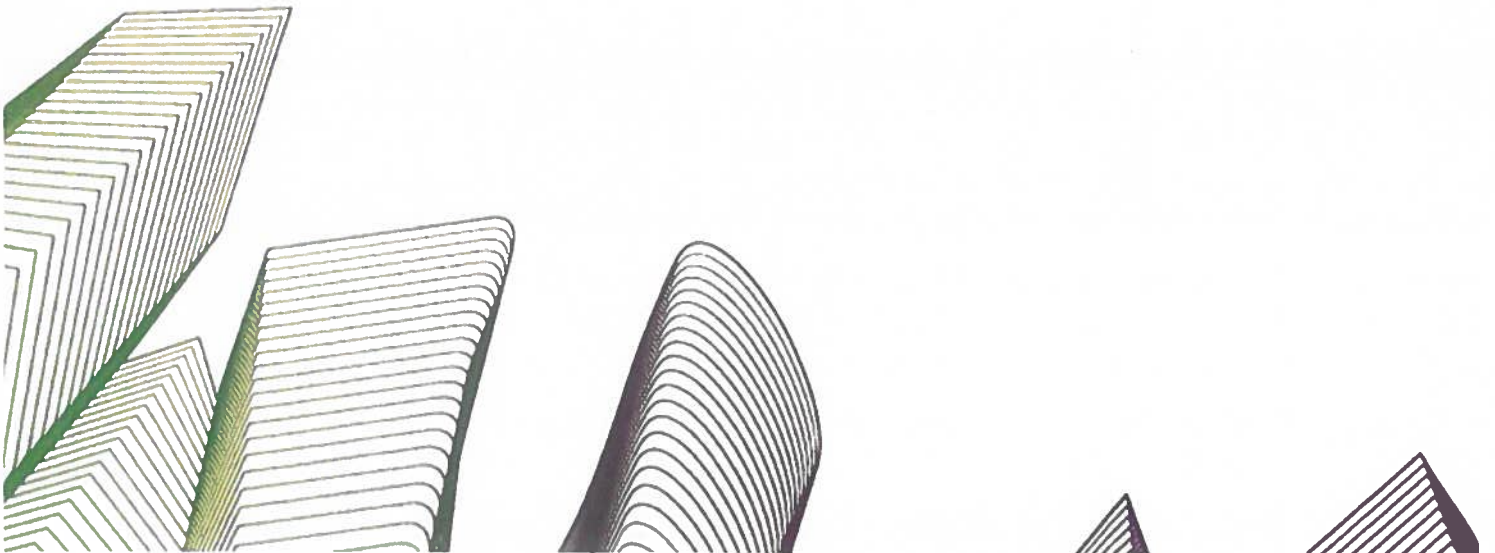




# **GTC HUNGARY GROUP**

**ANNUAL REPORT**

**2023**



# **Content**

## **Annual report**

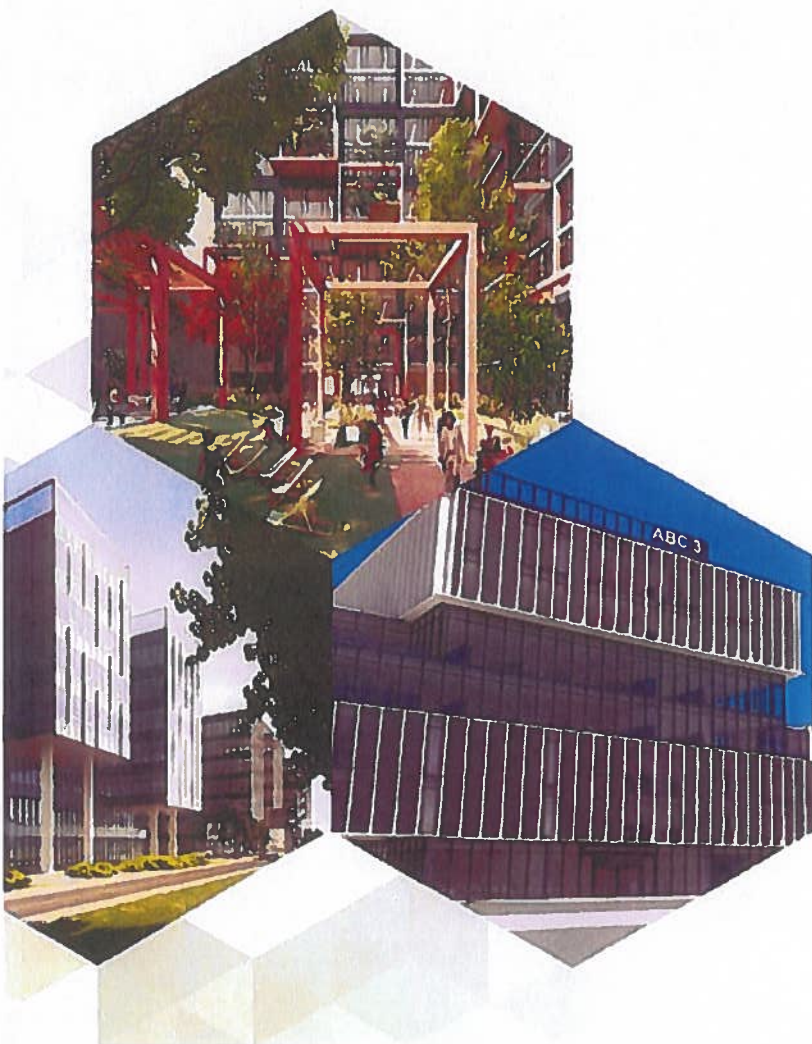
**Management board's report**

**Consolidated financial statements**

**Statement of responsibility**



**MANAGEMENT BOARD'S REPORT**  
**GTC HUNGARY REAL ESTATE DEVELOPMENT PLTD. GROUP**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**



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## 1. INTRODUCTION

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

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

### 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 EUR or HUF and expressed in thousands unless indicated otherwise.

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

### PRESENTATION OF PROPERTY INFORMATION

Information on properties is presented pro-rata to the Group's consolidation method in each of the properties. The properties' valuation is based on the value that the Group consolidates in its consolidated financial statements. The occupancy rate given for each of the markets is as of 31 December 2023.

### 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 2023 and 2022. 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 2023 (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 2023.

<b>Consolidated Income Statement (in thousands)</b>	<b>2023 €</b>	<b>2022 €</b>
Revenues from operations	48,043	38,654
Cost of operations	(14,415)	(10,716)
Gross margin from operations	33,628	27,938
Selling expenses	(696)	(516)
Administrative expenses	(5,439)	(3,662)
Profit/(loss) from revaluation/impairment of assets, net	(17,700)	16,294
Net financial result	(7,301)	(4,142)
Profit / (loss) for the period	103	29,757

<b>Consolidated Cash Flow Statement (in thousands)</b>	<b>2023 €</b>	<b>2022 €</b>
Net cash from operating activities	19,398	24,356
Net cash (used in) / from investing activities	(36,041)	3,512
Net cash used in financing activities	(2,753)	(16,450)
Cash and cash equivalents at the end of the period	15,380	34,988

<b>Consolidated statement of financial position (in thousands)</b>	<b>2023 €</b>	<b>2022 €</b>
Investment property (completed and under construction)	627,580	614,338
Investment property landbank	36,960	36,483
Cash and cash equivalents	15,380	34,988
Loan granted to related parties	658,056	652,095
Other assets	42,558	27,468
<b>Total assets</b>	<b>1,380,534</b>	<b>1,365,372</b>
Non-current liabilities	1,119,736	1,115,645
Current liabilities	17,048	22,223
Total Equity	243,750	227,504
Share capital	20,366	20,366

## 3. KEY RISK FACTORS

### 3.1 Risk factors related to the Group's business

Risk	Description	Risk management method
<p><b>Risk of adverse macroeconomic trends</b></p>	<p>The Group is affected by macroeconomic conditions, especially overall conditions in the EU and national and local economies, such as growth in gross domestic product, inflation, changes in interest rates, and unemployment rates. Adverse macroeconomic trends combined with instability of financial markets may have a negative impact on Group's operations, rental income, the market value of the Group's properties, as well as the availability and cost of debt financing.</p>	<ul style="list-style-type: none"> <li>▶ Ongoing monitoring of market and macroeconomic conditions;</li> <li>▶ securing rental income by the execution of long-term lease agreements with indexed rent rates;</li> <li>▶ constant analysis of the behavior and needs of the tenants;</li> <li>▶ making decisions on new projects based on current and estimated market conditions;</li> <li>▶ maintaining sufficient level of cash and available credit limits.</li> </ul>
<p><b>Geopolitical risk</b></p>	<p>Geopolitical factors, including the war in Ukraine, the economic sanctions imposed on Russia and Belarus, conflict in the Middle East, as well as general political uncertainty may, combined with a number of other macroeconomic and geopolitical factors, may negatively affect the Group's operations and financial results. The continuation of the war in Ukraine, its intensification, or its expansion may result in further disruption in supply chains, a limited availability of subcontractors and a general increase in the prices of materials, along with an increase of energy prices.</p>	<ul style="list-style-type: none"> <li>▶ Ongoing monitoring the geopolitical situation in terms of its potential impact on the Group, individual projects and the Group's long-term investment plans;</li> <li>▶ as at the date of this Report, the Group has not identified specific risks that directly result from the war in Ukraine and/or in the Middle East on the Group's operations, financial results or development process.</li> </ul>
<p><b>Risks related to the implementation of strategy</b></p>	<p>The Group may be unable to implement its strategy in part or in full and there can be no assurance that the implementation of the Group's strategy would achieve its goals. The success of the Group's strategy relies, in part, on various assumptions and contingencies (e.g. with respect to the level of profitability of any acquisition targets, investment criteria that have been developed by the Group, and the valuation of a project) which may prove to be partially or wholly incorrect or inaccurate resulting in a lower than expected return on investment. There is a risk that the Group will not be able to identify and secure new investments at attractive prices and on favorable terms and conditions that will satisfy its rate of return objectives and realize their values. Consequently, the Group may not be able to acquire properties and develop planned projects, and acquisitions may not actually generate the expected income. The Group may also fail to achieve its goals due to internal and external factors of regulatory, legal, financial, social or operational natures, 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 changes to laws.</p>	<ul style="list-style-type: none"> <li>▶ Experienced, goal-oriented management for the Group;</li> <li>▶ qualified team of specialists;</li> <li>▶ monitoring market conditions (both global and regional) and other factors that are relevant for the achievement of the strategic goals of the Group;</li> <li>▶ periodic verification of key strategic goals;</li> <li>▶ cooperating with renowned brokers and agents as well as reputable legal, tax, commercial and technical advisors in the due diligence process and in the process of new investment acquisitions.</li> </ul>
<p><b>Risk related to investments in new sectors and new markets</b></p>	<p>The Group decided to pursue potential new investments in certain new sectors and geographical regions, including: (i) innovation and technology parks; (ii) renewable energy facilities (iii) hospitality sector; and (iv) broadly understood living sector, covering PRS, senior living and student housing properties. No assurance can be given that investments in such new sectors may achieve the expected returns and increase the Group's profitability. The success of investments in new sectors and in new markets depends, to a significant extent, on possessing good knowledge of a given market and/or sector and ability to locate and acquire properties at attractive prices and on favorable terms and conditions, and more experienced commercial real estate developers that have operated in such sectors for longer periods may have an advantage over the Group and constitute significant competition for the Group. Moreover, the successful implementation of the Group's new strategy may result in certain changes to the Group's property</p>	<ul style="list-style-type: none"> <li>▶ Investing in new sectors on a small scale (such investments do not constitute more than 10% of the Group's assets);</li> <li>▶ investing as a minority shareholder in investment platforms with experienced developers and financial investors;</li> <li>▶ conducting comprehensive analyses of new sectors and markets;</li> <li>▶ cooperating with local specialists familiar with the conditions of a given market;</li> <li>▶ conducting a detailed due diligence prior to making a decision on whether to proceed with a new project.</li> </ul>

Risk	Description	Risk management method
<p><b>Risk related to changes in tenant and consumer preferences</b></p>	<p>portfolio, including its geographic composition and composition by asset classes (i.e. retail, office, residential and other properties) and as a result, various measures of the Group's business and recurring cash flows derived from rental income.</p> <p>A noticeable change in the typical work model resulting in a growing share of employees working in a hybrid mode combining work from home with office work, or working only from home (strengthened by changes in the labor law introduced in Hungary), as well as changes in shopping preferences combined with the growing significance of online shopping instead of conventional shopping may lead to reduced demand for office and retail space, which, in turn, may cause reduced or negative rental returns and profits and as a result could have a material adverse effect on the Group's business, financial condition and results of operations.</p>	<ul style="list-style-type: none"> <li>▶ Conducting ongoing analyses of the latest trends based on industry reports and own analyses of consumer preferences;</li> <li>▶ developing ability to flexibly respond to changing consumer and tenant preferences;</li> <li>▶ attempting to secure high-quality projects that are attractive to tenants;</li> <li>▶ improving amenities for tenants and implementing tenant-friendly solutions in buildings</li> <li>▶ adapting the Group's strategy in accordance with the changing market trends and situation</li> </ul>
<p><b>Risk related to the development process</b></p>	<p>The Group is exposed to risks related to development processes, including, among others, a contractor's bankruptcy, claims and legal disputes with subcontractors, delays in work, the improper quality of work, increased prices of materials and labor, and shortages of qualified teams of professionals. Failure in any of these respects may negatively affect the Group's reputation and the marketability of the completed properties. The construction of the Group's projects may also be delayed or otherwise negatively affected by other factors over which the Group has limited or no control, such as acts of nature, industrial accidents, changes in applicable laws, and increases in the cost of external financing. Additionally, no assurances can be given that permits or other decisions required from various authorities in connection with existing or new development projects will be obtained by the Group in a timely manner. Such decisions may be challenged by third parties, which may result in delays in the development timetable, failing to meet deadlines and/or an investment being abandoned. The Group's land may also require rezoning or a new or amended local spatial development plan or planning permission. Obtaining the required permissions cannot be guaranteed, and the Group has encountered such difficulties in the past.</p>	<ul style="list-style-type: none"> <li>▶ Cooperating with renowned and experienced contractors, subcontractors and suppliers;</li> <li>▶ checking the financial condition and technical capabilities of a contractor or supplier prior to signing contracts;</li> <li>▶ applying mechanisms in construction contracts protecting investors (e.g. lump sum remuneration, indemnification regarding subcontractors, obligation to provide respective bank guarantees or other collateral securing the proper performance of work and guarantee periods);</li> <li>▶ conducting ongoing supervision over construction projects by project managers;</li> <li>▶ conducting detailed analyses of the zoning designation of land prior to acquisition;</li> <li>▶ developing experience in obtaining permits from major cities in Hungary;</li> <li>▶ cooperating with experienced external architectural and urban planning studios as well as specialists in the fields of planning and administrative procedures.</li> </ul>
<p><b>Risk of not adjusting the Group's properties to climate changes, sustainability criteria and not reducing its impact on the environment</b></p>	<p>The Group is required to adapt to adopted EU legal acts in the area of ESG, to meet multiple sustainability criteria, and to take actions aimed at reducing the environmental impact of the Group's operations. There is a risk that the adaptation of the Group's buildings to be net zero effective as well as actions taken by the Group to improve building efficiency may require significant capital expenditures and in some cases could be difficult to implement. One cannot rule out that, for the purpose of the reduction of their carbon footprint, tenants will be looking for space that provides a low carbon footprint or will limit their office space or put a great importance to work from home (in an effort to generate less or even no carbon emissions) instead of working from office, which may lead to reduced demand for office space and have a negative impact on the rental returns and profitability of the Group. There is a risk that buildings that do not meet sustainability criteria will not be attractive either to tenants or potential purchasers and, as a consequence, the sale of such buildings may be difficult, or the price offered for such buildings will not be satisfactory to the Group. Also, the observed changes in the climate (in particular, changes in the average air temperature in the region in which the Group operates) may require changes in the operation of the Group's properties as well as its</p>	<ul style="list-style-type: none"> <li>▶ Focusing on a thorough analysis of the environmental impact of the operation of the Group's buildings;</li> <li>▶ continuously improving the monitoring and management of buildings based on the most recognized environmental certification systems such as BREEAM or LEED;</li> <li>▶ reducing the Group's carbon footprint primarily by ensuring the energy efficiency of buildings and investing in energy from renewable sources;</li> <li>▶ using green energy from certified sources in all buildings in Hungary, Poland, Romania and Croatia, and partially in Bulgaria;</li> <li>▶ supporting local communities and educational and cultural activities by working with over a hundred organizations, including NGOs, schools and universities;</li> <li>▶ delivering new buildings, and acquiring and managing assets with a focus on environmental protection.</li> </ul>

Risk	Description	Risk management method
	equipment (including, for instance, changing air conditioners, replacing old lighting with LED, etc.). Not making these changes in a timely manner could create a competitive disadvantage and a decrease in rental revenue as well as influence bankability of the investment properties held by the Group.	

