



MANAGEMENT BOARD'S REPORT
ON THE ACTIVITIES OF
GTC HUNGARY REAL ESTATE
DEVELOPMENT PLTD. GROUP
IN THE **SIX-MONTH PERIOD ENDED 30 JUNE**

2023



TABLE OF CONTENT

1. Introduction	3
2. Selected financial data	6
3. Key risk factors	7
4. Presentation of the Group.....	33
4.1 General information about the Group.....	33
4.2 Main events of the first half of 2023.....	33
4.3 Structure of the Group.....	34
4.4 The Group's Strategy	34
4.5 Business overview	35
4.5.1 Overview of the investment portfolio	35
4.5.1.1 Overview of income generating portfolio	36
4.5.1.2 Overview of properties under construction.....	37
4.5.1.3 Overview of investment property landbank	37
5. Operating and financial review	37
5.1 General factors affecting operating and financial results	37
5.2 Specific factors affecting financial and operating results	40
5.3 Statement of financial position	41
5.3.1 Financial position as of 30 June 2023 compared to 31 December 2022	41
5.4 Consolidated income statement.....	42
5.4.1 Comparison of financial results for the 6-month period ended 30 June 2023 with the result for the corresponding period of 2022	42
5.5 Consolidated cash flow statement.....	43
5.5.1 Cash flow analysis.....	43

1. Introduction

The GTC Hungary Real Estate Development Pltd. was registered in Budapest in September 1998. The company is part of 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.

GTC GROUP:

Poland,
Hungary,
Belgrade,
Bucharest,
Sofia
and Zagreb

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

As of 30 June 2023, the book value of the Group's total property portfolio was EUR 648,933. The breakdown of the Group's property portfolio was as follows:

10 completed buildings	199,000 sq m of GLA	1 building under construction	landbank for future development
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The GTC's headquarters are located in Budapest, at 22 Népfürdő.

TERMS AND ABBREVIATIONS

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

the Company or GTC	are to 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.);
CEE	is to the group of countries that are within the region of Central and Eastern Europe (Poland, Hungary);
SEE	is to the group of countries that are within the region of South-Eastern Europe (Bulgaria, Croatia, Romania, and Serbia);
Net rentable area, NRA, or net leasable area, NLA	are to the metric of the area of a given property as indicated by the property appraisal experts to prepare the relevant property valuations. With respect to commercial properties, the net leasable (rentable) area is all the office or retail leasable area of a property exclusive of non-leasable space, such as hallways, building foyers, and areas devoted to heating and air conditioning installations, elevators, and other utility areas. The specific methods of calculation of NRA may vary among particular properties, which is due to different methodologies and standards applicable in the various geographic markets on which the Group operates;
Gross rentable area or gross leasable area, GLA	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;
Total property portfolio	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;
Commercial properties	is to properties with respect to which GTC Group derives revenue from rent and includes both office and retail properties;
Occupancy rate	is to average occupancy of the completed assets based on square meters ("sq m") of the gross leasable area;
In-place rent	is to rental income that was in place as of the reporting date. It includes headline rent from premises, income from parking, and other rental income;
Net loan to value (LTV); net loan-to-value ratio	are to net debt divided by Gross Asset Value. Net debt is calculated as total financial debt net of cash and cash equivalents and deposits and excluding loans from non-controlling interest and deferred debt issuance costs. Gross Asset Value is investment properties (excluding the right of use under land leases), residential landbank, assets held for sale, financial assets, building for own use, and share on equity investments. Net loan to value provides a general assessment of financial risk undertaken;

The average cost of debt; average interest rate	is calculated as a weighted average interest rate of total debt, as adjusted to reflect the impact of contracted interest rate swaps and cross-currency swaps by the Group;
EUR, € or euro	are to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
HUF	is to the lawful currency of Hungary.

PRESENTATION OF FINANCIAL INFORMATION

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

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

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

PRESENTATION OF PROPERTY INFORMATION

Information on properties is presented based on the consolidation method of each of the properties. . The occupancy rate given for each of the markets is as of 30 June 2023.

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 six-month period ended 30 June 2023 and 2022. The historical financial data should be read in conjunction with Item 5. "Operating and financial review" and the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2023 (including the notes thereto). The Group has derived the financial data presented in accordance with IFRS from the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2023.

	For the 6-month period ended 30 June	
	2023	2022
(in thousands)	EUR	EUR
Consolidated Income Statement		
Revenues from operations	23,244	19,155
Cost of operations	(7,221)	(4,616)
Gross margin from operations	16,023	14,539
Selling expenses	(333)	(191)
Administrative expenses	(2,461)	(1,754)
Profit/(loss) from revaluation of investment property	(16,526)	22,851
Financial income/(cost), net	(3,339)	(1,752)
Net profit / (loss)	(7,880)	29,308
Consolidated Cash Flow Statement		
Net cash from operating activities	2,210	16,267
Net cash from investing activities	9,468	4,581
Net cash from/(used in) financing activities	5,157	(14,066)
Cash and cash equivalents at the end of the period	51,821	30,572
	As of	
	30 June 2023	31 Dec 2022
Consolidated statement of financial position		
Investment property (completed and under construction)	612,383	614,338
Investment property landbank	36,550	36,483
Cash and cash equivalents	51,821	34,988
Loan granted to related parties	634,401	652,095
Others	29,505	27,468
Total assets	1,364,660	1,365,372
Non-current liabilities	1,119,019	1,115,645
Current liabilities	13,159	22,223
Total Equity	232,482	227,504
Share capital	20,366	20,366

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

3. Key risk factors

RISK FACTORS RELATING TO THE COMPANY/GROUP'S BUSINESS

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

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

The risk area related with the conflict in Ukraine includes, *inter alia*, limitations in the availability of construction materials, equipment, services, interruption or disruption in the continuity of supplies, an extraordinary increase in the prices of key raw materials, limited availability of employees, especially male workers from Ukraine resulting from their return to their country to participate in military operations, a decline in demand on the property market due to uncertainty as to the possible development of the current economic and political situation, combined with high inflation, an increase in interest rates as well as decreased availability and higher cost of external debt financing, which has resulted in a slowdown in the real estate market.

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

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

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

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

While the risk of the COVID-19 pandemic cannot yet be ruled out (e.g. given the recent outbreaks in China), its expected impact on the Group's business might be lower than in 2020 or in 2021, when its operations were exposed to a number of measures taken by the government in order to minimise the risk of the spread of the COVID-19 pandemic, including lockdowns and closures of shopping centres, limited operations, limited working hours, etc. The restrictions introduced by the government directly affected the course of business processes and the organisation of the Group's operations. For instance, the tenants in the

Group's shopping centres were unable to trade for three to five months during 2020 and around an average of three months during 2021 (in the period between January and May). As a consequence, following the lockdown periods, in Poland tenants were released from rent payment obligations while in other countries the tenants were given various discounts and other relief in order to continue operating in very challenging circumstances. The Group cannot rule out that it will need to take the same course of action if analogous restrictions are introduced in the future in case of an outbreak of any new pandemic or the spread of COVID-19 or further variants thereof.

Even though it seems that the peak of the COVID-19 pandemic has already passed since numerous people have been vaccinated and the number of infected persons has decreased significantly, the risk of the further spread of the SARS-CoV-2 virus and the occurrence of its mutations cannot be ruled out entirely. The Group cannot exclude the risk of the occurrence of any new pandemic that will have consequences similar to the COVID-19 pandemic. Thus, the extent of the impact of the COVID-19 pandemic or any future pandemic on the Group is still uncertain and depends on a number of factors, such as the duration and scope of the pandemic, and the suitability and effectiveness of measures adopted by authorities in response to the pandemic. The occurrence or escalation of one or more of the above developments may significantly negatively impact the Group's business, financial condition, prospects and results of operations.

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

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

Hybrid work and working from home may lead to a significant decrease in the occupancy of office buildings, resulting in lower rental income generated by such buildings and in consequence possibly having a material adverse effect on the Group's business, financial condition, and operational results.

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

The Group is exposed to all of the risks inherent in the business of owning, managing and using commercial real estate. Its performance may be adversely affected by an oversupply or a downturn in the commercial real estate market in general, or in the commercial real estate market in those cities in which the properties are located. Rental income and the market value for properties are generally affected by overall conditions in the EU and national and local economies, such as growth in gross domestic product ("GDP"), inflation and changes in interest rates.

The current unfavourable macroeconomic trends including growing inflation and higher interest rates may have a negative impact on the Group and lead to a decrease in purchasing power and lower store turnovers and, as a consequence, result in pressure on rental rates in shopping centres or may impact the tenants' ability to meet their rental obligations towards the Group, especially in light of the higher total rental costs due to an increase in service charges. Additionally, a weakening economy, coupled with higher rental costs and a hybrid working

model may have a negative impact on demand for office space and lead to higher vacancy levels (resulting in lower-than-expected revenue streams). Despite the temporary slowdown in the e-commerce market, its further growth is expected and such growth, in the long term, may result in a reduced demand for retail space and decreased rental income.

Rising inflation translated into an increase in interest rates (and further increases in interest rates are expected), which has an impact on availability and cost of debt, which can decrease demand for real properties or/and increase the cost of financing. However, Group's debt was either based on a fixed rate or hedged against interest rate fluctuations by using derivative instruments, meaning its exposure to changes in interest rates is limited (as at 30 June 2023- 93% of GTC Group debt). Decreased demand for real properties may lead to a decrease in prices that real estate investors are prepared to pay for real properties and, as a consequence, a decline in the value of properties cannot be ruled out.

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

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

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

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

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

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

Moreover, the management board, expanding the existing strategy of the Group, decided to pursue potential new investments in certain new sectors and geographical regions that may diverge from the current core scope of the Group's operations (namely, the development and management of office, retail and certain other types of real estate). Potential new sectors identified by the Group to be considered for investment as part of the new strategy include: (i) investment in innovation and technology parks; (ii) investment in selected renewable energy facilities in Hungary to complement its current offering and better address tenants' needs.

