



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

2024

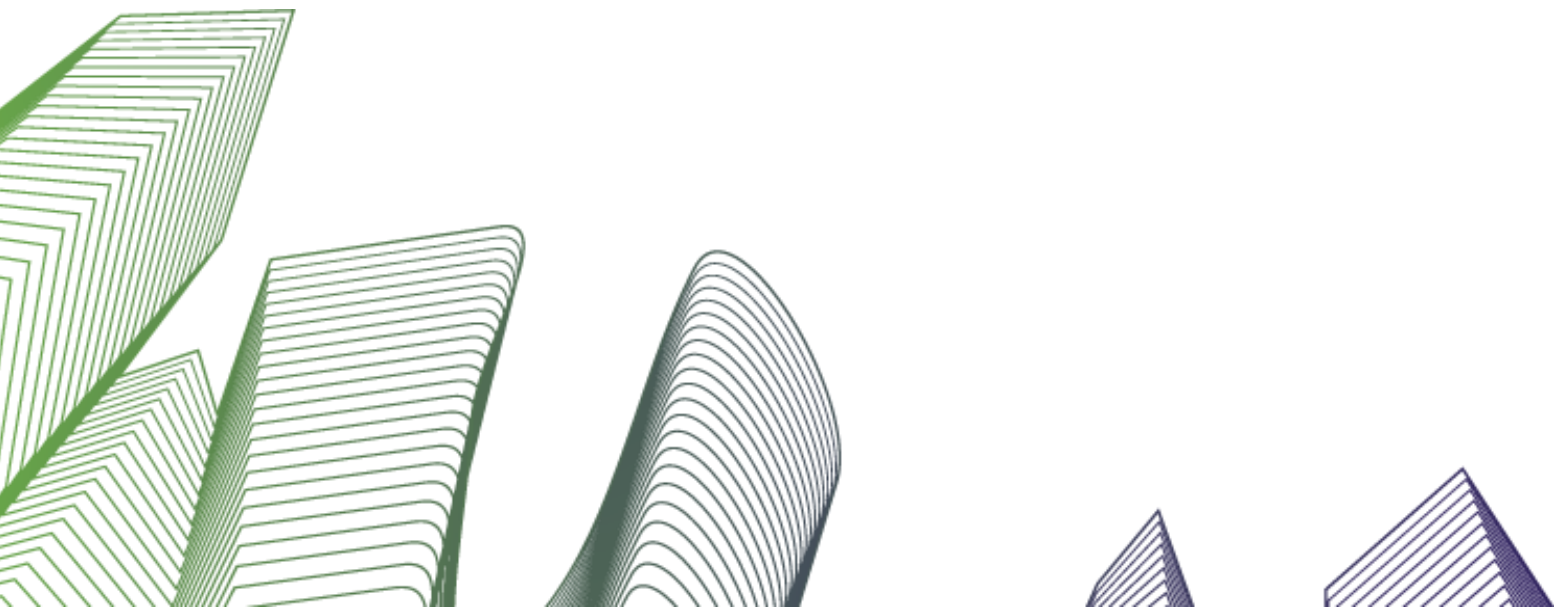


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1. INTRODUCTION

The GTC Hungary Real Estate Development Pltd. was registered in Budapest in September 1998. The company is part of the GTC Group, an experienced, established, and fully integrated, real estate group of companies operating in the CEE and SEE region with a primary focus on Poland and Budapest and capital cities in the SEE region including Bucharest, Belgrade, Zagreb and Sofia, where it directly acquires, develops and manages primarily high-quality office and retail real estate assets in prime locations. The GTC Group was established in 1994.

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

PRESENTATION OF FINANCIAL INFORMATION

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

All the financial data in this Report is presented in EUR or PLN and expressed in millions unless indicated otherwise.

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

PRESENTATION OF PROPERTY INFORMATION

Information on properties is presented pro-rata to the Group's consolidation method in each of the properties. The properties' valuation is based on the value that the Group consolidates in its consolidated financial statements. The occupancy rate given for each of the markets is as of 30 June 2024.

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

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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 2024 and 2023. The historical financial data should be read in conjunction with Item 5. "Operating and financial review" and the unaudited consolidated financial statements for the six-month period ended 30 June 2024 (including the notes thereto). The Group has derived the financial data presented in accordance with IFRS from the unaudited consolidated financial statements for the six-month period ended 30 June 2024.