### 3.2 Legal and regulatory risks

Risk	Description	Risk management method
Risk of changes in laws	The Group's operations are subject to various regulations in Hungary and Serbia and other jurisdictions in which the Group conducts business activities (including fire and safety requirements, environmental regulations, labour laws and land zoning) and is exposed to the risk of changes to laws in such jurisdictions. New, or amendments to existing, laws, rules, regulations or ordinances could require significant unanticipated expenditures or impose additional obligations and/or restrictions on the use of the Group's properties and/or its operations.	<ul style="list-style-type: none"> <li>▶ Ongoing monitoring of changes in laws applicable to the Group's operations (while still in the legislative process) so that new requirements can be quickly implemented in the Group's operation;</li> <li>▶ cooperating with renowned legal advisors in the jurisdictions where the Group conducts business activities.</li> </ul>
Risk of changes in tax laws or their interpretation	Taking into account that the tax regulations in the countries in which the Group operates are complex and subject to frequent changes, and the approaches of the various tax authorities are not uniform and consistent, the Group is exposed to the risk that tax authorities will employ a different interpretation of tax laws that apply to the Group, which may prove adverse to the Group. No assurance can be given that specific tax interpretations already obtained and applied by the Group will not be changed or challenged. There is also the risk that new tax law regulations will be introduced, which may result in greater costs due to circumstances related to complying with the changed or new regulations. Moreover, in relation to the cross-border nature of the Group's business, international agreements, including double tax treaties which apply to members of the Group, may also have an effect on the Group companies' business.	<ul style="list-style-type: none"> <li>▶ Monitoring changes in tax law applicable to the Group's operations;</li> <li>▶ obtaining a tax interpretation in the case of any uncertainty concerning the tax treatment of a given transaction and conducting the transaction in line with such interpretation;</li> <li>▶ hiring experienced accountants and financial specialists;</li> <li>▶ cooperating with renowned legal and tax advisors.</li> </ul>
Risk of legal disputes	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, contractors or visitors to the sites. Claims may also be brought against the Group in connection with concluded transactions concerning the sale of projects (e.g. for a breach of warranties made by the Group, 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 Group may be also involved in small-scale litigation and other legal proceedings in connection with lease agreements in the case of breaches of certain obligations of the landlord described in such agreements.	<ul style="list-style-type: none"> <li>▶ Applying high standards in the fields of health, safety and the environment;</li> <li>▶ monitoring the compliance with health, safety and environmental procedures by the Group's employees as well as contractors and their employees and subcontractors;</li> <li>▶ introducing a mechanism limiting the Group's liability in transaction documents (e.g. time limitations, monetary limitations);</li> <li>▶ cooperating with renowned legal advisors in the case of a dispute</li> <li>▶ acquiring appropriate insurance policies.</li> </ul>

### 3.3 Risk factors related to the Group's financial condition

Risk	Description	Risk management method
<p><b>Risk of decline in occupancy levels</b></p>	<p>Any significant decline in occupancy levels in the Group's properties, especially the loss of reputable anchor tenants, could have a material adverse effect on the ability of the Group to generate cash flows at expected levels. There can be no assurance that tenants will renew their leases on terms favorable to the Group at the end of their current tenancies and, if they do not, that new tenants of equivalent standing (or any new tenants) will be found to take up replacement leases on commercial terms satisfactory for the Group (especially, taking into account increasing tenant expectations in respect of fit-out standards and incentives).</p>	<ul style="list-style-type: none"> <li>▶ Attempting to secure high quality projects that are attractive to tenants;</li> <li>▶ building good, long-term relationships with tenants;</li> <li>▶ continuously analyzing market trends and promptly adapting to changes;</li> <li>▶ improving amenities for tenants and implementing tenant-friendly solutions in buildings;</li> <li>▶ effective management of the Group's commercial properties;</li> <li>▶ experienced leasing team;</li> <li>▶ cooperating with reputable brokers and leasing agencies.</li> </ul>
<p><b>Risk of not fully recovering the operating costs from tenants</b></p>	<p>The Group may not be able to fully pass on all operating 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 or retail properties or has to improve conditions offered to attract new tenants to its projects. If vacancy rates in the Group's building increase, the Group must cover the portion of the service charges that is related to the vacant space. Some of the lease agreements concluded by the Group provide for a cap on increases of the service charges payable by the tenant. In such cases, if the maintenance charges increase, the Group would be unable to pass on such increases to the tenants.</p>	<ul style="list-style-type: none"> <li>▶ Effective property management focused on minimizing maintenance costs without compromising the quality of services;</li> <li>▶ the vast majority of the lease agreements concluded with tenants are triple-net leases, which means all operational costs as well as property taxes are covered by the tenants;</li> <li>▶ limited caps on service charges passed on to tenants.</li> </ul>
<p><b>Risk related to the valuation of the Group's properties</b></p>	<p>The valuation of a property is inherently subjective and uncertain as it is based on different methodologies, forecasts and assumptions (e.g. as to expected rental values, fit-out costs, the time necessary for renting a specific property, etc.). The Group's property valuations are made based on the discounted cashflow method (DCF), using the discount 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, and any change in the valuation methodology used by the valuer will have an impact on the valuation of a given property and may result in gains or losses in the Group's consolidated income statement. As a result, the Group can generate significant non-cash 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. 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, 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 concerning the Group's properties and fluctuations in valuations may have a material adverse effect on the Group's business, financial condition and compliance with bank loan agreements (covenants' calculation).</p>	<ul style="list-style-type: none"> <li>▶ Investing in properties in reputable and stabilized markets;</li> <li>▶ Developing properties based on demand;</li> <li>▶ Leasing properties to reputable long term tenants;</li> <li>▶ Diversifying the investment portfolio;</li> <li>▶ Investing into proper maintenance of the properties.</li> </ul>

Risk	Description	Risk management method
<p><b>Risk related to the Group's debt financing</b></p>	<p>The Group's existing leverage and external debt financing (including its types and value) exposes the Group to additional risks, including: (i) increasing its vulnerability to and reduced flexibility to respond to downturns in the Group's business or generally adverse economic and industry conditions; (ii) 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; (iii) 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; (iv) requiring dedication of a substantial portion of the Group's cash flows from operations to the payment of principal and interest on its indebtedness; and (v) placing the Group at a competitive disadvantage compared to its competitors that are less leveraged.</p>	<ul style="list-style-type: none"> <li>▶ Hedging interest rate risk and exchange rate for non-euro external financing in order to maintain fixed cost of financing over the funding period</li> <li>▶ keeping the LTV under control and in the long run decreasing it</li> <li>▶ adjusting the Group's investment policy to fund availability and actively working on the portfolio quality by exiting from low cash generating assets</li> <li>▶ maintaining available credit limits and good relationships with financing banks.</li> </ul>
<p><b>Risk of the failure to meet obligations under financing agreements</b></p>	<p>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 loan agreements – in some cases also due to circumstances which may be beyond the control of the Group. These may include requirements to meet certain loan-to-value ratios, 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.</p>	<ul style="list-style-type: none"> <li>▶ Monitoring the regular repayment of debt and securing funds for such repayment;</li> <li>▶ ensuring loan funds are spent in accordance with the purpose of a given loan;</li> <li>▶ attempting to ensure the proper liquidity of the Group</li> <li>▶ employing specialists responsible for handling the existing debt financing of the Group;</li> <li>▶ conducting monitoring to ensure the proper performance of all obligations of the Group under existing financing documents so as to prevent the occurrence of any breach and/or default.</li> </ul>
<p><b>Risk related to refinancing</b></p>	<p>The Group's real estate projects are financed under secured loans and unsecured bonds that have been provided for a limited term. The Group may not be able to renew or refinance its remaining obligations in part or at all, or may have to accept less favorable terms in respect of such refinancing. If the Group is unable to renew a loan or bond or secure refinancing, the Group could be forced to sell one or more of its properties in order to procure the necessary liquidity or to use its existing cash to repay the loan. Additionally, if the Group is not able to renew certain loans or bonds, the properties that are financed by way of such loans or bonds will become low-leveraged and, as a consequence, will not be able to generate the expected returns on equity. The refinancing is also connected with a risk of changes in interest rates, which may be less favorable than under the existing indebtedness. 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, 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. Any combination of the above if substantial in value, might have material adverse effects on the Group's business, cash flows, financial condition and results of operations.</p>	<ul style="list-style-type: none"> <li>▶ Monitoring to ensure the proper performance of all obligations of the Group under existing financing documents so as not to lead to any breach and/or default;</li> <li>▶ maintaining the creditworthiness of the Group at a sufficient level;</li> <li>▶ extensive experience in obtaining financing and refinancing;</li> <li>▶ effectively managing the Group's leverage;</li> <li>▶ building good and long-term relationships with financing banks;</li> <li>▶ employing experienced financial specialists;</li> <li>▶ limiting exposure to changes in interest rates by incurring debt at a fixed interest rate, or changing interest from a variable to a fixed rate via the hedging instruments.</li> </ul>
<p><b>Currency risk</b></p>	<p>The Group's functional currency is euro. The Group is exposed to currency risks arising, <i>inter alia</i>, from the fact that certain of the Group's costs (such as certain construction costs, labor costs and remuneration for certain general contractors) are incurred and some of the incomes are gained in the currencies of the geographical markets in which the Group operates, including the Hungarian forint and the Serbian dinar. The exchange rates between local currencies and the euro have historically fluctuated. A portion of the Group's debt is denominated in currencies other than euro and as a result a portion of</p>	<ul style="list-style-type: none"> <li>▶ Obtaining debt financing denominated in euros or converting financing obtained in other currencies into euros using hedging derivatives;</li> <li>▶ concluding agreements with contractors specifying remuneration expressed in euros;</li> </ul>

Risk	Description	Risk management method
	the financial costs is incurred by the Group in such other currencies (the currency risk applies, in particular, to interest on the bonds issued by the Group in Hungarian forints).	<ul style="list-style-type: none"> <li>▶ engaging in other forms of currency hedging in an attempt to reduce the impact of currency fluctuations and the volatility of returns.</li> </ul>
<b>Risk of loss of liquidity by the Group</b>	There is a potential risk of a loss of liquidity by the Group in the case of a significant disturbance of the balance between its receivables and liabilities, and a material cash flow disruption in the absence of access to debt financing.	<ul style="list-style-type: none"> <li>▶ Permanent monitoring of forecast and actual short- and long-term cash flows, as well as receivables and liabilities;</li> <li>▶ maintaining a sufficient cash level in order to ensure proper liquidity management;</li> <li>▶ experienced management of the Group;</li> <li>▶ diversification of the Group's portfolio as well as investing in new sectors that might go through different phases of the business cycle at different times.</li> </ul>

### 3.4 Risk factors related to the shareholding structure

Risk	Description	Risk management method
<b>Risk of conflicts of interest between the Group and the Group's controlling shareholder</b>	The Group cannot exclude the risk of a potential conflict of interest between GTC's dominant entity, i.e. Optimum Venture Private Equity Fund ("Optima"), which indirectly holds 62.61% of the shares in the Company's share capital, and the remaining shareholders. When considering an investment, the business and operational matters of the Group, and/or the most appropriate uses of the Group's available cash, the interests of Optima may not be aligned with the interests of the Group or of its other shareholders, especially as Optima operates in the same markets as the Group and they might compete over investments.	<ul style="list-style-type: none"> <li>▶ Applying the relevant principles of corporate governance set out in the Good Practices of Companies Listed on the WSE 2021;</li> <li>▶ protecting the rights of minority shareholders in the articles of association, including the appointment of a shareholder meeting delegate (supervisory board member appointed by the general meeting), independence criteria for at least two supervisory board members, special approval requirements for related-party transactions.</li> </ul>
<b>Risk associated with related-party transactions</b>	As the Group carries out transactions with related parties, it is exposed to the risk of such transactions being challenged by tax authorities, taking into account the specific nature of related-party transactions, the complexity and ambiguity of legal regulations governing the methods of determining arm's-length terms for the purpose of such transactions, as well as difficulties in identifying comparable transactions for reference purposes.	<ul style="list-style-type: none"> <li>▶ Monitoring legal and tax regulations as well as amendments to laws governing related-party transactions;</li> <li>▶ Applying related party regulations, i.e. closing such transactions at arms' length and preparing respective documentation i.e. benchmarking studies, pre-arrangements with tax authorities, etc.</li> <li>▶ monitoring market practice (including the approach of the authorities) in determining arm's-length terms for the purpose of related-party transactions;</li> <li>▶ cooperating with experienced tax and legal advisors.</li> </ul>

### 3.5 Risk factor related to the markets in which the Group operates

Risk	Description	Risk management method
<p><b>Risk associated with countries in emerging markets</b></p>	<p>The markets in the regions of CEE and SEE in which the Group operates are subject to greater legal, economic, fiscal and political risks than mature markets, and are subject to rapid and sometimes unpredictable changes. CEE and SEE countries still present various risks to investors, such as economic instability or changes in national or local government, land expropriation, changes in taxation legislation or regulations, changes to business practices or customs, changes to laws and regulations related to currency repatriation, and limitations on the level of foreign investment or development. 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 and the general economies of individual countries. The ongoing armed conflict in the territory of Ukraine and uncertainties regarding its duration and scale, and the relationship of CEE and SEE countries with Russia may affect the attitude of investors towards the regional real estate market and their willingness to invest in countries neighbouring Ukraine and Russia where the Group operates. The Group may be exposed to risks related to investing in real estate in CEE and SEE countries resulting from the unregulated or uncertain legal status of some those real properties (e.g. due to privatisation claims).</p>	<ul style="list-style-type: none"> <li>▶ Monitoring political and economic situations in the regional markets in which the Group operates;</li> <li>▶ hiring local specialists familiar with the conditions of a given market;</li> <li>▶ conducting detailed due diligence prior to making a decision on whether to proceed with a new project;</li> <li>▶ applying legal protections in concluded contracts;</li> <li>▶ securing rental income by way of the execution of long-term lease agreements;</li> <li>▶ diversifying risk by investing in different markets and investing in new undertakings in diversified way (one project at one time in a country);</li> <li>▶ investing in new more stable highly rated economies in order to decrease the average risk.</li> </ul>

### 3.6 IT risk factor

Risk	Description	Risk management method
<p><b>Risk of unauthorized access to data</b></p>	<p>The Group is exposed to the risk related to unauthorized access to data from inside and outside the organisation that may result in the leakage of confidential data concerning the Group.</p>	<ul style="list-style-type: none"> <li>▶ Implementing internal IT security standards;</li> <li>▶ continuous monitoring and detection of threats to IT systems and infrastructure;</li> <li>▶ cooperating with reputable providers of IT and cybersecurity services;</li> <li>▶ building employee awareness in the field of cybersecurity.</li> </ul>

## 4. PRESENTATION OF THE GROUP

### 4.1 General information about the Group

Company's portfolio comprises: (i) completed commercial properties; (ii) commercial properties under construction; (iii) a commercial landbank intended for future development. As of 31 December 2023, the Company's property portfolio comprised the following properties:

- ▶ **10 completed office projects** with a total combined commercial space of approximately 199 thousand sq m of GLA,
- ▶ **1 office project under construction** with a total GLA of approximately 36 thousand sq m; and
- ▶ **4 commercial landbanks** designated for future development.

As of 31 December 2023, the book value of the Company's portfolio amounts to €664,540 with: (i) the Group's completed investment properties account for 89% thereof; (ii) investment properties under construction for 6%; and (iii) an investment landbank intended for future development for 5%.