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

The success of the Group's strategy relies, in part, on various assumptions and contingencies, including assumptions with respect to the level of profitability of any acquisition targets to be achieved in the future and investment criteria that have been developed by the Group to achieve the expected level of returns on acquired assets. Such assumptions may prove to be partially or wholly incorrect or inaccurate and as a result, the return on an investment may be lower than expected. It is possible that the Group or its service providers will misjudge individual aspects of a given project when making acquisition decisions or that assessments on which the Group bases its decisions are inaccurate or based on assumptions that turn out to be incorrect. Such judgment errors may lead to an inaccurate analysis and valuation of a project by the Group in connection with investment decisions that may only become apparent at a later stage and force the Group to revise its valuation downwards. The Group can also not guarantee that the service provider it chooses to carry out its due diligence will identify all of the risks related to a given project. In addition, the Group cannot guarantee that it will be able to have recourse to the seller of a given property for not disclosing such risks.

Furthermore, as part of its strategy, the Group is reorganising its property portfolio and intends to acquire appreciating and value-added properties and to sell its non-core assets. The Group intends to integrate any newly acquired properties with the existing portfolio and rent them out in order to generate rental income for the Group. If these properties are not fully rented and/or the rental rates are agreed below the estimated rental values, the Group may not be able to realise its expected rates of return on the new acquisitions.

Moreover, the Group may fail to achieve its goals due to internal and external factors of a regulatory, legal, financial, social or operational nature, some of which may be beyond the Group's control, such as volatile market conditions, a lack of capital resources needed for expansion and the changing price and availability of investment targets in the relevant markets, as well as amendments to applicable laws.

As a consequence, the Group may be unable to implement its strategy in part or in full; it may decide to change, suspend or withdraw from its strategy or development programme, and it may be unable to achieve, or it could encounter delays in achieving, the planned outcomes of its strategy and development programme. This could have a material adverse effect on the Group's business, financial condition and results of operations.

THE VALUATION OF THE GROUP'S PROPERTIES AND, CONSEQUENTLY, THE GROUP'S CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT MAY BE SUBJECT TO SIGNIFICANT FLUCTUATIONS

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

The property valuations are performed by external valuation agents and are not guarantees of present or future value. One external valuation agent may reach a different conclusion to the conclusion that would be reached if a different external valuation agent were appraising the same property, and similarly the same external valuation agent may come to a different conclusion at different periods of time. The valuation of property is inherently subjective and uncertain as it is based on different methodologies, forecasts and assumptions.

The Group's property valuations are made using the discounted rates applicable to the relevant local real estate market or, in the case of certain properties, by reference to the sale value of comparable properties. Such valuations are reviewed internally and, if necessary, confirmed by the Group's independent, certified appraiser and, verified by the Group's management.

Any change in the discounted rates used by the valuer will have an impact on the valuation of a given property. Furthermore, any change to the valuation methodology may result in gains or losses in the Group's consolidated income statement based on the change to each property's valuation compared with prior valuations. As a result, the Group can have significant non-cash revenue gains or losses from period to period depending on the changes in the fair values of its investment properties, regardless of whether such properties are sold. For instance, in some years, the Group may recognise revaluation losses and impairment in respect of certain assets and residential projects, and in other years profits for the same assets and residential projects.

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

Furthermore, if the forecasts and assumptions on which the valuations of the projects in the Group's portfolio are based prove to be inaccurate or are subject to changes due to the changing environment, the actual values of the projects in the Group's portfolio may differ materially from those stated in the valuation reports. Valuations based on inaccurate

assumptions of the Group's properties and fluctuations in valuations may have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

The active management of the Group's large-scale commercial properties is of particular importance. In addition to legal constraints, the Group's ability to reduce vacancies, renegotiate rents and create a desired tenant mix is partly subject to market-related factors. Some of these factors, such as the general economic environment, consumer confidence, inflation and interest rates, and others are beyond the Group's control. During periods of recession or downturns in the economy, increased inflation and higher interest rates as well as taking into account a growing significance of e-commerce and changes of work patterns connected with working in a hybrid mode by combining work from home with office work or from home only, it is more challenging for developers to attract new tenants and to retain existing ones, and competition between developers for each tenant is much stronger.

If the Group is unable to create or capture demand for its properties by, for example, improving tenant services or motivating its external sales agents, it may not be able to reduce vacancy rates or renegotiate rents as desired. Moreover, tenants that experience liquidity shortages may not pay their rent on time over prolonged periods, but, despite that, the Group may not be able to replace them with different tenants with a better financial standing.

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

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

In accordance with the strategy of the Group, the Group intends to expand its business through: (i) the acquisition of yielding properties; (ii) asset management focused on realising the full potential of, and maximising returns from, the Group's portfolio; and (iii) the development of selected projects as well as investments in new sectors, including innovation and technology parks, renewable energy facilities and PRS asset development. The growth and profitability of the Group and the success of its proposed business strategy depend, to a significant extent, on its continued ability to locate and acquire properties at attractive prices and on favourable terms and conditions.

The ability to identify and secure accretive value-added acquisition opportunities involves uncertainties and risks, including the risk that the acquisition will not generate an income after

the Group has carried out business, technical, environmental, accounting and legal examinations of the property or project.

In addition, the Group also faces the risk that competitors may anticipate certain investment opportunities and compete for their acquisition. Additionally, any potential acquisition of properties may give rise to pre-acquisition costs which have to be paid by the Group even if the purchase of a property is not concluded. There can be no assurance that the Group will be able to: (i) identify and secure investments that satisfy its rate of return objective and realise their values; and (ii) acquire properties and develop the intended projects.

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

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

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

The acquisition of real estate requires a precise analysis of the factors that create value, in particular the levels of future rental values and the potential for the improvement of the net operating income ("NOI"). Such an analysis is subject to a wide variety of factors as well as subjective assessments and is based on various assumptions. It is possible that the Group or its service providers will misjudge individual aspects of a given project when making acquisition decisions or that assessments on which the Group bases its decisions are inaccurate or based on assumptions that turn out to be incorrect. The Group may also overestimate the probability of obtaining the required approvals and administrative decisions or a temporary delay in obtaining them. Any incorrect assessment of the attractiveness of a given location and the possibility of implementing a project in accordance with the assumptions may result in difficulties in achieving the expected rate of return within a specified time. Such judgment errors may lead to an inaccurate analysis and valuation of the properties by the Group in connection with investment decisions that may only become apparent at a later stage and force the Group to revise its valuation figures downwards.

The Group can also not guarantee that the service provider it chooses to carry out its due diligence when purchasing property will identify all of the risks related to the property in question (e.g. soil contamination, discovery of archaeological monuments, unexploded ordnance or other specific conditions), and as a consequence, the assumed return rate for a given project will not be achieved. Additionally, in connection with any potential contamination or hazardous substances, penalties may be imposed on the Group, including the Group being forced to incur unforeseen costs of repairing damages related to such contamination. The Group also cannot guarantee that it will be able to have recourse to the seller of the property for not disclosing such risks. The Group may suffer financial loss if it is unable to learn of such risks. The

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

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

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

In particular, due to increased competition and pressure on rents, amidst the general economic uncertainty arising from both the COVID-19 pandemic and war in Ukraine, there can be no assurance that tenants will renew their leases on terms favourable to the Group at the end of their current tenancies or, if they do not, that new tenants of equivalent standing (or any new tenants) will be found to take-up replacement leases. There is also a risk of reduced demand for office and retail space resulting from changes in the working model due to the increase of working in a hybrid mode or working from home, as well as changes in shopping preferences combined with the growing significance of online shopping instead of conventional shopping.

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

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

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

The Group invests in real estate and derives a significant proportion of its cash flows from rental payments received from the tenants occupying its properties. Any significant decline in occupancy levels in respect of the properties could have a material adverse effect on the ability of the Group to generate cash flow at the earlier assumed values. Factors affecting occupancy may include, but are not limited to:

- demand for office and retail space;

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

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

Any failure of the Group to sustain an adequate occupancy level would result in lower rental income from the management of the existing portfolio and in a lower valuation of the Group's properties and overall portfolio. Expected vacancies are reflected in the valuation reports as at 31 December 2022. If a significant portion of the Group's property portfolio remains vacant for a prolonged period of time, the fixed costs for maintaining such vacant spaces and the lack of rental income generated by such spaces could have a material adverse effect on the Group's business, financial condition and results of operations.

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

Russia's invasion of Ukraine resulted in immediate volatility on the global stock markets, and uncertainties are anticipated in relation to the cost and availability of energy and natural resources, in particular in Europe. The Group cannot exclude that further rapid growth of electricity and gas prices will not have a negative effect on its annual spending on service charges (which are forecasted annually at the beginning of each calendar year and settled with tenants after the end of the year), which in addition to rental rates constitute the total cost of renting an office or retail space for the tenant. With insufficient state aid being provided to enterprises in connection with the current energy crisis, it also cannot be ruled out that tenants of the Group will be unable to cover rental costs.

The above may have an adverse effect on the Group's business, financial condition and results of operations.

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

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

However, the Group is not able to pass on all such costs to the tenants, especially in a very competitive environment, where the Group has to offer attractive conditions and terms to be able to compete with other office buildings or has to improve conditions offered to attract new

tenants to its retail projects. Deteriorating market conditions, increased competition and tenants' requirements may further limit the Group's ability to transfer such costs, in full or in part, to its tenants. The service charges of the Group's properties may increase due to a number of factors, including an increase in electricity costs or maintenance costs. Moreover, if vacancy rates increase, the Group must cover the portion of the service charge that is related to the vacant space. Some lease agreements provide for the maximum value combined rental rate and service charged to be paid by the tenant. In such cases, if the maintenance charges increase, the Group would be unable to pass on such increases to the tenants.

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

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

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

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

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

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

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

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

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

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

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

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

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

ability to sell its property quickly may, however, be hindered by a number of factors beyond its control.