	FOR THE 6-MONTH PERIOD	
Consolidated Income Statement (in thousands EUR)	30 June 2024	30 June 2023
Revenues from operations	24,724	23,244
Cost of operations	(6,679)	(7,221)
Gross margin from operations	18,045	16,023
Selling expenses	(186)	(333)
Administrative expenses	(1,353)	(2,461)
Profit/(loss) from revaluation/impairment of assets, net	5,975	(16,526)
Financial income/(expense), net	(3,753)	(3,339)
Net profit / (loss)	15,944	(7,880)
Consolidated Cash Flow Statement (in thousands EUR)	30 June 2024	30 June 2023
Net cash from operating activities	14,741	2,210
Net cash from investing activities	21,416	9,468
Net cash from/(used in) financing activities	(18,533)	5,157
Cash and cash equivalents at the end of the period	33,096	51,821
Consolidated statement of financial position (in thousands EUR)	As of 30 Jun. 2024	As of 31 Dec. 2023
Investment property (completed and under construction)	657,380	627,580
Investment property landbank	36,960	36,960
Cash and cash equivalents	33,096	15,380
Loan granted to related parties	627,584	658,056
Others	37,267	42,558
Total assets	1,392,287	1,380,534
Non-current liabilities	1,116,178	1,119,736
Current liabilities	17,958	17,048
Total Equity	258,151	243,750
Share capital	20,366	20,366

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3. KEY RISK FACTORS

3.1 Risk factors related to the group's business

Risk	Description	Risk management method
Risk of adverse macroeconomic trends	The Group is affected by macroeconomic conditions, especially overall conditions in the EU and national and local economies, such as growth in gross domestic product, inflation, changes in interest rates, and unemployment rates. Adverse macroeconomic trends combined with instability of financial markets may have a negative impact on Group's operations, rental income, the market value of the Group's properties, as well as the availability and cost of debt financing.	<ul style="list-style-type: none"> ▪ Ongoing monitoring of market and macroeconomic conditions; ▪ securing rental income by the execution of long-term lease agreements with indexed rent rates; ▪ constant analysis of the behavior and needs of the tenants; ▪ making decisions on new projects based on current and estimated market conditions; ▪ maintaining sufficient level of cash and available credit limits.
Geopolitical risk	Geopolitical factors, including the war in Ukraine, the economic sanctions imposed on Russia and Belarus, conflict in the Middle East, as well as general political uncertainty may, combined with a number of other macroeconomic and geopolitical factors, may negatively affect the Group's operations and financial results. The continuation of the war in Ukraine, its intensification, or its expansion may result in further disruption in supply chains, a limited availability of subcontractors and a general increase in the prices of materials, along with an increase of energy prices.	<ul style="list-style-type: none"> ▪ Ongoing monitoring the geopolitical situation in terms of its potential impact on the Group, individual projects and the Group's long-term investment plans; ▪ as at the date of this Report, the Group has not identified specific risks that directly result from the war in Ukraine and/or in the Middle East on the Group's operations, financial results or development process.
Risks related to the implementation of strategy	The Group may be unable to implement its strategy in part or in full and there can be no assurance that the implementation of the Group's strategy would achieve its goals. The success of the Group's strategy relies, in part, on various assumptions and contingencies (e.g. with respect to the level of profitability of any acquisition targets, investment criteria that have been developed by the Group, and the valuation of a project) which may prove to be partially or wholly incorrect or inaccurate resulting in a lower than expected return on investment. There is a risk that the Group will not be able to identify and secure new investments at	<ul style="list-style-type: none"> ▪ Experienced, goal-oriented management for the Group; ▪ qualified team of specialists; ▪ monitoring market conditions (both global and regional) and other factors that are relevant for the achievement of the strategic goals of the Group; ▪ periodic verification of key strategic goals; ▪ cooperating with renowned brokers and agents as well as reputable legal, tax, commercial and technical advisors in the due diligence process and in the

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attractive prices and on favourable terms and conditions that will satisfy its rate of return objectives and realize their values. Consequently, the Group may not be able to acquire properties and develop planned projects, and acquisitions may not actually generate the expected income. The Group may also fail to achieve its goals due to internal and external factors of regulatory, legal, financial, social or operational natures, some of which may be beyond the Group's control, such as volatile market conditions, a lack of capital resources needed for expansion and the changing price and availability of investment targets in the relevant markets, as well as changes to laws.

process of new investment acquisitions.

Risk related to investments in new sectors and new markets

The Group decided to pursue potential new investments in certain new sectors and geographical regions, including: (i) innovation and technology parks; (ii) renewable energy facilities (iii) hospitality sector; and (iv) broadly understood living sector, covering PRS, senior living and student housing properties. No assurance can be given that investments in such new sectors may achieve the expected returns and increase the Group's profitability. The success of investments in new sectors and in new markets depends, to a significant extent, on possessing good knowledge of a given market and/or sector and ability to locate and acquire properties at attractive prices and on favorable terms and conditions, and more experienced commercial real estate developers that have operated in such sectors for longer periods may have an advantage over the Group and constitute significant competition for the Group. Moreover, the successful implementation of the Group's new strategy may result in certain changes to the Group's property portfolio, including its geographic composition and composition by asset classes (i.e. retail, office, residential and other properties) and as a result, various measures of the Group's business and recurring cash flows derived from rental income

- Investing in new sectors on a small scale (such investments do not constitute more than 10% of the Group's assets);
- investing as a minority shareholder in investment platforms with experienced developers and financial investors;
- conducting comprehensive analyses of new sectors and markets;
- cooperating with local specialists familiar with the conditions of a given market;
- conducting a detailed due diligence prior to making a decision on whether to proceed with a new project.