### 4.2 Main events of 2023

Main events of GTC Hungary is presented in the Notes 9 "Main events in the period" to the Consolidated Financial Statements for the year ended 31 December 2023

### 4.3 Structure of the Group

The structure of GTC Hungary as of 31 December 2023 is presented in the Notes 8 "Investment in subsidiaries" to the Consolidated Financial Statements for the year ended 31 December 2023.

Only 1 dormant entity - Riverside Apartments Kft. - was liquidated, no other changes were made in the period.

### 4.4 The Group's Strategy

The GTC Hungary is a part of the GTC SA Group and as a results it strategy is aligned with the Strategy of the parent company. The GTC SA Group's strategy centres around stable growth, financial prudence and environmental sustainability with a commitment to create long-term value for its stakeholders.

The GTC SA Group's growth should be based on GTC 'score competences, i.e. construction of new real assets to earn developer's profit and adding value to the standing properties via strong asset management.

#### Core asset classes:

- ▶ Green office buildings (both newly constructed and existing ones)
- ▶ Green shopping malls (operations only)
- ▶ Broadly understood living sector (residential for sale and rent, senior living and student housing) to be newly constructed;
- ▶ Renewable energy
- ▶ Hospitality sector

#### Countries to operate in:

- ▶ Existing European countries of GTC presence to remain GTC's core markets;
- ▶ New strong markets with growth potential (Germany, UK);
- ▶ Highly rated countries to increase the overall rating of the Group.

#### Portfolio management priorities:

- ▶ Active management of our portfolio to improve rental income and occupancy and maintain cost efficiency;
- ▶ Repositioning of old / non energy efficient assets or the ones located in challenging (especially regional) markets;
- ▶ Sale of non-core assets to unlock equity for new developments and acquisitions and increase the return on invested equity;
- ▶ Selective disposals of operating commercial properties that are either capex intensive or reached a peak of the book value (fully rented with high WAULT);
- ▶ Value-add acquisitions that provide tangible potential through reletting, improvement in occupancy and rental upside and realization of redevelopment potential;
- ▶ Entering asset classes and countries which offer higher returns / further growth potential meeting investment criteria adopted by the Group;

- ▶ Running at any time at least one construction in each of the countries of GTC presence;
- ▶ Converting ongoing development projects and land reserves into income-generating properties.

#### **Active liabilities' management:**

- ▶ Gradual exit from bond capital markets and financing investment needs from senior bank debt;
- ▶ Active management of financing cost through continuous refinancing to increase the return on equity;
- ▶ While LTV shall be decreased in longer term interim increases of the ratio connected with capital markets exit or cash intensive developments in project's development early stages would be acceptable.

#### **Sustainability measures (ESG):**

- ▶ Focus on green buildings, carbon footprint reduction, and sustainable portfolio certification to mitigate climate change;
- ▶ Prioritize tenant relationships and community impact through responsible investments;
- ▶ Uphold anti-corruption and anti-money laundering measures and effectively manage risks;
- ▶ Actively raise employees' awareness of ESG aspects and encourage reporting of ESG-related issues;
- ▶ Restrictively adhere to sanctioned countries and individuals policies;
- ▶ Support initiatives in ESG area and membership on organizations which promulgate ESG ideas.

#### **Others:**

- ▶ Further optimization of overheads through processes' improvements and digitalization;
- ▶ Centralization of selected functions and outsourcing of functions where competences are missing.

### **ESG policy pillars**

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

#### ***(E) Environment: concern for the environment***

We are reducing our environmental footprint. We deliver and manage green-certified buildings (saving energy and resources, lowering carbon emissions). We contribute to a circular economy.

Focus areas of the pillar:

- E.1. Green Buildings
- E.2. Climate Change Mitigation

#### ***(S) Social: empowerment, respect and diversity***

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 neighbor, investing in local communities.

Focus areas of the pillar:

- S.1. Tenants
- S.2. Employees
- S.3. Communities

#### ***(G) Governance : best governance practices***

We act ethically and assure compliance of all our operations. We implement processes minimizing ESG-related risks. We lead open and honest communication with all our stakeholders.

Focus areas of the pillar:

- G.1. Compliance
- G.2. Risk management
- G.3. Transparency

## **4.5 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 Budapest supplemented by selected development activities. As of 31 December 2023, the book value of the Group's investment property amounted to €664,540. The Group's investment properties include income generating assets (completed properties), projects under construction and commercial landbank.

### **INVESTMENT PORTFOLIO**

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

As of 31 December 2023, the Group manages completed commercial properties with a combined gross rentable area of approximately 199 thousand sq m, including 9 office buildings located in Budapest and 1 office building located in Belgrade, with the value of €586,180 which constituted 89% of the total property portfolio.

The Group's office buildings provide convenient space, flexible interiors, and a comfortable working environment. They are located in the heart of business districts and in proximity to the most important transport routes, including international airports. All projects have earned the trust of a significant number of multinational corporations and other prestigious institutions, including ExxonMobil, evosoft, Ericsson, KEF, MNV, MBH, and others.

#### **PROJECTS UNDER CONSTRUCTION**

As of 31 December 2023, the Group had one office buildings classified as an investment under construction with a book value of €41,400, which constituted 6% of the Group's total property portfolio.

### **INVESTMENT PROPERTY LANDBANK**

As of 31 December 2023, the Group had land classified as an investment property landbank designated for the future development of €36,960, which constituted 5% of the Group's total property portfolio (by value).

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

#### **4.5.1 Overview of the investment portfolio**

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

#### **4.5.2 Overview of income generating portfolio**

As of 31 December 2023, the Group office portfolio comprises nine office building located in Budapest and one located in Belgrade. The Group's total gross rentable area comprises 199 thousand sq m. The total value of the office portfolio as of 31 December 2023 was €586,180.

#### **4.5.3 Office portfolio in Hungary**

The Group's total gross rentable area in Hungary comprises 181 thousand sq m in nine office buildings located in Budapest. The occupancy rate was 86%. The applied average yield was 6.9%. The average rental rate generated by the office portfolio in Hungary was €17.0 sq m/month. The book value of the Group's office portfolio in Hungary amounted to €536,637 as of 31 December 2023, as compared to €544,438 as of 31 December 2022.

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

Property	Location	GTC's share	Total GLA	Year of completion
		(%)	(sq m)	
Centerpoint I & II	Budapest	100%	40,700	2004/2006 <sup>(2)</sup>
Duna Tower	Budapest	100%	31,200	2006
GTC Metro	Budapest	100%	16,200	2010
Vaci 173-177 ( GTC Future) <sup>(1)</sup>	Budapest	100%	6,400	-
Vaci Greens D	Budapest	100%	15,600	2018
Ericsson Hungary HQ (Univerzum)	Budapest	100%	21,100	2017
evosoft HQ (Univerzum)	Budapest	100%	20,700	2020
Pillar	Budapest	100%	29,100	2022
<b>Total</b>			<b>181,000</b>	

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

<sup>(2)</sup> Currently it is under refurbishment. Expected completion is 2024/2025.

#### 4.5.4 Office portfolio in Serbia

The Group's total gross rentable area in Serbia comprises 17,700 sq m in one office building as of 31 December 2023, unchanged from 31 December 2022. The occupancy rate was at the level of 100% as of 31 December 2023 as compared to 94% as of 31 December 2022. The average duration of leases was 4.9 years at the year-end, as compared to 5.8 years at the year-end 2022. The applied average yield was 7.7% as of 31 December 2023, as compared to 7.2% as of 31 December 2022. The average rental rate generated by the office portfolio in Belgrade was at €18.4/sq m/month as of 31 December 2023 as compared to €18.0/sq m/month as of 31 December 2022. The book value of the Group's office portfolio in Belgrade amounted to €49.5 as of 31 December 2023 compared to €50.4 as of 31 December 2022.

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

Property	Location	GTC's share	Total GLA	Year of completion
		(%)	(sq m)	
GTC X	Belgrade	70%	17,700	2022
<b>Total</b>			<b>17,700</b>	

#### 4.5.5 Overview of properties under construction

As of 31 December 2023, the Group had one office project with a total gross rentable area of 36 thousand sq m and a book value of €41,400.

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

Property	Segment	Location	GTC's share	Total GLA	Expected completion
			(%)	(sq m)	
Center Point 3	Office	Budapest	100%	36,000	Q3 2025
<b>Total</b>				<b>36,000</b>	

#### 4.5.6 Overview of investment property landbank

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

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

As of 31 December 2023, the Group had land classified as investment property landbank designated for future commercial development of €36,960. The landbank, designated for future commercial development, includes projects on Group's focus for the coming years.

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

## **4.6 Overview of the markets on which the Group operates**

This market commentary was prepared by Jones Lang LaSalle IP, Inc. and iO Partners. 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, that the presented market commentaries are based on information available to us as of 31 December 2023.

Market conditions introductory note: Transactions across markets and sectors remain low, for a variety of reasons. The full implications of wars in the Middle East and Ukraine are unknown. Instability in these regions and beyond may compound already difficult real estate market conditions. This is likely to be exacerbated when coupled with inflationary pressures and other factors impacting the global economy, including the cost and availability of debt. The combination heightens the potential for volatility and quick changes in consumer and investor behaviors. In recognition of the potential for market conditions to change rapidly, we highlight the critical importance of the report date and confirm the conclusions in our report are valid at that date only.

### **4.6.1 Office market**

Following another year of transition for office occupiers in 2023, there are signs of a gradual improvement in demand with many companies reach an equilibrium in office attendance or advance their objectives in driving higher office utilization. Over 80% of employees globally are back in the office at least one day a week, compared to 61% a year ago, with most employees now working from the office an average of 3.1 days per week. Attendance rates have increased consistently over the last year even among the earlier adopters of remote-first policies.

For real estate occupiers, we see 2024 as a year to further solidify workplace policies and align portfolio strategies to new ways of working and revised growth trajectories. Occupiers are working to upgrade existing facilities and refine space requirements – location, quality, design and amenities – to make the office “commute-worthy,” support return-to-office mandates, strengthen employee engagement, and ultimately drive performance. There will also be a mindset shift, as corporate real estate leaders move from operating static assets to managing dynamic workplaces, and occupancy levels and business requirements change within any given day or week. Technology will be more critical in 2024 than ever before, as organizations test and learn from AI pilots and strive to harness and leverage the wealth of workplace data across their portfolios.

One area in particular we see ramping up further in 2024 is occupiers' focus on sustainability. More than 50% of the world's largest companies by market capitalization have announced science-based targets that link their future building demand to a carbon commitment. Regulations and corporate disclosure requirements around sustainability are further mounting, driving companies (and investors) into greener buildings. Yet, most of demand for low carbon workspace will not be met with existing stock or the current development pipeline by 2030.

### **Budapest**

The total modern office stock in Budapest currently adds up to 4,369,900 sq m. It consists of 3,571,700 sq m of 'A' and 'B' category speculative office space as well as 798,200 sq m of owner-occupied space. In 2023, developers handed over total 102,800 sq m office space, which is 61.5% decrease in comparison with annual completion volume of 267,500 in 2022. The three largest deliveries include the Bem Center (25,300 sq m), the Corvin Innovation Campus Phase 1 (17,520 sq m) and Roseville (15,535 sq m). At the end of 2023, there was 261,800 sq m office space under construction, which can increase the current stock by 6% in the upcoming years.

From this volume, ca. 38% is either already pre-let or developed as a built-to-suite, owner occupied project. Most of the developments are in the Pest Central South, Váci Corridor and Pest Central North submarkets.

Demand for office space in Q4 2023 was nearly as dominant as in the previous quarter, marking one the strongest quarter since outbreak of the covid. The Hungarian office market is beginning to experience the outcome of the change in working patterns. There are notable shifts attributed to expiring leases, but the demand may also be influenced by space downsizing, showing in vacancy rate increasing. Given the uncertain market conditions and significant disparities in pricing, numerous investors are postponing office acquisitions as well.

Total demand in 2023 amounted to 464,570 sq m, while net take-up reached 238,250 sq m in the same period. The strongest occupational activity was recorded on the Váci Corridor, attracting 28% of the total demand, and it was followed by Central Pest submarket reaching 20%.

Despite healthy demand, vacancy rate has been increasing. New completions enter the market with huge amounts of available space, which is the main cause of the rise in vacancy rate. At the end of 2023, vacancy rate stood at 13.6%, growing by ca. 0.4 percentage points from Q3 and by 2.3 pps year-on-year. It is only the second time the vacancy rate climbed over 13% since 2015. The gap in vacancy rates between Class 'A' and 'B' properties disappeared, with the average vacancy rate of grade 'A' properties rising to 13.5%, which nearly surpasses the market average. Buda North submarket had the lowest vacancy rate with 8.7%, while the Periphery still lags behind the other eight submarkets with ca. 36.8%.

Average headline remained stable at €25.00/sq m/month in Budapest's premium locations, while asking rents of category 'A' buildings can vary between €14.0 - €26.0 /sq m/month. The highest rents were still reported in the CBD submarket.

Service charges stagnated or decreased throughout the year due to the stabilization in energy prices and the lowering inflation rate (5.5%).

## **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's office market is expanding despite the country's external and internal economic challenges. The office stock in Belgrade currently stands at 1.32 million square meters. Class A and B office space has been growing at an annual rate of 10% to 15% during the last few years. As a result, class A makes up 68% and Class B 32% of the total high-quality office space. The majority of office space (around 70%) is concentrated in the Novi Beograd area (CBD) while 21% located in Belgrade's central area and the remaining 9% dispersed throughout the city.

The Belgrade office market is an attractive investment option for investors, thanks to its considerable potential stemming from the ongoing development phase. Over 160,000 square meters of office space were constructed in 2023, which is double that compared to 2022. It is anticipated that approximately 60,000 sq m will be completed in 2024, with an additional 120,000 sq m to be added in the following years.

The most significant projects of 2023 were B23 (35,000 sq m), Sava Centar (17,200 sq m) and AirPort City (14,800 sq m) in New Belgrade. Currently, there are several ongoing projects: BIGZ, Brankov, Artklasa, and Prokop are in the pipeline for 2024 totaling 83,000 sq m. This might lead to a 6% increase in existing stock in the following calendar year.

The yearly take-up in 2023 exceeded 220,000 sq m, a 4% decline comparing to 2022, though still showing a strong level of market demand. The average deal size was approximately 900 sq m. The vacancy rate was at 7.3% on average for the market while for Class A reached ca. 6.0%. It is approximately 2% higher than reported at the end of 2022 which is due to new supply.

Prime headline rents for A class range from €16.0 to €17.5 /sq m/month (up from €17.0 reported in 2022). Service charges range from €3.0 to €4.5 per square meter per month. Well-measured buildings with add-on features that increase the value for landlords are part of the market practice. Therefore, add-on considerations are important and have a substantial impact on the transacted rentals.

### **4.6.2 Investment market**

## **Hungary**

The 2023 annual investment volume amounted to ca. €610 million, the lowest annual volume since 2015, indicating a softening of ca. 30% year-over-year. The muted market performance was the result of a combination of factors, but mainly the continued pricing uncertainty and the elevated borrowing costs.

According to our views prime yields stand at 6.50 - 6.75% for offices and 6.75% - 7.25% for shopping centres.

It is no surprise that in such turbulent times local buyers are more willing to commit to acquisitions; local buyers generated nearly 90% of the 2023 volume. Although foreign capital remains interested in Hungarian assets and keeps a close eye on the market.

Looking ahead we expect institutional investors to remain cautious and private capital to keep on actively sourcing deals.

We recorded four open-market transactions in the office asset class. On top of these, additional four buildings were transacted in a closed, off-market process. That means that the 2023 office transaction volume reached €240 million, which is ca. 22% below the 2022 volume. That said, it's important to note that nearly 40% of this amount was generated by one single transaction: the sale of H2O office building by Skanska. The brand new, core asset, situated at the centre of the Váci Corridor submarket was acquired by ERSTE Real Estate Fund at the lowest net initial yield in 2023. Hungarian buyers generated the bulk of the deals in the asset class: the Belgian developer, Atenor, sold the 15,500 sq m, recently handed over, Roseville office building to a new private Hungarian fund as well. Additional important deals in the sector included Víziváros office building, disposed by CA Immo and acquired by the Austrian FLE.