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

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

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

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

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

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

requires rezoning or a new or amended local spatial development plan or planning permission. The issuance of a required permission cannot be guaranteed, and the Group has encountered difficulties in the past in that respect.

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

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

Additionally, no assurances can be given that permits, consents or approvals required from various government entities in connection with existing or new development projects will be obtained by the Group in a timely manner, as the procedure of obtaining the necessary administrative decisions may also be subject to delays related to hostile actions of any third parties entitled to challenge any issued decisions, including entities holding ownership titles to any properties neighbouring the properties on which investment projects of the Group are carried out or will be carried out in the future. Third parties may, by participating in administrative proceedings related to investment procedures, take action preventing the Group from obtaining the relevant decisions, including by appealing against any decisions issued in the course of investment procedures to administrative authorities of the second instance or to administrative courts. Such actions may result in the suspension of or delays in any deadlines stated in the timetable and abandoning the investment. Any claims raised against the Group, regardless of their validity, may also adversely affect the image of the Group and its projects or the perception of the Group's operations and its projects by its end customers or investors.

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

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

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

Accordingly, the Group's failure to hire general contractors on commercially reasonable terms could result in increased costs and a failure to hire general contractors at all could result in project delays or cancellations. The failure of general contractors to meet accepted standards of quality and safety or to complete the construction within an agreed timeframe or within an approved budget may result in increased costs, project delays or claims against the Group. Additionally, such failure may damage the Group's reputation and affect the marketability of the completed properties. If the Group is unable to enter into contracting arrangements with quality general contractors or subcontractors on commercially reasonable terms, or their performance is substandard, this could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group's projects can only be carried out if the sites on which they are located have access to the relevant technical infrastructure required by law (e.g. internal roads, utility connections, and fire prevention equipment and procedures). In cases where such sites do not have the necessary infrastructure, a use permit for the project may not be issued until such infrastructure is assured. It is also possible that the relevant authorities may require the Group to develop the relevant infrastructure as a part of the works related to the project, which may have a significant impact on the costs of the construction works. The authorities may also demand that the investor develop technical infrastructure that is not required from the project's perspective but may be expected by the authorities as a contribution by the investor to the development of the local municipality.

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

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

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

LEGAL AND REGULATORY RISKS

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

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

Tax regulations are complex and they are subject to frequent changes. The approach of the tax authorities in the countries in which the Group operates is not uniform or consistent and there are rather significant discrepancies between the judicial decisions issued by administrative courts in tax law matters. No assurance may be given that tax authorities will not employ a different interpretation of the tax laws which apply to the Group, and which may prove unfavourable to the Group. No assurance may be given that the specific individual tax interpretations already obtained and applied by the Group will not be changed or challenged. There is also a risk that once new tax law regulations are introduced, the Group companies will need to take actions to adjust to these laws, which may result in greater costs forced by circumstances related with complying with the changed or new regulations. Thus, despite monitoring the risks in the various areas of the Group's operations, the risk of disputes with the tax authorities in terms of the assessment of the tax consequences of certain events or transactions specific to the business of the Group and the industry in which it operates cannot be ruled out.

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

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

CHANGES IN LAWS COULD ADVERSELY AFFECT THE GROUP

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

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

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

THE GROUP MAY BE SUBJECT TO LEGAL DISPUTES AND RISKS

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

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

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

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

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

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

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

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

THE GROUP'S INSURANCE MAY BE INADEQUATE

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

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

RISK FACTORS RELATING TO THE GROUP'S FINANCIAL CONDITION

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

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

- increasing vulnerability to and simultaneously reducing flexibility to respond to downturns in the Group's business or general adverse economic and industry conditions, including adverse economic conditions in the jurisdictions in which the Group operates;
- limiting the Group's ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings;
- forcing the Group to dispose of its properties in order to enable it to meet its financing obligations, including compliance with certain covenants under loan agreements;
- requiring the dedication of a substantial portion of the Group's cash flows from operations to the payment of the principal of and interest on its indebtedness, meaning that these cash flows will not be available to fund its operations, capital expenditures, acquisitions or other corporate purposes;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the real estate market; and
- placing the Group at a competitive disadvantage compared to its competitors that are not as highly leveraged.

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

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

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

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

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

The Group's real estate developments are financed under loans that have been provided for a limited term. The Group may not be able to renew or refinance the remaining obligations in part or at all or may have to accept less favourable terms in respect of such refinancing. If the Group is unable to renew a loan or secure refinancing, the Group could be forced to sell one or more of its office properties in order to procure the necessary liquidity. Additionally, if the Group is not able to renew certain loans, those properties which are financed through loans will become low leveraged and, as a consequence, will not be able to generate the expected returns on equity. Any combination of the above would have material adverse effects on the Group's business, cash flows, financial condition and results of operations.

THE GROUP IS EXPOSED TO FLUCTUATIONS IN FOREIGN CURRENCY EXCHANGE RATES

The Group's financial statements are expressed in euro and the Group's functional currency is the euro. Moreover, the majority of the Group's revenues, specifically rent revenues, are expressed in euro. However, certain of the Group's costs, such as certain construction costs, labour costs and remuneration for certain general contractors, are incurred in the currencies of the geographical markets in which the Group operates, including Hungarian forint or Serbian dinar.

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

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

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

THE GROUP IS SUBJECT TO INTEREST RATE RISK

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

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

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

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

RISK FACTORS RELATING TO THE MARKETS IN WHICH THE GROUP OPERATES

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

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

investing in the securities of issuers with substantial operations in the countries of Western Europe or other similar jurisdictions.

For 6-month period ended 30 June 2023, all of the Group's revenues were sourced from its operations in Hungary (94%) and Serbia (6%). These markets are subject to greater risk than more developed markets. CEE and SEE countries still present various risks to investors, such as instability or changes in national or local government authorities, land expropriation, changes in taxation legislation or regulation, changes to business practices or customs, changes to laws and regulations relating to currency repatriation and limitations on the level of foreign investment or development. In particular, the Group is affected by rules and regulations regarding foreign ownership of real estate and personal property. Such rules may change quickly and significantly and, as a result, impact the Group's ownership and may cause it to lose property or assets without legal recourse.

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

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

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

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

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

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

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

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

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

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

Moreover, the Group may be exposed to the inherent risk related to investing in real estate situated in CEE and SEE countries resulting from the unregulated legal status of some of such real estate properties. Following the introduction of nationalisation in certain CEE and SEE jurisdictions, including Poland and Hungary, during the post-war years, many privately-owned properties and businesses were taken over by such states. In many cases, the requisition of the property took place in contravention of prevailing laws. After the CEE and SEE countries moved to a market economy system in 1989-1990, many former property owners or their legal successors took steps to recover the properties or businesses lost after the war or to obtain compensation. For many years, efforts have been made to regulate the issue of restitution claims in Poland. Despite several attempts, no act regulating the restitution process has been passed in Poland. Under the current law, former owners of properties or their legal successors may file applications with the authorities for the administrative decisions under which the properties were taken away from them to be declared invalid, unless a period of ten years has lapsed from the date of their delivery or announcement. As at the date of the Report, there are no proceedings underway seeking the invalidation of administrative decisions issued by the authorities concerning properties held by the Group. There is no guarantee, however, that

restitution claims may not be brought against the Group in the future, and this could have a material adverse effect on the Group's business, financial condition and results of operations.

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

It may be difficult or, in certain cases, impossible for the Group to establish with certainty that title to a property has been vested in a relevant Group company due to the fact that real estate laws in Poland and other jurisdictions in which the Group operates are complicated and often ambiguous and/or contradictory and the relevant registries may not be reliable. For example, under the laws of Poland, transactions involving real estate may be challenged on many grounds, including where the seller or assignor to a given property did not have the right to dispose of such property, for a breach of the corporate approval requirements by a counterparty or a failure to register the transfer of a title in an official register, when required. Also, even if a title to real property is registered, it may still be contested. Therefore, there can be no assurance that the Group's claim to a title would be upheld if challenged. Further, it is possible that permits, authorisations, re-zoning approvals or other similar decisions may have been obtained in breach of applicable laws or regulations. Such matters would be susceptible to subsequent challenge. Similar issues may arise in the context of compliance with privatisation procedures and auctions related to the acquisition of land leases and development rights. It may be difficult, or impossible, to monitor, assess or verify these concerns. If any of these permits, authorisations, re-zoning approvals or other similar requirements were to be challenged, this may have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

4. Presentation of the Group

4.1 General information about the Group

The GTC 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.

Group's portfolio comprises: (i) completed commercial properties; (ii) commercial properties under construction; (iii) commercial landbank intended for future development. As of 30 June 2023, the Company's property portfolio comprised the following properties:

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

As of 30 June 2023, the book value of the Company's portfolio amounted to EUR 648,933 with: (i) the Group's completed investment properties accounted for 90% thereof; (ii) investment properties under construction for 4%; and (iii) an investment landbank intended for future development for 6%.

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

4.2 Main events in the six-month period ended 30 June 2023

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 GTC S.A. The resignation is effective as of 25 April 2023.

On 29 May 2023, Management Board of GTC S.A. announced that it has decided to expand the previously presented and implemented strategy of the Company, which strategy now includes investments and developments in real estate projects involving hospitality assets, in particular in the high-end segment of the market in Europe.

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

On 29 August 2023, Gyula Nagy and Zsolt Farkas were appointed as Management Board members of the Company. Supervisory Board of GTC S.A. appointed Gyula Nagy as Chief Executive Officer of GTC Group and Zsolt Farkas as Chief Operating Officer of GTC Group as well as members of the Management Board of GTC S.A. The appointment is effective 31 August 2023.

NEW 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 30 June 2023, the full amount was drawn down.

IMPACT OF THE SITUATION IN UKRAINE ON GTC GROUP

Detailed analysis of the impact of the war on the operations of the Group has been performed for the purpose of preparation of the annual consolidated financial statements.