Risk related to changes in tenant and consumer preferences	<p>A noticeable change in the typical work model resulting in a growing share of employees working in a hybrid mode combining work from home with office work, or working only from home (strengthened by changes in the labor law introduced in Hungary and Serbia), as well as changes in shopping preferences combined with the growing significance of online shopping instead of conventional shopping may lead to reduced demand for office and retail space, which, in turn, may cause reduced or negative rental returns and profits and as a result could have a material adverse effect on the Group's business, financial condition and results of operations.</p>	<ul style="list-style-type: none"> ▪ Conducting ongoing analyses of the latest trends based on industry reports and own analyses of consumer preferences; ▪ developing ability to flexibly respond to changing consumer and tenant preferences; ▪ attempting to secure high-quality projects that are attractive to tenants; ▪ improving amenities for tenants and implementing tenant-friendly solutions in buildings ▪ adapting the Group's strategy in accordance with the changing market trends and situation
Risk related to the development process	<p>The Group is exposed to risks related to development processes, including, among others, a contractor's bankruptcy, claims and legal disputes with subcontractors, delays in work, the improper quality of work, increased prices of materials and labor, and shortages of qualified teams of professionals. Failure in any of these respects may negatively affect the Group's reputation and the marketability of the completed properties. The construction of the Group's projects may also be delayed or otherwise negatively affected by other factors over which the Group has limited or no control, such as acts of nature, industrial accidents, changes in applicable laws, and increases in the cost of external financing. Additionally, no assurances can be given that permits or other decisions required from various authorities in connection with existing or new development projects will be obtained by the Group in a timely manner. Such decisions may be challenged by third parties, which may result in delays in the development timetable, failing to meet deadlines and/or an investment being abandoned. The Group's land may also require rezoning or a new or amended local spatial development plan or planning permission. Obtaining the required permissions cannot be guaranteed, and the Group has encountered such difficulties in the past.</p>	<ul style="list-style-type: none"> ▪ Cooperating with renowned and experienced contractors, subcontractors and suppliers; ▪ checking the financial condition and technical capabilities of a contractor or supplier prior to signing contracts; ▪ applying mechanisms in construction contracts protecting investors (e.g. lump sum remuneration, indemnification regarding subcontractors, obligation to provide respective bank guarantees or other collateral securing the proper performance of work and guarantee periods); ▪ conducting ongoing supervision over construction projects by project managers; ▪ conducting detailed analyses of the zoning designation of land prior to acquisition; ▪ developing experience in obtaining permits from major cities in Hungary and Serbia; ▪ cooperating with experienced external architectural and urban planning studios as well as specialists in the fields of planning and administrative procedures.

Risk of not adjusting the Group's properties to climate changes, sustainability criteria and not reducing its impact on the environment

The Group is required to adapt to adopted EU legal acts in the area of ESG, to meet multiple sustainability criteria, and to take actions aimed at reducing the environmental impact of the Group's operations. There is a risk that the adaptation of the Group's buildings to be net zero effective as well as actions taken by the Group to improve building efficiency may require significant capital expenditures and, in some cases, could be difficult to implement. One cannot rule out that, for the purpose of the reduction of their carbon footprint, tenants will be looking for space that provides a low carbon footprint or will limit their office space or put a great importance to work from home (in an effort to generate less or even no carbon emissions) instead of working from office, which may lead to reduced demand for office space and have a negative impact on the rental returns and profitability of the Group. There is a risk that buildings that do not meet sustainability criteria will not be attractive either to tenants or potential purchasers and, as a consequence, the sale of such buildings may be difficult, or the price offered for such buildings will not be satisfactory to the Group. Also, the observed changes in the climate (in particular, changes in the average air temperature in the region in which the Group operates) may require changes in the operation of the Group's properties as well as its equipment (including, for instance, changing air conditioners, replacing old lighting with LED, etc.). Not making these changes in a timely manner could create a competitive disadvantage and a decrease in rental revenue as well as influence bankability of the investment properties held by the Group.;

- Focusing on a thorough analysis of the environmental impact of the operation of the Group's buildings;
- continuously improving the monitoring and management of buildings based on the most recognised environmental certification systems such as BREEAM or LEED;
- reducing the Group's carbon footprint primarily by ensuring the energy efficiency of buildings and investing in energy from renewable sources;
- using green energy from certified sources in all buildings in Hungary, Poland, Romania and Croatia, and partially in Bulgaria;
- supporting local communities and educational and cultural activities by working with over a hundred organizations, including NGOs, schools and universities;
- delivering new buildings, and acquiring and managing assets with a focus on environmental protection.