In 2023 the retail asset class generated 15% of the transaction volume. The investment activity amounted to just below €90 million, generated by 10 asset sales.

The logistics/industrial sector remained a very sought-after asset class but due to the lack of available products in the sector the annual transaction volume reached only ca of €120 million, 20% below the past 3 years' annual volumes. As availability in the Greater Budapest market is limited, investors have started to explore opportunities in the countryside as well.

## Serbia

In 2023, Serbia exceeded initial expectations, experiencing a stronger economic upturn in the latter part of the year, notably marked by another record-breaking surge in construction outputs. Building construction remained stable at a moderate pace, whereas civil engineering experienced a significant surge, showcasing a double-digit growth rate. Although inflationary pressures have eased, aiding market stability, the persistently high interest rates continue to pose a substantial obstacle to short-term growth. CA Immo has sold Belgrade Office Park. The facility consists of two buildings totaling approximately 27,000 sq m. The vacancy rate in the facility was around 3%.

The Belgrade office portfolio of Indotek was acquired by Diófa Fund Management. Eleven premium office buildings situated in five business parks inside Belgrade's central business district - Green Heart, FortyOne, Belgrade Business Center, 19 Avenue, and House office building make up the portfolio's more than 122,000 sq m.

The on-going crisis in Ukraine has made Investors cautious. If investors are going to invest, we expect the focus to continue to be on the retail market segment in Serbia, which is currently in expansion. We would not expect significant shopping center transactions.

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

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

As a part of GTC 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 participates in and supports local initiatives and local institutions such as:
  - organization of Christmas gift collection;
  - supports KAPTÁR Adult Day-care Center in Budapest (provided the day-care center with a monthly allowance);
  - support the Budapest based St. John's Hospital's preterm intensive care unit (donation).
- ▶ **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. As of 31 December 2023, approximately 100% of Group's properties in value holds a green certificate, which proves the sustainability of the properties that GTC develop and manage.

## 5. OPERATING AND FINANCIAL REVIEW

### 5.1 General factors affecting operating and financial results

#### GENERAL FACTORS AFFECTING OPERATING AND FINANCIAL RESULTS

Management board 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 from operations in the future.

The key factors affecting the Group's financial and operating results are pointed below:

- ▶ the economic slowdown in CEE and SEE which may slow down the general economy in the countries where the Group operates;
- ▶ availability and cost of financing;
- ▶ impact of the supply and demand on the real estate market in CEE and SEE region;
- ▶ impact of inflation (according to Eurostat, the euro area annual inflation was 2.9% in December 2023);
- ▶ impact of interest rate movements (however, as of 31 December 2023, 97% 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);
- ▶ impact of foreign exchange rate movements (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, bonds issued in other currencies than euro were hedged against foreign exchange rate movements using cross currency SWAPs).

Similarly, as at the date of this Management report, the direct impact of the war in Ukraine on the Group's operations is not material.

### 5.2 Specific factors affecting financial and operating results

There were no specific factors – acquisition, disposal, commencement or completion of a development - affecting financial and operating results of the Group.

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

The Group did not publish forecasts for 2023.

### 5.4 Consolidated statements of financial position

#### Financial position as of 31 December 2023 compared to 31 December 2022

##### NON-CURRENT ASSETS

The value of non-current assets as of 31 December 2023 was €1,332,371, out of which €664,540 was investment properties (completed office buildings, investment properties under constructions and landbanks) and €658,056 was loan granted to related parties.

The value of non-current assets as of 31 December 2022 was €1,316,321, out of which €650,821 was investment properties (completed office buildings, investment properties under constructions and landbanks) and €652,095 was loan granted to related parties.

##### CURRENT ASSETS

The value of the current assets on the date of 31 December 2023 was €48,163, out of which €1,906 was trade receivables, €19,218 was prepayments and deferred expenses, €4,485 was short-term deposits and €15,380 was cash and cash equivalents.

The value of the current assets on the date of 31 December 2022 was €49,051, out of which €1,359 was trade receivables, €2,603 was prepayments and deferred expenses, €3,692 was short-term deposits and €34,988 was cash and cash equivalents.

## **LIABILITIES**

The value of the liabilities on the date of 31 December 2023 was €1,136,784 from which €1,119,736 was long-term liabilities to related undertakings and €17,048 was current liabilities.

The value of the liabilities on the date of 31 December 2022 was €1,137,868 from which €1,115,645 was long-term liabilities to related undertakings and €22,223 was current liabilities.

## **PRESENTATION OF EQUITY, SHORT -LONG TERM LOANS**

The equity was €243,750 in the financial year of 2023 and €227,504 in the financial year of 2022.

The value of the long-term liabilities on the date of 31 December 2023 was €1,074,195 from which €411,812 was long-term part of Issuer's subsidiaries' bank loan financing and €662,383 was long-term loans from shareholders. The value of the short-term liabilities on the date of 31 December 2023 was €17,048 from which €5,956 was short-term part Company's subsidiaries' bank loan financing.

The value of the long-term liabilities on the date of 31 December 2022 was €1,043,034 from which €384,662 was long-term part of Issuer's subsidiaries' bank loan financing and €658,372 was long-term loans from shareholders. The value of the short-term liabilities on the date of 31 December 2022 was €22,223 from which €4,427 was short-term part Company's subsidiaries' bank loan financing.

## **5.5 Consolidated Statement of Income**

### **Comparison of financial results for the year ended 31 December 2023 with the result for the corresponding period of 2022**

#### **SALES REVENUE**

The Group achieved net sales revenue of €48,043 in the financial year of 2023 which amount comes solely from the GTC and its subsidiaries' domestic activity in both years. The net sales revenue of GTC in the financial year of 2022 was €38,654. Sales revenue is driven by the rental income received that was 72% of sales revenue in FY2023 and 72% of sales revenue in FY2022.

#### **GROSS MARGIN**

The amount of the gross margin in the financial year of 2023 was €33,628. The average statistical number of employees was 44 in 2023. The amount of the gross margin in the financial year of 2022 was €27,938. The average statistical number of employees was 53 in 2022.

#### **PROFIT FROM REVALUATION OF ASSETS**

The loss from revaluation of assets was €17,700 in 2023 and the profit was €16,294 in the financial year of 2022.

#### **OPERATIONAL RESULTS**

The profit from continuing operation was €9,131 and the amount of the EBITDA was €26,831 in 2023. The profit from continuing operation was €39,100 and the amount of the EBITDA was €22,806 in 2022.

#### **NET FINANCIAL RESULT**

The financial expenses, net in the financial year of 2023 was of €7,301 and in the financial year of 2022 was of €4,142. Financial income is mainly driven by interest received from parent company (€20,627 in FY2023 and €21,244 in FY2022). While financial expenses mainly consist of interest on bank loans (€17,992 in FY2023 and €18,036 in FY2022) and interest expenses (on financial liabilities that are not fair valued through profit or loss), banking costs and other charges interest on member loans (€9,294 in FY2023 and €6,926 in FY2022).

#### **PROFIT FOR THE PERIOD**

The profit for the period in the financial year of 2023 was €103 and in the financial year of 2022 was €29,757.

#### **SEGMENTAL ANALYSIS**

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.

The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets, and other factors. Operating segments are divided into geographical zones, which have common characteristics and reflect the nature of management reporting structure: Hungary and Serbia. The Group has operation in office segments only.

**Segment analysis of rental income and costs for the year ended 31 December 2023 and 31 December 2022 is presented below:**

**31 December 2023**

in € thousands	Rental income	Service charge income	Service charge costs	Gross margin from operations
Hungary	31,965	11,924	(13,590)	30,299
Serbia <sup>(1)</sup>	2,549	1,024	(825)	2,748
Not allocated	-	-	-	581
<b>Total</b>	<b>34,514</b>	<b>12,948</b>	<b>(14,415)</b>	<b>33,628</b>

**31 December 2022**

in € thousands	Rental income	Service charge income	Service charge costs	Gross margin from operations
Hungary	27,330	9,970	(10,530)	26,770
Serbia <sup>(2)</sup>	642	121	(186)	577
Not allocated	-	-	-	591
<b>Total</b>	<b>27,972</b>	<b>10,091</b>	<b>(10,716)</b>	<b>27,938</b>

<sup>(1)</sup> This contains the income from GTC X office only.

In October 2022, the Group has completed a Class A office building in Belgrade, Serbia – GTC X. Furthermore, the Disposal of Serbian Disposal Group was concluded as at 12 January 2022, so the Group recognized rental income from these assets also.

<sup>(2)</sup> Comprise of management fee income of the Company

**Segment analysis of assets and liabilities is presented below:**

**31 December 2023**

in € thousands	Real estate <sup>(1)</sup>	Cash and deposits	Other	Total assets
Hungary	617,968	16,436	27,357	661,761
Serbia <sup>(3)</sup>	50,678	2,684	341	53,703
Not allocated <sup>(4)</sup>	-	3,462	661,608	665,070
<b>Total</b>	<b>668,646</b>	<b>22,582</b>	<b>689,306</b>	<b>1,380,534</b>

in € thousands	Borrowings	Deferred tax	Other	Total liabilities
Hungary	238,370	19,321	13,495	271,186
Serbia <sup>(3)</sup>	24,785	2,512	1,154	28,451
Not allocated <sup>(2)</sup>	816,996	56	20,095	837,147
<b>Total</b>	<b>1,080,151</b>	<b>21,889</b>	<b>34,744</b>	<b>1,136,784</b>

**31 December 2022**

in € thousands	Real estate <sup>(1)</sup>	Cash and deposits	Other	Total assets
Hungary	603,456	13,308	12,648	629,412
Serbia <sup>(3)</sup>	50,400	1,375	243	52,018
Not allocated <sup>(4)</sup>	-	26,560	657,382	683,942
<b>Total</b>	<b>653,856</b>	<b>41,243</b>	<b>670,273</b>	<b>1,365,372</b>

in € thousands	Borrowings	Deferred tax	Other	Total liabilities
Hungary	241,402	18,907	12,470	272,779
Serbia <sup>(3)</sup>	-	3,085	4,669	7,754
Not allocated <sup>(2)</sup>	806,059	56	51,220	857,335
<b>Total</b>	<b>1,047,461</b>	<b>22,048</b>	<b>68,359</b>	<b>1,137,868</b>

<sup>(1)</sup> Real estate comprises of investment property, assets held for sale and value of buildings and related improvements presented within property, plant and equipment (including right of use).

<sup>(2)</sup> Borrowings not allocated comprises of bonds and loans granted by related parties, including current portion.

<sup>(3)</sup> In April 2022, the Company acquired 70% of the shares in Glamp d.o.o. Beograd, which is incorporated in Serbia.

<sup>(4)</sup> Other, not allocated comprises of loans granted to related parties

## 5.6 Consolidated statement of cash flows

### Cash flow analysis

The table below presents an extract of the cash flow for the period of year ended on 31 December 2023 and 2022:

in € thousands	Year ended 31 December 2023	Year ended 31 December 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>1,830</b>	<b>34,958</b>
<i>Adjustments for</i>		
Depreciation	256	195
Loss / (profit) from revaluation of investment property	17,700	(16,294)
(Release of)/provision for share-based payment	(111)	111
Foreign exchange loss, net	283	257
Finance income	(20,748)	(21,250)
Finance cost	27,773	25,322
<b>Operating cash flow before working capital changes</b>	<b>26,983</b>	<b>23,299</b>
Changes in trade receivables and other current assets	(223)	1,688
Changes in deposits from tenants	(2,717)	-
Changes in trade and other payables	300	704
<b>Cash generated in operations</b>	<b>24,343</b>	<b>25,691</b>
Tax paid in the period	(4,945)	(1,335)
<b>Net cash from operating activities</b>	<b>19,398</b>	<b>24,356</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures on investment property and property, plant and equipment	(52,596)	(23,492)
Change in short-term deposits designated for investment	1,770	-
Provision of loan	1,628	(49,593)
Interest received	13,157	5,788
Sale of subsidiary, net of cash in disposed assets	-	70,809
<b>Net cash (used in) / from investing activities</b>	<b>(36,041)</b>	<b>3,512</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	25,000	6,173
Repayment of long-term borrowings	(3,959)	(3,959)
(Repayment) / Proceeds from related party loans	(1,482)	1,782
Interest paid and other financing fees	(22,394)	(18,460)
Repayment of lease liabilities	(11)	-
Decrease / (increase) in short-term deposit	343	(1,803)
Loans origination payment	(250)	(183)
<b>Net cash used in financing activities</b>	<b>(2,753)</b>	<b>(16,450)</b>
Net foreign exchange difference, related to cash and cash equivalents	(212)	(542)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(19,608)</b>	<b>10,876</b>
<b>Cash and cash equivalents, at beginning of year</b>	<b>34,988</b>	<b>24,112</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>15,380</b>	<b>34,988</b>

The net cash from operating activities of group was €19,398 in 2023 and €24,356 in 2022. The net cash used in investing activities was €36,041 in 2023 compare to the net cash from investing activities €3,512 in 2022. The net cash used in financing activities was €2,753 in 2023 and €16,450 in 2022.

## 5.7 Future liquidity and capital resources

As of 31 December 2023, 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 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.

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

## AVAILABILITY OF FINANCING

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 net operating income, 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. TERMS AND ABBREVIATIONS

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

Terms and abbreviations	Description
the Company or GTC	are to GTC Hungary Real Estate Development Pltd.
the Group or the GTC Hungary	are to GTC Hungary Real Estate Development Pltd. and its consolidated subsidiaries
the GTC SA	are to Globe Trade Centre S.A.
the GTC Group	are to Globe Trade Centre S.A. and its consolidated subsidiaries
Shares	are to the shares in GTC Hungary Real Estate Development Pltd., fully-owned by Globe Trade Centre S.A.
Bonds	are to the bonds issued by GTC Hungary Real Estate Development Pltd. and introduced to alternative trading market on Xbond and marked with the ISIN codes HU0000360102 and HU0000360284
the Report	are to the consolidated annual report prepared according to Act CXX of 2001 on the Capital Market and Prime Minister Decree no. 24/2008. (VIII. 15.)