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. 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.

4.3 Structure of the Group

The structure of GTC Hungary Real Estate Development Pltd. Capital Group as of 30 June 2023 is presented in the unaudited interim condensed consolidated financial statements for the 6-month period ended 30 June 2023 in Note 4 "Investment in subsidiaries".

There were no changes in the structure of the Group occurred in the six-month period ended 30 June 2023.

4.4 The Group's Strategy

The GTC Hungary is a part of GTC Group and its objective is to create value through active management of a growing commercial real estate portfolio, supplemented by acquisitions and selected development activities; and

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

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

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

Additionally, in May 2023, management board of GTC Group announced that its further strategy expansion to include investments and developments in real estate projects involving hospitality assets, in particular in the high-end segment of the market in Europe.

The management board assumes that the new investments should:

- help GTC Group diversify its portfolio in new and fast-growing sectors which may be either based on direct real estate investments or operating in related investment platforms;
- involve sectors with more sustainable growth compared to traditional real estate;
- be made in segments of the market which should be resilient to present turbulent market conditions.

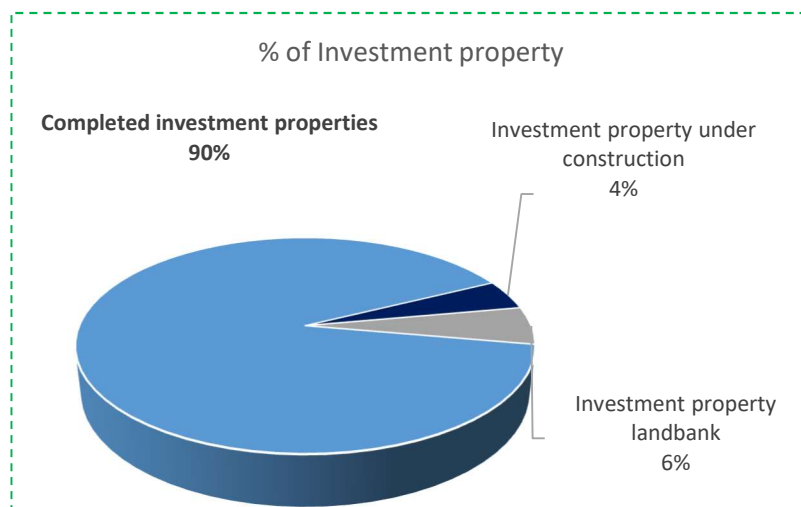
Full description of the GTC Group strategy is depicted in GTC Hungary annual report for the year 2022.

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 and Belgrade supplemented by selected development activities. As of 30 June 2023, the book value of the Group's investment properties amounted to EUR 648,933. The Group's investment properties include income generating assets (completed properties), projects under construction and commercial landbank.

4.5.1 Overview of the investment portfolio

The Group's investment properties include income generating assets (completed properties, projects under construction, investment property landbank).



4.5.1.1 Overview of income generating portfolio

As of 30 June 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 as compared to 199 thousand sq m as of 31 December 2022. The total value of the office portfolio as of 30 June 2023 was EUR 583,383 compared to EUR 594,838 as of 31 December 2022.

Office portfolio in Budapest

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 85%. The applied average yield was 6.5%. The average rental rate generated by the office portfolio in Hungary was EUR 18.4 sq m/month. The book value of the Group's office portfolio in Hungary amounted to EUR 533,938 as of 30 June 2023, as compared to EUR 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 gross rentable area (sq m)	Year of completion
CenterPoint I&II	Budapest	100%	40,700	2004/2006 under redevelopment
Duna Tower	Budapest	100%	31,200	2006
GTC Metro	Budapest	100%	16,200	2010
Vaci 173-177 (GTC Future) ¹	Budapest	100%	6,400	-
Vaci Greens D	Budapest	100%	15,600	2018
Ericsson Headquarter (Univerzum)	Budapest	100%	21,100	2017
evosoft Hungary Ltd. Headquarter (Univerzum)	Budapest	100%	20,700	2020
Pillar	Budapest	100%	29,100	2022
Total			181,000	

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

Office portfolio in Belgrade

The Group's total gross rentable area in Belgrade comprises 18 thousand sq m in one office building. The occupancy rate was at the level of 94%. The applied average yield was 7.2%. The average rental rate generated by the office portfolio in Belgrade was at EUR 18.3/sq m/month. The book value of the Group's office portfolio in Belgrade amounted EUR 49,445 as of 30 June 2023 as compared to EUR 50,400 as of 31 December 2022.

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

Property	GTC's share	Total gross rentable area	Year of completion
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All the financial data in this Report is presented in euro and expressed in thousands unless indicated otherwise

	(%)	(sq m)	
GTC X	70%	17,700	2022
Total		17,700	

4.5.1.2 Overview of properties under construction

As of 30 June 2023, the Group had one office project with a total gross rentable area of 36 thousand sq m and a book value of EUR 29,000.

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

Property	Segment	Location	GTC's share	Total gross leasable area (sq m)	Expected completion
Center Point 3	office	Budapest, Hungary	100%	36,000	Q3 2025
Total				36,000	

4.5.1.3 Overview of investment property landbank

As of 30 June 2023, the Group's landbank designated for future commercial development amounted to EUR 36,550.

5. Operating and financial review

5.1 General factors affecting operating and financial results

GENERAL FACTORS AFFECTING OPERATING AND FINANCIAL RESULTS

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

ECONOMIC CONDITIONS

The economic crisis may slow down the general economy in the countries where the Group operates. The economic downturn in those countries may result in reduced demand for property, growth of vacancy rates, and increased competition in the real estate market, which may adversely affect the Group's ability to sell or let its completed projects at their expected yields and rates of return.

The reduced demand for property that, on the one hand, may result in a drop in sales dynamics, and, on the other, an increase in vacancy rates and lower rent revenues from leased space, may significantly impact the results of operations of the Group. Specifically, the Group may be forced to change some of its investment plans. Additionally, the Group may not be able to develop new numerous projects in the countries where it operates.

REAL ESTATE MARKET

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

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

REAL ESTATE VALUATION

The Group's results from operations depend heavily on the fluctuation of the value of assets on the property markets. The Group has its properties valued by external valuers at least twice a year, every June and December. Any change in the fair value of investment property is thereafter recognized as a gain or loss in the income statement.

The following three significant factors influence the valuation of the Group's properties: (i) the cash flow arising from operational performance, (ii) the expected rental rates, and (iii) the capitalization rates that result from the interest rates in the market and the risk premiums applied to the Group's business.

Cash flow arising from the operational performance is primarily determined by current gross rental income per square meter, vacancy rate trends, total portfolio size, maintenance and administrative expenses, and operating expenses. Expected rental values are determined predominantly by expected development of the macroeconomic indicators like GDP growth, disposable income, etc., as well as micro conditions such as new developments in the immediate neighborhood, competition, etc. Capitalization rates are influenced by prevailing interest rates and risk premiums. In the absence of other changes, when capitalization rates increase, market value decreases and vice versa. Small changes in one or some of these factors can have a considerable effect on the fair value of the Group's investment properties and on the results of its operations.

Moreover, valuation of the Group's landbank additionally depends on, among others, the building rights and the expected timing of the projects. The value of landbank, assessed using a comparative method, is determined by referring to the market prices applied in transactions relating to similar properties.

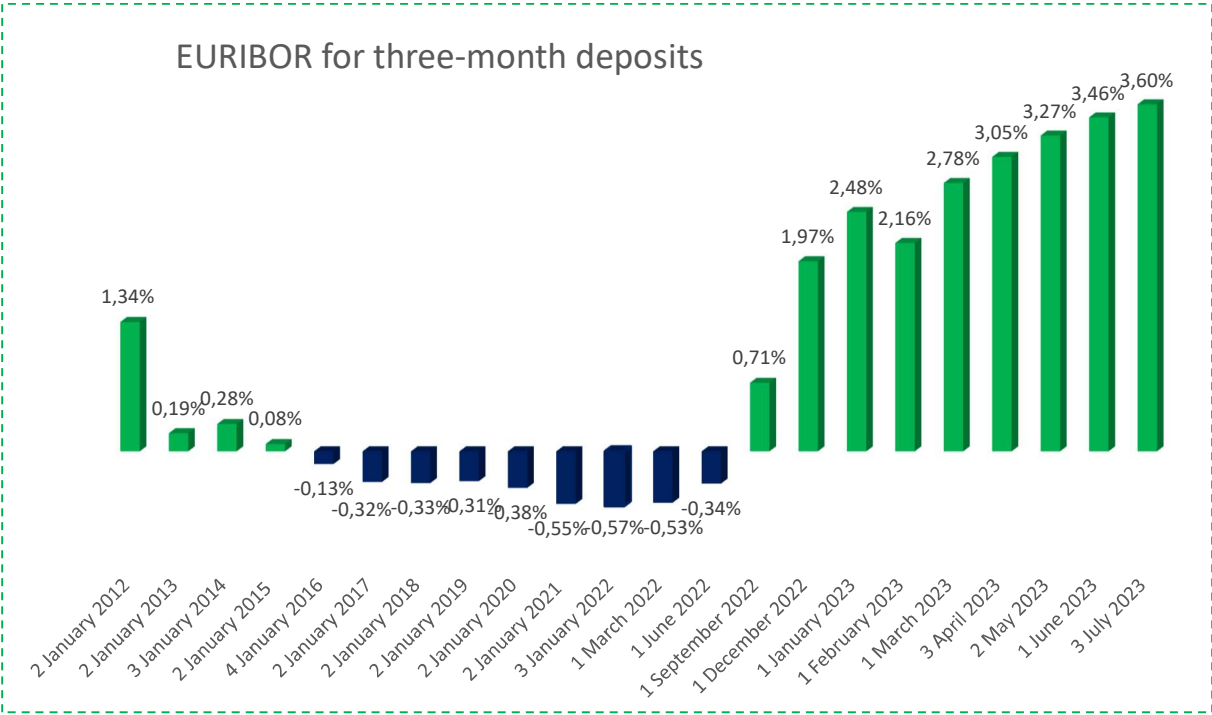
IMPACT OF INTEREST RATE MOVEMENTS

Increases in interest rates generally increase the Group’s financing costs. However, as of 30 June 2023, the Group’s borrowings were either based on fixed interest rate or hedged against interest rate fluctuations, mainly through interest rate swaps and cap transactions.