3.2 Legal and regulatory risks

Risk	Description	Risk management method
Risk of changes in laws	<p>The Group's operations are subject to various regulations in Hungary, Serbia, and other jurisdictions in which the Group conducts business activities (including fire and safety requirements, environmental regulations, labour laws and land zoning) and is exposed to the risk of changes to laws in such jurisdictions. New, or amendments to existing, laws, rules, regulations or ordinances could require significant unanticipated expenditures or impose additional obligations and/or restrictions on the use of the Group's properties and/or its operations.</p>	<ul style="list-style-type: none"> ▪ Ongoing monitoring of changes in laws applicable to the Group's operations (while still in the legislative process) so that new requirements can be quickly implemented in the Group's operation; ▪ cooperating with renowned legal advisors in the jurisdictions where the Group conducts business activities.
Risk of changes in tax laws or their interpretation	<p>Taking into account that the tax regulations in the countries in which the Group operates, are complex and subject to frequent changes, and the approaches of the various tax authorities are not uniform and consistent, the Group is exposed to the risk that tax authorities will employ a different interpretation of tax laws that apply to the Group, which may prove adverse to the Group. No assurance can be given that specific tax interpretations already obtained and applied by the Group will not be changed or challenged. There is also the risk that new tax law regulations will be introduced, which may result in greater costs due to circumstances related to complying with the changed or new regulations. Moreover, in relation to the cross-border nature of the Group's business, international agreements, including double tax treaties which apply to members of the Group, may also have an effect on the Group companies' business.</p>	<ul style="list-style-type: none"> ▪ Monitoring changes in tax law applicable to the Group's operations; ▪ obtaining a tax interpretation in the case of any uncertainty concerning the tax treatment of a given transaction and conducting the transaction in line with such interpretation; ▪ hiring experienced accountants and financial specialists; ▪ cooperating with renowned legal and tax advisors.

Risk of legal disputes	<p>The Group may face claims and may be held liable in connection with incidents occurring on its construction sites, such as accidents, injuries or fatalities of its employees, contractors or visitors to the sites. Claims may also be brought against the Group in connection with concluded transactions concerning the sale of projects (e.g. for a breach of warranties made by the Group, and/or for the existence of defects of which the Group was not aware, but of which it should have been aware when it concluded the transaction). The Group may be also involved in small-scale litigation and other legal proceedings in connection with lease agreements in the case of breaches of certain obligations of the landlord described in such agreements.</p>	<ul style="list-style-type: none"> ▪ Applying high standards in the fields of health, safety and the environment; ▪ monitoring the compliance with health, safety and environmental procedures by the Group's employees as well as contractors and their employees and subcontractors; ▪ introducing a mechanism limiting the Group's liability in transaction documents (e.g. time limitations, monetary limitations); ▪ cooperating with renowned legal advisors in the case of a dispute ▪ acquiring appropriate insurance policies..
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3.3 Risk factors related to the Group's financial condition

Risk	Description	Risk management method
Risk of decline in occupancy levels	<p>Any significant decline in occupancy levels in the Group's properties, especially the loss of reputable anchor tenants, could have a material adverse effect on the ability of the Group to generate cash flows at expected levels. There can be no assurance that tenants will renew their leases on terms favorable to the Group at the end of their current tenancies and, if they do not, that new tenants of equivalent standing (or any new tenants) will be found to take up replacement leases on commercial terms satisfactory for the Group (especially, taking into account increasing tenant expectations in respect of fit-out standards and incentives).</p>	<ul style="list-style-type: none"> ▪ Attempting to secure high quality projects that are attractive to tenants; ▪ building good, long-term relationships with tenants; ▪ continuously analyzing market trends and promptly adapting to changes; ▪ improving amenities for tenants and implementing tenant-friendly solutions in buildings; ▪ effective management of the Group's commercial properties; ▪ experienced leasing team; ▪ cooperating with reputable brokers and leasing agencies.

Risk of not fully recovering the operating costs from tenants

The Group may not be able to fully pass on all operating costs to the tenants, especially in a very competitive environment where the Group has to offer attractive conditions and terms to be able to compete with other office or retail properties or has to improve conditions offered to attract new tenants to its projects. If vacancy rates in the Group's building increase, the Group must cover the portion of the service charges that is related to the vacant space. Some of the lease agreements concluded by the Group provide for a cap on increases of the service charges payable by the tenant. In such cases, if the maintenance charges increase, the Group would be unable to pass on such increases to the tenants.

- Effective property management focused on minimizing maintenance costs without compromising the quality of services;
- the vast majority of the lease agreements concluded with tenants are triple-net leases, which means all operational costs as well as property taxes are covered by the tenants;
- limited caps on service charges passed on to tenants.

Risk related to the valuation of the Group's properties

The valuation of a property is inherently subjective and uncertain as it is based on different methodologies, forecasts and assumptions (e.g. as to expected rental values, fit-out costs, the time necessary for renting a specific property, etc.). The Group's property valuations are made based on the discounted cashflow method (DCF), using the discount rates applicable to the relevant local real estate market or, in the case of certain properties, by reference to the sale value of comparable properties, and any change in the valuation methodology used by the valuer will have an impact on the valuation of a given property and may result in gains or losses in the Group's consolidated income statement. As a result, the Group can generate significant non-cash gains or losses from period to period depending on the changes in the fair values of its investment properties, regardless of whether such properties are sold. If the forecasts and assumptions on which the valuations of the projects in the Group's portfolio are based prove to be inaccurate or are subject to changes, the actual values of the projects in the Group's portfolio may differ materially from those stated in the valuation reports. Valuations based on inaccurate assumptions concerning the Group's properties and fluctuations in valuations may have a material adverse effect on the Group's business, financial

- Investing in properties in reputable and stabilised markets;
- Developing properties based on demand;
- Leasing properties to reputable long term tenants;
- Diversifying the investment portfolio;
- Investing into proper maintenance of the properties.

condition and compliance with bank loan agreements (covenants' calculation).

