669,882</b>	<b>2,843,749</b>

**Globe Trade Centre S.A.**  
**Consolidated Statement of Financial Position**  
**as of 31 December 2022**  
**(in thousands of Euro)**

	Note	31 December 2022	31 December 2021
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	31	12,920	11,007
Share premium	31	668,904	550,522
Unregistered share capital increase	31	-	120,295
Capital reserve	31	(49,311)	(49,489)
Hedge reserve	20	(7,515)	(30,903)
Foreign currency translation reserve		(2,621)	(2,570)
Accumulated profit	31	490,532	501,704
		<b>1,112,909</b>	<b>1,100,566</b>
Non-controlling interest	28	22,678	16,423
<b>Total Equity</b>		<b>1,135,587</b>	<b>1,116,989</b>
<b>Non-current liabilities</b>			
Long-term portion of long-term borrowings	29	1,189,284	1,255,114
Lease liabilities	30	41,483	38,767
Deposits from tenants	25	11,948	11,078
Long term payables	26	2,394	2,426
Share based payment liabilities	32	758	1,410
Derivatives	20	46,798	38,743
Deferred tax liabilities	15	141,176	140,145
		<b>1,433,841</b>	<b>1,487,683</b>
<b>Current liabilities</b>			
Current portion of long-term borrowings	29	48,571	44,337
Current portion of lease liabilities	30	388	198
Trade payables and provisions	21	41,208	31,092
Deposits from tenants	25	1,639	1,932
VAT and other taxes payables		1,828	2,222
Income tax payables		3,571	1,000
Derivatives	20	2,180	2,681
Advances received		1,069	784
Liabilities related to assets held for sale	33	-	154,831
		<b>100,454</b>	<b>239,077</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,669,882</b>	<b>2,843,749</b>

**Globe Trade Centre S.A.**  
**Consolidated Income Statement**  
**for the year ended 31 December 2022**  
**(in thousands of Euro)**

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Rental revenue	10,14	123,556	130,289
Service charge revenue	10,14	43,007	41,662
Service charge costs	10,14	(47,365)	(44,356)
<b>Gross margin from operations</b>		<b>119,198</b>	<b>127,595</b>
Selling expenses	11	(1,768)	(1,652)
Administration expenses	12	(15,040)	(14,145)
Loss from revaluation of investment property and residential landbank	17	(29,422)	(12,867)
Other income		1,467	1,432
Other expenses	24	(2,979)	(1,062)
<b>Profit from continuing operations before tax finance income / expense and foreign exchange differences</b>		<b>71,456</b>	<b>99,301</b>
Foreign exchange gain / (loss), net		(2,238)	196
Finance income	13	1,412	304
Finance costs	13	(33,108)	(43,281)
<b>Profit before tax</b>		<b>37,522</b>	<b>56,520</b>
Taxation	15	(12,761)	(13,784)
<b>Profit for the year</b>		<b>24,761</b>	<b>42,736</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		23,411	41,651
Non-controlling interest	28	1,350	1,085
Basic earnings per share (in Euro)	35	0.04	0.09
Diluted earnings per share (in Euro)	35	0.04	0.09

**Globe Trade Centre S.A.**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended 31 December 2022**  
**(In thousands of Euro)**

	Year ended 31 December 2022	Year ended 31 December 2021
<b>Profit/(loss) for the period</b>	<b>24,761</b>	<b>42,736</b>
<i>Other comprehensive income for the period, not to be reclassified to profit or loss in subsequent periods, net of tax</i>	-	-
Gain/(loss) on hedge transactions	27,533	(20,356)
Income tax	(4,145)	1,383
<b>Net gain/(loss) on hedge transactions</b>	<b>23,388</b>	<b>(18,973)</b>
Foreign currency translation	(51)	(17)
<i>Other comprehensive income for the period, to be reclassified to profit or loss in subsequent periods, net of tax</i>	23,337	(18,990)
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>48,098</b>	<b>23,746</b>
<b>Attributable to:</b>		
Equity holders of the Company	46,748	22,661
Non-controlling interest	1,350	1,085

**Globe Trade Centre S.A.**  
**Consolidated Statement of Changes in Equity**  
**for the year ended 31 December 2022**  
(In thousands of Euro)

	Share capital	Share premium	Unregistered share capital increase	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
<b>Balance as of 1 January 2022</b>	<b>11,007</b>	<b>550,522</b>	<b>120,295</b>	<b>(49,489)</b>	<b>(30,903)</b>	<b>(2,570)</b>	<b>501,704</b>	<b>1,100,566</b>	<b>16,423</b>	<b>1,116,989</b>
Other comprehensive income/(loss)	-	-	-	-	23,388	(51)	-	23,337	-	23,337
Result for the year ended 31 December 2022	-	-	-	-	-	-	23,411	23,411	1,350	24,761
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,388</b>	<b>(51)</b>	<b>23,411</b>	<b>46,748</b>	<b>1,350</b>	<b>48,098</b>
Registered share capital increase	1,913	118,382	(120,295)	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(34,583)	(34,583)	-	(34,583)
Transaction with non-controlling interest	-	-	-	178	-	-	-	178	5,658	5,836
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(753)	(753)
<b>Balance as of 31 December 2022</b>	<b>12,920</b>	<b>668,904</b>	<b>-</b>	<b>(49,311)</b>	<b>(7,515)</b>	<b>(2,621)</b>	<b>490,532</b>	<b>1,112,909</b>	<b>22,678</b>	<b>1,135,587</b>

	Share capital	Share premium	Unregistered share capital increase	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
<b>Balance as of 1 January 2021</b>	<b>11,007</b>	<b>550,522</b>	<b>-</b>	<b>(49,489)</b>	<b>(11,930)</b>	<b>(2,553)</b>	<b>460,053</b>	<b>957,610</b>	<b>16,538</b>	<b>974,148</b>
Other comprehensive income	-	-	-	-	(18,973)	(17)	-	(18,990)	-	(18,990)
Profit for the year ended 31 December 2021	-	-	-	-	-	-	41,651	41,651	1,085	42,736
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18,973)</b>	<b>(17)</b>	<b>41,651</b>	<b>22,661</b>	<b>1,085</b>	<b>23,746</b>
Unregistered share capital increase (note 30)	-	-	120,295	-	-	-	-	120,295	-	120,295
Dividend distribution to non-controlling interest	-	-	-	-	-	-	-	-	(1,200)	(1,200)
<b>Balance as of 31 December 2021</b>	<b>11,007</b>	<b>550,522</b>	<b>120,295</b>	<b>(49,489)</b>	<b>(30,903)</b>	<b>(2,570)</b>	<b>501,704</b>	<b>1,100,566</b>	<b>16,423</b>	<b>1,116,989</b>

**Globe Trade Centre S.A.**  
**Consolidated Statement of Cash Flows**  
**for the year ended 31 December 2022**  
(In thousands of Euro)

Note	Year ended 31 December 2022	Year ended 31 December 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit/(loss) before tax	37,522	56,520
<b>Adjustments for:</b>		
Loss from revaluation of investment property and residential landbank	17 29,422	12,867
Foreign exchange loss/(gain), net	2,238	(196)
Finance income	13 (1,412)	(304)
Finance cost	13 33,108	43,281
Share based payment loss/(profit)	12 (652)	432
Depreciation	16 544	653
<b>Operating cash before working capital changes</b>	<b>100,770</b>	<b>113,253</b>
Increase in accounts receivables, prepayments and other current assets	(2,007)	(4,952)
Decrease in advances received	285	583
Increase in deposits from tenants	1,153	2,878
Increase (decrease) in trade and other payables	(1,021)	3,550
<b>Cash generated from operations</b>	<b>99,180</b>	<b>115,312</b>
Tax paid in the period	(11,092)	(8,885)
<b>Net cash from operating activities</b>	<b>88,088</b>	<b>106,427</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Expenditures on investment property and property, plant and equipment	17 (85,359)	(92,784)
Purchase of completed assets and land	17 (58,113)	(262,937)
Purchase of residential landbank	19 -	(13,300)
Sale of landbank and residential landbank	17,33 11,182	-
Sale of subsidiary, net of cash in disposed assets	9,17,33 186,163	595
Purchase of non-current financial assets	18 (130,341)	-
Decrease in short term deposits designated for investment	-	1,150
Advances received for assets held for sale	-	1,210
VAT/tax on purchase/sale of investment property	(2,376)	(614)
Interest received	1,104	28
<b>Net cash used in investing activities</b>	<b>(77,740)</b>	<b>(366,652)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	29 6,173	706,070
Repayment of long-term borrowings	29 (52,125)	(585,323)
Interest paid and other financing breaking fees	(28,666)	(32,786)
Proceeds from issue of share capital, net of issuance costs	9,31 120,386	-
Dividend paid to shareholders	9 (33,210)	-
Repayment of lease liabilities	30 (642)	(516)
Loans origination payment	(236)	(8,147)
Dividend paid to non-controlling interest	28 (753)	(300)
Decrease/(increase) in short term deposits	(130)	5,908
<b>Net cash from financing activities</b>	<b>10,797</b>	<b>84,906</b>
<b>Net foreign exchange difference, related to cash and cash equivalents</b>	<b>(2,699)</b>	<b>(44)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>18,446</b>	<b>(175,363)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	23 <b>96,633</b>	<b>271,996</b>
<b>Cash and cash equivalents at the end of the period</b>	23 <b>115,079</b>	<b>96,633</b>

## **1. Principal activities**

Globe Trade Centre S.A. (the “Company”, „GTC S.A.” or “GTC”) with its subsidiaries (“GTC Group” or “the Group”) is an international real estate developer and investor. The Company was registered in Warsaw on 19 December 1996. The Company’s registered office is in Warsaw (Poland) at Komitetu Obrony Robotników 45a. The Company owns, through its subsidiaries, commercial and residential real estate companies with a focus on Poland, Hungary, Bucharest, Belgrade, Zagreb and Sofia. There is no seasonality in the business of the Group companies.

The Group’s main business activities are development and rental of office and retail space.

As of 31 December 2022 and 31 December 2021, the number of full-time equivalent working employees in the Group companies was 223 and 211, respectively.

GTC is primarily listed on the Warsaw Stock Exchange and inward listed on Johannesburg Stock Exchange.

As of 31 December 2022, the majority shareholder of the Company is GTC Dutch Holdings B.V. (“GTC Dutch”) who holds 247,461,591 shares in the Company representing 43.10% of the Company’s share capital, entitling to 247,461,591 votes in the Company, representing 43.10% of the total number of votes in GTC S.A. Additionally, GTC Holding Zrt. holds 21,891,289 shares, entitling to 21,891,289 votes in GTC S.A., representing 3.81% of the Company’s share capital and carrying the right to 3.81% of the total number of votes in GTC S.A. Ultimate shareholder of GTC Dutch Holding B.V. and GTC Holding Zrt. is Optimum Venture Private Equity Funds, which indirectly holds 269,352,880 shares of GTC S.A., entitling to 269,352,880 votes in the Company, representing 46.91% of the Company’s share capital and carrying the right to 46.91% of the total number of votes in GTC S.A.

The ultimate controlling party of the Group is Pallas Athéné Domus Meriti Foundation.

Based on the power of attorney granted to GTC Dutch by Icona Securitization Opportunities Group S.A R.L. (“Icona”), who holds directly 90,176,000 shares representing 15.70% of the share capital of the Company, GTC Dutch also exercises voting rights from 90,176,000 shares belonging to Icona. As a result, Optimum Venture Private Equity Funds is entitled to 359,528,880 votes in GTC S.A. representing 62.61% of the total number of votes in the Company.

Additionally, GTC Holding Zrt., GTC Dutch and Icona are acting in concert based on the agreement concerning joint policy towards the Company and exercising of voting rights on selected matters at the general meeting of the Company in an agreed manner.

## **2. Functional and presentation currencies**

The functional currency of GTC S.A. and most of its subsidiaries is euro, as the Group primarily generates and expends cash in euro: prices (rental income) are denominated in euro) and all borrowings are denominated in euro or hedged to euro through swap instruments. The functional currency of some of GTC's subsidiaries is other than euro.

The financial statements of those companies prepared in their functional currencies are included in the consolidated financial statements by a translation into euro using appropriate exchange rates outlined in IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Assets and liabilities are translated at the period end exchange rate, while income and expenses are translated at average exchange rates for the period if it approximates actual rate. All resulting exchange differences are classified in equity as "Foreign currency translation reserve" without affecting earnings for the period.

## **3. Basis of preparation and statement of compliance**

The Company maintains its books of account in accordance with accounting principles and practices employed by enterprises in Poland as required by the Polish accounting regulations. The companies outside Poland maintain their books of account in accordance with local GAAP. The consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRS.

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 authorisation of these consolidated financial statements, taking into account the EU IFRS's ongoing process of IFRS endorsement and the nature of the Group's activities, there is no relevant difference between IFRS applying to these consolidated financial statements and IFRS endorsed by the European Union.

GTC S.A. is the parent that produces consolidated financial statements at the most senior level of the Group. Based on the Management's knowledge, consolidated financial statements at the higher level of the Group, which includes the Group as a subsidiary, are not prepared.

## **4. 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 the generation of operating cash-flows from rental income. Further details of liquidity risks and capital management processes are described in note 38.

As of 31 December 2022, the Group's net working capital (defined as current assets less current liabilities) was positive and amounted to EUR 114,384.

The management has analysed the timing, nature and scale of potential financing needs of particular subsidiaries and believes that there are no risks for paying current financial liabilities and 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 date of the financial statements. 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 twelve months from the date of the financial statements.

Based on management's analysis, the current cash liquidity of the Company and prepared cash flow budget assumptions, the management concluded that there is no material uncertainty as to the Company's ability to continue as a going concern in the foreseeable future i.e. at least in the next 12 months from the date of this financial statements.

## **5. Accounting policies**

The accounting policies adopted in the preparation of these 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 2021 except for the new standards, which are effective as at 1 January 2022 (see note 6).

There were no changes in significant accounting estimates and management's judgements during the period.

## **6. New standards and interpretations that have been issued**

### **STANDARDS ISSUED AND EFFECTIVE FOR FINANCIAL YEARS BEGINNING ON OR AFTER 1 JANUARY 2022:**

- Amendments to IFRS 3 Business Combinations – amendments to standard published in May 2020 relate to the applicable references to Conceptual Framework for Financial Reporting, without changes to the substance of business combinations accounting.
- Amendments to IAS 16 Property, plant and equipment – the amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognized in profit or loss.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - the amendment to IAS 37 includes a clarification as to whether the unavoidable costs under a contract exceed the expected economic benefits.
- Annual improvements to IFRSs 2018-2020 - the annual improvements contain amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and to illustrative examples to IFRS 16 Leasing. Amendments include explanations and clarify standards guidelines to recognition and valuation.

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

### **STANDARDS ISSUED BUT NOT YET EFFECTIVE:**

- 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 - *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.
- 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 January 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.

## **6. New standards and interpretations that have been issued (continued)**

- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) - The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by EU at the date of approval of these financial statements - effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020 amended 15 July 2020 and 31 October 2022) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2024.
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - effective for annual periods beginning on or after a date to be determined by the International Accounting Standards Board (IASB).
- Amendment to IFRS 16 *Leases: Lease liability in a Sale and Leaseback* (issued on 22 September 2022) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2024.

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. The Group does not expect a significant impact on its statement of financial position and equity, but they could impact disclosures.

## **7** ■ Summary of significant accounting policies

### **(a) BASIS OF ACCOUNTING**

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, investment property under construction (“IPUC”) if the certain condition described in note 7(c) ii are met, share based payments, non-current financial assets and derivative financial instruments that have been measured at fair value.

Key accounting principles are described below and significant judgements and estimates are presented in point 7(x) and 7(y).

### **(b) PROPERTY, PLANT AND EQUIPMENT**

Plant and equipment consist of vehicles and equipment. Property, 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 performed each quarter.

The following depreciation rates have been applied:

	<b>Depreciation rates</b>
Equipment	7-20%
Buildings	2%
Vehicles	20%

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

## **7** ■ **Summary of significant accounting policies (continued)**

### **(c) INVESTMENT PROPERTIES**

Investment property comprises 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 an investment property (investment property under construction).