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

Historically, EURIBOR rates have remained close to zero or in the negative territory as presented on the graph below. However due to the inflationary pressure in the last six months of the year 2022 as well as by the date of this report the European Central Bank has decided to increase interest rates and it is expected that these shall continue to remain the positive in the next years to come.

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



IMPACT OF INFLATION

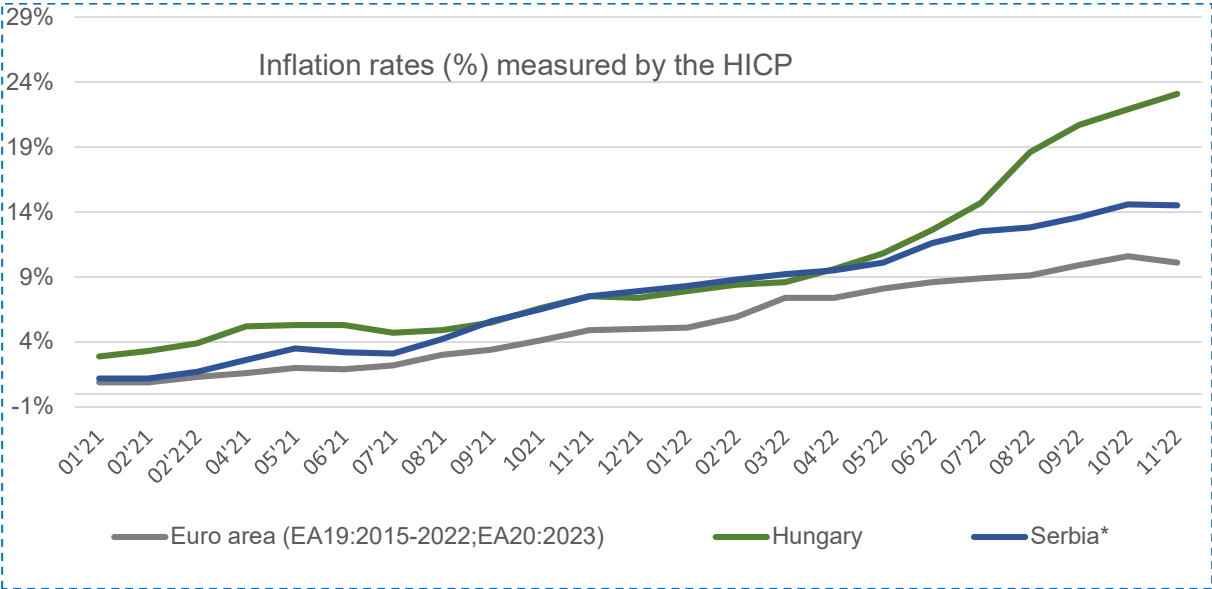
The COVID-19 outbreak in Europe has led governments to implement rescue packages, as well as supporting monetary policies by the European Central Bank to moderate the economic impact of the pandemic which have a direct or indirect impact on household consumption and thus consumer price indices. Increase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

The Group’s financial results are linked to the consumer price index as on one hand its rental revenue is indexed to the European CPI and on the other hand part of its debt is based on

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

floating interest rate, which also may fluctuate as a result of the inflation. Although debt is based on fixed rate or hedged against interest rate fluctuations so the exposure to the changes in interest rate is limited.

According to Eurostat, the Euro area annual inflation was 5.5% and Budapest annual inflation was 19.9% in June 2023. The graph below presents below the Harmonized Index of Consumer Prices (HICP) in countries which Group’s operate and the Euro area. The main index reference period currently used is 2015.



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

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

AVAILABILITY OF FINANCING

Real estate development companies, including the companies of the Group, usually finance their real estate projects with proceeds from external financing (e.g. bonds or bank loans etc.) or internal financing i.e. by loans extended by their holding companies. The availability and cost of procuring financing are of material importance to the implementation of the Group’s undertakings and for the Group’s development prospects, as well as its ability to repay existing debt. The unstable geopolitical situation may have negative impact on the cost and availability of the financing. Finally, the availability and cost of financing may impact the Group’s development dynamics and the Group’s net profit.

5.2 Specific factors affecting financial and operating results

In the first half of the year, the Group continued the construction of Center Point 3 office building which increases the book value of the project.

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 30 June 2023, the full amount was drawn down.

5.3 Statement of financial position

5.3.1 Financial position as of 30 June 2023 compared to 31 December 2022

NON-CURRENT ASSETS

The value of non-current assets as of 30 June 2023 was EUR 1,295,185, out of which EUR 648,933 was investment property (completed office buildings, investment property under constructions and landbank) and EUR 634,401 was loan granted to related parties.

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

CURRENT ASSETS

The value of current assets on the date of 30 June 2023 was EUR 69,475, out of which EUR 2,665 was trade receivables, EUR 4,097 was prepayments and deferred expenses, EUR 3,780 was short-term deposits and EUR 51,821 was cash and cash equivalents.

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

LIABILITIES

The value of the liabilities on the date of 30 June 2023 was EUR 1,132,178 from which EUR 1,119,019 was long-term liabilities to related undertakings and EUR 13,159 was current liabilities.

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

PRESENTATION OF EQUITY, SHORT AND LONG TERM LOANS

The equity was EUR 232,482 on the date of 30 June 2023 and EUR 227,504 on the date of 31 December 2022.

The value of the long-term liabilities on the date of 30 June 2023 was EUR 1,073,379 from which EUR 419,255 was long-term part of Issuer's subsidiaries' bank loan and bond financing and EUR 654,124 was long-term loans from shareholder. The value of the short-term liabilities on the date of 30 June 2023 was EUR 13,159 from which EUR 4,713 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 EUR 1,043,034 from which EUR 384,662 was long-term part of Issuer's subsidiaries' bank loan and bond

financing and EUR 658,372 was long-term loans from shareholder. The value of the short-term liabilities on the date of 31 December 2022 was EUR 22,223 from which EUR 4,427 was short-term part Company's subsidiaries' bank loan financing.

5.4 Consolidated income statement

5.4.1 Comparison of financial results for the six-month period ended 30 June 2023 with the result for the corresponding period of 2022

REVENUE FROM OPERATIONS

The Group achieved revenue from operations of EUR 23,244 in the six-month period ended 30 June 2023 which amount comes solely from the GTC and its subsidiaries' domestic activity in both years. The revenue from operations of GTC in the six-month period ended 30 June 2022 was EUR 19,155. Sales revenue is driven by the rental income received that was 70% of sales revenue in six-month period ended 30 June 2023 and 76% of sales revenue in 6-month period ended 30 June 2022.

GROSS MARGIN

The amount of the gross margin in the six-month period ended 30 June 2023 was EUR 16,023.

The amount of the gross margin in the six-month period ended 30 June 2022 was EUR 14,539.

The average number of employees was 51 in the six -month period ended 30 June 2023 and 52 in the six-month period ended 30 June 2022.

LOSS/PROFIT FROM REVALUATION OF ASSETS

The loss from revaluation of assets was EUR 16,526 in the six-month period ended 30 June 2023 and was EUR 22,851 profit in the six-month period ended 30 June 2022.

OPERATIONAL RESULTS

The loss from continuing operation was EUR 3,899 and the amount of the EBITDA was EUR 12,721 in the six-month period ended 30 June 2023.

The profit from continuing operation was EUR 34,606 and the amount of the EBITDA was EUR 12,025 in the six-month period ended 30 June 2022.

FINANCIAL EXPENSES, NET

The financial expenses, net in the six-month period ended 30 June 2023 was of EUR 3,339 and in the six-month period ended 30 June 2022 was of EUR 1,752. Financial income is mainly driven by interest on loan granted to related-parties (EUR 10,097 in the six-month period ended 30 June 2023 and EUR 10,493 in the six-month period ended 30 June 2022). While financial expenses mainly consist of interest on loans granted by related-parties (EUR 8,935 in the 6-month period ended 30 June 2023 and EUR 8,543 in the six-month period ended 30 June 2022) and interest expenses (on financial liabilities that are not fair valued through profit or

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

loss), banking costs and other charges interest on member loans (EUR 4,134 in the six-month period ended 30 June 2023 and EUR 3,621 in the six-month period ended 30 June 2022).

LOSS/PROFIT FOR THE PERIOD

The loss for the period in the six-month period ended 30 June 2023 was EUR 7,880 and in the six-month period ended 30 June 2022 was profit of EUR 29,308.

5.5 Consolidated cash flow statement

5.5.1 Cash flow analysis

The table below presents an extract of the cash flow for the 6-month period ended 30 June 2023 and 2022:

(EUR)	6-month period ended	
	30 June	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	2,210	16,267
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures on investment property and property, plant and equipment	(18,321)	(9,983)
Provision of loan	20,190	(57,639)
Interest received	7,599	1,394
Sale of subsidiary, net of cash in disposed assets	-	70,809
Net cash from investing activities	9,468	4,581
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	25,000	1,173
Repayment of long-term borrowings	(1,979)	(1,979)
(Repayment) / proceeds from related party loans	(1,482)	1,750
Interest paid and other financing fees	(15,870)	(14,570)
Increase in short term deposits	(240)	(440)
Loans origination payment	(272)	-
Net cash from / (used in) financing activities	5,157	(14,066)
Net foreign exchange difference, related to cash and cash equivalents	(2)	(3)
Net increase/(decrease) in cash and cash equivalents	16,833	6,460
Cash and cash equivalents, at the beginning of the year	34,988	24,112
Cash and cash equivalents, at the end of the period	51,821	30,572

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

The net cash from operating activities of group was EUR 2,210 in the 6-month period ended 30 June 2023 and EUR 16,267 in the 6-month period ended 30 June 2022.