Risk related to the Group's debt financing

The Group's existing leverage and external debt financing (including its types and value) exposes the Group to additional risks, including: (i) increasing its vulnerability to and reduced flexibility to respond to downturns in the Group's business or generally adverse economic and industry conditions; (ii) limiting the Group's ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes, and increasing the cost of any future borrowings; (iii) forcing the Group to dispose of its properties in order to enable it to meet its financing obligations, including compliance with certain covenants under loan agreements; (iv) requiring dedication of a substantial portion of the Group's cash flows from operations to the payment of principal and interest on its indebtedness; and (v) placing the Group at a competitive disadvantage compared to its competitors that are less leveraged.

- Hedging interest rate risk and exchange rate for non-euro external financing in order to maintain fixed cost of financing over the funding period
- keeping the LTV under control and in the long run decreasing it
- adjusting the Group's investment policy to fund availability and actively working on the portfolio quality by exiting from low cash generating assets
- maintaining available credit limits and good relationships with financing banks.

Risk of the failure to meet obligations under financing agreements

The Group could fail to make principal and/or interest payments due under the Group's loans or breach any of the covenants included in loan agreements – in some cases also due to circumstances which may be beyond the control of the Group. These may include requirements to meet certain loan-to-value ratios, debt service coverage and working capital requirements. A breach of such covenants by the Group could result in the forfeiture of its mortgaged assets, the acceleration of its payment obligations, the acceleration of payment guarantees, trigger cross-default clauses or make future borrowing difficult or impossible. In these circumstances, the Group could also be forced in the long term to sell some of its assets to meet its loan obligations, or the completion of its affected projects could be delayed or curtailed.

- Monitoring the regular repayment of debt and securing funds for such repayment;
- monitoring to ensure the proper performance of all obligations imposed on the Group and/or its companies under financing documents;
- ensuring loan funds are spent in accordance with the purpose of a given loan;
- attempting to ensure the proper liquidity of the Group
- employing specialists responsible for handling the existing debt financing of the Group;
- conducting monitoring to ensure the proper performance of all obligations of the Group under existing financing documents so as to prevent the occurrence of any breach and/or default.

Risk related to refinancing

The Group's real estate projects are financed under secured loans and unsecured bonds that have been provided for a limited term. The Group may not be able to renew or refinance its remaining obligations in part or at all, or may have to accept less favorable terms in respect of such refinancing. If the Group is unable to renew a loan or bond or secure refinancing, the Group could be forced to sell one or more of its properties in order to procure the necessary liquidity or to use its existing cash to repay the loan. Additionally, if the Group is not able to renew certain loans or bonds, the properties that are financed by way of such loans or bonds will become low-leveraged and, as a consequence, will not be able to generate the expected returns on equity. The refinancing is also connected with a risk of changes in interest rates, which may be less favorable than under the existing indebtedness. Interest rates are highly sensitive to many factors, including government monetary policies and domestic and international economic and political conditions, as well as other factors beyond the Group's control, but any changes in the relevant interest rates may increase the Group's costs of borrowing in relation to existing loans, thus impacting its profitability. Any combination of the above if substantial in value, might have material adverse effects on the Group's business, cash flows, financial condition and results of operations.

- Monitoring to ensure the proper performance of all obligations of the Group under existing financing documents so as not to lead to any breach and/or default;
- maintaining the creditworthiness of the Group at a sufficient level;
- extensive experience in obtaining financing and refinancing;
- effectively managing the Group's leverage;
- building good and long-term relationships with financing banks;
- employing experienced financial specialists;
- limiting exposure to changes in interest rates by incurring debt at a fixed interest rate, or changing interest from a variable to a fixed rate via the hedging instruments.

Currency risk

The Group's functional currency is euro. The Group is exposed to currency risks arising, *inter alia*, from the fact that certain of the Group's costs (such as certain construction costs, labor costs and remuneration for certain general contractors) are incurred and some of the incomes are gained in the currencies of the geographical markets in which the Group operates, including the Hungarian forint and the Serbian dinar. The exchange rates between local currencies and the euro have historically fluctuated. A portion of the Group's debt is denominated in currencies other than euro and as a result a portion of the financial costs is incurred by the Group

- Obtaining debt financing denominated in euros or converting financing obtained in other currencies into euros using hedging derivatives;
- concluding agreements with contractors specifying remuneration expressed in euros;
- engaging in other forms of currency hedging in an attempt to reduce the impact of currency fluctuations and the volatility of returns.

in such other currencies (the currency risk applies, in particular, to interest on the bonds issued by the Group in Hungarian forints).

Risk of loss of liquidity by the Group

There is a potential risk of a loss of liquidity by the Group in the case of a significant disturbance of the balance between its receivables and liabilities, and a material cash flow disruption in the absence of access to debt financing.

- Permanent monitoring of forecast and actual short- and long-term cash flows, as well as receivables and liabilities;
- maintaining a sufficient cash level in order to ensure proper liquidity management;
- experienced management of the Group;
- diversification of the Group's portfolio as well as investing in new sectors that might go through different phases of the business cycle at different times.