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the replacement costs if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

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.

#### **(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 2022 and 31 December 2021 based on open market values (RICS Standards). Completed properties are either valued on the basis of discounted cash flow (DCF) or - as deemed appropriate – on the basis of the *income capitalisation* or *yield method*. The applied method is defined by the valuer.

Investment properties are derecognised 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 recognised in the income statement in the year of retirement or disposal.

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

## **7** ■ **Summary of significant accounting policies (continued)**

### **(ii) Investment property under construction ("IPUC")**

The Group revalue IPUC based on its fair value, once a substantial part of the development risks has been eliminated so fair value can be established reliably. IPUC, which does not meet this condition, is presented at a recoverable amount, not exceeding the sum of fair value of land and capitalized expenditures. The recoverable amount is determined based on a fair value, externally valued by independent appraisers.

The land is reclassified to IPUC at the moment, at which active development of this land begins (i.e. when construction works start).

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

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

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 discount rate which includes business risk, related to construction process (completion on time or within the budget). 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.

## **7** ■ **Summary of significant accounting policies (continued)**

### **(d) FAIR VALUE HIERARCHY OF INVESTMENT PROPERTIES**

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,

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

As of 31 December 2022, the Group made reassessment of fair value hierarchy due to significant changes on the market and in economic environment. Based on performed reassessment and analysis, the Group applied Level 3 category of fair value hierarchy for all investment property of the Group as of reporting date. Assessment of fair value classification is done periodically.

### **(e) INVESTMENTS IN ASSOCIATES**

Investments in associates are accounted for using 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.

### **(f) INVESTMENTS IN JOINT VENTURES**

Investments in joint ventures are accounted for using 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.

## **7** ■ **Summary of significant accounting policies (continued)**

### **(g) LEASE ORIENTATION 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, the carrying value is higher than the fair value, the costs are recognized in the income statement.

### **(h) 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 the entity's management to realise 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.

### **(i) ADVANCES RECEIVED**

Advances received are deferred to the extent that they are not reflected as revenue as described below in note 7(j).

### **(j) RENTAL REVENUE**

Rental revenues result from operating leases and are recognised as income over the lease term on a straight-line basis (according to IFRS 16 *Leases*).

### **(k) INTEREST AND DIVIDEND INCOME**

Interest income is recognised 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 recognised when the shareholders' right to receive payments is established.

## 7. Summary of significant accounting policies (continued)

### (I) CONTRACT REVENUE AND COSTS RECOGNITION

Except from rental revenue mentioned in point (j) Group has Service charge revenue stream.

**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 a monthly basis, based on service fee rate agreed in the contract, which represents the best estimate for a particular project. Allocation of service charge to tenants is done based on the leased area.

Heating, water, and sewage are billed separately on a monthly basis, based on leased area and rates agreed in the contract. Revenue from other services in lease agreements represent non-lease component and are accounted for using rules described below.

#### *Service charge revenue under IFRS 15 Revenue from Contracts with Customers*

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. The Group recognises revenue from service charge over time because the customer simultaneously receives and consumes the benefits provided to them.

The Group recognizes service charge revenue under two models:

- **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. For financial statement purposes such income and expenses are disclosed on a net basis, as GTC acts as an agent.
- **Acting as a principal.** In the other cases, all service charges are billed to GTC entities. The Group bills the tenants based on the rates in the contract on a monthly basis. By the end of the year, the Group does reconciliation of actual service charges costs vs. billed one, and then bills for deficit or return the overpayment to the tenant if it is required. For financial statement purposes such expenses are disclosed on a gross basis, as GTC acts as a principal, because it typically controls the goods or services before transferring them to the customer.

## **7** ■ **Summary of significant accounting policies (continued)**

### **(m) 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 capitalised 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 capitalised 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 capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised 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.

### **(n) SHARE ISSUANCE EXPENSES**

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

### **(o) 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.

## **7. Summary of significant accounting policies (continued)**

Deferred tax liabilities are recognised 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 recognised 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 utilised, 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 recognised 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 utilised.

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 unrecognised deferred tax assets and the carrying amount of deferred tax assets. The companies recognise a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## **7 . Summary of significant accounting policies (continued)**

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 utilised.

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

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, assets and liabilities 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 of the amounts weighted by probability from among possible results.

## **7** ■ **Summary of significant accounting policies (continued)**

### **(p) FOREIGN EXCHANGE DIFFERENCES**

For companies with euro as a functional currency, transactions denominated in a foreign currency (including Polish Zloty) 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 related to valuation as of balance sheet date and settlement of monetary positions denominated in foreign currency are charged to the income statement. The following exchange rates were used for measurement purposes.

	<b>31 December 2022</b>	<b>31 December 2021</b>
PLN/EUR	4.6899	4.5994
USD/EUR	1.0654	1.1329
HUF/EUR	400.23	369.01

### **(q) 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 amortised cost using the effective interest rate method.

Debt issuance expenses are deducted from the amount of debt originally recognised. These costs are amortised through the income statement over the estimated duration of the loan. Debt issuance expenses represent an adjustment to effective interest rates.

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

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

## 7 ■ Summary of significant accounting policies (continued)

### (r) 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 amortised 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 note 7(l) *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 recognised 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 amortised cost (debt instruments);
- Financial assets at fair value through OCI with the 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.

## **7. Summary of significant accounting policies (continued)**

### ***Financial assets at amortised cost (debt instruments)***

This category is the most relevant to the Group. The Group measures financial assets at amortised 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 amortised cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to expected credit losses (ECL) impairment charge. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group’s financial assets at amortised cost include trade receivables, loans to associate, short-term deposits under current financial assets and cash and cash equivalents.

### ***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 valued at fair value through profit or loss 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.

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 recognised in the statement of profit or loss.

The Group’s financial assets at fair value through profit or loss include non-current financial assets (related to investment property).

## **7** ■ Summary of significant 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:

#### *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.

#### *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.

## **7** ■ Summary of significant accounting policies (continued)

### **(s) CASH AND CASH EQUIVALENTS**

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

### **(t) 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 *r) Financial instruments – initial recognition and subsequent measurement*.

### **(u) IMPAIRMENT OF NON-CURRENT NON-FINANCIAL ASSETS**

The carrying value of non-financial assets not measured at fair value is periodically reviewed by the Management Board to determine whether impairment may exist. In particular, the Management Board assesses whether the impairment indicators exist.

### **(v) 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 remuneration paid/to-be-paid and the carrying amount of non-controlling interest is recognised in equity attributable to equity holders of the parent.

### **(w) DERIVATIVES FINANCIAL INSTRUMENTS 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 recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured 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.

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 recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

## **7. Summary of significant accounting policies (continued)**

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.

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 recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised 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.

## **7** ■ **Summary of significant accounting policies (continued)**

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 recognised 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 or loss of the year.

The fair value of cross-currency interest swap, interest rate swaps and caps contracts is determined by using discounted cash flow method using observable inputs (fair value level hierarchy 2).

### **(x) ACCOUNTING ESTIMATES**

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 the balance date. The actual results may differ from these estimates.

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 the Management judgment or - as deemed appropriate – on basis of the Income capitalisation or yield method. The applied methods and main assumptions are defined by the valuers and are disclosed in note 17.

The Group uses estimates in determining the amortization rates used (note 16, note 30).

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 (note 18).

The Group recognises 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 (note 15).

The Group uses estimates in determining the settlement of share-based payment in cash (note 32).

## **7** ■ **Summary of significant accounting policies (continued)**

### **(y) SIGNIFICANT ACCOUNTING JUDGEMENTS**

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

The functional currency of GTC S.A. and most of its subsidiaries is euro, as the euro has a significant and pervasive impact on them:

- valuation of investment properties is carried out in EUR;
- loans and borrowings are mainly denominated in EUR. Debt in other currencies (bonds in PLN and HUF) are hedged to EUR through cross currency interest rate swaps;
- the majority of all lease contracts is denominated in the EUR.

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 such operating leases.

Significant accounting judgements related to investment property are presented in note 7(c)(ii), related to determination of IPUC valuation.

Significant accounting judgements related to market liquidity of investment property are presented in note 7(d).

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 in most cases does not exceed 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 a business in IFRS 3.

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

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

## **7** ■ **Summary of significant accounting policies (continued)**

### **(z) 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 2022.

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 unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate impairment.

### **(aa) PROVISIONS**

Provisions are recognised when the Group has present obligation (legal or assumed i.e. customarily accepted) 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 a reliable estimate can be made of the amount of the obligation.

## **7** ■ **Summary of significant accounting policies (continued)**

### **(ab) SHARE-BASED PAYMENT TRANSACTIONS**

Amongst others, GTC remunerates key personnel by granting them rights for payments based on GTC's share price performance in PLN, in exchanges for their services ("Phantom shares"). The cost of the phantom shares is measured initially at fair value at the grant date. The liability is re-measured to fair value at each reporting date up and at the settlement date. The costs of the program during the vesting period and the effects of changes in fair value are recognized in administration expenses. The employee acquires the right to payment from phantom shares in annual tranches during the period of work / service. Costs are recognized on a straight-line basis over the vesting period for each tranche.

### **(ac) EARNINGS PER SHARE**

Earnings per share for each reporting period is calculated as quotient of the profit for the given reporting period attributable to equity holders and the weighted average number of shares outstanding in that period.

### **(ad) 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.

### **(ae) 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 at the end of the lease.

## **7** ■ Summary of significant accounting policies (continued)

### **(af) RESIDENTIAL INVENTORY AND RESIDENTIAL LANDBANK**

Inventory related to residential projects under construction is stated at the lower of cost and net realisable value. The realisable value is determined using the Discounted Cash Flow method or Comparison method by independent appraisers. Costs relating to the construction of a residential project are included in the inventory.

Commissions paid to sales or marketing agents on the sale of real estate units, which are not refundable, are expensed in full when the contract to sell is secured.

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, in most cases, does not exceed 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.

### **(ag) LEASES**

There are two types of leases in GTC Group that are subject to IFRS 16 and affect the financial statements:

- **Property rented to tenants - the primary activity of GTC Group.**

For this leasing activity, GTC Group acts as a Lessor. The Group has entered into leases on its property portfolio. Leases, where the Group does not transfer substantially all the risk and benefits of ownership of the asset, are classified as operating leases.

- **Leases of lands under perpetual usufruct where the Group acts as Lessee.**

Perpetual usufruct payments are payments, which are done in advance or in arrears on an annual or monthly basis within a define period (from 33 to 87 years). Perpetual usufruct payments are made in Poland, Croatia, Romania and Serbia.

Due to the fact that perpetual usage payments, by substance, are lease payments, they are accounted for under IFRS 16.

## **7. Summary of significant accounting policies (continued)**

In the consolidated financial position statements, the Group recognized a Right of Use and Lease Liabilities:

- a) Right of use of lands under perpetual usufruct is presented:
- as part of the Investment Property, with separate disclosure in a separate note;
  - as part of the residential landbank.
- b) Lease Liabilities are presented separately, as part of the short-term and long-term liabilities, with a separate disclosure.

The Right of Use of lands under perpetual usufruct is amortized over the lease period (for cost method) or valued using the fair value approach (for investment properties valued at fair value). For Right of Use measured at fair value, the Group presents the amortization or the change in fair value within the profit (loss) on revaluations. Interest embedded within land leases is presented as finance expenses.

The Group entered into several other leases (low value, short term), which are exempt from IFRS 16. In such cases, the lease is expensed without balance sheet recognition. Amount of such expenses is immaterial.

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## **8. Investment in subsidiaries**

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below together with direct and indirect ownership of these entities, and voting rights proportion as at the end of each period (the table presents the effective stake):

### **Subsidiaries**

<b>Name</b>	<b>Holding Company</b>	<b>Country of incorporation</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
GTC Konstancja Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
GTC Korona S.A.	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o.	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Sterlinga Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Karkonoska Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
GTC Ortal Sp. z o.o.	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Pixel Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Handlowe Wilanow Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Management Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Corius Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Światowida Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Galeria CTWA Sp. z o.o.	GTC S.A.	Poland	100%	100%
Artico Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Hungary Real Estate Development Company Pltd. ("GTC Hungary")	GTC S.A.	Hungary	100%	100%
GTC Duna Kft.	GTC Hungary	Hungary	100%	100%
Váci út 81-85. Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartmanok Kft. (1)	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft.	Váci út 81-85. Kft.	Hungary	100%	100%
Centre Point II. Kft.	Váci út 81-85. Kft.	Hungary	100%	100%
Spiral I. Kft.	GTC Hungary	Hungary	100%	100%
Albertfalva Üzletközpont Kft.	GTC Hungary	Hungary	100%	100%
GTC Metro Kft.	GTC Hungary	Hungary	100%	100%
Kompakt Land Kft.	GTC Hungary	Hungary	100%	100%
GTC White House Kft.	GTC Hungary	Hungary	100%	100%
VRK Tower Kft.	GTC Hungary	Hungary	100%	100%

(1) Under liquidation.

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**8. Investment in subsidiaries (continued)**

Name	Holding Company	Country of incorporation	31 December 2022	31 December 2021
GTC Future Kft.	GTC Hungary	Hungary	100%	100%
Globe Office Investments Kft.	GTC Hungary	Hungary	100%	100%
Office Planet Kft. (1)	GTC Hungary	Hungary	-	100%
GTC Investments Sp. z o.o.	GTC Hungary	Poland	100%	100%
GTC Univerzum Projekt Kft.	GTC Hungary	Hungary	100%	100%
GTC Origine Investments Pltd. ("GTC Origine")	GTC S.A.	Hungary	100%	100%
GTC HBK Project Kft.	GTC Origine	Hungary	100%	100%
GTC VI188 Property Kft.	GTC Origine	Hungary	100%	100%
GTC FOD Property Kft.	GTC Origine	Hungary	100%	100%
G-Delta Adrssy Kft.	GTC Origine	Hungary	100%	100%
GTC KLZ 7-10 Kft.	GTC Origine	Hungary	100%	100%
GTC PSZTSZR Projekt Kft (2)	GTC Origine	Hungary	100%	-
GTC DBRNT Projekt Kft (2)	GTC Origine	Hungary	100%	-
GTC B41 d.o.o. (2)	GTC Origine	Serbia	100%	-
GTC K43-45 Property Kft. (3)	GTC Origine	Hungary	100%	-
GTC Liffey Kft. (3)	GTC Origine	Hungary	100%	-
GTC UK Real Estate Investments Ltd. (3)	GTC Origine	United Kingdom	100%	-
GTC Nekretnine Zagreb d.o.o.	GTC S.A.	Croatia	100%	100%
Euro Structor d.o.o.	GTC S.A.	Croatia	70%	70%
Marlera Golf LD d.o.o.	GTC S.A.	Croatia	100%	100%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o.	Croatia	100%	100%
GTC Matrix d.o.o. (1)	GTC S.A.	Croatia	-	100%
GTC Seven Gardens d.o.o.	GTC S.A.	Croatia	100%	100%
Towers International Property S.R.L.	GTC S.A.	Romania	100%	100%
Green Dream S.R.L.	GTC S.A.	Romania	100%	100%
Aurora Business Complex S.R.L.	GTC S.A.	Romania	100%	100%
Cascade Building S.R.L. (1)	GTC S.A.	Romania	-	100%
City Gate Bucharest S.R.L.	GTC S.A.	Romania	100%	100%
Venus Commercial Center S.R.L.	GTC S.A.	Romania	100%	100%
City Gate S.R.L.	GTC S.A.	Romania	100%	100%
City Rose Park S.R.L.	GTC S.A.	Romania	100%	100%
Deco Intermed S.R.L.	GTC S.A.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L. (4)	GTC S.A.	Romania	75%	66.7%

(1) Sold (please refer to note 9).

(2) Acquired (please refer to note 9). Accounted as an asset acquisition not a business combination.

(3) Newly established wholly-owned subsidiary.

(4) Acquisition of non-controlling interest.