<b>Terms and abbreviations</b>	<b>Description</b>
<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>In-place rent</b>	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;
<b>Net loan to value (LTV); net loan-to-value ratio</b>	are to net debt divided by Gross Asset Value. <b>Net debt</b> 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. <b>Gross Asset Value</b> 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;
<b>The average cost of debt; average interest rate</b>	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;
<b>€, EUR or euro</b>	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;
<b>HUF</b>	is to the official currency, legal tender of Hungary;



**GTC Hungary Real Estate Development Pltd.**

**CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE EUROPEAN UNION (EU) FOR THE YEAR ENDED 31 DECEMBER 2023 TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT**



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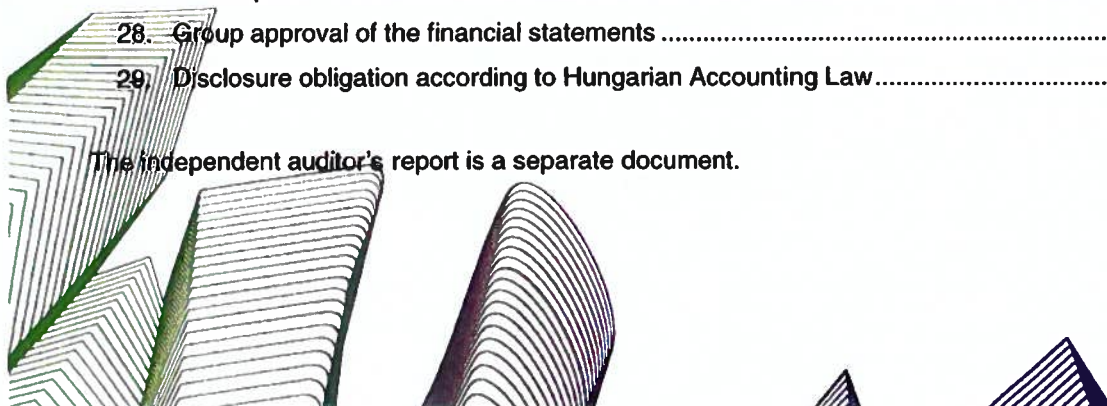
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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**as of 31 December 2023  
(in thousands of Euro)

	Note	31 December 2023	31 December 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Properties, plant and equipment	<u>16</u>	5,010	3,773
Investment property	<u>17</u>	664,540	650,821
Blocked deposits		2,717	2,563
Loans granted to related parties	<u>24</u>	658,056	652,095
Derivatives	<u>19</u>	1,043	4,111
Deferred tax asset	<u>15</u>	1,005	2,958
		<b>1,332,371</b>	<b>1,316,321</b>
<b>Current assets</b>			
Trade receivables		1,906	1,359
Accrued income		2,102	1,922
Prepayments, deferred expenses and other receivables	<u>18</u>	19,218	2,603
Derivatives	<u>19</u>	3,119	2,991
VAT receivables		1,204	1,202
Income tax receivables	<u>15</u>	749	294
Current blocked deposits		4,485	3,692
Cash and cash equivalents	<u>20</u>	15,380	34,988
		<b>48,163</b>	<b>49,051</b>
<b>TOTAL ASSETS</b>		<b>1,380,534</b>	<b>1,365,372</b>

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**as of 31 December 2023  
(in thousands of Euro)

	Note	31 December 2023	31 December 2022
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	<u>2</u>	20,366	20,366
Share premium		20,350	20,350
Foreign currency translation reserve		(6,209)	(6,209)
Cash-flow hedge reserve	<u>19</u>	(5,557)	(21,700)
Transaction reserve	<u>21</u>	(1,416)	(1,416)
Retained earnings		210,875	211,221
		<b>238,409</b>	<b>222,612</b>
Non-controlling interest	<u>22</u>	5,341	4,892
<b>Total Equity</b>		<b>243,750</b>	<b>227,504</b>
<b>Non-current liabilities</b>			
Non-current portion of long-term borrowing	<u>23</u>	411,812	384,662
Non-current portion of long-term loans from related parties	<u>24</u>	654,934	649,509
Non-current portion of long-term loans from non-controlling interest		7,449	8,863
Lease liabilities		82	91
Derivatives	<u>19</u>	18,329	46,798
Deferred tax liabilities	<u>15</u>	21,889	22,048
Deposits from tenants		2,717	2,563
Share based payment liabilities		-	111
Other long-term liabilities		2,524	1,000
		<b>1,119,736</b>	<b>1,115,645</b>
<b>Current Liabilities</b>			
Trade payables and provisions		8,512	13,367
Deposits from tenants		343	67
Current portion of long-term borrowing	<u>23</u>	5,956	4,427
Current portion of lease liabilities		2	3
VAT payables		864	716
Income tax payables	<u>15</u>	336	3,296
Advances received		1,035	347
		<b>17,048</b>	<b>22,223</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,380,534</b>	<b>1,365,372</b>

**CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME**for the year ended 31 December 2023  
(in thousands of Euro)

	Note	31 December 2023	31 December 2022
Rental income	<u>11</u>	34,514	27,972
Management fees		581	591
Service charge income	<u>11</u>	12,948	10,091
Service charge costs	<u>11</u>	(14,415)	(10,716)
<b>Gross margin from operations</b>		<b>33,628</b>	<b>27,938</b>
(Loss) / profit from revaluation of investment property	<u>17</u>	(17,700)	16,294
Selling expenses	<u>12</u>	(696)	(516)
Administrative expenses	<u>13</u>	(5,439)	(3,662)
Other income		68	40
Other expense		(730)	(994)
<b>Profit from continuing operations before tax, finance income / cost and foreign exchange gain / (loss), net</b>		<b>9,131</b>	<b>39,100</b>
Foreign exchange loss		(276)	(257)
Finance income	<u>14</u>	20,748	21,246
Finance cost	<u>14</u>	(27,773)	(25,131)
<b>Profit before tax</b>		<b>1,830</b>	<b>34,958</b>
Taxation	<u>15</u>	(1,727)	(5,201)
<b>Profit for the period</b>		<b>103</b>	<b>29,757</b>
<b>Attributable to:</b>			
Equity holders of the Company		(346)	26,633
Non-controlling interest	<u>22</u>	449	3,124
Gain on cash-flow hedge	<u>19</u>	17,740	8,459
Deferred tax expense on cash-flow hedge	<u>15</u>	(1,597)	(180)
<b>Net gain on cash-flow hedge</b>		<b>16,143</b>	<b>8,279</b>
Total other comprehensive income		16,143	8,279
<b>Total comprehensive income for the period, net of tax</b>		<b>16,246</b>	<b>38,036</b>
<b>Attributable to:</b>			
Equity holders of the Company		15,797	34,912
Non-controlling interest		449	3,124

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**for the year ended 31 December 2023  
(in thousands of Euro)

	Share capital	Share premium	Cash-flow hedge reserve	Foreign currency translation reserve	Transaction reserve	Retained earnings	Total	Non-controlling interest	Total
<b>Balances as of 1 January 2022</b>	20,366	20,350	(29,979)	(6,209)	61,332	123,256	189,116	34,508	223,624
Other comprehensive income	-	-	8,279	-	-	-	8,279	-	8,279
Profit for the period	-	-	-	-	-	26,633	26,633	3,124	29,757
Capital restructuring (21)	-	-	-	-	(61,332)	61,332	-	-	-
Transaction reserve (21)	-	-	-	-	(1,416)	-	(1,416)	-	(1,416)
Transaction with non-controlling interest (22)	-	-	-	-	-	-	-	(32,740)	(32,740)
<b>Balances as of 31 December 2022</b>	20,366	20,350	(21,700)	(6,209)	(1,416)	211,221	222,612	4,892	227,504
<b>Balances as of 1 January 2023</b>	20,366	20,350	(21,700)	(6,209)	(1,416)	211,221	222,612	4,892	227,504
Other comprehensive income	-	-	16,143	-	-	-	16,143	-	16,143
Loss for the period	-	-	-	-	-	(346)	(346)	-	(346)
Transaction with non-controlling interest (22)	-	-	-	-	-	-	-	449	449
<b>Balances as of 31 December 2023</b>	20,366	20,350	(5,557)	(6,209)	(1,416)	210,875	238,409	5,341	243,750

**CONSOLIDATED CASH FLOW STATEMENT**for the year ended 31 December 2023  
(in thousands of Euro)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		1,830	34,958
<i>Adjustments for</i>			
Depreciation		256	195
Loss / (profit) from revaluation of investment property	17	17,700	(16,294)
(Release of)/provision for share-based payment		(111)	111
Foreign exchange loss, net		283	257
Finance income	14	(20,748)	(21,250)
Finance cost	14	27,773	25,322
<b>Operating cash flow before working capital changes</b>		<b>26,983</b>	<b>23,299</b>
Changes in trade receivables and other current assets		(223)	1,688
Changes in deposits from tenants		(2,717)	-
Changes in trade and other payables		300	704
<b>Cash generated in operations</b>		<b>24,343</b>	<b>25,691</b>
Tax paid in the period		(4,945)	(1,335)
<b>Net cash from operating activities</b>		<b>19,398</b>	<b>24,356</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Expenditures on investment property and property, plant and equipment	17	(52,596)	(23,492)
Change in short-term deposits designated for investment		1,770	-
Provision of loan	24	1,628	(49,593)
Interest received		13,157	5,788
Sale of subsidiary, net of cash in disposed assets	21	-	70,809
<b>Net cash (used in) / from investing activities</b>		<b>(36,041)</b>	<b>3,512</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term borrowings	23	25,000	6,173
Repayment of long-term borrowings	23	(3,959)	(3,959)
(Repayment) / Proceeds from related party loans	24	(1,482)	1,782
Interest paid and other financing fees		(22,394)	(18,460)
Repayment of lease liabilities		(11)	-
Decrease / (increase) in short-term deposit		343	(1,803)
Loans origination payment		(250)	(183)
<b>Net cash used in financing activities</b>		<b>(2,753)</b>	<b>(16,450)</b>
Net foreign exchange difference, related to cash and cash equivalents		(212)	(542)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(19,608)</b>	<b>10,876</b>
<b>Cash and cash equivalents, at beginning of year</b>	20	<b>34,988</b>	<b>24,112</b>
<b>Cash and cash equivalents at the end of the period</b>	20	<b>15,380</b>	<b>34,988</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for year ended 31 December 2023  
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**1. PRINCIPAL ACTIVITIES**

GTC Hungary Real Estate Development Pltd. ("the Company", "GTC") and its subsidiaries (together "the Group") are real-estate corporation in Hungary and Serbia. The Company was registered in Budapest on 11 September 1998. The Company's registered office is in Budapest, Hungary at 22 Népfürdő street, Tower "A" 15<sup>th</sup> floor. The Company owns - through its subsidiaries - commercial office companies in Budapest, Hungary and Belgrade, Serbia. The Company is developing, and leasing or selling space to commercial and individual tenants, through it's directly and indirectly owned subsidiaries.

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

As of 31 December 2023, and 31 December 2022 the number of full-time equivalent personnel working in the Group companies was 44 and 53 respectively.

**2. SHAREHOLDERS STRUCTURE**

The Company is a wholly-owned subsidiary of Globe Trade Centre S.A. ("GTC Poland", "GTC SA"), a company listed on the Warsaw Stock Exchange (WSE) and inward listed on Johannesburg stock exchange (JSE). The majority shareholder of the GTC SA is Optimum Ventures Private Equity Funds, though GTC Dutch Holdings B.V. ("GTC Dutch") and GTC Holding Zrt. The ultimate controlling party of the Group is Pallas Athéné Domus Meriti Foundation.

Share capital comprises the following as of December 31, 2023 and as of December 31, 2022:

Shares	Authorized in HUF	Issued and fully paid in EUR	Issued and fully paid in HUF	Nr of shares issued	Nominal value in HUF
Class "B" Common shares	7,107,400,000	20,358,042	7,107,400,000	7,107,400	1,000
Class "A" Preference shares	2,499,000	8,035	2,499,000	2,499	1,000
<b>Total</b>	<b>7,109,899,000</b>	<b>20,366,077</b>	<b>7,109,899,000</b>	<b>7,109,899</b>	

**3. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

The Company maintains its books of account in accordance with the accounting principles and practices employed by enterprises in Hungary as required by Hungarian Accounting Law (Act C/2000). The accompanying consolidated financial statements reflect certain adjustments not reflected in the Company's books to present these statements in accordance with standards issued by the International Accounting Standards Board as adopted by EU and Hungarian Accounting Law (Act C/2000).

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU („EU IFRS"). At the date of authorization of these consolidated financial statements, taking into account the EU 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.

The functional currency of the Group is mainly 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 entities in the Group is other than euro.

The financial statements of those companies prepared in their functional currencies are included in the consolidated financial statements by translation into Euro using appropriate exchange rates outlined in IAS 21. Assets and liabilities are translated at the period end exchange rate, while income and expenses are translated at average exchange rates for the period. All resulting exchange differences are classified in equity as "Foreign currency translation reserve" without effecting earnings for the period.

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The accompanying notes are an integral part of these Consolidated Financial Statements.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### **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 25](#).

As of 31 December 2023, the Group's net working capital (defined as current assets, less current liabilities) was positive and amounted to EUR 31,115.

The management has analyzed 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.

#### **Impact of the situation in Ukraine on GTC Group**

As at the date of these financial statements, the direct 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. 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 2022 except for the new standards, which are effective as at 1 January 2023 ([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**

#### ***(a) Standards issued and effective for financial years beginning on or after 1 January 2023***

- ▶ IFRS 17 Insurance Contracts (issued on 18 May 2017 and amended on 25 June 2020).
- ▶ Amendments to IAS 1 - Disclosure of accounting policies and IAS 8 - Definition of accounting estimates (issued on 12 February 2021).
- ▶ Amendment to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information (issued on 9 December 2021).
- ▶ Amendments to IAS 12: Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021).

The Group's assessment is that the above changes (new standards/amendments) have no material impact on the financial statements of the Group, except for amendments to IAS 1. The amendments to IAS 1 resulted in the review of accounting policies disclosed in financial statements, and some of the previously disclosed policies were deleted. The material accounting policies are disclosed in the relevant notes.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for year ended 31 December 2023  
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### **6. NEW STANDARDS, AND INTERPRETATIONS THAT HAVE BEEN ISSUED (CONTINUED)**

#### ***(b) Standards issued but not yet effective***

- ▶ 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 2023) - 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.

Other standards issued but not effective are not expected to impact the Group's financial statements.

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.

### **7. MATERIAL ACCOUNTING POLICY INFORMATION**

#### ***(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 17 are met, share based payments and derivative financial instruments that are measured at fair value.

Key accounting principles are described in particular notes and significant accounting judgements and estimates are presented below.

#### ***(b) 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 discount rates applicable for the local real estate market and updated by the Management judgment or - as deemed appropriate – on the basis of the income capitalisation or the 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 depreciation rates used (Note 16).

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 19).

The Group uses estimates in determining the settlement of share-based payments in cash.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**7. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(c) Significant accounting judgements**

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

The functional currency of GTC Hungary and most of its subsidiaries is euro, as the euro has a significant and pervasive impact on them:

- ▶ valuation of investment property is carried out in EUR;
- ▶ loans and borrowings are mainly denominated in EUR. Debt in other currencies (bonds in 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 17, related to determination of IPUC valuation.

Significant accounting judgements related to market liquidity of investment property are presented in Note 17.

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

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).

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.

**(d) 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 2023.

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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### **7. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

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.

#### **(e) Business Combination Under Common Control (BCUCC)**

IFRS 3 'Business Combination' excludes from its scope 'a combination of entities or businesses under common control'.

Because IFRS does not specify the accounting approach to be followed, the Group has option to select from two approaches to follow as an accounting policy choice to be applied consistently to all similar transactions for business combinations involving entities under common control:

- ▶ The acquisition method (as set out in IFRS 3), or
- ▶ Book value accounting

The rationale for applying IFRS 3 is that, although it is part of a group of entities under common control, the acquirer is still a separate entity in its own right. Consequently, from that entity's perspective there has been a substantive transaction.

The rationale for book value accounting is that the business has simply been moved from one part of a group of entities under common control to another. This view might be taken in circumstances in which businesses have been moved around a group as part of a restructuring or for tax planning purposes, or in preparation for the sale or listing of part of an existing group.

The following factors are considered by the Group:

- ▶ The transaction affect non-controlling shareholders of the receiving company  
If the non-controlling shareholder is not affected, book value method can be applied.
- ▶ The receiving company's shares traded in a public market  
If the receiving company's shares traded in a public market, acquisition method can be applied.
- ▶ All non-controlling shareholders related parties of the receiving company  
If the receiving company's shares are not traded in a public market and all non-controlling shareholders related parties of the receiving company, book value method can be applied.

Since the non-controlling shareholders of the receiving company is not affected by this transaction, therefore book value method was used. Based on book value method, any difference between consideration paid and the book value of the assets and liabilities received is recognized as Transaction reserve within equity.

### **8. INVESTMENT IN SUBSIDIARIES**

The consolidated financial statements comprise the financial statements of GTC and the financial statements of its subsidiaries for the year ended 31 December 2023.

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 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):

## GTC Hungary Real Estate Development Pltd.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name	Incorporated	Functional currency	31 December 2023	31 December 2022
1	Váci Út 81-85 Kft. (Center Point 1-3)	Hungary	EUR	100%	100%
2	Center Point I. Kft. (Center Point 1-2)	Hungary	EUR	100%	100%
3	Center Point II. Kft. (Center Point 3)	Hungary	EUR	100%	100%
4	Riverside Apartments Kft. <sup>(1)</sup>	Hungary	HUF	0%	100%
5	GTC Metro Kft. (Metro)	Hungary	EUR	100%	100%
6	Albertfalva Kft. (Szeremi Gate)	Hungary	EUR	100%	100%
7	GTC Future Kft. (GTC Future)	Hungary	EUR	100%	100%
8	Spiral I. Kft.	Hungary	HUF	100%	100%
9	GTC White House Kft.	Hungary	EUR	100%	100%
10	GTC Duna Kft. (Duna Tower)	Hungary	EUR	100%	100%
11	VRK Tower Kft. (Twins)	Hungary	EUR	100%	100%
12	Kompakt Land Kft. (Pillar)	Hungary	EUR	100%	100%
13	Globe Office Investments Kft. (Váci Greens D)	Hungary	EUR	100%	100%
14	GTC Investments Sp. z.o.o.	Poland	EUR	100%	100%
15	GTC Univerzum Projekt Kft. (Univerzum)	Hungary	EUR	100%	100%
16	Glamp d.o.o. Beograd <sup>1</sup> (GTC X)	Serbia	EUR	70%	70%

<sup>(1)</sup> Liquidated

#### 9. EVENTS IN THE PERIOD

##### **(a) Management board changes and other corporate events**

On 25 April 2023, Mr. Ferstman resigned from his seat on the Management Board of the Company as well as the Group. The resignation was effective immediately.