The net cash from investing activities was EUR 9,468 in the 6-month period ended 30 June 2023 compared to the net cash from investing activities EUR 4,581 in the 6-month period ended 30 June 2022.

The net cash from financing activities was EUR 5,157 in the 6-month period ended 30 June 2023 compared to the net cash used in financing activities EUR 14,066 in the 6-month period ended 30 June 2022.



GTC HUNGARY REAL ESTATE DEVELOPMENT PLTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
TOGETHER WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT

Budapest, 28 September 2023

Gyula Nagy
Member of the Management Board

Csaba Zovát
Member of the Management Board

Content

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	6
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....	7
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	8
1. Company information	8
2. Basis of preparation	8
3. New standards, interpretations and amendments adopted by the Group	9
4. Investment in subsidiaries.....	9
5. Events in the period	9
6. Segmental analysis	10
7. Administrative expenses	11
8. Finance income and expense	11
9. Taxation	12
10. Investment Property	12
11. Derivatives	14
12. Cash and Cash Equivalents.....	15
13. Non-controlling interest	16
14. Long-term borrowings	17
15. Phantom shares	18
16. Related party transactions	19
17. Commitments and contingencies.....	20
18. Events after the reporting period.....	21
19. Impact of the situation in Ukraine on GTC Group.....	21
20. Group approval of the financial statements	21

The independent auditor's review report is a separate document.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 30 June 2023
(in thousands of Euro)

	Note	30 June 2023 (unaudited)	31 December 2022 (audited)
ASSETS			
Non-current assets			
Properties, plant and equipment		4,959	3,773
Investment property	10	648,933	650,821
Blocked deposits		2,715	2,563
Loans granted to related parties	16	634,401	652,095
Derivatives	11	2,575	4,111
Deferred tax asset		1,602	2,958
		1,295,185	1,316,321
Current assets			
Trade receivables		2,665	1,359
Accrued income		2,221	1,922
Prepayments, deferred expenses and other receivables		4,097	2,603
Derivatives	11	3,589	2,991
VAT receivables		919	1,202
Income tax receivables		383	294
Current blocked deposits		3,780	3,692
Cash and cash equivalents	12	51,821	34,988
		69,475	49,051
TOTAL ASSETS		1,364,660	1,365,372

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 30 June 2023
(in thousands of Euro)

	Note	30 June 2023 (unaudited)	31 December 2022 (audited)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		20,366	20,366
Share premium		20,350	20,350
Foreign currency translation reserve		(6,209)	(6,209)
Cash flow hedge reserve	<u>11</u>	(8,842)	(21,700)
Transaction reserve		(1,416)	(1,416)
Retained earnings		203,090	211,221
		227,339	222,612
Non-controlling interest	<u>13</u>	5,143	4,892
Total Equity		232,482	227,504
Non-current liabilities			
Non-current portion of long-term borrowing	<u>14</u>	419,255	384,662
Non-current portion of long-term loans from related parties	<u>16</u>	646,798	649,508
Non-current portion of long-term loans from non-controlling interest	<u>13</u>	7,326	8,864
Lease liabilities		81	91
Derivatives	<u>11</u>	20,085	46,798
Deferred tax liabilities		21,615	22,048
Deposits from tenants		2,715	2,563
Share based payment liabilities	<u>15</u>	87	111
Other long-term liabilities		1,057	1,000
		1,119,019	1,115,645
Current Liabilities			
Trade payables and provisions		6,813	13,367
Deposits from tenants		150	67
Current portion of long-term borrowing	<u>14</u>	4,713	4,427
Current portion of lease liabilities		3	3
VAT payables		688	716
Income tax payables		158	3,296
Advances received		634	347
		13,159	22,223
TOTAL EQUITY AND LIABILITIES		1,364,660	1,365,372

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the six-month period ended 30 June 2023
(in thousands of Euro)

	Note	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Rental income		16,288	14,479
Management fees		329	286
Service charge income		6,627	4,390
Service charge costs		(7,221)	(4,616)
Gross margin from operations		16,023	14,539
Profit / (loss) from revaluation of investment property	<u>10</u>	(16,526)	22,851
Selling expenses		(333)	(191)
Administrative expenses	<u>7</u>	(2,461)	(1,754)
Other income		30	9
Other expense		(632)	(848)
(Loss) / profit from continuing operations before tax, finance income / cost and foreign exchange gain / (loss), net		(3,899)	34,606
Foreign exchange loss, net		(110)	(76)
Finance income	<u>8</u>	10,105	10,493
Finance cost	<u>8</u>	(13,444)	(12,245)
(Loss) / profit before tax		(7,348)	32,778
Taxation	<u>9</u>	(532)	(3,470)
(Loss) / profit for the period		(7,880)	29,308
Attributable to:			
Equity holders of the Company		(8,131)	26,623
Non-controlling interest		251	2,685
Gain on cash-flow hedge		14,130	4,039
Deferred tax expense on cash-flow hedge		(1,272)	(364)
Net gain on cash-flow hedge		12,858	3,675
Total other comprehensive income		12,858	3,675
Total comprehensive income for the period, net of tax		4,978	32,983
Attributable to:			
Equity holders of the Company		4,727	30,298
Non-controlling interest		251	2,685

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

GTC Hungary Real Estate Development Pltd.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six-month period ended 30 June 2023
(in thousands of Euro)

	Attributed to equity holders of the Company						Total	Non-controlling interest	Total Equity
	Share capital	Share premium	Cash flow hedge reserve (11)	Foreign currency translation reserve	Transaction reserve	Retained earnings			
Balances as of 1 January 2022	20,366	20,350	(29,979)	(6,209)	61,332	123,256	189,116	34,508	223,624
Other comprehensive income	-	-	3,675	-	-	-	3,675	-	3,675
Profit for the period	-	-	-	-	-	26,623	26,623	2,685	29,309
Capital restructuring	-	-	-	-	(61,332)	61,332	-	-	-
Transaction reserve	-	-	-	-	(1,416)	-	(1,416)	-	(1,416)
Transaction with non-controlling interest	-	-	-	-	-	-	-	(32,740)	(32,740)
Balances as of 30 June 2022	20,366	20,350	(26,304)	(6,209)	(1,416)	211,211	217,998	4,453	222,451
Balances as of 1 January 2023	20,366	20,350	(21,700)	(6,209)	(1,416)	211,221	222,612	4,892	227,504
Other comprehensive income	-	-	12,858	-	-	-	12,858	-	12,858
Loss for the period	-	-	-	-	-	(8,131)	(8,131)	-	(8,131)
Transaction with non-controlling interest (Note 13)	-	-	-	-	-	-	-	251	251
Balances as of 30 June 2023	20,366	20,350	(8,842)	(6,209)	(1,416)	203,090	227,339	5,143	232,482

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

GTC Hungary Real Estate Development Pltd.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six-month period ended 30 June 2023
(in thousands of Euro)

	Note	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		(7,348)	32,778
<i>Adjustments for</i>			
Depreciation		118	95
Loss/(Gain) from revaluation of investment property		16,526	(22,176)
Share-based payment (gain)/loss	<u>15</u>	(24)	175
Foreign exchange loss, net		116	76
Finance income		(10,105)	(10,493)
Finance cost		13,444	12,245
Operating cash flow before working capital changes		12,727	12,700
Changes in trade receivables		(1,259)	806
Changes in other current assets		(774)	1,909
Changes in trade and other payables		(4,376)	1,283
Cash generated in operations		6,318	16,698
Tax paid in the period		(4,108)	(750)
Net cash from operating activities		2,210	15,948
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures on investment property and property, plant and equipment	<u>10</u>	(18,321)	(9,983)
Provision of loan		20,190	(57,639)
Interest received		7,599	1,394
Sale of subsidiary, net of cash in disposed assets		-	70,809
Net cash from investing activities		9,468	4,581
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	<u>14</u>	25,000	1,173
Repayment of long-term borrowings	<u>14</u>	(1,979)	(1,979)
(Repayment) / proceeds from related party loans		(1,482)	1,750
Interest paid and other financing fees		(15,870)	(14,570)
Increase in short term deposits		(240)	(440)
Loans origination payment		(272)	-
Net cash from / (used in) financing activities		5,157	(14,066)
Net foreign exchange difference, related to cash and cash equivalents		(2)	(3)
Net increase in cash and cash equivalents		16,833	6,460
Cash and cash equivalents, at beginning of year		34,988	24,112
Cash and cash equivalents at the end of the period		51,821	30,572

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

1. COMPANY INFORMATION

GTC Hungary Real Estate Development Pltd. ("the Company", "GTC") and its subsidiaries ("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" 15th 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 its directly and indirectly owned subsidiaries (together "the Group"). There is no seasonality in the business of the Group companies.

The Company is a wholly-owned subsidiary of Globe Trade Center 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.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended June 30, 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by EU.

At the date of authorization of the interim condensed consolidated financial statements, taking into account the EU's ongoing process of IFRS endorsement and the nature of the Group's activities, there is no significant difference between International Financial Reporting Standards applying to these consolidated financial statements and International Financial Reporting Standards endorsed by the European Union. The new standards which have been issued but are not effective yet in the financial year beginning on 1 January 2023 have been presented in the Group's consolidated financial statements for the year ended 31 December 2022 (Note 6).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2022. The interim financial results are not necessarily indicative of the full year results.

The functional currency of the Company and most of its subsidiaries is euro, as the Group primarily generates and expends cash in euro: 1) prices (rental income) are denominated in euro; 2) 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.

As of 30 June 2023, the Group's net working capital (defined as current assets less current liabilities) was positive and amounted to EUR 56,316.

The management has analyzed cash on hand and timing, nature and scale of potential financing needs of particular subsidiaries and believes that there are no risks for paying current financial liabilities 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 interim condensed 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 interim condensed consolidated financial statements.