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**8. Investment in subsidiaries (continued)**

Name	Holding Company	Country of incorporation	31 December 2022	31 December 2021
NRL EAD	GTC S.A.	Bulgaria	100%	100%
Advance Business Center EAD	GTC S.A.	Bulgaria	100%	100%
GTC Yuzhen Park EAD	GTC S.A.	Bulgaria	100%	100%
Dorado 1 EOOD	GTC S.A.	Bulgaria	100%	100%
GOC EAD	GTC S.A.	Bulgaria	100%	100%
GTC Flex EAD (2)	GTC S.A.	Bulgaria	100%	-
GTC Medj Razvoj Nekretnina d.o.o. Beograd (1)	GTC S.A.	Serbia	-	100%
GTC Business Park d.o.o. Beograd (1)	GTC S.A.	Serbia	-	100%
Commercial and Residential Ventures d.o.o. Beograd (1)	GTC S.A.	Serbia	-	100%
Demo Invest d.o.o. Novi Beograd (1)	GTC S.A.	Serbia	-	100%
Atlas Centar d.o.o. Beograd (1)	GTC S.A.	Serbia	-	100%
Commercial Development d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Glamp d.o.o. Beograd (3)	GTC S.A.	Serbia	100%	100%
GTC BBC d.o.o. (1)	GTC S.A.	Serbia	-	100%
GTC Aurora Luxembourg S.A.	GTC S.A.	Luxembourg	100%	100%
Europort Investment (Cyprus) 1 Limited	GTC S.A.	Cyprus	100%	100%

(1) Sold (please refer to note 9).

(2) Newly established wholly-owned subsidiary.

(3) GTC S.A. holds 100% shares through a wholly-owned subsidiary GTC Hungary, which has 70% of shares and remaining 30% is held directly by GTC S.A.

## **9. Events in the period**

### **MANAGEMENT BOARD CHANGES AND OTHER CORPORATE EVENTS**

On 4 January 2022, National Court Register registered the amendment to the Company's articles of association regarding the increase of the Company's share capital through the issuance of ordinary series O bearer shares. On 10-11 January 2022, the Group recorded proceeds from issue of share capital (net of issuance costs) in amount of EUR 120.4 million.

On 10 January 2022, the Company received notifications from GTC Holding Zrt and GTC Dutch Holdings B.V regarding a change in the total number of votes in the Company resulting from issue of 88,700,000 ordinary O series shares and registration of the increase in the Company's share capital. Before the abovementioned change, GTC Holding Zrt held, directly and indirectly, 320,466,380 shares in the Company, entitling to 320,466,380 votes in the Company, representing 66% of the share capital of the Company and carried the right to 66% of the total number of votes in the Company. After the abovementioned change, GTC Holding Zrt holds, directly and indirectly, 359,528,880 shares in the Company, entitling to 359,528,880 votes in the Company, representing 62.61% of the share capital of the Company and carrying the right to 62.61% of the total number of votes in the Company.

On 14 January 2022, GTC entered into a mutual employment contract termination agreement with Mr. Yovav Carmi, former President of the Management Board. Subsequently, Mr Carmi resigned from his seat on the Management Board of the Company and other subsidiaries.

On 21 January 2022, the management board of the Warsaw Stock Exchange (WSE) adopted resolution regarding the admission and introduction to stock exchange trading on the main market of the WSE of 88,700,000 ordinary bearer series O shares in the Company with a nominal value of PLN 0.10 each, according to which the management board of the WSE stated that the series O shares are admitted to trading on the main market and resolved to introduce them to stock exchange trading on 26 January 2022.

On 28 January 2022, Mr. Gyula Nagy resigned from his seat on the Management Board of the Company.

On 19 February 2022, the Company received notification from GTC Dutch Holdings B.V. with its registered office in Amsterdam, the Netherlands (the "Seller") and Icona Securitization Opportunities Group S.à r.l. acting on behalf of its compartment Central European Investments with its registered office in Luxembourg, Grand Duchy of Luxembourg (the "Buyer") that the Seller and the Buyer entered into a preliminary share purchase agreement relating to the acquisition by the Buyer from the Seller of 15.7% of the shares in the Company.

## **9. Events in the period (continued)**

However, pursuant to the notification, the Buyer and the Seller agreed that the shareholders' agreement will constitute an acting in concert agreement within the meaning of Articles 87(1)(5) and 87(1)(6) in connection with Article 87(3) of the Act of 29 July 2005 on Public Offerings and the Conditions for the Introduction of Financial Instruments to the Organised Trading System and Public Companies (the "Act on Public Offering") on joint policy towards the Company and exercising of voting rights on selected matters in an agreed manner. Also, pursuant to the assignment agreement, the Buyer will, among others, transfer to the Seller its voting rights attached to the Shares and grant the power of attorney to exercise voting rights attached to the shares. The assignment agreement expires in case either call or put option under the call and put option agreement is exercised and/or in case of a material default under the transaction documentation. On 1 March 2022, the Company received notification that the transaction was completed, and the Buyer acquired 15.7% of the shares in the Company.

As a result of execution of the transaction, Icona Securitization Opportunities Group S.à r.l. holds 90,176,000 ordinary bearer shares in the Company which constitute 15.7% of total votes at GTC's general meeting, with reservations that (i) all the voting rights were transferred to the Seller and that (ii) Buyer granted the Power of Attorney to Buyer's Voting Rights to the Seller.

As a result of execution of the Transaction GTC Holding Zrt holds jointly 269,352,880 shares of the Company, entitling to 269,352,880 votes in the Company, representing 46.9% of the share capital of the Company and carrying the right to 46.9% of the total number of votes in the Company, including:

- directly holds 21,891,289 shares of the Company, entitling to 21,891,289 votes in the Company, representing 3.8% of the share capital of the Company and carrying the right to 3.8% of the total number of votes in the Company; and
- indirectly (i.e. through GTC Dutch Holdings B.V.) holds 247,461,591 shares of the Company, entitling to 247,461,591 votes in the Company, representing 43.1% of the share capital of the Company and carrying the right to 43.1% of the total number of votes in the Company.

In addition, GTC Holding Zrt also holds indirectly, through GTC Dutch Holdings B.V., the Buyer's Voting Rights, i.e. the right to exercise 90,176,000 votes in the Company, entitling to 15.7% of the total number of votes in the Company.

Since 1 March 2022, GTC Holding Zrt, GTC Dutch Holdings B.V. and Icona Securitization Opportunities Group S.à r.l. are acting in concert based on the agreement concerning joint policy towards the Company and exercising of voting rights on selected matters at the general meeting of the Company in an agreed manner.

## **9. Events in the period (continued)**

On 17 March 2022, the Supervisory Board of the Company appointed Zoltán Fekete as the President of the Management Board of the Company, effective immediately.

On 14 June 2022, the Company's shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 160.8 million (EUR 34.4 million). On 18 October 2022, dividend to shareholders was paid in the amount of EUR 33.2 million.

On 5 July 2022, effective from 15 July 2022, Mr. Pedja Petronijevic resigned from his seat on the Management Board of the Company.

On 10 August 2022, the Management Board of GTC S.A. announced re-orientation of strategy of the Group, within which the Management Board decided to pursue potential new investments in certain new sectors which may diverge from the current core scope of the Company's operations (namely, the development and management of office, retail and certain other types of real estate). Potential new sectors identified for investment as part of the new strategy include:

1. investment in innovation and technology parks;
2. investment in renewable energy facilities; and
3. investment in development of PRS assets (private rented sector property - residential).

On 12 September 2022, the Company received notification on a change in the shareholding of the Company. Pursuant to the Notification, as a result of completion of the intra-group corporate reorganization Global Debt Strategy S.à r.l. ("GDS") being a subsidiary of Alpine Holding Korlátolt Felelősségű Társaság ("Alpine"), directly acquired from GTC Holding control over 100% of the shares of GTC Dutch Holdings B.V. As a result of the transaction Alpine holds indirectly (i.e. through GDS, which in turn indirectly holds through GTC Dutch Holdings B.V) 43.10% of GTC's shares. For more details please see current report no 40/2022.

## **ACQUISITIONS AND DEVELOPMENTS**

On 13 January 2022, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Zeta DBRNT Kft. ("GTC DBRNT Projekt Kft") from a company related to the majority shareholder of the Company, which owns an existing office building on the Danube riverbank with GLA of 2,540 sqm for a consideration of EUR 7.7 million. Due to the nature of transaction, the transaction was treated as asset deal.

## **9. Events in the period (continued)**

On 4 February 2022, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Epsilon PSZTSZR Kft. (“GTC PSZTSZR Projekt Kft”) from a company related to the majority shareholder of the Company, which owns a land plot of 25,330 sqm in Budapest with existing six old buildings for a consideration of EUR 9.9 million. The Group is refurbishing the existing buildings and once refurbished, the project will provide a 14,000 sqm new Class A office campus. Due to the nature of transaction, the transaction was treated as asset deal.

On 11 February 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, acquired from Groton Global Corp Napred company (“GTC B41 d.o.o.”) in Belgrade holding a land plot of 19,537 sqm for a consideration of EUR 33.8 million.

In March 2022, the Group has completed a Class A office building in Budapest, Hungary – Pillar.

In March 2022, the Group commenced the development of the third building within the Matrix Office Park in Zagreb – Matrix C.

On 4 July 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, established GTC K43-45 Property Kft. in Budapest for future development project. In July 2022, GTC K43-45 Property Kft acquired a landplot in CBD in Budapest for a consideration of EUR 6.55 million. The project has an existing building permit for the development of approximately 6,400 sqm of hospitality, student housing or short-term rental apartments.

On 9 August 2022, a subsidiary of the Company entered into an agreement concerning a transaction involving a joint venture investment into an innovation park in County Kildare, Ireland (the “Transaction”). The Transaction involves an investment of approximately EUR 115 million into the Kildare Innovation Campus. The project involves other international professional investors acting through a Luxemburg partnership advised by Icona Capital, an entity from the same group as GTC’s minority partner (for more details please refer to note 18).

On 28 August 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, acquired 34% of units in Regional Multi Asset Fund Compartment 2 of Trigal Alternative Investment Fund GP S.á.r.l. (“Fund”) for consideration of EUR 12.6 million from an entity related to the majority shareholder. The Fund’s focus is commercial real estate investments in Slovenia and Croatia with a total gross asset value of EUR 68.75 million. The fund expected maturity is in Q4 2028.

In October 2022, the Group has completed a Class A office building in Belgrade, Serbia – GTC X.

In December 2022, the Group has completed a Class A office building in Sofia, Bulgaria – Sofia Tower 2.

## **9. Events in the period (continued)**

### **DISPOSAL OF SUBSIDIARIES**

On 12 January 2022, GTC Group finalized sale of the entire share capital of Serbian subsidiaries: Atlas Centar d.o.o. Beograd, Demo Invest d.o.o. Novi Beograd, GTC BBC d.o.o., GTC Business Park d.o.o. Beograd, GTC Medjunarodni Razvoj Nekretnina d.o.o. Beograd and Commercial and Residential Ventures d.o.o. Beograd and Hungarian company Office Planet Kft. ( which has 70% in shares of sold Serbian entities), following the satisfaction of customary conditions precedent. For details please refer to note 33.

On 28 July 2022, GTC has sold Cascade Building S.R.L., a wholly-owned subsidiary of the Company owning Cascade Office Building in Bucharest (4,211 sqm) for EUR 10.3 million. Net proceeds from sale of subsidiary were EUR 9.6 million.

On 30 November 2022, GTC has sold GTC Matrix d.o.o. a wholly-owned subsidiary of the Company owning a portfolio of two A-class office buildings in Zagreb – Matrix A and B for EUR 52.2 million. Net proceeds from sale of GTC Matrix d.o.o. were EUR 51.3 million.

### **DISPOSAL OF ASSETS**

On 19 July 2022, GTC FOD Property Kft., a wholly-owned subsidiary of the Company, signed a sale and purchase agreement, concerning the sale of the office building Forrest Office Debrecen owned by the subsidiary. The selling price under the agreement is HUF 19.1 billion (an equivalent of EUR 47.7 million as at 31 December 2022). The transaction was closed on 30 January 2023.

### **REPAYMENT OF BONDS, BANK LOAN REFINANCING AND OTHER CHANGES TO BANK LOAN AGREEMENTS**

On 18 April 2022, GTC SA repaid all bonds issued under ISIN code PLGTC0000292 (full redemption). The original nominal value was EUR 9,440.

On 13 May 2022, GTC SA signed an amendment agreement to the revolving facility agreement dated 29 October 2021. As a result, the available amount of unsecured revolving credit facility was increased to EUR 94 million. As of balance sheet date, credit facility was not used.

On 18 May 2022, Globis Wrocław Sp. z o.o., a wholly-owned subsidiary of the Company, signed a prolongation of the existing facility with Santander Bank Polska. Final repayment date was extended to 31 August 2025 and the outstanding balance of the loan in the amount of EUR 13.5 million will be paid as a balloon payment on the maturity date.

## **9. Events in the period (continued)**

On 28 June 2022, GTC UBP Sp. z o.o., a wholly-owned subsidiary of the Company, signed with Berlin Hyp AG amendment agreement to bank loan agreement, according to which a prepayment of EUR 6.1 million was made at the beginning of July 2022. The outstanding balance of the loan will be paid as the balloon payment on the maturity date.

On 4 November 2022, GTC SA repaid partially bonds issued under ISIN code PLGTC0000318 (one-third of total issue) in the amount of EUR 17,100 (PLN 73,333) – including hedge component.

### **Impact of the situation in Ukraine on GTC Group**

Since the start of the war in Ukraine on 24 February 2022, even though the Group does not conduct any activities in the territory of Ukraine, Russia or Belarus, it cannot be ruled out that the current geopolitical situation in Europe triggered by this war, which has resulted in a number of macroeconomic consequences for Poland and other European countries, may also have an impact on the Group's operations. The continuation of the war, its scale and further course of military operations may cause an extension of the set of economic sanctions imposed thus far, further disruption in supply chains, limited availability of subcontractors and a general increase in the prices of materials resulting from, among others, rising energy prices, which in turn may translate into significant costs of the implementation of investments carried out by the Group. A significantly higher and volatile costs of energy (severe energy crunch because of steep cuts in natural gas supplies from Russia following the outbreak of the Russia-Ukraine conflict) and general uncertainties related to the impact of the war in Ukraine on both global and the SEE/CEE economy and the deterioration of the global and regional economies may adversely impact the economic situation of the Group.

As at the date of this financial statements, the impact of the war in Ukraine on the Group's operations is not material. However, it is not possible to estimate the scale of such impact in the future and due to high volatility, the Company monitors the situation on an ongoing basis and analyses its potential impact both from the perspective of individual projects and the entire Group and its long-term investment plans.

### **Effects of climate-related matters on financial statements**

The climate and environmental risks are subject to risk management and the Risk Management Policy. The role of the Management is to supervise corporate risk, define the scope of risk management, define directions for the development of the risk management system, and determine acceptable risk exposure levels. The Group analysed potential impact of the climate-related matters and concluded that the climate-related matters do not significantly affect these Consolidated Financial Statements.

## 10. Revenue from operations and Service charge costs

Rental income includes variable rental revenue based on tenants' turnover for the year ended 31 December 2022 of EUR 5,887 (2021: EUR 4,976). The remaining revenue is based on fixed contractual rental fees.

The Group has entered into various operational lease contracts on its property portfolio in Poland, Romania, Croatia, Serbia, Bulgaria, and Hungary. The commercial property leases typically include clauses to enable the periodic upward revision of the rental charge according to European Consumer Price Index (CPI).

Future minimum rental revenue under operating leases (not discounted lease payments) from completed projects are as follows (in millions of euro):

	31 December 2022	31 December 2021
Within 1 year	124	111
Within 2 year	108	88
Within 3 year	79	64
Within 4 year	57	45
Within 5 year	38	33
Within 6 year	24	18
More than 6 years	33	18
<b>Total</b>	<b>463</b>	<b>377</b>

Most of the revenue from operations is earned predominantly on the basis of amounts denominated in, directly linked to, or indexed by reference to the EUR.