3.4 Risk factors related to the shareholding structure

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

determining arm's-length terms for the purpose of such transactions, as well as difficulties in identifying comparable transactions for reference purposes.

preparing respective documentation i.e. benchmarking studies, pre-arrangements with tax authorities, etc.

- monitoring market practice (including the approach of the authorities) in determining arm's-length terms for the purpose of related-party transactions;
- cooperating with experienced tax and legal advisors.

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

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

from the unregulated or uncertain legal status of some those real properties (e.g. due to reprivatisation claims).

3.6 IT risk factor

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

4. PRESENTATION OF THE GROUP

4.1 General information about the Group

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 2024, the Company's property portfolio comprised the following properties:

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

As of 30 June 2024, the book value of the Company's portfolio amounts to EUR 694,340 with: (i) the Group's completed investment properties account for 86% thereof; (ii) investment properties under construction for 9%; and (iii) an investment landbank intended for future development for 5%.

4.2 Main events in the six-month period ended 30 June 2024

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

On 1 January 2024, the shareholder of the Company appointed Mr. Balazs Gosztony as a member of the on the Management Board of the Company, effective immediately.

4.3 Structure of the Group

The structure of GTC Hungary Real Estate Development Pltd. Capital Group as of 30 June 2024 is presented in the unaudited consolidated financial statements for the 6-month period ended 30 June 2024 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 2024.

4.4 The Group's Strategy

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

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

Core asset classes:

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

Countries to operate in:

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

Portfolio management priorities:

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

- Converting ongoing development projects and land reserves into income-generating properties

Active liabilities' management:

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

Sustainability measures (ESG):

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

Others:

- Further optimisation of overheads through processes' improvements and digitalisation
- Centralisation of selected functions and outsourcing of functions where competences are missing

ESG Policy Pillars

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

(E) Environment: concern for the environment

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

Focus areas of the pillar:

E.1. Green Buildings

E.2. Climate Change Mitigation

(S) Social: empowerment, respect and diversity

We deliver office and retail space where our tenants can grow. We care about the employees, who are our biggest asset. We are a good neighbour, investing in local communities.

Focus areas of the pillar:

S.1. Tenants

S.2. Employees

S.3. Communities

(G) Governance: best governance practices

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

Focus areas of the pillar:

G.1. Compliance

G.2. Risk management

G.3. Transparency

4.5 Business overview

The Group's core business is geared towards commercial real estate, with a clear focus on creating value from active management of a growing real estate portfolio Budapest supplemented by selected development activities. As of 30 June 2024, the book value of the Group's investment property amounted to EUR 694,340. The Group's investment properties include income generating assets (completed properties), projects under construction and commercial landbank.

INVESTMENT PORTFOLIO

COMPLETED INVESTMENT PORTFOLIO AND REAL ESTATE ASSETS HELD FOR SALE

As of 30 June 2024, the Group manages completed commercial properties with a combined gross rentable area of approximately 199 thousand sq m, including 9 office buildings located in Budapest and 1 office building located in Belgrade, which constituted 86% of the total property portfolio (by value).

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

PROJECTS UNDER CONSTRUCTION

As of 30 June 2024, the Group had one office buildings classified as an investment under construction with a book value of EUR 63,700, which constituted 9% of the Group’s total property portfolio (by value).

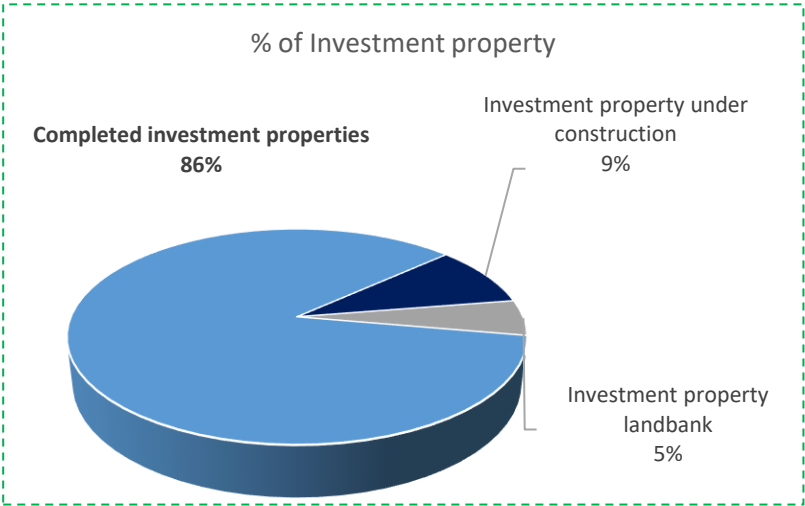
INVESTMENT PROPERTY LANDBANK

As of 31 December 2022 the Group had land classified as an investment property landbank designated for the future development of EUR 36,960, which constituted 5% of the Group’s total property portfolio (by value).