On 29 August 2023, Mr. Fekete and Gárdai resigned from their seats on the Management Board of the Company as well as the Group. The resignation was effective as of 31 August 2023.

On 29 August 2023, Gyula Nagy and Zsolt Farkas were appointed Management Board members of the Company. The appointment was effective 31 August 2023.

On 1 September 2023, dr. Klára Bujdosó resigned from her seat on the Management Board of the Company. The resignation was effective immediately.

##### **(b) Financing**

In May 2023, Glamp d.o.o. Beograd, a subsidiary of the Company, has signed EUR 25 million loan agreement with Erste Group Bank AG and Erste Bank AD Novi Sad with a maturity of five years from the signing date. As of 31 December 2023, the full amount was drawn down.

##### **(c) 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.

Climate-related matters were also described in the Management Report as well.

**GTC Hungary Real Estate Development Pltd.**

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**10. SEGMENTAL ANALYSIS**

The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets, and other factors. Operating segments are divided into geographical zones, which have common characteristics and reflect the nature of management reporting structure: Hungary and Serbia. The Group has operation in office segments only.

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.

Segment analysis of rental income and costs for the year ended 31 December 2023 and 31 December 2022 is presented below:

**31 December 2023**

	<b>Rental income</b>	<b>Service charge income</b>	<b>Service charge costs</b>	<b>Gross margin from operations</b>
Hungary	31,965	11,924	(13,590)	30,299
Serbia <sup>(1)</sup>	2,549	1,024	(825)	2,748
Not allocated <sup>(2)</sup>	-	-	-	581
<b>Total</b>	<b>34,514</b>	<b>12,948</b>	<b>(14,415)</b>	<b>33,628</b>

**31 December 2022**

	<b>Rental income</b>	<b>Service charge income</b>	<b>Service charge costs</b>	<b>Gross margin from operations</b>
Hungary	27,330	9,970	(10,530)	26,770
Serbia <sup>(1)</sup>	642	121	(186)	577
Not allocated <sup>(2)</sup>	-	-	-	591
<b>Total</b>	<b>27,972</b>	<b>10,091</b>	<b>(10,716)</b>	<b>27,938</b>

<sup>(1)</sup> This contains the income from GTC X office only.

In October 2022, the Group has completed a Class A office building in Belgrade, Serbia – GTC X. Furthermore, the Disposal of Serbian Disposal Group was concluded as at 12 January 2022, so the Group recognized rental income from these assets also.

<sup>(2)</sup> Comprise of management fee income of the Company

**GTC Hungary Real Estate Development Pltd.**

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**10. SEGMENTAL ANALYSIS (CONTINUED)**

Segment analysis of assets and liabilities is presented below:

**31 December 2023**

	<b>Real estate <sup>(1)</sup></b>	<b>Cash and deposits</b>	<b>Other</b>	<b>Total assets</b>
Hungary	617,968	16,436	27,357	661,761
Serbia <sup>(1)</sup>	50,678	2,684	341	53,703
Not allocated <sup>(4)</sup>	-	3,462	661,608	665,070
<b>Total</b>	<b>668,646</b>	<b>22,582</b>	<b>689,306</b>	<b>1,380,534</b>

	<b>Borrowings</b>	<b>Deferred tax</b>	<b>Other</b>	<b>Total liabilities</b>
Hungary	238,370	19,321	13,495	271,186
Serbia <sup>(3)</sup>	24,785	2,512	1,154	28,451
Not allocated <sup>(2)</sup>	816,996	56	20,095	837,147
<b>Total</b>	<b>1,080,151</b>	<b>21,889</b>	<b>34,744</b>	<b>1,136,784</b>

**31 December 2022**

	<b>Real estate <sup>(1)</sup></b>	<b>Cash and deposits</b>	<b>Other</b>	<b>Total assets</b>
Hungary	603,456	13,308	12,648	629,412
Serbia <sup>(3)</sup>	50,400	1,375	243	52,018
Not allocated <sup>(4)</sup>	-	26,560	657,382	683,942
<b>Total</b>	<b>653,856</b>	<b>41,243</b>	<b>670,273</b>	<b>1,365,372</b>

	<b>Borrowings</b>	<b>Deferred tax</b>	<b>Other</b>	<b>Total liabilities</b>
Hungary	241,402	18,907	12,470	272,779
Serbia <sup>(3)</sup>	-	3,085	4,669	7,754
Not allocated <sup>(2)</sup>	806,059	56	51,220	857,335
<b>Total</b>	<b>1,047,461</b>	<b>22,048</b>	<b>68,359</b>	<b>1,137,868</b>

- (1) Real estate comprises of investment property, assets held for sale and value of buildings and related improvements presented within property, plant and equipment (including right of use).  
(2) Borrowings not allocated comprises of bonds and loans granted by related parties, including current portion.  
(3) In April 2022, the Company acquired 70% of the shares in Glamp d.o.o. Beograd, which is incorporated in Serbia.  
(4) Other, not allocated comprises of loans granted to related parties

**11. RENTAL AND SERVICE CHARGE INCOME AND RELATED COSTS**

Renting of property to tenants is 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 risks and benefits of ownership of assets, are classified as operating leases. 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).

Rental income represents fixed contractual rental fees. Lease agreements typically contain rent incentives (e.g. rent-free periods and discounts).

The Group has entered into various operational lease contracts on its property portfolio in Serbia 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).

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.

The accompanying notes are an integral part of these Consolidated Financial Statements

## GTC Hungary Real Estate Development Pltd.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 11. RENTAL AND SERVICE CHARGE INCOME AND RELATED COSTS (CONTINUED)

Future minimum rental revenue under operating leases (not discounted lease payments) from completed projects are as follows:

	31 December 2023	31 December 2022
Within 1 year	38,401	33,978
After 1 year, but not more than 5 years	90,321	86,838
More than 5 years	16,373	25,020
<b>Total</b>	<b>145,095</b>	<b>145,836</b>

Except from rental revenue mentioned above, the Group has service charge revenue stream. Service charges represent 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 with standard payment terms, 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 components and are accounted for using rules described below.

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 statements purposes such income and expenses are disclosed on a net basis, as GTC acts as an agent. The Group has no such service charge in the reporting period.
- **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 statements 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.

Details about rental and service charge revenue by country are presented in [Note 10](#).

Service charge costs comprise remuneration costs of EUR 532 thousands (2022: EUR 560 thousands) and third party services, material and energy usage and other operating costs.

#### 12. SELLING EXPENSES

Selling expenses comprise the following:

	31 December 2023	31 December 2022
External services - advertising and marketing	281	262
Payroll and related expenses	415	253
<b>Total</b>	<b>696</b>	<b>516</b>

The accompanying notes are an integral part of these Consolidated Financial Statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**13. ADMINISTRATIVE EXPENSES**

Administrative expenses comprise the following:

	31 December 2023	31 December 2022
Remuneration and other employee benefits	3,728	1,677
Audit and valuations	314	290
Legal, tax, IT and other advisory	163	90
Office and insurance expenses	179	301
Travel expenses	50	14
Depreciation (16)	256	192
Other expenses	64	384
Office rent (24)	20	202
Management fees (24)	776	401
Change in provision for share-based payments	(111)	111
<b>Total</b>	<b>5,439</b>	<b>3,662</b>

**14. FINANCE INCOME AND COST**

Finance income comprise the following:

	31 December 2023	31 December 2022
Interest on deposits and other	121	2
Interest on loan granted to related-parties	20,627	21,244
<b>Total</b>	<b>20,748</b>	<b>21,246</b>

Finance cost comprise the following:

	31 December 2023	31 December 2022
Interest expenses (on financial liabilities that are not fair valued through profit or loss), banking costs and other charges	9,294	6,926
Finance costs related to lease liability	2	3
Arrangement fee	273	-
Amortization of long-term borrowings raising costs	212	166
Interest on loan granted by related-parties	17,992	18,036
<b>Total</b>	<b>27,773</b>	<b>25,131</b>

**15. TAXATION**

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

The Group companies do not recognize the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset that might be utilized. At each reporting date, the Group companies re-assess unrecognized deferred tax assets and the carrying amount of deferred tax assets.

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.

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**15. TAXATION (CONTINUED)**

The Group companies are subject to taxes in the following jurisdictions: Hungary, Serbia and Poland. The Group does not constitute a tax group under local legislation. Therefore, every company in the Group is a separate taxpayer. The enacted tax rates in the various countries were as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Hungary	9%	9%
Serbia	15%	15%
Poland	19%	19%

The major components of tax expense are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Current corporate and capital gain tax expense	(1,530)	(3,890)
Deferred tax expense / (income)	(197)	(1,311)
<b>Total</b>	<b>(1,727)</b>	<b>(5,201)</b>

The reconciliation between tax expense and accounting profit multiplied by the applicable tax rates is presented below:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Accounting profit before tax	1,824	34,958
Taxable expenses at the applicable tax rate	(164)	(3,147)
Tax rate differences of different jurisdictions	(52)	(889)
Tax effect of expenses that are not deductible in determining taxable profit	(120)	(805)
Tax effect of foreign currency differences	(841)	(395)
Withholding tax	(136)	(74)
Unrecognised deferred tax asset on losses in current year	(452)	(778)
Local tax on income, net	(722)	(534)
Deferred tax recognized on acquisitions and disposals	-	(3,148)
Corporate income tax on disposal of asset held for sale	-	3,585
Other	760	983
<b>Total</b>	<b>(1,727)</b>	<b>(5,201)</b>

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 ('DTA') comprise the following:

	<u>Financial instruments<sup>1</sup></u>
<b>1 January 2022</b>	<b>3,138</b>
Credit / (charge) to Income Statement	-
Credit / (charge) to Equity	(180)
Netting (to)/from DTL	-
<b>31 December 2022</b>	<b>2,958</b>
Credit / (charge) to Income Statement	-
Credit / (charge) to Equity	(1,953)
Netting (to)/from DTL	-
<b>31 December 2023</b>	<b>1,005</b>

<sup>(1)</sup> It contains the revaluation of a cross currency interest rate swap (cash flow hedge).

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**15. TAXATION (CONTINUED)**

Net deferred tax liability ('DTL') comprises of the following:

	Financial instruments <sup>1</sup>	Tax loss carry forward	Basis difference in non-current assets <sup>2</sup>	Net DTL
<b>1 January 2022</b>	<b>481</b>	<b>1,408</b>	<b>(21,986)</b>	<b>(20,097)</b>
Credit / (charge) to Income Statement	1,585	393	(3,290)	(1,312)
Credit / (charge) to Equity	(639)	-	-	(639)
<b>31 December 2022</b>	<b>1,427</b>	<b>1,801</b>	<b>(25,276)</b>	<b>(22,048)</b>
Credit / (charge) to Income Statement	(1,675)	(91)	1,569	(197)
Credit / (charge) to Equity	356	-	-	356
<b>31 December 2023</b>	<b>108</b>	<b>1,710</b>	<b>(23,707)</b>	<b>(21,889)</b>

(1) It contains mostly foreign exchange differences, deferred loan cost and valuation of derivatives.

(2) Related to difference between book value and tax value of investment properties.

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.

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.

The Group companies have tax losses carried forward as of 31 December 2023 available in the amount of EUR 51 million (EUR 53 million as of 31 December 2022). The expiry dates of these tax losses are presented below:

	<b>31 December 2023</b>
Within 1 year	4
2-5 years	37
Afterwards	10

The Company hasn't recognized deferred tax assets for losses carried forward as of 31 December 2023 and 2022 in the amount of approximately EUR 32 million and EUR 33 million, respectively.

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**16. 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 adjustment. Depreciation is provided using the straight-line method over the estimated useful life of an asset. Reassessment of the useful lives and indications for impairment is performed each quarter.

The following depreciation rates have been applied:

	<b>Depreciation rates</b>
Equipment	10-33%
Buildings (own-used assets)	2%
Vehicles	20%

The movement in property, plant, and equipment for the year ended 31 December 2023 was as follows:

	<b>Buildings and related improvements</b>	<b>Equipment and Software</b>	<b>Vehicles</b>	<b>Total</b>
<b>Gross carrying amount</b>				
<b>1 January 2023</b>	<b>3,225</b>	<b>512</b>	<b>692</b>	<b>4,429</b>
Additions	16	106	433	555
Disposals and other decreases	-	(9)	(240)	(249)
Transfer	1,155	(66)	66	1,155
<b>31 December 2023</b>	<b>4,396</b>	<b>543</b>	<b>951</b>	<b>5,890</b>
<b>Accumulated Depreciation</b>				
<b>1 January 2023</b>	<b>190</b>	<b>292</b>	<b>174</b>	<b>656</b>
Charge for the period	87	68	101	256
Disposals and other decreases	-	(4)	(28)	(32)
<b>31 December 2023</b>	<b>277</b>	<b>356</b>	<b>247</b>	<b>880</b>
<b>Net book value at 31 December 2023</b>	<b>4,119</b>	<b>187</b>	<b>704</b>	<b>5,010</b>

The movement in property, plant, and equipment for the year ended 31 December 2022 was as follows:

	<b>Buildings and related improvements</b>	<b>Equipment and Software</b>	<b>Vehicles</b>	<b>Total</b>
<b>Gross carrying amount</b>				
<b>1 January 2022</b>	<b>3,217</b>	<b>391</b>	<b>329</b>	<b>3,937</b>
Additions	8	222	392	622
Disposals and other decreases	-	(101)	(29)	(130)
<b>31 December 2022</b>	<b>3,225</b>	<b>512</b>	<b>692</b>	<b>4,429</b>
<b>Accumulated Depreciation</b>				
<b>1 January 2022</b>	<b>126</b>	<b>229</b>	<b>113</b>	<b>468</b>
Charge for the period	64	63	65	192
Disposals and other decreases	-	-	(4)	(4)
<b>31 December 2022</b>	<b>190</b>	<b>292</b>	<b>174</b>	<b>656</b>
<b>Net book value at 31 December 2022</b>	<b>3,035</b>	<b>220</b>	<b>518</b>	<b>3,773</b>

The accompanying notes are an integral part of these Consolidated Financial Statements

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### **17. INVESTMENT PROPERTY**

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 that are owned by the Group are office and retail space.

#### **(a) Completed investment property**

Completed investment property are stated at fair value according to the fair value model, which reflects market conditions at the reporting date.

Completed investment property was externally valued by independent appraisers as of 31 December 2023 and 31 December 2022 based on open market values (RICS Standards). Completed properties are valued on the basis of discounted cash flow (DCF). Level 3 category of fair value hierarchy is applied.

Completed investment property 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 completed 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.

#### **(b) Investment property under construction ("IPUC")**

Investment properties under construction are measured at 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 (including internal).

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. Level 3 category of fair value hierarchy is applied.

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.

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**17. INVESTMENT PROPERTY (CONTINUED)**

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

Borrowing costs directly attributable to the construction of an IPUC 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. Borrowing costs consist of interest and other costs that the Group 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 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. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted.

**(c) Investment property landbank**

Investment property landbank are valued using residual (30% of total balance) or comparison methods (70% of total balance), by independent appraisers at year end and half year based on open market values (RICS Standards). Level 3 category of fair value hierarchy is applied.