Service charge revenue includes income from charging maintenance costs to tenants. Service charge is billed on a monthly basis, based on the agreed rate from the contract with standard payment terms.

Service charge costs comprise of remuneration costs of EUR 2,690 (2021: EUR 2,145) and third party services, material and energy usage and other operating costs.

## 11. Selling expenses

Selling expenses comprise of the following:

	Year ended 31 December 2022	Year ended 31 December 2021
External services - advertising and marketing	573	424
Payroll and related expenses	1,195	1,228
<b>Total</b>	<b>1,768</b>	<b>1,652</b>

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## 12. Administration expenses

Administration expenses comprise of the following:

	Year ended 31 December 2022	Year ended 31 December 2021
Remuneration and other employee benefits	9,149	9,002
Audit and valuations	1,250	755
Legal, tax, IT and other advisory	1,817	1,306
Office and insurance expenses	1,532	1,167
Travel expenses	440	242
Supervisory board remuneration fees	248	187
Depreciation	544	653
Investors relations and other expenses	712	401
<b>Total before share based payment</b>	<b>15,692</b>	<b>13,713</b>
Share based payment	(652)	432
<b>Total</b>	<b>15,040</b>	<b>14,145</b>

## 13. Finance income and finance expense

Finance income comprises of the following:

	Year ended 31 December 2022	Year ended 31 December 2021
Interest on deposits and other	1,104	28
Interest on loan granted to non-controlling interest	308	276
<b>Total</b>	<b>1,412</b>	<b>304</b>

## 13. Finance income and finance expense (continued)

Finance expense comprises of the following:

	Year ended 31 December 2022	Year ended 31 December 2021
Interest expenses (on financial liabilities that are not fair valued through profit or loss), banking costs and other charges	(28,914)	(31,841)
Finance costs related to lease liability	(1,853)	(1,938)
Early prepayment costs	-	(5,102)
Amortization of long-term borrowings raising costs	(2,341)	(4,400)
<b>Total</b>	<b>(33,108)</b>	<b>(43,281)</b>

The weighted average interest rate (including hedges) on the Group's loans (excluding loans related to assets held for sale) as of 31 December 2022 was 2.21% p.a. (2.16% p.a. as of 31 December 2021).

## 14. Segmental analysis

	Year ended 31 December 2022	Year ended 31 December 2021
Rental income from office sector	75,064	90,876
Service charge revenue from office sector	24,720	26,439
Rental income from retail sector	48,492	39,413
Service charge revenue from retail sector	18,287	15,223
<b>Total</b>	<b>166,563</b>	<b>171,951</b>

The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets, and other factors. GTC operates in six core markets: Poland, Hungary, Bucharest, Belgrade, Sofia and Zagreb. Operating segments are divided into geographical zones, which have common characteristics and reflect the nature of management reporting structure:

- a. Poland
- b. Belgrade
- c. Hungary
- d. Bucharest
- e. Zagreb
- f. Sofia
- g. Other

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## 14. Segmental analysis (continued)

Segment analysis of rental income and costs for the year ended 31 December 2022 and 31 December 2021 is presented below:

Year ended 31 December 2022				
Portfolio	Rental revenue	Service charge revenue	Service charge costs	Gross margin from operations
Poland	49,922	18,291	(19,087)	49,126
Belgrade	7,899	2,543	(2,967)	7,475
Hungary	34,455	12,801	(13,438)	33,818
Bucharest	8,465	2,346	(3,399)	7,412
Zagreb	10,635	4,024	(4,434)	10,225
Sofia	12,180	3,002	(4,040)	11,142
<b>Total</b>	<b>123,556</b>	<b>43,007</b>	<b>(47,365)</b>	<b>119,198</b>

Year ended 31 December 2021				
Portfolio	Rental revenue	Service charge revenue	Service charge costs	Gross margin from operations
Poland	47,043	16,775	(17,959)	45,859
Belgrade	25,923	7,632	(8,139)	25,416
Hungary	25,898	7,793	(7,762)	25,929
Bucharest	12,022	2,997	(3,100)	11,919
Zagreb	9,519	3,706	(4,209)	9,016
Sofia	9,884	2,759	(3,187)	9,456
<b>Total</b>	<b>130,289</b>	<b>41,662</b>	<b>(44,356)</b>	<b>127,595</b>

Segment analysis of assets and liabilities as of 31 December 2022 is presented below:

	Real estate (**)	Cash and deposits	Other	Total assets	Loans, bonds and leases	Deferred tax liabilities	Other	Total liabilities
Poland	874,148	28,348	20,895	<b>923,391</b>	277,675	61,293	14,678	<b>353,646</b>
Belgrade	175,662	4,824	2,372	<b>182,858</b>	815	3,085	8,039	<b>11,939</b>
Hungary	746,985	17,159	24,834	<b>788,978</b>	269,596	19,427	15,355	<b>304,378</b>
Bucharest	179,310	6,454	1,626	<b>187,390</b>	9,389	11,957	2,818	<b>24,164</b>
Zagreb	125,117	5,598	11,960	<b>142,675</b>	43,680	16,352	5,554	<b>65,586</b>
Sofia	199,360	4,571	1,185	<b>205,116</b>	71	8,716	6,883	<b>15,670</b>
Other	30,648	410	456	<b>31,514</b>	2,345	-	13	<b>2,358</b>
Non allocated (*)	-	72,688	135,272	<b>207,960</b>	684,252	20,346	51,956	<b>756,554</b>
<b>Total</b>	<b>2,331,230</b>	<b>140,052</b>	<b>198,600</b>	<b>2,669,882</b>	<b>1,287,823</b>	<b>141,176</b>	<b>105,296</b>	<b>1,534,295</b>

(\*) Loans, bonds and leases comprise mainly of bonds issued by GTC S.A., GTC Hungary and GTC Aurora Luxembourg S.A. Other liabilities comprise mainly of derivatives payable in the amount of EUR 46,798, related to bonds in HUF.

Other assets represent mainly non-current financial assets in Ireland (EUR 117.7 million) and in Luxembourg (EUR 12.6 million).

(\*\*) Real estate comprise of investment property, residential landbank, assets held for sale and value of buildings and related improvements presented within property, plant and equipment (including right of use).

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## 14. Segmental analysis (continued)

Segment analysis of assets and liabilities as of 31 December 2021 is presented below:

	Real estate (**)	Cash and deposits	Other	Total assets	Loans, bonds and leases	Deferred tax liabilities	Other	Total liabilities
Poland	898,827	43,450	7,456	<b>949,733</b>	299,946	59,706	15,244	<b>374,896</b>
Belgrade	381,875	18,702	3,861	<b>404,438</b>	146,093	3,000	9,156	<b>158,249</b>
Hungary	699,036	28,207	15,302	<b>742,545</b>	267,243	20,057	11,269	<b>298,569</b>
Bucharest	187,047	10,745	1,249	<b>199,041</b>	15,406	13,062	3,925	<b>32,393</b>
Zagreb	163,020	6,243	11,385	<b>180,648</b>	43,704	16,992	4,271	<b>64,967</b>
Sofia	190,516	4,477	1,589	<b>196,582</b>	31	8,528	3,147	<b>11,706</b>
Other	29,835	464	-	<b>30,299</b>	-	-	-	-
Non allocated (*)	-	15,700	124,763	<b>140,463</b>	722,410	21,800	41,770	<b>785,980</b>
<b>Total</b>	<b>2,550,156</b>	<b>127,988</b>	<b>165,605</b>	<b>2,843,749</b>	<b>1,494,833</b>	<b>143,145</b>	<b>88,782</b>	<b>1,726,760</b>

(\*) In other assets are presented receivables from shareholders in the amount of EUR 123,425. Loans, bonds and leases comprise mainly of bonds issued by GTC S.A., GTC Hungary and GTC Aurora Luxembourg S.A.

(\*\*) Real estate comprise of investment property, residential landbank and value of buildings and related improvements presented within property, plant and equipment.

Financial data prepared for the purposes of management reporting, on which segment reporting is based, are based on the same accounting principles that are used in the preparation of the consolidated financial statements of the Group.

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## 15. Taxation

The major components of tax expense are as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Current corporate and capital gain tax expense	12,621	5,656
Deferred tax expense / (income)	140	8,128
<b>Total</b>	<b>12,761</b>	<b>13,784</b>

The Group companies are subject to taxes in the following jurisdictions: Poland, Serbia, Romania, Hungary, Bulgaria, Cyprus, Croatia and Luxembourg. The Group does not constitute a tax group under local legislation. Therefore, every company in the Group is a separate taxpayer.

The reconciliation between tax expense and accounting profit multiplied by the applicable tax rates is presented below:

	Year ended 31 December 2022	Year ended 31 December 2021
Accounting profit before tax	37,522	56,520
Taxable expenses at the applicable tax rate in each country of activity	<b>5,866</b>	<b>7,756</b>
Tax effect of expenses that are not deductible in determining taxable profit	2,261	2,095
Commercial property tax	89	46
Tax effect of foreign currency differences	829	211
Withholding tax	536	584
Unrecognised deferred tax asset on losses in current year	2,422	3,092
Other	758	-
<b>Tax expense / (income)</b>	<b>12,761</b>	<b>13,784</b>

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## 15. Taxation (continued)

The components of the deferred tax balance were calculated at a rate applicable when the Group expects to recover or settle the carrying amount of the asset or liability. Net deferred tax assets comprise the following:

	As of 1 January 2021	Credit / (charge) to income statement	As of 31 December 2021	Credit / (charge) to income statement	Credit / (charge) to equity	As of 31 December 2022
Financial instruments (*)	14,385	3,105	17,490	3,135	(997)	19,628
Tax loss carried forwards	6,682	(2,629)	4,053	(601)	-	3,452
Basis differences in non-current assets (***)	965	643	1,608	742	50	2,400
Accruals	1,046	535	1,581	(470)	-	1,111
Netting (**)	(22,462)	1,516	(20,946)	(3,302)	818	(23,430)
<b>Net deferred tax assets</b>	<b>616</b>	<b>3,170</b>	<b>3,786</b>	<b>(496)</b>	<b>(129)</b>	<b>3,161</b>

Net deferred tax liability comprises of the following:

	As of 1 January 2021	Credit / (charge) to income statement	Credit / (charge) to equity	Reclassified to liabilities related to assets held for sale	As of 31 December 2021	Credit / (charge) to income statement	Credit / (charge) to equity	Disposal of subsidiary	As of 31 December 2022
Financial instruments (*)	(19,486)	(6,297)	1,383	3,000	(21,400)	(1,603)	(3,181)	-	(26,184)
Basis differences in non-current assets (***)	(136,206)	(3,485)	-	-	(139,691)	(1,811)	-	3,080	(138,422)
Netting (**)	22,462	(1,516)	-	-	20,946	3,770	(835)	(451)	23,430
<b>Net deferred tax liability</b>	<b>(133,230)</b>	<b>(11,298)</b>	<b>1,383</b>	<b>3,000</b>	<b>(140,145)</b>	<b>356</b>	<b>(4,016)</b>	<b>2,629</b>	<b>(141,176)</b>

(\*) Mostly unrealized interest, foreign exchange differences and valuation of derivatives.

(\*\*) Within a particular company, deferred tax assets are accounted separately from deferred tax liabilities as they are independent in their nature. However, as they represent a future settlement between the same parties, they are netted off for the purpose of the presentation in financial statements.

(\*\*\*) Related to difference between book value and tax value of investment properties.

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## **15.** Taxation (continued)

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

<b>Tax rate</b>	<b>Year ended 31 December 2022</b>	<b>Year ended 31 December 2021</b>
Poland	19%	19%
Hungary	9%	9%
Bulgaria	10%	10%
Serbia	15%	15%
Croatia	18%	18%
Romania	16%	16%
Cyprus	12.5%	12.5%
Luxembourg	24.94%	24.94%

Future benefit for deferred tax assets has been reflected in these consolidated financial statements only if it is probable that taxable profits will be available when timing differences that gave rise to such deferred tax asset reverse.

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These frequent changes result in there being little point of reference, inconsistent interpretations not consistent, and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies and between government bodies and companies. Tax settlements and other areas of activity (e.g., customs or foreign currency related issues) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest.

On 15 July 2016, amendments were made to the Polish Tax Ordinance to introduce the provisions of the General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. The implementation of the above provisions enables Polish tax authority to challenge arrangements realized by tax remitters as restructuring or reorganization.

Tax settlements may be subject to inspections by tax authorities. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

## **15.** Taxation (continued)

### Main tax changes to the Polish Corporate Income Tax effective from 1 January 2022

#### Withholding tax (WHT)

The package of changes introduced to the Polish tax law regulations starting from January 2022 has limited the original scope of the application of pay and refund mechanism (settlement of WHT in relation to payments exceeding PLN 2 million (EUR 0,4 million) per annum for each taxpayer). Under new rules, the conditional exemption from WHT or application of the reduced tax rate stipulated in the applicable double tax treaty (DTT) is restricted in terms of the passive payments (i.e. dividends, interest, license fees) in the amount exceeding PLN 2 million per annum made with respect to foreign related entities. In such cases the tax remitter is obliged to automatically collect the tax at a statutory domestic rate (19% or 20%) regardless of the fulfilment of the conditions allowing the application of the exemption or the reduced rate on the basis of the local law or DTT.

There is no significant impact of above change on consolidated financial statements.

#### Limitation of tax depreciation of commercial buildings

According to general tax regulations depreciation expenses on fixed assets (buildings classified as investment property) can be tax deductible. However, from 1 January 2022 in the case of real estate companies, tax-deductible depreciation expenses rates cannot be greater than the current applied accounting depreciation expenses rates applied to the same fixed assets in a given year.

There is no significant impact of above change on consolidated financial statements.

The Group companies have tax losses carried forward as of 31 December 2022 available in the amount of EUR 161 million (EUR 249 million as of 31 December 2021). The expiry dates of these tax losses as of 31 December 2022 are as follows: within one year - EUR 25 million, between 2-5 years - EUR 88 million, afterwards – EUR 48 million. As of 31 December 2022, the Group has not recognized deferred tax assets for tax losses carried forward in amount of EUR 129 million (EUR 217 million as of 31 December 2021), as the Group believes that these losses will not be utilized within claim period.