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

4.5.1 Overview of the investment portfolio

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



4.5.1.1 Overview of income generating portfolio

As of 30 June 2024, 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 to 199 thousand sq m as of 31 December 2023. The total value of the office portfolio as of 30 June 2024 was EUR 694,340 compared to EUR 664,540 as of 31 December 2023.

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 86% as of 30 June 2024. The applied average yield was 6.5% month as compared to 6.9% as of 31 December 2023. The average rental rate generated by the office portfolio in Hungary was EUR 19.0 sq m/month as compared to EUR 20.0/sq m/month as of 31 December 2023. The book value of the Group’s office portfolio in Hungary amounted to € EUR 544,137 as of 30 June 2024, as compared to EUR 536,637 as of 31 December 2023.

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

Property	Location	GTC's share	Total gross rentable area	Year of completion
		(%)	(sq m)	
CenterPoint I&II	Budapest	100%	40,700	2004/2006 under refurbishment
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 HQ (Univerzum)	Budapest	100%	21,100	2017
Evosoft HQ (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 100% as of 30 June 2024 and 31 December 2023. The applied average yield was 7.9% as compared to 7.7% as of 31 December 2023. The average rental rate generated by the office portfolio in Belgrade was at EUR 18.7/sq m/month as compared to EUR 18.4/sq m/month as of 31 December 2023. The book value of the Group's office portfolio in Belgrade amounted EUR 49.5 million as of 30 June 2023 and 31 December 2023. This increase is attributable to the acquisition of 70% share in Glamp d.o.o. Beograd.

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

Property	GTC's share	Total gross rentable area	Year of completion
	(%)	(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 63,700.

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	

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

4.5.1.3 Overview of investment property landbank

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

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

As of 30 June 2024, the Group had land classified as investment property landbank designated for future commercial development of EUR 36,960. The landbank, designated for future commercial development, includes projects on Group's focus for the coming years.

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

5. OPERATING AND FINANCIAL REVIEW

5.1 General factors affecting operating and financial results

GENERAL FACTORS AFFECTING OPERATING AND FINANCIAL RESULTS

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

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

- the economic slowdown in CEE and SEE which may slow down the general economy in the countries where the Group operates;
- availability and cost of financing;
- impact of the supply and demand on the real estate market in CEE and SEE region;
- impact of inflation (according to Eurostat, the euro area annual inflation was 2.9% in December 2023);
- impact of interest rate movements (however, as of 31 December 2023, 97% of the Group's borrowings were either based on fixed interest rate or hedged against interest rate fluctuations, mainly through interest rate swaps and cap transactions);

- impact of foreign exchange rate movements (the vast majority of the Group's lease agreements are concluded in euro and include a clause that provides for the full indexation of the rent linked to the European Index of Consumer Prices, bonds issued in other currencies than euro were hedged against foreign exchange rate movements using cross currency SWAPs).

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

5.2 Specific factors affecting financial and operating results

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

5.3 Presentation of differences between achieved financial results and published forecasts

The Group did not publish forecasts for the first half of year 2024.

5.4 Consolidated statement of financial position

Financial position as of 30 June 2024 compared to 31 December 2023

NON-CURRENT ASSETS

The value of non-current assets as of 30 June 2024 was EUR 1,392,287, out of which EUR 694,340 was investment properties (completed office buildings, investment property under constructions and landbank) and EUR 627,584 was loans granted to related parties.

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

CURRENT ASSETS

The value of current assets on the date of 30 June 2024 was EUR 62,303, out of which EUR 3,407 was trade receivables, EUR 13,593 was prepayments and deferred expenses, EUR 5,682 was current blocked deposits and EUR 33,096 was cash and cash equivalents.

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

LIABILITIES

The value of the liabilities on the date of 30 June 2024 was EUR 1,134,136 from which EUR 1,116,178 was long-term liabilities to related undertakings and EUR 17,958 was current liabilities.

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

PRESENTATION OF EQUITY, SHORT -LONG TERM LOANS

The equity was EUR 258,151 on the date of 30 June 2024 and EUR 243,750 on the date of 31 December 2023.

The value of the long-term liabilities on the date of 30 June 2024 was EUR 1,116,178 from which EUR 404,393 was long-term part of Issuer's subsidiaries' bank loan financing and EUR 658,335 was long-term loans from shareholders. The value of the short-term liabilities on the date of 30 June 2024 was EUR 17,958 from which EUR 6,183 was short-term part Company's subsidiaries' bank loan financing.

The value of the long-term liabilities on the date of 31 December 2023 was EUR 1,119,736 from which EUR 411,812 was long-term part of Issuer's subsidiaries' bank loan financing and EUR 662,383 was long-term loans from shareholders. The value of the short-term liabilities on the date of 31 December 2023 was EUR 17,048 from which EUR 5,956 was short-term part Company's subsidiaries' bank loan financing.

5.5 Consolidated income statement

Comparison of financial results for the six-month period ended 30 June 2024 with the result for the corresponding period of 2023

REVENUE FROM OPERATIONS

The Group achieved revenue from operations of EUR 24,724 in the six-month period ended 30 June 2024 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 2023 was EUR 23,244.

Rental revenue is driven by the rental income received that was 74% of sales revenue in six-month period ended 30 June 2024 and 70% of sales revenue in 6-month period ended 30 June 2023.