**(d) Presentation of content and changes in investment property**

The investment property can be split up as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Completed investment properties	586,180	594,838
Investment property under construction ('IPUC')	41,400	19,500
Investment property landbank	36,960	36,483
<b>Total</b>	<b>664,540</b>	<b>650,821</b>

The movements in investment property were as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Fair value as of 1 January	650,821	582,883
Purchase of completed assets and land <sup>(3)</sup>	-	20,120
Capitalized expenditure <sup>(2)</sup>	31,887	30,481
Reduction of lease income (SIC 15) <sup>(1)</sup>	-	(3)
Adjustment to fair value / (impairment)	(17,699)	16,294
Borrowing cost capitalized <sup>(4)</sup>	688	1,046
Reclassified to Property, Plant and Equipment	(1,157)	-
<b>Fair value as of period end</b>	<b>664,540</b>	<b>650,821</b>

<sup>(1)</sup> Fair value of investment property reflects the impact of rent incentive provided for tenants which is presented separately in this disclosure in line with paragraph 4 of SIC 15.

<sup>(2)</sup> The additions are related to refurbishment of Center Point 1-2, construction of Center Point 3 and a general CAPEX and fit-out works on the completed office buildings. In 2022 also contained construction of GTC X and completion of construction of Pillar

<sup>(3)</sup> Acquisition price of GTC X in 2022

<sup>(4)</sup> Represents borrowing costs capitalized during the current year using a capitalization rate of 4% (prior year 4%).

**GTC Hungary Real Estate Development Pltd.**

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**17. INVESTMENT PROPERTY (CONTINUED)**

Reconciliation between capitalized subsequent expenditure and paid subsequent expenditure is presented below:

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Capitalized expenditure (including Purchase of completed assets and land)</b>	<b>31,887</b>	<b>50,601</b>
Change in payables and provisions related to investing activities	3,449	(4,520)
Change in receivables related to investing activities	16,705	(2,877)
Related party loan conversion on acquisition of assets and land	-	(20,120)
Purchase of property, plant and equipment.	555	408
<b>Expenditures on investment property and property, plant and equipment (Cash Flow statement)</b>	<b>52,596</b>	<b>23,492</b>

Adjustment to fair value / (impairment) consists of the following:

	Year ended 31 December 2023	Year ended 31 December 2022
Adjustment to fair value of completed investment properties	(13,829)	22,590
Adjustment to the fair value of investment properties under construction	(1,438)	(4,065)
Adjustment to fair value/(impairment) of assets held for sale	-	(172)
Reversal of impairment/(Impairment)	(2,433)	(2,059)
<b>Profit from revaluation of investment property</b>	<b>(17,700)</b>	<b>16,294</b>

Segment analysis of adjustment to fair value of completed investment properties is presented below:

	Year ended 31 December 2023	Year ended 31 December 2022
Hungary	(14,117)	7,063
Serbia	288	15,527
<b>Adjustment to fair value of completed investment properties</b>	<b>(13,829)</b>	<b>22,590</b>

Assumptions used in the fair value valuations of completed assets as of 31 December 2023 are presented below:

Input	Unit	Hungary	Serbia	Total
Book value	€ thousand	536,637	49,543	586,180
Gross leasable area (GLA)	thousand sqm	181	18	199
Average occupancy	%	86	100	87
Actual average rent	€/sqm/month	20.0	18.4	19.7
Average ERV <sup>(1)</sup>	€/sqm/month	17.0	18.5	17.1
Average Yield <sup>(2)</sup>	%	6.9	7.7	7.0

<sup>(1)</sup> Estimated Rent Value (ERV): 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.

<sup>(2)</sup> Average yield is calculated as in-place rent divided by fair value of asset.

The accompanying notes are an integral part of these Consolidated Financial Statements

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**17. INVESTMENT PROPERTY (CONTINUED)**

Assumptions used in the fair value valuations of completed assets as of 31 December 2022 are presented below:

Input	Unit	Hungary	Serbia	Total
Book value	€ thousand	544,438	50,400	594,838
Gross leasable area (GLA)	thousand sqm	181	18	199
Average occupancy	%	86	94	87
Actual average rent	€/sqm/month	17.1	18.0	17.2
Average ERV <sup>(1)</sup>	€/sqm/month	16.5	18.2	16.6
Average Yield <sup>(2)</sup>	%	5.9	7.2	6.0

<sup>(1)</sup> Estimated Rent Value (ERV): 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

<sup>(2)</sup> Average yield is calculated as in-place rent divided by fair value of asset.

Information regarding investment properties under construction as of 31 December 2023 and 31 December 2022, respectively is presented below:

	Book value 31.12.2023 € thousand	Book value 31.12.2022 € thousand	Estimated area thousand sqm
Center Point 3 (Hungary)	41,400	19,500	36
<b>Total</b>	<b>41,400</b>	<b>19,500</b>	<b>36</b>

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 2023:

Key unobservable inputs	Change in input	Estimated change	Estimated FV following the change
Estimated rental value (ERV)	5 %	25,900	612,080
Estimated rental value (ERV)	(5) %	(26,000)	560,180
Capitalisation rate (Cap rate)	25 bp	(20,500)	565,680
Capitalisation rate (Cap rate)	(25) bp	21,900	608,080

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 2023:

Key unobservable inputs	Unit	Center Point 3
Estimated rental value (ERV)	€ / sqm / month	21.7
Capitalisation rate (Cap rate)	%	5.3
Expected constructions costs	€ / sqm / GLA	4,100

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**17. INVESTMENT PROPERTY (CONTINUED)**

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 2023:

Key unobservable inputs	Change in input	Estimated change	Estimated FV following the change
Estimated rental value (ERV)	5 %	6,000	47,400
Estimated rental value (ERV)	(5) %	(5,900)	35,400
Capitalisation rate (Cap rate)	25 bp	(4,900)	36,700
Capitalisation rate (Cap rate)	(25) bp	5,400	46,500
Expected construction costs	5 %	(4,000)	37,400
Expected construction costs	(5) %	3,900	45,300

Inter-relationship between key unobservable input and fair value measurements of investment property/landbank for the comparable method in the year ended 31 December 2023:

Key unobservable input	Change in input	Estimated change	Estimated FV following the change
Price	5 %	1,848	38,808
Price	(5) %	(1,848)	35,112

**18. PREPAYMENTS AND OTHER RECEIVABLES**

	31 December 2023	31 December 2022
Advances for construction <sup>(1)</sup>	17,841	850
Advances for potential transaction	394	313
Deferred expenses	113	35
Related party receivables (Note 24)	416	1,010
Other receivables	454	395
<b>Total</b>	<b>19,218</b>	<b>2,603</b>

<sup>(1)</sup> Advance payments to construction relating development of Center Point 3 office building

**19. DERIVATIVES**

The Group uses derivative financial instruments, such as interest rate swaps and caps, to hedge its interest rate risk. 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.

The Group applies hedge accounting. 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.

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 Group uses both qualitative and quantitative methods for assessing effectiveness of the hedge.

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**19. DERIVATIVES (CONTINUED)**

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

The Group holds instruments (IRS, CAP and cross-currency interest rate SWAP) that hedge the risk involved in fluctuations of interest rate and foreign currencies' rates. The instruments hedge interest on loans and bonds for a period of 1-8 years.

The fair value of derivatives is determined by using discounted cash flow method using observable inputs (fair value level hierarchy 2). Fair value of derivatives is measured using cash flows models based on the data from publicly available sources.

Derivatives are presented in financial statements as below:

	31 December 2023	31 December 2022
Non-current assets	1,044	4,111
Current assets	3,119	2,991
Non-current liabilities	(18,329)	(46,798)
<b>Fair value as of the end of the year</b>	<b>(14,167)</b>	<b>(39,696)</b>

The movement in derivatives for the years ended 31 December 2023 and 31 December 2022 was as follows:

	31 December 2023	31 December 2022
Fair value as of the beginning of the year	(39,696)	(36,225)
Charged to other comprehensive income <sup>1</sup>	28,469	(8,460)
Charged to profit or loss <sup>2</sup>	(2,940)	4,989
<b>Fair value as of the end of the year</b>	<b>(14,167)</b>	<b>(39,696)</b>

<sup>(1)</sup> Change is mainly attributable to the revaluation of IRS instruments related borrowings.

<sup>(2)</sup> This result mainly offset a foreign exchange difference (loss)/gains on bonds nominated in HUF.

Derivatives as of 31 December 2023 and 31 December 2022 consist mainly of IRS and cross-currency interest rate swaps.

Instruments	Measurement	Rate range for interest	Currency rate for SWAP
CCIRS (BUBOR/HUF)	Fair value	0.93% - 0.99%	360.33 - 367.66
IRS (EURIBOR 3M)	Fair value	(0.32%) – (0.08%)	N/A

Instruments	Nature	Nominal amount	Ccy	Fair value as at 31 December 2023	Nominal amount	Ccy	Fair value as at 31 December 2022
CCIRS (BUBOR/HUF)	Bond	59,400	HUF m	(18,329)	59,400	HUF m	(46,798)
IRS (EURIBOR 3M)	Loan	263	€ m	4,162	240	€ m	7,102
<b>Fair value</b>				<b>(14,167)</b>			<b>(39,696)</b>

For more information regarding derivatives, see [Note 25](#).

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**20. 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. Group cooperates mainly with banks with investment ranking above BBB-.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2023 and 31 December 2022:

	Year ended 31 December 2023	Year ended 31 December 2022
Cash at banks and on hand	15,380	34,988
<b>Cash and cash equivalents at the end of the period</b>	<b>15,380</b>	<b>34,988</b>

**21. CAPITAL AND RESERVES**

**(a) Transaction reserve**

On 12 March 2021, Office Planet Ltd. was newly founded and on 1 April 2021, it acquired 70% shares in companies GTC Business Park d.o.o. Beograd, GTC Medunarodni Razvoj Nekretnina d.o.o. Beograd, GTC BBC d.o.o., Demo Invest d.o.o. and Atlas Centar d.o.o. ('**Serbian Disposal Group**') via share capital increase. 30% shares of these companies are still owned by GTC SA. On 12 January 2022, GTC S.A. and the Company finalized sale of the entire share capital of Serbian Disposal Group, and Transaction Reserve of EUR 61,332 thousand was reclassified to Retained Earnings.

On 5 April 2022, GTC Hungary acquired 70% of the shares in Glamp d.o.o. Beograd - which existing capital shares were fully held by GTC S.A. - after increase of share capital of the Company. At the acquisition date the fair value of the net assets of this asset in total was EUR 4,437 thousand while the fair value of total consideration transferred in cash was EUR 4,522 thousand. Consequently, in the business combination the company recognized negative transaction reserve in the equity with the amount of EUR 1,416 thousand.

<b>GTC X</b>	<b>Fair value at acquisition date</b>
Investment properties	20,121
Cash and deposit	4,632
Other Assets	61
<b>Total Assets</b>	<b>24,814</b>
Loans	17,074
Other liabilities	3,303
<b>Total Liabilities</b>	<b>20,377</b>
<b>Fair value of net assets</b>	<b>4,437</b>
Non-controlling interest	1,331
Transaction reserve	(1,416)
<b>Total consideration transferred</b>	<b>4,522</b>

**(b) Dividend payments**

No distribution of the profit was authorized or paid to the shareholder of the Group.

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**22. NON-CONTROLLING INTEREST**

The company has 70% of the shares in Glamp d.o.o Beograd (GTC X) incorporated in Serbia and the remaining 30% of the shares are held by GTC S.A.

Summarized financial information of the material non-controlling interest as of 31 December 2023 is presented below:

	GTC X
Non-current assets	51,245
Current assets	2,458
<b>Total assets</b>	<b>53,703</b>
Equity	17,803
Non-current liabilities	35,244
Current liabilities	656
<b>Total equity and liabilities</b>	<b>53,703</b>
Revenue	2,549
Profit / (loss) for the year	1,497
Other comprehensive profit/(loss)	-
NCI share in equity	5,341
NCI share in profit / (loss)	449

Summarized financial information of the material non-controlling interest as of 31 December 2022 is presented below:

	GTC X	Serbian Disposal Group	Total
Non-current assets	50,400	-	50,400
Current assets	1,618	-	1,618
<b>Total assets</b>	<b>52,018</b>	<b>-</b>	<b>52,018</b>
Equity	16,306	-	16,306
Non-current liabilities	31,486	-	31,486
Current liabilities	4,226	-	4,226
<b>Total equity and liabilities</b>	<b>52,018</b>	<b>-</b>	<b>52,018</b>
Revenue	112	-	112
Profit / (loss) for the year	11,841	-	11,841
Other comprehensive profit/(loss)	-	-	-
NCI share in equity	4,892	-	4,892
NCI share in profit / (loss)	3,554	(437)	3,117

No loans granted to / received from NCI.

The movement in NCI for the years ended 31 December 2023 and 31 December 2022 was as follows:

	31 December 2023	31 December 2022
<b>Balance as of the beginning of the year</b>	<b>4,892</b>	<b>34,508</b>
Disposal	-	(34,071)
NCI Recognized at acquisition date	-	1,331
Other comprehensive income for the period	-	-
Profit for the period	449	3,124
<b>Balance as of end of the year</b>	<b>5,341</b>	<b>4,892</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**23. LONG-TERM BORROWINGS**

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

After initial recognition, interest-bearing loans and borrowings and debt securities are measured at amortized cost using the effective interest rate method.

Long-term borrowings are linked to the following currencies and have been separated into the non-current portion and the current portion as disclosed below:

<b>Non-current portion</b>	<b>Currency linkage</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Loan from OTP (Center Point 1-2)	EUR	42,027	44,248
Loan from OTP (Duna Tower)	EUR	32,592	34,314
Loan from Erste (Váci Greens D)	EUR	22,188	22,938
Loan from OTP (Univerzum)	EUR	80,000	80,000
Loan from UniCredit (Pillar)	EUR	57,000	57,000
Loan from Erste (GTC X)	EUR	25,000	-
Green bonds mature in 2027-2030 (HU0000360102)	EUR	103,454	98,938
Green bonds mature in 2028-2031 (HU0000360284)	EUR	51,727	49,469
Deferred debt expenses	EUR	(2,175)	(2,245)
		<b>411,812</b>	<b>384,662</b>

<b>Current portion</b>	<b>Currency linkage</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Loan from OTP (Center Point 1-2)	EUR	2,221	1,807
Loan from OTP (Duna Tower)	EUR	1,722	1,401
Loan from Erste (Váci Greens D)	EUR	750	750
Loan from UniCredit (Pillar)	EUR	794	-
Green bonds mature in 2027-2030 (HU0000360102)	EUR	72	72
Green bonds mature in 2028-2031 (HU0000360284)	EUR	397	397
		<b>5,956</b>	<b>4,427</b>

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 ('LTV') and Debt Service Coverage ('DSCR') ratios in the subsidiary that holds the project.

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

All bank loans are denominated in EUR, while green bonds (series maturing in 2027-2030) and green bonds (series maturing in 2028-2031) are denominated in HUF. The initial fair value differed from the transaction price. The Group presents the difference as part of the amortized cost of the bonds under "Long-term liabilities" in the balance sheet. As of December 31, 2023, the unreconciled difference in the income statement is EUR 109 thousand (2022: EUR 109 thousand).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**23. LONG-TERM BORROWINGS (CONTINUED)**

As at 31 December 2023, the Group continue to comply with the financial covenants set out in their loan agreements and bonds' terms and conditions.

For further information please refer also to Note 25.

The movement in long term loans and bonds for the years ended 31 December 2023 and 31 December 2022 was as follows:

	31 December 2023	31 December 2022
Balance as of the beginning of the year	389,089	399,243
Drawdowns and issuance of bonds	25,000	6,173
Repayments	(3,959)	(3,959)
Interest payments	(8,722)	(1,588)
Change in accrued interest	9,626	-
Change in deferred issuance debt expenses	(39)	200
Foreign exchange difference	6,773	(10,980)
<b>Balance as of end of the year</b>	<b>417,768</b>	<b>389,089</b>

From financing activities the Company had no proceeds from related party loans in 2023 (2022: EUR 1,782 thousand).