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## 16. Property, plant, and equipment

The movement in property, plant, and equipment for the year ended 31 December 2022 was as follows:

	Buildings and related improvements	Right of use assets*	Equipment and software	Vehicles	Total
<b>Gross carrying amount</b>					
<b>As of 1 January 2022</b>	<b>8,155</b>	<b>171</b>	<b>1,840</b>	<b>779</b>	<b>10,945</b>
Additions	997	2,430	429	696	4,552
Transfers	-	-	364	-	364
Disposals and other decreases	(740)	(171)	(90)	(83)	(1,084)
<b>As of 31 December 2022</b>	<b>8,412</b>	<b>2,430</b>	<b>2,543</b>	<b>1,392</b>	<b>14,777</b>
<b>Accumulated Depreciation</b>					
<b>As of 1 January 2022</b>	<b>1,233</b>	<b>129</b>	<b>1,362</b>	<b>387</b>	<b>3,111</b>
Charge for the period	243	61	41	199	544
Transfers	-	-	261	-	261
Disposals and other decreases	(17)	(129)	(87)	(47)	(280)
<b>As of 31 December 2022</b>	<b>1,459</b>	<b>61</b>	<b>1,577</b>	<b>539</b>	<b>3,636</b>
<b>Net book value as of 31 December 2022</b>	<b>6,953</b>	<b>2,369</b>	<b>966</b>	<b>853</b>	<b>11,141</b>

\* *Mainly relates to building and related improvement.*

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## 16. Property, plant, and equipment

The movement in property, plant, and equipment for the year ended 31 December 2021 was as follows:

	Buildings and related improvements	Right of use assets	Equipment and software	Vehicles	Total
<b>Gross carrying amount</b>					
<b>As of 1 January 2021</b>	<b>7,599</b>	<b>302</b>	<b>1,909</b>	<b>900</b>	<b>10,710</b>
Additions	1,864	-	192	223	2,279
Reclassified to assets held for sale	(819)	-	(31)	(9)	(859)
Disposals and other decreases	(489)	(131)	(230)	(335)	(1,185)
<b>As of 31 December 2021</b>	<b>8,155</b>	<b>171</b>	<b>1,840</b>	<b>779</b>	<b>10,945</b>
<b>Accumulated Depreciation</b>					
<b>As of 1 January 2021</b>	<b>1,057</b>	<b>97</b>	<b>1,345</b>	<b>426</b>	<b>2,925</b>
Charge for the period	295	93	162	103	653
Reclassified to assets held for sale	(82)	-	(11)	(8)	(101)
Disposals and other decreases	(37)	(61)	(134)	(134)	(366)
<b>As of 31 December 2021</b>	<b>1,233</b>	<b>129</b>	<b>1,362</b>	<b>387</b>	<b>3,111</b>
<b>Net book value as of 31 December 2021</b>	<b>6,922</b>	<b>42</b>	<b>478</b>	<b>392</b>	<b>7,834</b>

## 17. Investment property

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

Investment property can be split up as follows:

	31 December 2022	31 December 2021
Completed investment property	2,002,871	1,929,979
Investment property under construction	51,487	132,410
Investment property landbank	150,406	139,843
Right of use of lands under perpetual usufruct (IFRS 16)	38,899	38,428
<b>Total</b>	<b>2,243,663</b>	<b>2,240,660</b>

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## 17. Investment property (continued)

The movement in investment property for the periods ended 31 December 2022 and 31 December 2021 was as follows:

	Right of use of lands under perpetual usufruct (IFRS 16)	Completed investment property	Investment property under construction	Landbank	Total
<b>Carrying amount as of 1 January 2021</b>	<b>42,679</b>	<b>1,879,173</b>	<b>62,909</b>	<b>140,367</b>	<b>2,125,128</b>
Capitalised expenditure	-	25,499	51,477	3,656	80,632
Purchase of completed assets and land	-	310,627	-	15,457	326,084
Adjustment to fair value / (impairment)	-	(17,305)	7,860	(2,026)	(11,471)
Revaluation of right of use of lands under perpetual usufruct	(416)	-	-	-	(416)
Reclassified to assets held for sale	(3,724)	(266,763)	-	(1,352)	(271,839)
Reclassified to residential landbank	-	-	-	(5,500)	(5,500)
Reclassified from landbank to under construction	-	-	10,164	(10,164)	-
Classified to assets for own use, net	-	(1,252)	-	-	(1,252)
Disposal of land	-	-	-	(595)	(595)
Decrease	(745)	-	-	-	(745)
Foreign exchange differences	634	-	-	-	634
<b>Carrying amount as of 31 December 2021</b>	<b>38,428</b>	<b>1,929,979</b>	<b>132,410</b>	<b>139,843</b>	<b>2,240,660</b>
Capitalised expenditure	-	17,017	72,454	2,721	92,192
Purchase of completed assets and land	-	8,029	10,156	40,334	58,519
Reclassification (1)	-	182,300	(161,219)	(21,081)	-
Adjustment to fair value / (impairment)	-	(25,362)	(2,314)	674	(27,002)
Revaluation of right of use of lands under perpetual usufruct	(541)	-	-	-	(541)
Reclassified to assets held for sale (2)	(1,398)	(47,700)	-	(3,198)	(52,296)
Increase	2,427	-	-	-	2,427
Disposal of land (3)	-	-	-	(8,887)	(8,887)
Sale of completed building (4)	-	(61,392)	-	-	(61,392)
Foreign exchange differences	(17)	-	-	-	(17)
<b>Carrying amount as of 31 December 2022</b>	<b>38,899</b>	<b>2,002,871</b>	<b>51,487</b>	<b>150,406</b>	<b>2,243,663</b>

(1) Completion of Pillar building in Hungary in Q1 2022 (EUR 112m), Glamp in Serbia (EUR 50.4m) and Sofia Tower in Sofia (EUR 19.9m) in Q4 2022. Moreover, commencement of Center Point III construction (transfer from landbank to IPUC).

(2) Please refer also to note 33 *Assets held for sale*.

(3) Sale of land plots in Poland.

(4) Sale of Cascade and Matrix buildings – please refer also to note 9 *Events in the period*.

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## 17. Investment property (continued)

Reconciliation between capitalized subsequent expenditure and paid subsequent expenditure is presented below:

	Year ended 31 December 2022	Year ended 31 December 2021
<b>Capitalized expenditure (including purchase of completed assets and land)</b>	<b>150,711</b>	<b>406,716</b>
Change in payables and provisions related to investing activities	(9,807)	56
Change in receivables related to investing activities	(794)	6,758
Loan on acquisition GTC Univerzum Projekt Kft. (previously: Winmark Kft.)	-	(58,000)
Expenditures related to residential landbank	1,335	-
Purchase of property, plant and equipment	2,027	191
<b>Paid expenditures in line with cash flow statement</b>	<b>143,472</b>	<b>355,721</b>

Fair value and impairment adjustment consists of the following:

	Year ended 31 December 2022	Year ended 31 December 2021
Adjustment to fair value of completed investment properties	(25,362)	(17,305)
Adjustment to the fair value of investment properties under construction	(2,314)	7,860
Reversal of impairment/(Impairment) adjustment	674	(2,026)
<b>Total adjustment to fair value / (impairment) of investment property</b>	<b>(27,002)</b>	<b>(11,471)</b>
Adjustment to fair value/(Impairment) of assets held for sale	(152)	(941)
Revaluation of right of use of lands under perpetual usufruct (including residential landbank)	(580)	(455)
Impairment of residential landbank	(1,688)	-
<b>Total recognised in profit or loss</b>	<b>(29,422)</b>	<b>(12,867)</b>

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## 17. Investment property (continued)

Segment analysis of adjustment to fair value of completed investment properties is presented below:

	Year ended 31 December 2022	Year ended 31 December 2021
Poland	(30,016)	(16,637)
Belgrade	10,505	(444)
Hungary	(1,442)	5,470
Bucharest	(3,477)	(1,599)
Zagreb	2,447	92
Sofia	(3,379)	(4,187)
<b>Total adjustment to fair value of completed assets</b>	<b>(25,362)</b>	<b>(17,305)</b>

Completed assets are valued using discounted cash flow (DCF) method. Completed investment properties are externally valued by independent appraisers at year end and middle year based on open market values (RICS Standards).

Assumptions used in the fair value valuations of completed assets as of 31 December 2022 are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV*	Average Yield**
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m	%
Poland retail	442,700	114	95%	21.5	21.6	6.2%
Poland office	356,438	195	80%	14.7	14.2	7.7%
Belgrade retail	90,000	34	100%	18.7	21.0	8.5%
Belgrade office	50,400	18	94%	18.0	18.2	7.2%
Hungary office	583,948	198	87%	16.8	16.3	6.0%
Hungary retail	20,700	6	89%	18.1	18.5	6.0%
Bucharest office	163,785	62	74%	18.8	17.8	6.3%
Zagreb retail	84,800	28	98%	21.7	22.3	8.3%
Zagreb office	14,800	7	96%	15.5	14.9	8.4%
Sofia office	113,600	52	89%	16.0	15.3	7.9%
Sofia retail	81,700	23	97%	22.3	23.1	7.2%
<b>Total</b>	<b>2,002,871</b>	<b>737</b>	<b>87%</b>	<b>17.7</b>	<b>17.3</b>	<b>6.8%</b>

(\*) ERV- Estimated Rent Value (the open market rent value that a property can be reasonably expected to attain based on characteristics such as a condition of the property, amenities, location, and local market conditions).

(\*\*) Average yield is calculated as in-place rent divided by fair value of asset.

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## 17. Investment property (continued)

Assumptions used in the fair value valuations of completed assets as of 31 December 2021 are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Average Yield**
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m	%
Poland retail	443,000	113	94%	20.8	20.7	6.0%
Poland office	373,639	196	87%	14.2	14.2	7.7%
Belgrade retail	90,700	35	96%	18.0	22.3	7.9%
Hungary office	505,437	192	97%	15.5	15.5	6.7%
Hungary retail	21,600	6	90%	17.4	18.4	5.6%
Bucharest office	171,985	67	66%	18.2	17.9	5.6%
Zagreb retail	85,400	28	99%	21.3	21.7	8.2%
Zagreb office	61,918	28	92%	14.6	14.7	7.3%
Sofia office	95,800	44	84%	14.5	14.8	6.7%
Sofia retail	80,500	23	96%	19.7	23.4	6.4%
<b>Total</b>	<b>1,929,979</b>	<b>732</b>	<b>90%</b>	<b>16.5</b>	<b>16.9</b>	<b>6.7%</b>

(\*) ERV- Estimated Rent Value (the open market rent value that a property can be reasonably expected to attain based on characteristics such as a condition of the property, amenities, location, and local market conditions).

(\*\*) Average yield is calculated as in-place rent divided by fair value of asset.

As of 31 December 2022, all investment properties under construction were valued using residual method, by independent appraisers at year end and middle year based on open market values (RICS Standards).

Information regarding investment properties under construction as of 31 December 2022 is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Budapest (Center Point III)	19,500	36
Budapest (Rose Hill Business Campus)	17,000	15
Zagreb (Matrix C)	14,987	11
<b>Total</b>	<b>51,487</b>	<b>62</b>

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## 17. Investment property (continued)

Information regarding investment properties under construction as of 31 December 2021 is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Budapest (Pillar)	102,900	29
Belgrade (GTC X)	19,951	17
Sofia (Sofia Tower 2)	9,559	8
<b>Total</b>	<b>132,410</b>	<b>54</b>

Investment property landbank are valued using residual or comparison methods, by independent appraisers at year end and middle year based on open market values (RICS Standards).

Information regarding book value of investment property landbank for construction as of 31 December 2022 and 31 December 2021 is presented below:

	31 December 2022	31 December 2021
Poland	38,850	48,526
Hungary	55,103	65,846
Serbia	34,461	-
Romania	7,402	7,200
Bulgaria	4,060	4,657
Croatia	10,530	13,614
<b>Total</b>	<b>150,406</b>	<b>139,843</b>

## 17. Investment property (continued)

Inter-relationship between key unobservable inputs and fair value measurements of completed assets for the discounted cash flow (DCF) method in the year ended 31 December 2022:

	<b>Estimated change</b>	<b>Estimated total Fair Value of completed assets following the change</b>
	millions EUR	millions EUR
Increase of 5% in ERV	92	2,095
Decrease of 5% in ERV	(92)	1,911
Increase of 25bp in Cap rates	(50)	1,953
Decrease of 25bp in Cap rates	53	2,056

The following table presents the significant unobservable inputs used in the fair value measurement of investment property under construction for the residual method in the year ended 31 December 2022:

<b>Significant unobservable inputs</b>	<b>Range</b>
Estimated rental value (ERV)	14.0 - 18.5 EUR/sqm /month
Capitalisation rate (Cap rate)	5.8 - 7.3%
Hard costs	1,200 - 1,700 EUR/sqm/GLA

Inter-relationship between key unobservable inputs and fair value measurements of investment property under construction for the residual method in the year ended 31 December 2022:

	<b>Estimated change</b>	<b>Estimated total Fair Value of IPUC following the change</b>
	millions EUR	millions EUR
Increase of 5% in ERV	9	60
Decrease of 5% in ERV	(9)	42
Increase of 25bp in Cap rates	(7)	44
Decrease of 25bp in Cap rates	7	58
Increase of 5% in expected construction costs	(6)	45
Decrease of 5% in expected construction costs	6	57

## 17. Investment property (continued)

The following table presents the significant unobservable input used in the fair value measurement of investment property landbank for the residual method in the year ended 31 December 2022:

<b>Significant unobservable inputs</b>	<b>Range</b>
Capitalisation rate (Cap rate)	6 - 7.8%

Inter-relationship between key unobservable inputs and fair value measurements of investment property landbank for the residual method in the year ended 31 December 2022:

	<b>Estimated change</b>	<b>Estimated total Fair Value of landbank following the change</b>
	millions EUR	millions EUR
Increase of 25bp in Cap rates	(6)	44
Decrease of 25bp in Cap rates	6	56

Inter-relationship between key unobservable inputs and fair value measurements of investment property landbank for the comparable method in the year ended 31 December 2022:

	<b>Estimated change</b>	<b>Estimated total Fair Value of landbank following the change</b>
	millions EUR	millions EUR
Increase of 5% in price	5	105
Decrease of 5% in price	(5)	95

## **18. Non-current financial assets (related to investment property) measured at fair value through profit or loss**

On 9 August 2022, a subsidiary of the Company entered into an agreement for a joint investment into an innovation park in County Kildare, Ireland. This transaction involved an initial investment of approximately EUR 115 million into the Kildare Innovation Campus and additional investment of EUR 2 million as at 22 September 2022, according to agreement terms (up to maximum amount of EUR 9 million). GTC acquired a minority of 25% of notes (debt instruments) issued by a Luxembourg securitization vehicle financial instrument which accrues a variable return subject to the future proceeds derived from project. The debt instruments do not meet SPPI test therefore they are measured at fair value through profit or loss.

As of 31 December 2022 financial data of the Luxembourg securitization vehicle were as below:

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	millions EUR
Total assets	475
Total liabilities	58
Equity	417

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Kildare Innovation Campus, located outside of Dublin, extends over 72 ha (of which 34 ha is undeveloped). There are nine buildings that form the campus (around 101,685 sqm): six are lettable buildings with designated uses including industrial, warehouse, manufacturing and office/lab space. In addition, there are three amenity buildings, comprising a gym, a plant area, a campus canteen, and an energy center. The campus currently generates around EUR 6,260 gross rental income per annum. A masterplan has been prepared whereby the site and the campus are planned to be converted into a Life Science and Technology campus with a total of approximately 135,000 sq m. GTC's investment is protected by customary investor protection mechanisms in case of certain significant project milestones are not achieved in a satisfactory manner.

As of reporting date, the master plan which regulates the planning and permitting process for the future conversion of the site into a life science park and technology campus has not been submitted yet and it is under currently planning phase.

As of the reporting date the Group with the support of an external appraiser has prepared a valuation on the financial instrument which confirms the fair value as of 31 December 2022.

## **18. Non-current financial assets (related to investment property) measured at fair value through profit or loss (continued)**

As of 31 December 2022 fair value of financial instrument is presented below:

	millions EUR
Estimated future cash flows assuming successful completion of the project	163
Discount factor to reflect the risk relating to obtaining permit and its timing – 27.5%	(35)
Fair Value of financial instrument	118

Information regarding inter-relationship between key unobservable inputs and fair value measurements is presented below:

	<b>Total Fair Value of Estimated future cash flows assuming successful completion of the project</b> millions EUR
Increase of 5% in estimated net rent	180
Decrease of 5% in estimated net rent	146
Increase of 10% in estimated net rent	197
Decrease of 10% in estimated net rent	129

	<b>Total Fair Value of Financial instrument (Ireland)</b> millions EUR
Increase of 5 p.p. in permitting factors	126.4
Decrease of 5 p.p. in permitting factors	110.0
Increase of 10 p.p. in permitting factors	134.5
Decrease of 10 p.p. in permitting factors	101.9
Increase of 5% of expected capital expenditure to obtain the permit	117.4
Decrease of 5% of expected capital expenditure to obtain the permit	117.9
Increase of 10% of expected capital expenditure to obtain the permit	117.0
Decrease of 10% of expected capital expenditure to obtain the permit	118.2

## **18. Non-current financial assets (related to investment property) measured at fair value through profit or loss (continued)**

On 28 August 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, acquired 34% of units in Regional Multi Asset Fund Compartment 2 of Trigal Alternative Investment Fund GP S.á.r.l. ("Fund") for consideration of EUR 12.6 million from an entity related to the Majority shareholder. The Fund is focus on commercial real estate investments in Slovenia and Croatia with a total gross asset value of EUR 68.75 million. The fund expected maturity is in Q4 2028.

Non-current 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 recognised in the statement of profit or loss.