There were no changes in significant accounting estimates and management's judgements during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed 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 (see Note 7 to the consolidated financial statements for 2022), except for the adoption of new standards effective as of 1 January 2023:

- ▶ IFRS 17 Insurance Contracts (issued on 18 May 2017 and amended on 25 June 2020) – effective for financial years beginning on or after 1 January 2023.
- ▶ Amendments to IAS 1 - Disclosure of accounting policies and IAS 8 - Definition of accounting estimates (issued on 12 February 2021) — effective for financial years beginning on or after 1 January 2023.
- ▶ Amendment to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information (issued on 9 December 2021) — effective for financial years beginning on or after 1 January 2023.

Those amendments to the standards have no significant effect on the Group's interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. No changes to comparative data or error corrections were made.

4. INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company, and its subsidiaries (the 'Group') listed below together with direct and indirect ownership of these entities and voting rights proportion as at the end of each period. In brackets, we mention the name of the project the subsidiary is part of.

Name	Country of Incorporation	Functional currency	30 June 2023 (unaudited)	31 December 2022 (audited)
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. ⁽¹⁾	Hungary	HUF	100%	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 (GTC X)	Serbia	EUR	70%	70%

⁽¹⁾ Under liquidation

5. EVENTS IN THE PERIOD

On 25 April 2023, Mr. Ferstman resigned from his seat on the Management Board of the Company as well as GTC S.A. The resignation is effective as of 25 April 2023.

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 30 June 2023, the full amount was drawn down.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

6. SEGMENTAL ANALYSIS

Financial data prepared for the purposes of management reporting, on which segment reporting is based, is 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 operations in office segment only.

Segment analysis of rental income and costs for the six-month period ended 30 June 2023 and 30 June 2022 is presented below:

Six-month period ended 30 June 2023 (unaudited)

	Rental income	Service charge income	Service charge costs	Gross margin from operations
Hungary	15,387	6,194	(6,819)	15,119
Serbia	901	433	(402)	904
Not allocated ⁽¹⁾	-	-	-	329
Total	16,288	6,627	(7,221)	16,023

Six-month period ended 30 June 2022 (unaudited)

	Rental income	Service charge income	Service charge costs	Gross margin from operations
Hungary	13,850	4,390	(4,616)	13,624
Serbia	629	-	-	629
Not allocated ⁽¹⁾	-	-	-	286
Total	14,479	4,390	(4,616)	14,539

⁽¹⁾ Comprises management fee income in the Company.

Segment analysis of assets and liabilities is presented below:

30 June 2023 (unaudited)

	Real estate ⁽¹⁾	Cash and deposits	Other	Total assets
Hungary	602,526	13,926	14,658	631,110
Serbia	50,668	2,489	136	53,293
Not allocated	698	41,901	637,658	680,257
Total	653,892	58,316	652,452	1,364,660
	Borrowings	Deferred tax	Other	Total liabilities
Hungary	239,489	19,005	10,159	268,653
Serbia	24,786	2,554	1,485	28,825
Not allocated ⁽²⁾	813,817	56	20,827	834,700
Total	1,078,092	21,615	32,471	1,132,178

GTC Hungary Real Estate Development Pltd.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

6. SEGMENTAL ANALYSIS (CONTINUED)

31 December 2022 (audited)

	Real estate ⁽¹⁾	Cash and deposits	Other	Total assets
Hungary	603,456	13,308	12,648	629,412
Serbia	50,400	1,375	243	52,018
Not allocated	-	26,560	657,382	683,942
Total	653,856	41,243	670,273	1,365,372
	Borrowings	Deferred tax	Other	Total liabilities
Hungary	241,402	18,907	12,470	272,779
Serbia	-	3,085	4,669	7,754
Not allocated ⁽²⁾	806,059	56	51,220	857,335
Total	1,047,461	22,048	68,359	1,137,868

- (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.

7. ADMINISTRATIVE EXPENSES

Administration expenses comprise the following:

	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Remuneration and other employee benefits ⁽¹⁾	1,490	745
Audit and valuations	131	137
Legal, tax, IT and other advisory	126	78
Office and insurance expenses	102	130
Travel expenses	27	43
Depreciation	118	95
Other expenses	89	45
Office rent	9	7
Management fees	393	299
Provision for share-based payments (Note 15)	(24)	175
Total	2,461	1,754

- (1) **Remuneration** increased due to the new board members and severance payments to resigned board member.

8. FINANCE INCOME AND EXPENSE

Finance income comprises the following:

	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Interest on deposits and other	8	-
Interest on loan granted to related-parties	10,097	10,493
Total	10,105	10,493

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

8. FINANCE INCOME AND EXPENSE (CONTINUED)

Finance costs comprise the following:

	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Interest expenses (on financial liabilities that are not fair valued through profit or loss), banking costs and other charges	4,134	3,621
Finance costs related to lease liability	2	-
Arrangement fee	273	-
Amortization of long-term borrowings raising costs	100	81
Interest on loan granted by related-parties	8,935	8,543
Total	13,444	12,245

9. TAXATION

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Current corporate and capital gain tax expense	(881)	(3,455)
Deferred tax income / (expense)	349	(15)
Total	(532)	(3,470)

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.

10. INVESTMENT PROPERTY

The Investment property are office space owned by the Group, including property under construction. The Investment property can be split up as follows:

	30 June 2023 (unaudited)	31 December 2022 (audited)
Completed investment properties	583,383	594,838
Investment property under construction ('IPUC')	29,000	19,500
Investment property landbank	36,550	36,483
Total	648,933	650,821

All investment property landbank and under construction is located in Hungary.

GTC Hungary Real Estate Development Pltd.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

10. INVESTMENT PROPERTY (CONTINUED)

Movements in investment property were as follows:

	Six-month period ended 30 June 2023 (unaudited)	Year ended 31 December 2022 (audited)
Fair value as of beginning of the period	650,821	582,883
Purchase of completed assets and land	-	20,120
Reduction of lease income (SIC 15) ⁽¹⁾	-	(3)
Capitalized expenditure ⁽²⁾	14,400	30,481
Adjustment to fair value	(16,526)	16,294
Borrowing cost capitalized ⁽³⁾	238	1,046
Fair value as of period end	648,933	650,821

⁽¹⁾ Fair value of investment property reflects impact of rent incentives provided to tenants which is presented separately in this disclosure in line with paragraph 4 of SIC 15.

⁽²⁾ The additions are related to refurbishment of Center Point 1-2, construction costs of Center Point 3, fit-out works on GTC X and a general CAPEX and fit-out works on the completed office buildings.

⁽³⁾ Represents borrowing costs capitalized during the current year using capitalization rate of 2.15% (prior year 2.15%).

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

	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Capitalized expenditure (including Purchase of completed assets and land)	14,400	4,179
Change in payables and provisions related to investing activities	3,705	9,611
Change in receivables related to investing activities	66	(4,013)
Purchase of property, plant and equipment.	150	206
Expenditures on investment property and property, plant and equipment (Statement of Cash Flows)	18,321	9,983

Adjustment to fair value consists of the following:

	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Adjustment to fair value of completed investment properties and IPUC	(14,575)	23,269
Adjustment to fair value of assets held for sale	-	(172)
Adjustment to fair value of investment property landbank	(1,951)	(246)
Profit / (loss) from revaluation of investment property	(16,526)	22,851

Completed assets are valued using discounted cash flow (DCF) method. Completed investment properties are externally valued by independent appraisers at year end and semiannually based on open market values (RICS Standards).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

10. INVESTMENT PROPERTY (CONTINUED)

Assumptions used in the fair value valuations of completed assets as of 30 June 2023 (unaudited) are presented below:

Input	Unit	Hungary	Serbia	Total
Book value	€ thousand	533,938	49,445	583,383
Gross leasable area (GLA)	thousand sqm	181	18	199
Average occupancy	%	85	94	86
Actual average rent	€/sqm/month	18.4	18.3	18.4
Average ERV ⁽¹⁾	€/sqm/month	16.7	18.2	16.8
Average Yield ⁽²⁾	%	6.5	7.2	6.5

(1) Estimated Rent Value (ERV): the open market rent value that a property can reasonably expect to attain based on characteristics such as condition of the property, amenities, location, and local market conditions.

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

Assumptions used in the fair value valuations of completed assets as of 31 December 2022 (audited) 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 ⁽¹⁾	€/sqm/month	16.5	18.2	16.6
Average Yield ⁽²⁾	%	5.9	7.2	6.0

(1) Estimated Rent Value (ERV): the open market rent value that a property can reasonably expect to attain based on characteristics such as a condition of the property, amenities, location, and local market conditions.

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

Information regarding investment properties under construction is presented below:

	Book value 30 June 2023 (unaudited)	Book value 31 December 2022 (audited)	Estimated area
	€ thousand	€ thousand	thousand sqm
Center Point 3 (Hungary)	29,000	19,500	36
Investment properties under construction as at period end	29,000	19,500	36

11. DERIVATIVES

The Group holds instruments (IRS, CAP, currency SWAP and cross-currency interest rate SWAP) that hedge the risk involved in fluctuations of interest rate and currencies exchange rates. The instruments hedge interest on loans and bonds for periods of 2-9 years.

Derivatives are presented in financial statements as below:

	30 June 2023 (unaudited)	31 December 2022 (audited)
Non-current assets	2,575	4,111
Current assets	3,589	2,991
Non-current liabilities	(20,085)	(46,798)
Fair value as of the end of the period	(13,921)	(39,696)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

11. DERIVATIVES (CONTINUED)

Movements in derivatives were as follows:

	Six-month period ended 30 June 2023 (unaudited)	Six-month period ended 30 June 2022 (unaudited)
Fair value as of the beginning of the period	(39,696)	(36,225)
Charged to other comprehensive income ¹	14,130	4,039
Charged to profit or loss ²	11,645	(11,260)
Fair value as of the end of the period	(13,921)	(43,446)

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

(2) This loss mainly offset foreign exchange difference gains on bonds nominated in HUF.