**24. RELATED PARTY TRANSACTIONS**

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

**(a) Major transactions with related parties**

Major transactions with related parties for the year ended 31 December 2023 was as the follows:

	Company controlled by the Ultimate controlling party	Majority Shareholder	Subsidiary of the Majority Shareholder
Rental income	-	-	-
Management fees <sup>(1)</sup>	-	-	581
Service charge income <sup>(1)</sup>	-	-	98
Administrative expenses	-	-	613
Finance income	-	-	20,627
Finance cost	-	4,469	13,523

<sup>(1)</sup> Management fee income from GTC S.A.'s subsidiaries in Hungary, which are outside of this Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**24. RELATED PARTY TRANSACTIONS (CONTINUED)**

Major transactions with related parties for the year ended 31 December 2022 was as the follows:

	<b>Company controlled by the Ultimate controlling party</b>	<b>Majority Shareholder</b>	<b>Subsidiary of the Majority Shareholder</b>
Rental income <sup>(1)</sup>	219	-	-
Management fees <sup>(2)</sup>	-	-	583
Service charge income <sup>(1)</sup>	62	-	-
Administrative expenses	-	-	569
Finance income	-	-	21,247
Finance cost	-	4,495	13,515

<sup>(1)</sup> Rental revenue and Service charge revenue in relation to rental guarantees provided by sellers, controlled entities of the ultimate controlling party.

<sup>(2)</sup> Management fee income from GTC S.A.'s subsidiaries in Hungary, which are outside of this Group.

**(b) Related party balances**

Related party balances for the year ended 31 December 2023 was as the follows:

	<b>Company controlled by the Ultimate controlling party</b>	<b>Majority Shareholder</b>	<b>Subsidiary of the Majority Shareholder</b>
Loans granted to related parties	-	-	658,056
Trade receivables	-	416	-
Non-current portion of long-term loans from related parties	-	160,066	502,317
Trade and other payables	500	531	187
Other long-term liabilities	500	-	-

Related party balances for the year ended 31 December 2022 was as the follows:

	<b>Company controlled by the Ultimate controlling party</b>	<b>Majority Shareholder</b>	<b>Subsidiary of the Majority Shareholder</b>
Loans granted to related parties	-	-	652,095
Trade receivables	-	273	-
Non-current portion of long-term loans from related parties	-	157,279	501,093
Trade and other payables	-	177	57
Other long-term liabilities	1,000	-	-

Outstanding loans (from)/to related parties are unsecured and presented with accrued interest in both financial years.

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**24. RELATED PARTY TRANSACTIONS (CONTINUED)**

**(c) Transactions with Management Board**

Remuneration of the Management Board of the Company for the year ended 31 December 2023 was amounted to EUR 1,684 thousand (in 2022: EUR 398 thousand). In 2023 total of 177,000 phantom shares was vested (in 2022: 409,000 phantom share was vested). The valuation of share-based program as of 31 December 2023 was close to zero.

There was no other transaction with the Management Board of the Company.

**25. 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 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.

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

**(a) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates and loans granted.

The Group has a portfolio of fixed and variable rate loans and borrowings. The Group's policy is to minimize interest rate risk, by entering into interest rate swaps, currency swaps or interest rate cap transactions.

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

As at 31 December 2023, 80% of the Group's long-term loans and bonds is hedged (as at 31 December 2022 – 85%).

For 2023, a 50bp increase in EURIBOR rate would lead to EUR 289 thousand change in result before tax (2022: EUR 271 thousand change in result before tax).

**(b) 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.

As a result of the Company's investments, the Company's balance sheet and profit or loss can be affected by movements in the HUF/EUR exchange rates. The table below presents the sensitivity of profit/(loss) before tax due to changes in foreign exchange rates (data in thousands euro):

2023				2022			
HUF/EUR				HUF/EUR			
+10%	+5%	(5)%	(10)%	+10%	+5%	(5)%	(10)%
156	78	(78)	(156)	55	27	(27)	(55)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

There is no currency risk related to bonds denominated in HUF as they are fully hedged. Exposure to other currencies and other positions in the statement of financial position is not material.

**(c) 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 the Group doesn't have material impaired receivables.

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 or impaired.

**(d) Liquidity risk**

As of 31 December 2023, the Group holds cash and cash equivalents (as defined in IFRS) in the amount of approximately EUR 15,380 thousand. 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 (the amounts are not discounted):

	<b>31 December 2023</b>	<b>31 December 2022</b>
First year	13,620	11,359
Second year	15,910	12,471
Third year	115,058	14,398
Fourth year	104,217	113,583
Fifth year	26,206	78,004
Thereafter	199,764	169,678
<b>Total</b>	<b>474,774</b>	<b>399,493</b>

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.

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**25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

Repayments of non-current derivative payables are scheduled as follows (the amounts are not discounted):

	31 December 2023	31 December 2022
Within 5 years	-	-
Thereafter	18,329	46,798
<b>Total</b>	<b>18,329</b>	<b>46,798</b>

Derivative instrument payables in the current year mature within 7-8 years from the balance sheet date.

Non-current portion of long-term loans from related parties mature in 5 years with option to prolong the final maturity date.

Maturity dates of current financial liabilities as of 31 December 2023 were as following:

	Total	Overdue	Up to a month	1-3 months	3 months – 1 year
Trade payables and provisions	8,512	-	3,800	2,660	2,052
Current portion of long-term borrowing	5,956	-	794	1,386	3,776
Income tax payable	336	-	-	-	336
Other <sup>(1)</sup>	1,209	-	864	-	345
<b>Total</b>	<b>16,013</b>	<b>-</b>	<b>5,458</b>	<b>4,046</b>	<b>6,509</b>

<sup>(1)</sup> Includes VAT payables, Deposits from tenants and Current portion of lease liabilities

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	13,367	-	339	10,225	2,803
Current portion of long-term borrowing	4,427	-	-	1,387	3,040
Income tax payable	3,296	-	-	-	3,296
Other <sup>(1)</sup>	786	-	716	-	70
<b>Total</b>	<b>21,876</b>	<b>-</b>	<b>1,055</b>	<b>11,612</b>	<b>9,209</b>

<sup>(1)</sup> Includes VAT payables, Deposits from tenants, Derivatives, and Current portion of lease liabilities

**(e) Fair value**

As of 31 December 2023, 67% of all bank loans bears floating interest rate (67% as of 31 December 2022). However, as of 31 December 2023, 64% of all bank loans are hedged (65% as of 31 December 2022). As of 31 December 2023, 100% of these bonds are hedged (100% as of 31 December 2022).

For information related to loans granted/received from related parties please refer to Note 24.

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

For the fair value of investment property, please refer to Note 17.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**Fair value hierarchy**

As at 31 December 2023 and 2022, 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 2023 and 31 December 2022, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements in respect to financial instruments.

**(f) 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 2023.

**(g) 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 maximize 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 2023 and 31 December 2022.

GTC S.A. 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 GTC S.A. may deviate temporarily. As of 31 December 2023, LTV of the GTC S.A. group was 49.3% (45.6% as of 31 December 2022).

**(h) Leasing arrangements**

Investment properties are leased to tenants under operating leases with rentals payable monthly. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

The Group is exposed to changes in the residual value of properties at the end of current lease agreements. The residual value risk born by the Group is mitigated by active management of its property portfolio with the objective of optimizing tenant mix in order to:

- ▶ achieve the longest weighted average lease term possible;
- ▶ minimize vacancy rates across all properties; and
- ▶ minimize the turnover of tenants with high quality credit ratings.

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**26. COMMITMENTS**

As of 31 December 2023 (31 December 2022), the Group had commitments contracted for in relation to future building construction without specified date, amounting to EUR 69.9 million (EUR 91.5 million). These commitments are expected to be financed from available cash and current financing facilities, other external financing or future installments under already contracted sale agreements and yet to be contracted sale agreements.

**27. SUBSEQUENT EVENTS**

On 1 January 2024, the Company entered into a mutual employment contract termination agreement with Mr. Csaba Zovát, former Member of the Management Board of the Company. Subsequently, Mr Zovát resigned from his seat on the Management Board of the Company and other subsidiaries.

On 1 January 2024, the shareholder of the Company appointed Mr. Balázs Gosztanyi as member of the Management Board of the Company, effective immediately.

**28. GROUP APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were authorized for the issue by the Management Board on 25 April 2024.

**29. DISCLOSURE OBLIGATION ACCORDING TO HUNGARIAN ACCOUNTING LAW**

**(a) Audit**

The auditor of the Group is PWC Könyvvizsgáló Kft. and the signing auditor is Balázs Mészáros. PWC Könyvvizsgáló Kft. had not provided any services besides auditing the financial statements to the Group.

In accordance with Section 133 of the Hungarian Accounting Law, the financial statements include the fees paid for mandatory statutory audit of consolidated financial statements and other non-audit services for the financial year by the auditor or auditing company. The fee charged by the auditor company (PwC Könyvvizsgáló Kft.) for the Group's consolidated financial statements for the year 2023 was EUR 213 thousand.

**(b) Persons required to sign the Statement of Responsibility**

<b>Name</b>	<b>Position</b>	<b>Address</b>	<b>Mother's maiden name</b>
Gyula Nagy	Board Member	1114 Budapest, Bocskai út 34/B 2. em. 1..	Zsuzsanna Hoffer
Zsolt Farkas	Board Member	DE-14193 Berlin, Germany, Humboldt utca 36	dr. Mária Edit Nagyimre
Balázs Gosztanyi	Board Member	1125 Budapest, Béla király út 13/A B. ép. fsz. 2.	Györgyi Mária Gosztanyi

**(c) Presentation of company controls**

In accordance with Section 89 of the Hungarian Accounting Law, the financial statements include a detailed list of the names, registered offices, and percentages of voting rights of the various economic entities in which the company exercises majority control, in accordance with the provisions of the Hungarian Civil Code. Please refer to the Note 8 for more information.

**(d) Contact information**

Name: GTC Magyarország Ingatlanfejlesztő Zrt  
Address: HU – 1138 Budapest, Népfürdő utca 22. A torony. ép. 15. em.  
Website: <https://www.gtcgroup.com/en>



## Statement of responsibility

The Management Board of GTC Hungary Real Estate Development Pltd. ("Company") represented by:

Name	Position
Gyula Nagy	Member of the Board
Zsolt Farkas	Member of the Board
Balázs Gosztanyi	Member of the Board

hereby represents that to the best of its knowledge:

- (i) the consolidated financial statements is in accordance with the applicable accounting standards to the best knowledge of the Company and the annual results provide a true and fair view of the assets, liabilities, financial position and income statement of the Company and its subsidiaries (the Group); and
- (ii) the consolidated management report provides a reliable picture of the situation, development and performance of the Company and its subsidiaries (the Group), describing the main risks and uncertainties as well.

Budapest, 25 April 2024 / 2024. április 25.



Gyula Nagy  
Member of the Board / Igazgatósági tag



Zsolt Farkas  
Member of the Board / Igazgatósági tag

## Felelősségvállalási nyilatkozat

A GTC Magyarország Ingatlanfejlesztő Zártkörűen Működő Részvénytársaság ("Társaság") Igazgatóság

képviselésében:

Név	Beosztás
Nagy Gyula	Igazgatósági tag
Farkas Zsolt	Igazgatósági tag
Gosztanyi Balázs	Igazgatósági tag

ezúton kijelenti, hogy legjobb tudomása szerint:

- (i) a konszolidált pénzügyi kimutatások a Társaság legjobb tudomása szerint megfelel az alkalmazandó számviteli standardoknak, és az éves eredmények megbízható és valós képet adnak a Társaság és leányvállalatai (a Csoport) eszközeiről, kötelezettségeiről, pénzügyi helyzetéről és eredménykimutatásáról; és
- (ii) a konszolidált vezetőségi jelentése megbízható képet ad a Társaság és leányvállalatai (a Csoport) helyzetéről, fejlődéséről és teljesítményéről, ismertetve a főbb kockázatokat és bizonytalanságokat is.

**INDEPENDENT AUDITOR'S REPORT**  
(Free translation)

**To the shareholder of GTC Magyarország Zrt.**

**Report on the audit of the consolidated financial statements**

**Opinion**

We have audited the consolidated financial statements of GTC Magyarország Zrt. (the "Company") and its subsidiary (together the "Group") for the financial year ended on 31 December 2023 which comprise the consolidated statement of financial position as at 31 December 2023 (in which total assets equal to total equity and liabilities are EUR 1,380,534 thousand), the consolidated income and other comprehensive income (in which the total comprehensive income for the year is EUR 16,246 thousand profit), the consolidated statement of changes in equity, the consolidated cash flow statement for the financial period then ended and the notes to the consolidated financial statements comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and they have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Accounting Act") relevant for the consolidated annual financial statements prepared in accordance with IFRS as adopted by the EU.

**Basis for opinion**

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

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

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

**Our audit approach**

**Overview**

<i>Overall group materiality</i>	Overall group materiality applied was EUR 13,800,000
<i>Group Scoping</i>	We included in our audit five subsidiaries, each of them operating in Hungary, which amount up to 86% of the consolidated total assets.
<i>Key Audit Matter</i>	Determination of the fair value of investment properties

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 management 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.

### ***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.

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<i>Materiality</i>	EUR 13,800,000
<i>Determination</i>	1% of the consolidated total assets
<i>Rationale for the materiality benchmark applied</i>	We chose consolidated total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 1%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

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### ***Group audit scope***

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.

We have identified five subsidiaries beside the parent company, which, in our view, required an audit of their complete financial information, due to their financial significance or risk to the group. Those reporting components are the major investment property entities in the group and in Hungary.

In addition, we performed the audit of specific balances and transactions of three subsidiaries out of which 2 are located in Hungary and one in Serbia.

For the remaining components we performed analytical review on Group level. This together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

### ***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. These matters were

addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Key audit matter*

*How our audit addressed the key audit matter*

***Determination of the fair value of investment properties***

The balance of investment properties as of 31 December 2023 is EUR 664,540 thousand, which is 48.14% of the consolidated total assets.

In the course of our audit procedures, we included our real estate appraisers in the audit of the valuation in order to assess the estimates and methodology used by the management.

The fair value of investment properties in project companies is determined annually by the management with the involvement of an independent appraiser.

As part of this, we tested the validity of the data used in the model, assessed the qualifications and reputation of the appraiser employed by the management regarding the preparation of the real estate appraisal.

The valuation of investment properties is an area that requires significant judgment and is highly dependent on estimates of future rents, discount rates, inflation and occupancy. Therefore, we identified the valuation of investment properties as a key area of the audit.

We checked whether the accounting policy applied by the Group is in accordance with the standard provisions of *IAS 40 Investment properties*. We checked whether the Group made disclosures according to the *IAS 40 Investment properties standard*.

Disclosures related to investment properties, which present the key assumptions used to determine fair values, are set out in notes 7b, 7.c, and 17.

We examined whether the disclosures in point 17 of the notes are consistent with the requirements contained in the *IAS 40 Investment Property standard*.

We read the disclosures presented in point 17 of the notes and considered their completeness regarding the assumptions to which the valuation model is most sensitive and whether they are consistent with the requirements contained in the *IAS 40 Investment properties standard*.

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**Other information: the consolidated business report which is included as the management's board report in the annual report**

Other information comprises the consolidated business report which is included as the management's board report of the Group in the annual report for the financial year ended on 31 December 2023. Management is responsible for the preparation of the consolidated business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the consolidated financial statements does not cover the consolidated business report or the annual report.

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

Based on the Accounting Act, it is also our responsibility to consider whether the consolidated business report has been prepared in accordance with the provisions of the Accounting Act and other relevant regulations, if any, and to express an opinion on this and on whether the consolidated business report is consistent with the consolidated financial statements.

In our opinion, regarding the financial year ended on 31 December 2023, the consolidated business report and the annual report of the Group is consistent, in all material respects, with the consolidated financial statements for the financial year ended on 31 December 2023, and the consolidated business report has been prepared in accordance with the provisions of the Accounting Act. As there is no other regulation prescribing further requirements for the consolidated business report, we do not express an opinion in this respect.

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

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

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and to prepare the consolidated financial statements in accordance with the supplementary requirements of the Accounting Act relevant for the consolidated annual financial statements prepared in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's responsibilities for the audit of the consolidated financial statements**

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

As part of an audit in accordance with HNSAs, we exercise professional 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 management.
- Conclude on the appropriateness of management'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 gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 with those charged with governance, 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.

## **Report on other legal and regulatory requirements**

The engagement partner on the audit resulting in this independent auditor's report is Mészáros Balázs Árpád.

Budapest, 25 April 2024

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*Translation note:*

*This English version of our report is a translation from the original version prepared in Hungarian on the consolidated financial statements prepared in Hungarian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this English translation.*