As of 31 December 2022 the fair value of non-current financial assets was as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Notes (Ireland)	117,641	-
Units (Trigal)	12,627	-
Other	73	-
<b>Total</b>	<b>130,341</b>	<b>-</b>

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## 19. Residential landbank

The movement in residential landbank for the year ended 31 December 2021 and 31 December 2022 was as follows:

	Residential landbank	Total
<b>Carrying amount as of 1 January 2021</b>	<b>10,094</b>	<b>10,094</b>
Revaluation of right of use of lands under perpetual usufruct	(39)	(39)
Capitalized expenditure	300	300
Acquisition	13,300	13,300
Reclassified to assets held for sale	(2,153)	(2,153)
Reclassified from investment properties (note 17)	5,500	5,500
<b>Carrying amount as of 31 December 2021</b>	<b>27,002</b>	<b>27,002</b>
Revaluation of right of use of lands under perpetual usufruct	(39)	(39)
Capitalized expenditure	1,335	1,335
Acquisition	-	-
Reversal of impairment/(impairment)	(1,688)	(1,688)
<b>Carrying amount as of 31 December 2022</b>	<b>26,610</b>	<b>26,610</b>

The carrying amount of residential landbank as of 31 December 2022 refers to non-core land plots designated for residential development in Croatia, Hungary and Romania.

## 20. Derivatives

The Group holds instruments (IRS, CAP, currency SWAP and cross-currency interest rate SWAP) that hedge the risk involved in fluctuations of interest rate and currencies rates. The instruments hedge interest on loans and bonds for a period of 2-10 years.

Derivatives are presented in financial statements as below:

	31 December 2022	31 December 2021
Non-current assets	17,054	826
Current assets	7,793	-
Non-current liabilities	(46,798)	(38,743)
Current liabilities	(2,180)	(2,681)
<b>Total</b>	<b>(24,131)</b>	<b>(40,598)</b>

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## 20. Derivatives (continued)

The movement in derivatives for the years ended 31 December 2022 and 31 December 2021 was as follows:

	31 December 2022	31 December 2021
<b>Fair value as of the beginning of the year</b>	<b>(40,598)</b>	<b>(19,260)</b>
Charged to other comprehensive income	27,533	(20,356)
Charged to profit or loss (*)	(11,066)	(1,841)
Reclassified to liabilities related to assets held for sale	-	859
<b>Fair value as of the end of the year</b>	<b>(24,131)</b>	<b>(40,598)</b>

(\*) This loss mainly offset a foreign exchange difference gains on bonds nominated in PLN and HUF.

The movement in hedge reserve in equity for the years ended 31 December 2022 and 31 December 2021 was as follows:

	31 December 2022	31 December 2021
<b>Hedge reserve as of the beginning of the year</b>	<b>(30,903)</b>	<b>(11,930)</b>
Charged to other comprehensive income	16,467	(22,197)
Realized in the period (charged to profit or loss) (*)	11,066	1,841
Total impact on other comprehensive income	27,533	(20,356)
Income tax on hedge transactions	(4,145)	1,383
<b>Hedge reserve as of the end of the year</b>	<b>(7,515)</b>	<b>(30,903)</b>

(\*) This loss mainly offset a foreign exchange difference gains on bonds nominated in PLN and HUF.

Derivatives are measured at fair value at each reporting date. Valuations of hedging derivatives are considered as level 2 fair value measurements. Fair value of derivatives is measured using cash flows models based on the data from publicly available sources.

The Company applies cash flow hedge accounting and uses derivatives as hedging instruments. The Group uses both qualitative and quantitative methods for assessing effectiveness of the hedge. All derivatives are measured at fair value, effective part is included in other comprehensive income and reclassified to profit or loss when hedged item affects P&L. The Group uses IRS and Cap for hedging interest rate risk on loans, and cross-currency interest rate swaps for hedging both interest rate risk and currency risk on bonds denominated in foreign currencies.

## 20. Derivatives (continued)

Derivatives as of 31 December 2022 and 31 December 2021 consists mainly of IRS and cross-currency interest rate swaps.

Instruments	Measurement	Rate range for interest	Currency rate for SWAP
IRS (EURIBOR 3M)	Fair value	(-0.3%) – (-0.09%)	N/A
SWAP (fixed to fixed / HUF)	Fair value	0.92% - 0.99%	360.33 - 367.66
SWAP (WIBOR 6M / PLN)	Fair value	4.02%	4.2845

Instruments	Nature of hedge item	Nominal amount of hedge item	Currency	31 December 2022	Nominal amount of hedge item	Currency	31 December 2021
IRS (EURIBOR 3M)	Loans	315	mEUR	23,643	347	mEUR	595
SWAP (fixed to fixed / HUF)	Bonds	59,400	mHUF	(46,798)	59,400	mHUF	(36,403)
SWAP (WIBOR 6M / PLN)	Bonds	147	mPLN	(2,180)	220	mPLN	(3,844)
Other derivatives				1,204			(946)
<b>Total</b>				<b>(24,131)</b>			<b>(40,598)</b>

For more information regarding derivatives, see note 38.

## 21. Trade payables and provisions

The balance of trade and other payables increased from EUR 31,092 to EUR 41,208 in the year ended 31 December 2022.

As of 31 December 2022 payables related to investment activity amounted to EUR 26 million (as of 31 December 2021: EUR 16 million).

## 22. Blocked deposits

Blocked 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.

Blocked deposits related to contractual commitments include mostly tenants' deposit account, security account and capex accounts.

## 23. Cash and cash equivalents

Cash balance consists of cash in banks and cash in hand. Cash at banks earns interest at floating rates based on periodical bank deposit rates. Except for minor amounts, all cash is deposited in banks.

All cash and cash equivalents are available for use by the Group. GTC Group cooperates mainly with banks with investment ranking above BBB-. The major bank, where Group deposits 26% of cash and cash equivalents and blocked deposits is financial institution with credit rating A+. Second bank with major Group's deposits (25%) is institution with credit rating BBB-. Group monitors ratings of banks and manage concentration risk by allocating deposits in multiple financial institutions (over 10).

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2022 and 31 December 2021:

	31 December 2022	31 December 2021
Cash at banks and on hand	115,079	87,468
Cash at banks related to assets held for sale	-	9,165
<b>Cash and cash equivalents at the end of the period</b>	<b>115,079</b>	<b>96,633</b>

## 24. Other expenses

Other expenses relate mainly to one-off expenses as well as unrecoverable VAT and maintenance costs related to undeveloped land.

## 25. Deposits from tenants

Deposits from tenants represent amounts deposited by tenants to guarantee their performance of their obligations under tenancy agreements. Deposits from tenants that shall be returned within a year are presented within current liabilities. Deposits are mostly located in banks with investment ranking above BBB-.

## 26. Long term payables

Long term payables consist of long term commitments related to the purchase of office building and development of infrastructure.

## 27. VAT and other tax receivable

VAT and other tax receivable represent VAT receivable on the purchase of assets and due to development activity.

## 28. Non-controlling interest

The Company's subsidiary that holds Avenue Mall (Euro Structor d.o.o.) has granted in 2018 its shareholders a loan, pro-rata to their stake in the subsidiary. The loan principal and interest shall be repaid by 30 December 2026. In the event that Euro Structor renders a resolution for the distribution of dividend, Euro Structor has the right to set-off the dividend against the loan. In case a shareholder will sell its stake in Euro Structor, the loan shall be due for repayment upon the sale.

Loans were granted and received on market terms.

Summarized financial information of the material non-controlling interest as of 31 December 2022 is presented below:

	Euro Structor d.o.o.	Non-core projects	Total
Non-current assets	136,389	-	136,389
Current assets	5,838	752	6,590
<b>Total assets</b>	<b>142,227</b>	<b>752</b>	<b>142,979</b>
Equity	81,861	(5,638)	76,223
Non-current liabilities	58,555	6,389	64,944
Current liabilities	1,811	1	1,812
<b>Total equity and liabilities</b>	<b>142,227</b>	<b>752</b>	<b>142,979</b>
Revenue	11,012	-	11,012
Profit/(loss) for the year	4,649	2,231	6,880
Other comprehensive profit/(loss)	-	-	-
<b>NCI share in equity</b>	<b>24,558</b>	<b>(1,880)</b>	<b>22,678</b>
<b>Loan granted to NCI</b>	<b>(10,936)</b>	<b>-</b>	<b>(10,936)</b>
<b>Loan received from NCI</b>	<b>-</b>	<b>2,441</b>	<b>2,441</b>
<b>NCI share in profit / (loss)</b>	<b>1,395</b>	<b>(45)</b>	<b>1,350</b>

In 2022 dividend was distributed to non-controlling interest in amount of EUR 753.

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## 28. Non-controlling interest (continued)

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

	Euro Structor d.o.o.	Non-core projects	Total
Non-current assets	135,878	2,833	138,711
Current assets	4,155	380	4,535
<b>Total assets</b>	<b>140,033</b>	<b>3,213</b>	<b>143,246</b>
Equity	79,722	(22,483)	57,239
Non-current liabilities	59,204	24,612	83,816
Current liabilities	1,107	1,084	2,191
<b>Total equity and liabilities</b>	<b>140,033</b>	<b>3,213</b>	<b>143,246</b>
Revenue	10,182	-	10,182
Profit /(loss) for the year	4,374	(683)	3,691
Other comprehensive profit/(loss)	-	-	-
<b>NCI share in equity</b>	<b>23,917</b>	<b>(7,494)</b>	<b>16,423</b>
<b>Loan granted to NCI</b>	<b>(10,628)</b>	<b>-</b>	<b>(10,628)</b>
<b>Loan received from NCI</b>	<b>-</b>	<b>8,760</b>	<b>8,760</b>
<b>NCI share in profit / (loss)</b>	<b>1,312</b>	<b>(227)</b>	<b>1,085</b>

Dividend distributed to non-controlling interest in amount of EUR 900 for 2021 was set-off against loan granted to NCI. Remaining amount of EUR 300 was paid.

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## 29. Long-term loans and bonds

	31 December 2022	31 December 2021
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	31,495	48,166
Green bonds mature in 2027-2030 (HU0000360102)	99,010	107,389
Green bonds mature in 2028-2031 (HU0000360284)	49,866	54,056
Green bonds mature in 2026 (XS2356039268)	503,784	503,263
Bonds 0422 (PLGTC0000292)	-	9,520
Loan from Santander (Globis Poznan)	15,693	16,323
Loan from Santander (Pixel)	18,322	19,011
Loan from Santander (Globis Wroclaw)	13,501	20,675
Loan from Berlin Hyp (Corius)	9,500	9,500
Loan from Pekao (Sterlinga)	14,088	14,613
Loan from PKO BP (Artico)	12,828	13,338
Loan from Erste and Raiffeisen (Galeria Jurajska)	110,375	115,250
Loan from Berlin Hyp (UBP)	35,000	41,543
Loan from Santander (Francuska)	17,950	18,625
Loan from OTP (Centre Point)	46,055	47,862
Loan from UniCredit Bank (Pillar)	57,000	50,827
Loan from OTP (Duna)	35,715	37,116
Loan from Erste (HBK)	10,873	10,775
Loan from Erste (Váci Greens D)	23,688	24,438
Loan from OTP (Ericsson/evosoft Hungary)	80,000	80,000
Loan from Erste (V188)	16,268	16,225
Loan from Zagrebečka Banka (Avenue Mall Zagreb)	42,500	42,500
Loans from NCI	2,441	8,760
Deferred issuance debt expenses	(8,097)	(10,324)
<b>Total</b>	<b>1,237,855</b>	<b>1,299,451</b>

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## 29. Long-term loans and bonds (continued)

Long-term loans and bonds have been separated into the current portion and the long-term portion as disclosed below:

	31 December 2022	31 December 2021
<b>Current portion of long-term loans and bonds:</b>		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	31,495	16,278
Green bonds mature in 2027-2030 (HU0000360102)	72	72
Green bonds mature in 2028-2031 (HU0000360284)	397	397
Green bonds mature in 2026 (XS2356039268)	5,877	5,918
Bonds 0422 (PLGTC0000292)	-	9,520
Loan from Santander (Globis Poznan)	629	629
Loan from Santander (Pixel)	690	690
Loan from Berlin Hyp (UBP)	-	870
Loan from Erste and Raiffeisen (Galeria Jurajska)	4,875	4,875
Loan from Santander (Globis Wroclaw)	-	693
Loan from Pekao (Sterlinga)	525	525
Loan from PKO BP (Artico)	510	510
Loan from Santander (Francuska)	676	676
Loan from OTP (Centre Point)	1,807	1,807
Loan from OTP (Duna)	1,401	1,401
Loan from Erste (Váci Greens D)	750	750
Loan from Erste (HBK)	98	-
Loan from Erste (V188)	43	-
Deferred issuance debt expenses	(1,274)	(1,274)
<b>Total</b>	<b>48,571</b>	<b>44,337</b>

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## 29. Long-term loans and bonds (continued)

	31 December 2022	31 December 2021
<b>Long term portion of long-term loans and bonds:</b>		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	-	31,888
Green bonds mature in 2027-2030 (HU0000360102)	98,938	107,317
Green bonds mature in 2028-2031 (HU0000360284)	49,469	53,659
Green bonds mature in 2026 (XS2356039268)	497,907	497,345
Loan from Santander (Globis Poznan)	15,064	15,694
Loan from Santander (Pixel)	17,632	18,321
Loan from Santander (Globis Wroclaw)	13,501	19,982
Loan from Berlin Hyp (Corius)	9,500	9,500
Loan from Pekao (Sterlinga)	13,563	14,088
Loan from PKO BP (Artico)	12,318	12,828
Loan from Erste and Raiffeisen (Galeria Jurajska)	105,500	110,375
Loan from Berlin Hyp (UBP)	35,000	40,673
Loan from Santander (Francuska)	17,274	17,949
Loan from OTP (Centre Point)	44,248	46,055
Loan from OTP (Duna)	34,314	35,715
Loan from Erste (HBK)	10,775	10,775
Loan from Erste (Váci Greens D)	22,938	23,688
Loan from OTP (Ericsson/evoSoft Hungary)	80,000	80,000
Loan from Erste (V188)	16,225	16,225
Loan from UniCredit Bank (Pillar)	57,000	50,827
Loan from Zagrebacka Banka (Avenue Mall Zagreb)	42,500	42,500
Loans from NCI	2,441	8,760
Deferred issuance debt expenses	(6,823)	(9,050)
<b>Total</b>	<b>1,189,284</b>	<b>1,255,114</b>

## **29.** Long-term loans and bonds (continued)

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 Group 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.

Bonds (series maturing in 2022-2023) are denominated in PLN. Green Bonds (series maturing in 2027-2030) and green bonds (series maturing in 2028-2031) are denominated in HUF. All other bank loans and bonds are denominated in euro.

For further information please refer also to note 38.

As at 31 December 2022, the Group continue to comply with the financial covenants set out in their loan agreements and bonds' terms and conditions.

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## 29. Long-term loans and bonds (continued)

The movement in long term loans and bonds for the years ended 31 December 2022 and 31 December 2021 was as follows:

	31 December 2022	31 December 2021
<b>Balance as of the beginning of the year</b>	<b>1,299,451</b>	<b>1,261,292</b>
Drawdowns	6,173	706,070
Repayments	(52,125)	(585,323)
Reclassified to liabilities related to assets held for sale	-	(142,369)
Loan on acquisition of GTC Univerzum Projekt Kft.	-	58,000
Conversion of loan from NCI to equity	(5,887)	-
Change in accrued interest	41	6,531
Change in deferred issuance debt expenses	2,227	(3,486)
Foreign exchange differences	(12,025)	(1,264)
<b>Balance as of end of the year</b>	<b>1,237,855</b>	<b>1,299,451</b>

## 30. Lease liability and Right of Use

Lease liabilities include mostly lease payments for land subject to perpetual usufruct payments and classified as land under investment property (completed, under construction, and landbank) and residential landbank.