Movements in Cash flow hedge reserve were as follows:

	30 June 2023 (unaudited)	31 December 2022 (audited)
Cash flow hedge reserve as of the beginning of the period	(21,700)	(29,979)
Charged to other comprehensive income	14,130	8,279
Income tax on hedge transactions	(1,272)	(1,889)
Cash flow hedge reserve as of the end of the period	(8,842)	(21,700)

Derivatives are measured at fair value at each reporting date. Valuations of hedging derivatives are considered as Level 2 fair value measurements. Fair value of derivatives is measured using cash flows models based on the data from publicly available sources.

The Group applies cash flow hedge accounting and uses derivatives as hedging instruments. The Group uses both qualitative and quantitative methods for assessing effectiveness of the hedge. All derivatives are measured at fair value, effective part is included in other comprehensive income and reclassified to profit or loss when hedged item affects profit or loss. The Group uses IRS and Cap for hedging interest rate risk on loans, and cross-currency interest rate swaps for hedging both interest rate risk and currency risk on bonds denominated in foreign currencies.

12. CASH AND CASH EQUIVALENTS

Cash balance consists of cash in banks and cash on 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-.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

13. NON-CONTROLLING INTEREST

Summarized financial information of the material non-controlling interest as of 30 June 2023 (unaudited) is presented below:

	Glamp d.o.o. Beograd (Serbia)
Non-current assets	51,193
Current assets	2,100
Total assets	53,293
Equity	17,142
Non-current liabilities	35,191
Current liabilities	960
Total equity and liabilities	53,293
Revenue	1,304
Profit for the year	836
NCI share in equity	5,143
Loans received from NCI	7,326
Total	12,469
NCI share in profit	251

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

	Glamp d.o.o. Beograd (Serbia)	Non-core projects (Serbia)	Total
Non-current assets	50,400	-	50,400
Current assets	1,618	-	1,618
Total assets	52,018	-	52,018
Equity	16,306	-	16,306
Non-current liabilities	31,486	-	31,486
Current liabilities	4,226	-	4,226
Total equity and liabilities	52,018	-	52,018
Revenue	112	-	112
Profit / (loss) for the year	11,841	-	11,841
NCI share in equity	4,892	-	4,892
Loans received from NCI	8,864	-	8,864
Total	13,756	-	13,756
NCI share in profit / (loss)	3,554	(437)	3,117

Movements of the non-controlling interest were as follows:

	30 June 2023 (unaudited)	31 December 2022 (audited)
Balance as of the beginning of the period	4,892	34,508
Disposal of NCI	-	(34,071)
NCI recognized at acquisition date	-	1,331
Profit for the period	251	3,124
Balance as of end of the period	5,143	4,892

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

14. LONG-TERM BORROWINGS

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:

Non-current portion	Currency linkage	30 June 2023 (unaudited)	31 December 2022 (audited)
Loan from OTP (Center Point 1-2)	EUR	43,344	44,248
Loan from OTP (Duna Tower)	EUR	33,613	34,314
Loan from Erste (Váci Greens D)	EUR	22,562	22,938
Loan from OTP (Univerzum)	EUR	80,000	80,000
Loan from UniCredit (Pillar)	EUR	57,000	57,000
Loan from Erste (Glamp)	EUR	25,000	-
Green bonds mature in 2027-2030 (HU0000360102)	EUR	106,701	98,938
Green bonds mature in 2028-2031 (HU0000360284)	EUR	53,351	49,469
Deferred debt expenses	EUR	(2,316)	(2,245)
		419,255	384,662

Current portion	Currency linkage	30 June 2023 (unaudited)	31 December 2022 (audited)
Loan from OTP (Center Point 1-2)	EUR	1,807	1,807
Loan from OTP (Duna Tower)	EUR	1,401	1,401
Loan from Erste (Váci Greens D)	EUR	750	750
Green bonds mature in 2027-2030 (HU0000360102)	EUR	611	72
Green bonds mature in 2028-2031 (HU0000360284)	EUR	144	397
		4,713	4,427

As securities for the bank loans, the banks have mortgages 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 Loan-to-Value ('LTV') and Debt Service Coverage ('DSCR') ratios in the subsidiary that holds the project. As at 30 June 2023, the Group continues to comply with the financial covenants set out in their loan agreements and bonds' terms and conditions.

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. Fair value of the pledged assets exceeds the carrying value of the related loans.

Green Bonds (series maturing in 2027-2030 and 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 "Non-current liabilities" in the statement of the financial position. As of June 30, 2023, the unrecognized part of the difference in the statement of profit or loss is EUR 759 thousand (As of 31 December 2022: EUR 814 thousand).

All other bank loans and bonds are denominated in euro.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

14. LONG TERM BORROWINGS (CONTINUED)

Movements in long term borrowings for the periods ended 30 June 2023 and 31 December 2022 were as follows:

	30 June 2023 (unaudited)	31 December 2022 (audited)
Balance as of the beginning of the year	389,089	399,243
Drawdowns and issuance of bonds and loans	25,000	6,173
Repayments of bonds and loans	(1,979)	(3,959)
Interest charges	788	-
Interest payments	(501)	(1,588)
Change in deferred issuance debt expenses	(73)	200
Foreign exchange difference	11,644	(10,980)
Balance as of end of the period	423,968	389,089

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

	30 June 2023 (unaudited)	31 December 2022 (audited)
First year	12,674	11,359
Second year	16,148	12,471
Third year	117,557	14,398
Fourth year	70,454	113,583
Fifth year	26,620	78,004
Thereafter	217,195	169,678
Total	460,648	399,493

15. PHANTOM SHARES

Certain key management personnel of the Group are entitled to specific cash payments resulting from phantom shares in the Group (the "Phantom shares"). The Group uses binomial model to evaluate the fair value of the phantom shares. The input data includes date of valuation, strike price, and expiry date.

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

As at 30 June 2023, the Phantom shares issued were as follows:

Strike price (PLN)	Blocked	Vested	Total
5.95	59,000	118,000	177,000
6.11	-	100,000	100,000
6.31	-	250,000	250,000
6.69	350,000	175,000	525,000
Total	409,000	643,000	1,052,000

For the six-months ended 30 June 2023, the Group has recognized EUR 24 thousand of share-based payment gain in the statement of profit or loss (30 June 2022: EUR 175 thousand of expense).

GTC Hungary Real Estate Development Pltd.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

15. PHANTOM SHARES (CONTINUED)

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

Last year of exercise date	Number of phantom shares
2023	350,000
2025	702,000
Total	1,052,000

16. RELATED PARTY TRANSACTIONS

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

(a) Major transactions with related parties

Major transactions with related parties for the year ended 30 June 2023 (unaudited) was as the follows:

	Company controlled by the Ultimate controlling party	Majority Shareholder	Subsidiary of the Majority Shareholder
Management fees ⁽¹⁾	-	-	329
Administrative expenses	-	-	402
Finance income	-	-	10,097
Finance cost	-	2,229	6,706

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

Major transactions with related parties for the year ended 31 December 2022 (audited) were as follows:

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

⁽¹⁾ Rental revenue and Service charge revenue in relation to rental guarantees provided by sellers

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party balances

Related party balances for the year ended 30 June 2023 (unaudited) was as the follows:

	Company controlled by the Ultimate controlling party	Majority Shareholder	Subsidiary of the Majority Shareholder
Loans granted to related parties	-	-	634,401
Non-current portion of long-term loans from related parties	-	(150,499)	(496,299)
Non-current portion of long-term loans from non-controlling interest	-	(7,326)	-
Trade and other payables	(500)	(302)	(270)
Other long-term liabilities	(500)	-	-

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

	Company controlled by the Ultimate controlling party	Majority Shareholder	Subsidiary of the Majority Shareholder
Loans granted to related parties	-	-	652,095
Trade receivables	-	273	-
Non-current portion of long-term loans from related parties	-	(148,415)	(501,093)
Non-current portion of long-term loans from non-controlling interest	-	(8,864)	-
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.

(c) Transactions with Management Board

Remuneration of the Management Board of GTC Hungary (i.e., directors of the Company) for the period ended 30 June 2023 amounted to Euro 508 thousand (in 2022: Euro 398 thousand) and 409,000 phantom share ([Note 15](#)) vested (in 2022: 409,000).

There were no other transactions with the Management and Supervisory Board GTC S.A.

17. COMMITMENTS AND CONTINGENCIES

As of 30 June 2023 (31 December 2022), the Group had commitments contracted for in relation to future building construction without specified date, amounting to EUR 86.1 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. There were no other significant changes in commitments, contingencies or litigation settlements in the current period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2023
(in thousands of Euro)

18. EVENTS AFTER THE REPORTING PERIOD

On 29 August 2023, Mr. Fekete and Gárdai resigned from their seats on the Management Board of the Company as well as GTC S.A. 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. As well as the Supervisory Board of GTC S.A. appointed Gyula Nagy as Chief Executive Officer of GTC Group and Zsolt Farkas as Chief Operating Officer of GTC Group as well as members of the Management Board of GTC S.A. The appointment was effective 31 August 2023.

19. IMPACT OF THE SITUATION IN UKRAINE ON GTC GROUP

Detailed analysis of the impact of the war on the operations of the Group has been performed for the purposes of preparation of the annual consolidated financial statements for the year ended 31 December 2022.

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

20. GROUP APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were authorized for the issue by the Management Board on 28 September 2023.



Report on review of the interim condensed consolidated financial information

To the shareholders of GTC Magyarország Zrt.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of GTC Magyarország Zrt. (“the Company”) and its subsidiaries (together the “Group”) as at 30 June 2023, the related interim condensed consolidated statements of financial position, interim condensed consolidated statement of profit or loss and comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows for the six-month period then ended.

Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU.

Budapest, 28 September 2023

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