The balance of Right of Use as of 31 December 2022 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
Poland	14,425	16,723	-	-	31,148
Romania	6,948	-	-	-	6,948
Serbia	-	803	-	-	803
Croatia	-	-	1,064	-	1,064
Other	-	-	-	2,369	2,369
<b>Balance as of 31 December 2022</b>	<b>21,373</b>	<b>17,526</b>	<b>1,064</b>	<b>2,369</b>	<b>42,332</b>

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## 30. Lease liability and Right of Use of assets (continued)

The balance of Right of Use as of 31 December 2021 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
Poland	10,730	21,052	-	-	31,782
Romania	6,646	-	-	-	6,646
Serbia	-	-	-	-	-
Croatia	-	-	1,102	-	1,102
Bulgaria	-	-	-	5	5
Hungary	-	-	-	37	37
<b>Balance as of 31 December 2021</b>	<b>17,376</b>	<b>21,052</b>	<b>1,102</b>	<b>42</b>	<b>39,572</b>

The balance of lease liability as of 31 December 2022 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total	Discount rate
Poland	14,425	15,992	-	-	30,417	4.2%
Romania	6,948	-	-	-	6,948	5.7%
Serbia	-	815	-	-	815	7.6%
Croatia	-	-	1,180	-	1,180	4.4%
Other	-	-	-	2,511	2,511	3.0%
<b>Balance as of 31 December 2022</b>	<b>21,373</b>	<b>16,807</b>	<b>1,180</b>	<b>2,511</b>	<b>41,871</b>	

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## 30. Lease liability and Right of Use of assets (continued)

The balance of lease liability as of 31 December 2021 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total	Discount rate
Poland	10,730	20,339	-	-	31,069	4.2%
Romania	6,646	-	-	-	6,646	5.7%
Serbia	-	-	-	-	-	7.6%
Croatia	-	-	1,204	-	1,204	4.4%
Bulgaria	-	-	-	30	30	4.5%
Hungary	-	-	-	16	16	3.9%
<b>Balance as of 31 December 2021</b>	<b>17,376</b>	<b>20,339</b>	<b>1,204</b>	<b>46</b>	<b>38,965</b>	

The lease liabilities were discounted using discount rates applicable to long-term borrowing in local currencies in the countries of where the assets are located.

The movement in Right of Use for the year ended 31 December 2022 and 31 December 2021 was as follows:

	2022	2021
<b>Balance as of 1 January</b>	<b>39,572</b>	<b>44,024</b>
Recognition / (derecognition) of Right of Use asset for lands under perpetual usufruct and other assets	4,815	(745)
Revaluation and amortization of right of use	(641)	(531)
Reclassification to assets held for sale	(1,398)	(3,724)
Foreign exchange differences	(16)	548
<b>Balance as of 31 December</b>	<b>42,332</b>	<b>39,572</b>

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## **30. Lease liability and Right of Use of assets (continued)**

The movement in lease liability for the year ended 31 December 2022 and 31 December 2021 was as follows:

	<b>2022</b>	<b>2021</b>
<b>Balance as of 1 January</b>	<b>38,965</b>	<b>43,054</b>
Recognition / (derecognition) of lease liability for lands under perpetual usufruct and other assets	4,815	(745)
Payments of leases	(642)	(516)
Change in provision	(358)	970
Change in accrued interest	752	(658)
Reclassification to liabilities related to assets held for sale	(1,342)	(3,724)
Foreign exchange differences	(319)	584
<b>Balance as of 31 December</b>	<b>41,871</b>	<b>38,965</b>

The group pays an annual amount of EUR 2,056 (EUR 2,120 in 2021) as lease payment (principal and interest) for lands under perpetual usufruct. Payment of leases in table above relates only to principal repayment.

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## 31. Capital and Reserves

### SHARE CAPITAL

As at 31 December 2022, the shares structure was as follows:

Number of Shares	Share series	Total value	
		in PLN	in EUR
139,286,210	A	13,928,621	3,153,995
1,152,240	B	115,224	20,253
235,440	B1	23,544	4,443
8,356,540	C	835,654	139,648
9,961,620	D	996,162	187,998
39,689,150	E	3,968,915	749,022
3,571,790	F	357,179	86,949
17,120,000	G	1,712,000	398,742
100,000,000	I	10,000,000	2,341,372
31,937,298	J	3,193,729	766,525
108,906,190	K	10,890,619	2,561,293
10,087,026	L	1,008,703	240,855
13,233,492	M	1,323,349	309,049
2,018,126	N	201,813	47,329
88,700,000	O	8,870,000	1,912,439
<b>574,255,122</b>		<b>57,425,512</b>	<b>12,919,912</b>

All shares are entitled to the same rights.

Shareholders who as at 31 December 2022, held above 5% of the Company shares were as follows:

- GTC Dutch Holdings B.V
- Icona Securitization Opportunities Group S.A R.L.
- Powszechne Towarzystwo Emerytalne PZU S.A. (managing Otwarty Fundusz Emerytalny PZU "Złota Jesień")
- Powszechne Towarzystwo Emerytalne Allianz Polska S.A. (managing jointly Allianz OFE, Allianz DFE and Drugi Allianz OFE)

### CAPITAL RESERVE

Capital reserve represents a loss attributed to non-controlling partners of the Group, which crystalized once the Group acquired the non-controlling interest in the subsidiaries of the Group.

## **31. Capital and Reserves (continued)**

### **SHARE ISSUE**

On 29 June 2021, the Annual General Meeting adopted a resolution regarding the capital increase of up to 20% of the existing share capital. As per the Annual General Meeting authorization, the Management launched the capital increase via the accelerated book building in December 2021. The subscription agreements with the shareholders participating in the offer of O series bearer shares were signed on 20-21 December 2021. As a result the Company issued 88,700,000 series O bearer shares. The capital increase and new Articles of Association were registered by the National Court Register on 4 January 2022 and the funds were transferred to the Company's account. The O series bearer shares were admitted to trading on the respective stock exchange on 26 January 2022.

As of December 31, 2021 the Group recognized receivables from shareholders in the amount of EUR 123,425 and unregistered share capital increase in the amount of EUR 120,295. Unregistered share capital increase represents value of share capital increase at the moment of signing the subscription agreements, decreased by corresponding share issue costs.

In Q1 2022 the Group reclassified unregistered share capital to share capital of EUR 1,913 and share premium of EUR 118,382 after share capital increase was registered (please refer to note 9).

### **DISTRIBUTION OF THE 2021 PROFIT**

On 14 June 2022, the Annual General Meeting adopted a resolution regarding distribution of profit for the financial year 2021. Based on resolution EUR 34,583 (PLN 160,791) were distributed to the Company's shareholders in the form of a dividend and the remaining amount was left with the Company as retained profits.

## **32. Provision for share based payments**

### **PHANTOM SHARES**

Certain key management personnel of the Group is entitled to specific cash payments resulting from phantom shares in the Group (the "Phantom Shares"). The company uses binomial model to evaluate the fair value of the phantom shares. The input data includes date of valuation, strike price, and expiry date.

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## 32. Provision for share based payments (continued)

The Phantom shares (as presented in below mentioned table) have been accounted for based on future cash settlement.

As at December 31, 2022, the Group's share based payment liabilities amounted to EUR 758 (as at December 31, 2021 EUR 1,410). The gain recognized in the income statement amounted to EUR 652 (in 2021: loss of EUR 432).

As at 31 December 2022, phantom shares issued were as follows:

Strike (PLN)	Granted	Vested	Total
5.75 - 5.95	946,500	2,531,600	3,478,100
6.03 – 6.31	-	468,000	468,000
6.42 – 6.69	1,850,000	175,000	2,025,000
<b>Total</b>	<b>2,796,500</b>	<b>3,174,600</b>	<b>5,971,100</b>

As at 31 December 2021, phantom shares issued were as follows:

Strike (PLN)	Granted	Vested	Total
6.03	-	827,416	827,416
6.11	-	100,000	100,000
6.23	2,891,000	1,292,100	4,183,100
6.31	-	250,000	250,000
<b>Total</b>	<b>2,891,000</b>	<b>2,469,516</b>	<b>5,360,516</b>

The Phantom shares (as presented in above table) have been provided for assuming cash payments will be materialized, as the Company assesses that it is to be settled in cash.

Last year of exercise date	Number of phantom shares
2023	2,205,600
2025	1,875,000
Other*	1,890,500
<b>Total</b>	<b>5,971,100</b>

\* From one to twelve months after agreement termination.

## 32. Provision for share based payments (continued)

The number of phantom shares were changed as follows:

<b>Number of phantom shares as of 1 January 2022</b>	<b>5,360,516</b>
Granted during the period*	2,742,000
Expired	(1,599,000)
Exercised during the period	(532,416)
<b>Number of phantom shares as of 31 December 2022</b>	<b>5,971,100</b>

\*In 2022 new phantom share program was introduced for management and key personnel.

## 33. Assets held for sale and liabilities related to assets held for sale

The balance of assets held for sale as of 31 December 2022 and 31 December 2021 was as follows:

	31 December 2022	31 December 2021
Serbian completed office portfolio	-	287,816
Forest Office Debrecen	47,700	-
Romanian landbank	680	2,833
Landbank in Poland	3,255	-
Croatian landbank	-	1,352
<b>Total</b>	<b>51,635</b>	<b>292,001</b>

The balance of liabilities, related to assets held for sale as of 31 December 2022 and 31 December 2021 was as follows:

	31 December 2022	31 December 2021
Serbian completed office portfolio	-	153,621
Romanian landbank	-	1,080
Croatian landbank	-	130
<b>Total</b>	<b>-</b>	<b>154,831</b>

The balance of assets held for sale and liabilities related to assets held for sale decreased significantly mainly due to the closing transaction on disposal of Serbian entities (*for details please refer to note 9*) and selling land plots in Romania and Croatia.

The purchase price on disposal of Serbian entities was calculated on an enterprise value basis, based on a property value of aggregate EUR 267.6 million and considered repayment of external loans of EUR 142.4 million. Net proceeds from sale of Serbian completed office portfolio were EUR 125,112 (net of cash in disposed assets of EUR 10,475).

### **33. Assets held for sale and liabilities related to assets held for sale (continued)**

On 19 July 2022 GTC FOD Property Kft., a wholly-owned subsidiary of the Company, signed a sale and purchase agreement, concerning the sale of the office building in Debrecen. Transaction was closed in January 2023 (*for details please refer to Subsequent event note*).

### **34. Prepayments, deferred expenses and other receivables**

The balance of prepayment and deferred expenses decreased from EUR 11,515 to EUR 7,739 in the year ended 31 December 2022.

The majority of the decrease relates to completion of Pillar project in Hungary.

### **35. Earnings per share**

Basic earnings per share were calculated as follows:

	<b>Year ended 31 December 2022</b>	<b>Year ended 31 December 2021</b>
Profit/(loss) for the period attributable to equity holders (in EUR)	23,411,000	41,651,000
Weighted average number of shares for calculating basic earnings per share	574,255,122	487,742,245
<b>Basic earnings per share (in EUR)</b>	<b>0.04</b>	<b>0.09</b>

There have been no potentially dilutive instruments as at 31 December 2022 and 31 December 2021.

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## 36. Related party transactions

Transactions with the related parties are arm's length transactions.

The transactions and balances with related parties are presented below:

In 2022, Group acquired several assets for the total consideration of EUR 30.2 million from companies related to the majority shareholder of the Company. For further details please refer to note 9 *Events in the period*.

	Year ended 31 December 2022	Year ended 31 December 2021
<b>Transactions</b>		
Rental revenue*	2,801	1,869
Service charge revenue*	599	418
<b>Balances</b>		
Accounts receivables*	2,063	795
Receivables from shareholders	-	123,425
Accrued income*	286	1,250
Long term payable**	1,000	1,027
Trade payables and provisions**	343	959

(\*) *Rental revenue and Service charge revenue in relation to rental guarantees provided by sellers, entities related to the majority shareholder. All were collected after December 31<sup>st</sup> 2022.*

(\*\*) *In relation to purchase price retention from the seller, an entity related to the majority shareholder.*

Management and Supervisory Board GTC S.A. remuneration for the year ended 31 December 2022 amounted to EUR 1.8 million and 177,000 phantom shares were vested.

Management and Supervisory Board GTC S.A. remuneration for the year ended 31 December 2021 amounted to EUR 2 million and 260,000 phantom shares were vested.

## **37. Commitments, contingent liabilities and guarantees**

### **COMMITMENTS**

As of 31 December 2022 (and as at 31 December 2021), the Group had commitments contracted for in relation to future capital expenditures on investment properties without specified date, amounting to EUR 116.5 million (EUR 29.7 million as at 31 December 2021). These commitments are expected to be financed from available cash and current financing facilities, other external financing or future instalments under already contracted sale agreements and yet to be contracted sale agreements.

### **GUARANTEES**

As of 31 December 2022 and 31 December 2021 there were no guarantees given to third parties.

Additionally, the Company gave typical warranties in connection with the sale of its assets under the sale agreements and construction completion and cost-overruns guarantee to secure construction loans. The risk involved in the above warranties and guarantees is very low.

### **CROATIA**

In relation to the Marlera Golf project in Croatia, part of the land is held on a lease basis from the State. There is furthermore a Consortium agreement with the Ministry of Tourism of Croatia (Ministry) which includes a deadline for the completion of a golf course that has expired in 2014. If the deadline is not met, then the Ministry has the right to terminate the Consortium agreement which might automatically trigger the termination of the Land Acquisition Agreements, as well as collateral activation and damages claims. Prior to 2014, the Company has taken active steps to achieve an extension of the period for completing the project. In February 2014, the Company received a draft amendment from the Ministry expressing its good faith and intentions to prolong the abovementioned timeline however, the amendment was not formalized since then. Since formalization of the amendment is not at the sole discretion of the Group, the Management has decided to revalue the freehold asset in assuming no development of the golf course project. Furthermore, as a prudential measure, the Management has also written off the related collateral in the amount of EUR 1 million provided to the Ministry as a guarantee for completing the golf course. As of 31 December 2022 the book value of the investment in Marlera Golf project was assessed by an independent valuer at EUR 6.8 million.

## **38. Financial instruments and risk management**

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

The main risks arising from the Group's financial instruments are cash flow interest risk, liquidity risk, foreign currency risk and credit risk.

### **INTEREST RATE RISK**

The Group exposure to changes in interest rates that are not offset by hedge relates primarily to the Group's long-term debt obligations and loans granted. No other financial instruments, which are subject for interest rate risk.

The Group's policy is to obtain finance bearing variable interest rates. To manage the interest rate risk in a cost-efficient manner, the Group enters into interest rate swaps, swap currency or cap transactions.

The Group's loans are nominated or swapped into Euro.

As at 31 December 2022, 95% of the Group's long-term loans and bonds is hedged (as at 31 December 2021 – 94%).

For 2022, a 50bp increase in EURIBOR rate would lead to EUR 343 change in result before tax (2021: EUR 486 change in result before tax).

On 7 July 2022, the Act on crowdfunding for business and support for borrowers was adopted which provides the basis for changing the WIBOR and WIBID benchmarks in Poland. As a follow up of legislative changes, in September 2022, the Steering Committee of the National Working Group for benchmark reform accepted the Roadmap for the replacement of WIBOR and WIBID benchmarks with WIRON index. The details regarding the replacement will be published in 2023, in the form of the Regulation of the Minister of Finance which will define the adjustment spread and the date from which the replacement applies. According to the Roadmap, the publication of old WIBOR/WIBID rates will cease in 2025.

## **38.** Financial instruments and risk management (continued)

### **FOREIGN CURRENCY RISK**

The Group enters into transactions in currencies other than the functional currency of the Group's subsidiaries. Therefore, it hedges the currency risk by either matching the currency of the inflow, outflow and cash and cash equivalent with that of the expenditures. It is element of hedge accounting policy of the Group.

Exchange rates as of 31 December 2022 and 2021 were as following:

	31 December 2022	31 December 2021
PLN/EUR	4.6899	4.5994
HUF/EUR	400.23	369.01

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

	2022 PLN/Euro				2021 PLN/Euro			
<b>Rate/Percentage of change</b>	<b>5.1589</b> <b>(+10%)</b>	<b>4.9244</b> <b>(+5%)</b>	<b>4.4554</b> <b>(-5%)</b>	<b>4.2209</b> <b>(-10%)</b>	<b>5.0593</b> <b>(+10%)</b>	<b>4.8294</b> <b>(+5%)</b>	<b>4.3694</b> <b>(-5%)</b>	<b>4.1395</b> <b>(-10%)</b>
Cash and blocked deposits	(3,895)	(1,948)	1,948	3,895	(3,709)	(1,855)	1,855	3,709
Trade and other receivables	(314)	(157)	157	314	(1,006)	(503)	503	1,006
Trade and other payables	1,289	644	(644)	(1,289)	1,608	804	(804)	(1,608)
Land leases	3,042	1,521	(1,521)	(3,042)	3,107	1,553	(1,553)	(3,107)
<b>Total</b>	<b>122</b>	<b>60</b>	<b>(60)</b>	<b>(122)</b>	<b>-</b>	<b>(1)</b>	<b>1</b>	<b>-</b>

The Group does not see any currency risk related to bonds denominated in PLN and HUF as they are hedged. Exposure to other currencies and other positions in the statement of financial position is not material.

The potential theoretical impact on the currency exposure whether the Group would have not hedged the PLN bonds and the HUF Bonds is as following:

<b>Percentage of change in FX rate</b>	<b>(-10%)</b>	<b>(+10%)</b>
Bonds in PLN	(3,150)	3,150
Bonds in HUF	(14,900)	14,900

## **38.** Financial instruments and risk management (continued)

### **CREDIT RISK**

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation. To manage this risk, the Group periodically assesses the financial viability of its customers. The Group does not expect any counter parties to fail in meeting their obligations. The Group 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. As of reporting date we don't have material impaired receivables.

With respect to loan granted to non-controlling interest it was assessed in Stage 1 as defined by IFRS 9 *Financial instruments*.

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

The maximum exposure to credit risk as of the reporting date is the full amount presented.

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

### **LIQUIDITY RISK**

As at 31 December 2022, the Group holds cash and cash equivalents (as defined in IFRS) in the amount of approximately EUR 115 million. As described above, the Group attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) debt servicing of its existing assets portfolio; (ii) capex; and (iii) development of commercial properties. Such funding will be sourced through available cash, operating income, sales of assets and refinancing. The Management Board believes that based on its current assumptions, the Group will be able to settle all its liabilities for at least the next twelve months.

**Globe Trade Centre S.A.**  
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## 38. Financial instruments and risk management (continued)

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

	31 December 2022	31 December 2021
First year (*)	76	127(**)
Second year	65	148
Third year	149	99
Fourth year	774	144
Fifth year	76	821
Thereafter	206	236
<b>Total</b>	<b>1,346</b>	<b>1,575</b>

(\*) Repaid during 12 months from reporting date.

(\*\*) Including EUR 54m liabilities related to assets held for sale

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.

Repayments of long-term derivatives are scheduled as follows (million EUR) (the amounts are not discounted):

	31 December 2022	31 December 2021
1 – 4 years	-	-
Fifth year	3	-
Thereafter	44	39
<b>Total</b>	<b>47</b>	<b>39</b>

All derivative instruments mature within 1-10 years from the balance sheet date.

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## 38. Financial instruments and risk management (continued)

Long term finance lease represents lease payments for land subject to perpetual usufruct payments with maturity of 33 - 87 years. The Group pays an annual amount of EUR 2,056 (EUR 2,120 in 2021) as lease payment (principal and interest) for lands under perpetual usufruct.

Maturity dates of current financial liabilities as of 31 December 2022 were as following:

	Total	Overdue	Up to a month	1-3 months	3 months – 1 year
Trade payables and provisions	41,208	308	9,600	18,427	12,873
Current portion of long-term borrowing	48,571	-	140	2,966	45,465
Deposits from tenants	1,639	-	177	136	1,326
Current portion of lease liabilities	388	-	279	56	53
Derivatives	2,180	-	-	-	2,180
<b>Total</b>	<b>93,986</b>	<b>308</b>	<b>10,196</b>	<b>21,585</b>	<b>61,897</b>

Maturity dates of current financial liabilities as of 31 December 2021 were as following:

	Total	Overdue	Up to a month	1-3 months	3 months – 1 year
Trade payables and provisions	31,092	521	6,476	17,386	6,709
Current portion of long-term borrowing	44,337	-	-	3,825	40,512
Deposits from tenants	1,932	-	161	483	1,288
Current portion of lease liabilities	198	-	21	127	50
Derivatives	2,681	-	-	654	2,027
<b>Total</b>	<b>80,240</b>	<b>521</b>	<b>6,658</b>	<b>22,475</b>	<b>50,586</b>

## **38. Financial instruments and risk management (continued)**

### **FAIR VALUE**

As of 31 December 2022, 78% of all bank loans bears floating interest rate (79% as of 31 December 2021). However, as of 31 December 2022, 87% of these loans are hedged (81% as of 31 December 2021).

As of 31 December 2022, 5% of all bonds bears floating interest rate (7% as of 31 December 2021). However, as of 31 December 2022, 100% of these bonds are hedged (100% as of 31 December 2021).

For information related to loans granted/received from non-controlling interest please refer to note 28.

Due to the recent significant increase of an interest rates where the Group operates, the fair value of the HUF Bonds significantly differs from its carrying value. It is due to the fact that all the HUF bonds as of the 31 December 2022 bear a fixed interest rate until maturity, however these bonds are hedged with cross-currency interest rate swaps.

Market value and fair value of bonds as of 31 December 2022 is presented below:

<b>Series of bonds</b>	<b>Market value and fair value (in million EUR)</b>
Bonds mature in 2023 (Poland) (PLGTC0000318) <sup>1</sup>	31.6
Green bonds mature in 2027-2030 (HU0000360102) <sup>2</sup>	45.1
Green bonds mature in 2028-2031 (HU0000360284) <sup>2</sup>	21.3
Green bonds mature in 2026 (XS2356039268) <sup>3</sup>	367.0

Fair value of all other financial assets/liabilities is close to the carrying value.

For the fair value of investment property, please refer to note 17.

### **FAIR VALUE HIERARCHY**

As at 31 December 2022 and 2021, the Group held several derivatives carried at fair value in the statement of financial position.

<sup>1</sup> Fair value at level 1 - <https://gpwcatalyst.pl/notowania-obligacji-obligacje-korporacyjne>

<sup>2</sup> Fair value at level 2 was calculated based on assumption of market interest rate of 15%.

<sup>3</sup> Fair value at level 1 - <https://www.boerse-frankfurt.de/bond/xs2356039268-gtc-aurora-luxembourg-s-a-2-25-21-26>

## **38. Financial instruments and risk management (continued)**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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,

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

Valuations of derivatives are considered as level 2 fair value measurements. During the year ended 31 December 2022 and 31 December 2021, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements in respect to financial instruments.

### **PRICE RISK**

The Group is exposed to fluctuations in the real estate markets in which it operates. These can have an effect on the Group's results (due to changes in the market rent rates and in occupancy of the leased properties).

Further risks are described in the Management Report as of 31 December 2022.

### **CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to provide for operational and value growth while prudently managing the capital and maintaining healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and adjusts it to dynamic economic conditions. While observing the capital structure, the Group decides on leverage policy, loans raising and repayments, investment or divestment of assets, dividend policy, and capital raise, if needed.

No changes were made in the objectives, policies, or processes during the years ended 31 December 2022 and 31 December 2021.

The Group monitors its gearing ratio, which is Gross Project and Corporate Debt less Cash & Deposits, 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. As of 31 December 2022, LTV was 45.6%.

## **39.** Subsequent events

On 19 July 2022, GTC FOD Property Kft., a wholly-owned subsidiary of the Company, signed a sale and purchase agreement, concerning the sale of the office building owned by the subsidiary. The selling price under the Agreement is HUF 19.1 billion (ca. EUR 47.7 million as of 31 December 2022). As of 30 January 2023 the full purchase price (ca. EUR 49.2 million) was paid and the transaction was completed.

On 31 March 2023, GTC Origine Zrt., a wholly-owned subsidiary of the Company, signed a quota transfer agreement to acquire 100% holding of Tiszai Fény Alfa Kft, which owns 9 newly developed solar power plants with installed nominal capacity of max 0.5 MW each, operating in Tiszafüred, Hungary for a consideration of HUF 2.4 billion (ca EUR 6.4m). The project shall be financed partially by a bank facility in the amount of EUR 2.6 million. The transaction is expected to close in Q2 2023.

## **40.** Approval of the financial statements

The financial statements were authorised for the issue by the Management Board on 24 April 2023.



## Independent Registered Auditor's Report

To the General Shareholders Meeting and the Supervisory Board of Globe Trade Centre S.A.

### Our opinion

In our opinion, the accompanying annual consolidated financial statements:

- give a true and fair view of the consolidated financial position of the group Globe Trade Centre S.A. (the "Group"), in which Globe Trade Centre S.A. is the parent entity (the "Parent Company") as at 31 December 2022 and the Group's consolidated financial performance and the consolidated cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Group and the Parent Company's Articles of Association.

### What we have audited

We have audited the annual consolidated financial statements of the Globe Trade Centre S.A. Group which comprise:

- the consolidated statement of financial position as at 31 December 2022;

and the following prepared for the financial year from 1 January to 31 December 2022:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows, and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the wording of the International Standards on Auditing as adopted by the resolution of the National Council of Statutory Auditors ("NSA") and pursuant to the Law of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight (the "Law on Registered Auditors"). Our responsibilities under NSA are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

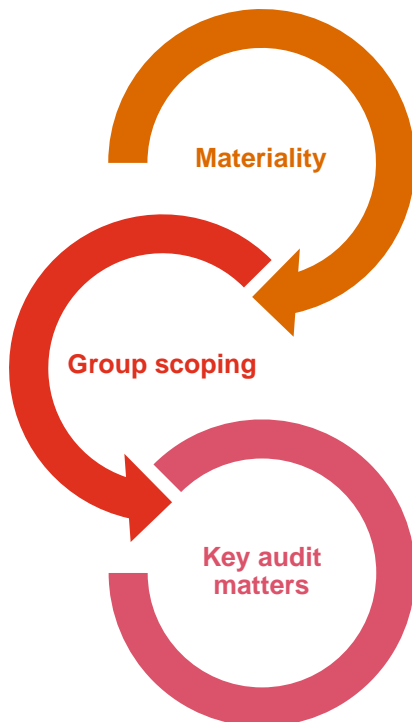
### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by resolution of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the consolidated financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Group in accordance with the independence requirements set out in the Law on Registered Auditors.

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## Our audit approach

### Overview



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- The overall materiality threshold adopted for the purposes of our audit was set at EUR 23 million, which represents 0.9% of the total assets of the Group.
- 
- We have audited the Parent Company financial statements and performed audit procedures over special purpose financial information for consolidation of subsidiaries in 7 countries.
  - In respect to subsidiaries in countries other than Poland, audit procedures have been conducted by audit firms from PwC network in accordance with instructions issued by us, and under our supervision.
  - The scope of our audit covered almost 100% of the Group's revenue and around 95% of the Group's total assets.
- 
- Measurement of investment property at fair value
-

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Parent Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

<b>Overall Group materiality</b>	EUR 23 million
<b>How we determined it</b>	0.9% of the total assets of the Group
<b>Rationale for the materiality benchmark applied</b>	<p>We have adopted the Groups' total assets as the basis for determining materiality because the value of total assets is, in our opinion, an indicator commonly used by the users of consolidated financial statements to evaluate the operations in the real estate industry.</p> <p>We adopted the materiality threshold at 0.9% because based on our professional judgement it is within the acceptable quantitative materiality thresholds.</p>

We agreed with the Audit Committee of the Parent Company that we would report to them misstatements of the consolidated financial statements identified during our audit above EUR 2.3 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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## Other matter

The consolidated financial statements are expressed in EUR as the presentation currency, and are prepared in addition to the statutory consolidated financial statements (expressed in PLN as the presentation currency) for the same period. We issued a separate auditor's report on the statutory consolidated financial statements, and that report constitutes a statutory audit report as required by the relevant regulations applicable to public interest entities in Poland and includes all elements required by these regulations.

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## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Measurement of investment property at fair value</b></p> <p>The investment property balance in the consolidated financial statements of the Group as at 31 December 2022 is EUR 2.243 million. In Note 17 of the consolidated financial statements the Group presented the disclosures related to investment properties, including the key assumptions adopted to measure the investment properties at their fair value.</p> <p>The Group has a portfolio of investment properties comprising land, completed properties in the office and retail sectors, as well as investment properties under construction.</p> <p>At least once a year, as at the end of each financial year, investment properties are measured at fair value determined with the support of valuation experts, including independent appraisers. To determine the fair value of properties, independent appraisers apply various approaches, methodologies and measurement techniques depending on the type of the property assessed.</p> <p>The fair value measurement of investment properties is</p>	<p>Our audit procedures comprised in particular:</p> <p>a) gaining an understanding and assessing the process of measuring and controlling the measurement of investment properties and assessing the qualifications, scope and conditions of the work and the objectivity of the independent appraisers;</p> <p>b) assessing compliance of the adopted accounting policies in respect of investment properties with the appropriate financial reporting standards;</p> <p>c) reconciling – on a selected sample – the value of investment properties presented in the consolidated financial statements with the valuation reports prepared by independent appraisers;</p> <p>d) for a selected sample – verification of the mathematical accuracy and methodological consistency (with support of internal PwC valuation experts) of property valuations made by an independent appraisers;</p>

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affected by the inherent risk of uncertainty of the estimations made for the purpose of their measurement, and is sensitive to the underlying assumptions. The value of the investment properties depends on the adopted measurement method and assumptions, such as the discount rate and capitalization rate, expected rental income and various multipliers which are based on the subjective assessment of unquantifiable factors such as the location of the property.

In 2022 the Group incurred a loss from revaluation of investment property of EUR 27 million, which was recognized in the consolidated income statement.

Taking into consideration the materiality of the investment properties in the Group consolidated financial statements and significant estimation uncertainty related to their valuation, we considered the fair value measurement of investment properties to be a key audit matter.

e) performing a critical assessment of the assumptions adopted and estimations made by the Group to determine the fair value, in particular, checking – on a selected sample – the following elements of the valuation procedures:

- the adopted approach, valuation methodology and techniques which depend on the type of the property assessed;
- in case of properties which generate revenue, detailed tests were conducted in respect of:
  - the assumptions relating to revenue: the amount of unit rental fee, the assumed level of vacancies, the assumed rent free period, revenue from sources other than lease;
  - cost-related assumptions: the amount of the property maintenance costs, the adopted model for settling costs with lessees; the agency commission;
  - the assumptions relating to capitalization/ discount rates;
  - input data on which the valuations were based, i.a. consistency with the terms of the lease agreements;

f) assessing the appropriateness and completeness of disclosures in respect of the fair value measurement of the investment property in the consolidated financial statements.

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## Responsibility of the Management and Supervisory Board for the consolidated financial statements

The Management Board of the Parent Company is responsible for the preparation, of the annual consolidated financial statements that give a true and fair view of the Group's financial position and results of operations, in accordance with International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the applicable laws and the Parent Company's Articles of Association, and for such internal control as the Management Board 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, the Parent Company's Management Board 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 the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Parent Company's Management Board and members of the Supervisory Board are obliged to ensure that the consolidated financial statements comply with the requirements specified in the Accounting Act of 29 September 1994 ("the Accounting Law"). Members of the Supervisory Board are responsible for overseeing the financial reporting process.

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### Auditor's responsibility 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 the NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements.

The scope of the audit does not include an assurance on the Group's future profitability nor the efficiency and effectiveness of the Parent Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with NSA, we exercise professional judgement 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 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 Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent Company's Management Board;
- conclude on the appropriateness of the Parent Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group 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 achieves fair presentation;

- 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 the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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## Other information

The Management Board of the Parent Company is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information 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 the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered on the list of Registered Audit Companies with the number 144., is Piotr Wyszogrodzki.

Piotr Wyszogrodzki  
Key Registered Auditor  
No. 90091

Warsaw, 24 April 2023