GROSS MARGIN

The amount of the gross margin in the six-month period ended 30 June 2024 was EUR 18,045. The amount of the gross margin in the six-month period ended 30 June 2023 was EUR 16,023.

The average statistical number of employees was 37 as the six -month period ended 30 June 2024 and 51 in the six-month period ended 30 June 2023.

LOSS/PROFIT FROM REVALUATION OF ASSETS

The profit from revaluation of assets was EUR 5,975 in the six-month period ended 30 June 2024 and was EUR 16,526 lost in the six-month period ended 30 June 2023.

OPERATIONAL RESULTS

The profit from continuing operations was EUR 22,329 and the amount of the EBITDA was EUR 16,463 in the six-month period ended 30 June 2024.

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

FINANCIAL EXPENSES, NET

The financial expenses, net in the six-month period ended 30 June 2024 was of EUR 3,753 and in the six-month period ended 30 June 2023 was of EUR 3,339.

Financial income is mainly driven by interest on loan granted to related-parties (EUR 10,004 in the six-month period ended 30 June 2024 and EUR 10,097 in the six-month period ended 30 June 2023). While financial expenses mainly consist of interest on loans granted by related-parties (EUR 8,935 in the six-month period ended 30 June 2024 and EUR 8,935 in the six-month period ended 30 June 2023) and interest expenses (on financial liabilities that are not fair valued through profit or loss), banking costs and other charges interest on member loans (EUR 4,858 in the six-month period ended 30 June 2024 and EUR 4,134 in the six-month period ended 30 June 2023).

LOSS/PROFIT FOR THE PERIOD

The profit for the period in the six-month period ended 30 June 2024 was EUR 15,944 and in the six-month period ended 30 June 2023 was lost of EUR 7,880.

5.6 Consolidated cash flow statement

Cash flow analysis

The table below presents an extract of the cash flow for the 6-month period ended 30 June 2024 and 2023:

	6-month period ended 30 June	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	14,741	2,210
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures on investment property and property, plant and equipment	(18,030)	(18,321)
Provision of loan	34,725	20,190
Interest received	5,918	7,599
Change in short term deposits designated for investment	(1,197)	-
Net cash used in investing activities	21,416	9,468

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term borrowings	-	25,000
Repayment of long-term borrowings	(1,979)	(1,979)
Repayment from related party loans	(1,451)	(1,482)
Interest paid and other financing fees	(16,540)	(15,870)
Decrease / (Increase) in short term deposits	1,122	(240)
Repayment of lease liabilities	329	-
Loans origination payment	(14)	(272)
Net cash from (used in) financing activities	(18,533)	5,157
Net foreign exchange difference, related to cash and cash equivalents	92	(2)
Net increase/(decrease) in cash and cash equivalents	17,716	16,833
Cash and cash equivalents, at the beginning of the year	15,380	34,988
Cash and cash equivalents, at the end of the period	33,096	51,821

The net cash from operating activities of group was EUR 14,741 in the 6-month period ended 30 June 2024 and EUR 2,210 in the 6-month period ended 30 June 2023.

The net cash from investing activities was EUR 21,416 in the 6-month period ended 30 June 2024 compared to the net cash from investing activities EUR 9,468 in the 6-month period ended 30 June 2023.

The net cash used in financing activities was EUR 18,533 in the 6-month period ended 30 June 2024 compared to the net cash from financing activities EUR 5,157 in the 6-month period ended 30 June 2023.

5.7 Future liquidity and capital resources

As of 30 June 2024 the Group believes that its cash balances, cash generated from disposal of properties, cash generated from leasing activities of its investment properties, and cash available under its existing and future loan facilities will fund its needs.

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

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

AVAILABILITY OF FINANCING

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

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

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

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

6. TERMS AND ABBREVIATIONS

Terms and abbreviations capitalized in this management'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.

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

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;



GTC HUNGARY REAL ESTATE DEVELOPMENT PLTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024
TOGETHER WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT

Budapest, 13 September 2024

Gyula Nagy
Member of the Management Board

Balázs Gosztónyi
Member of the Management Board

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 30 June 2024
(in thousands of Euro)

	Note	30 June 2024 (unaudited)	31 December 2023 (audited)
ASSETS			
Non-current assets			
Properties, plant and equipment		4,709	5,010
Investment property	<u>10</u>	694,340	664,540
Blocked deposits		1,705	2,717
Loans granted to related parties	<u>15</u>	627,584	658,056
Derivatives	<u>11</u>	592	1,043
Deferred tax asset		1,054	1,005
		1,329,984	1,332,371
Current assets			
Trade receivables		3,407	1,906
Accrued income		1,904	2,102
Prepayments, deferred expenses and other receivables		13,593	19,218
Derivatives	<u>11</u>	1,987	3,119
VAT receivables		1,315	1,204
Income tax receivables		1,319	749
Current blocked deposits		5,682	4,485
Cash and cash equivalents	<u>12</u>	33,096	15,380
		62,303	48,163
TOTAL ASSETS		1,392,287	1,380,534

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 2024
(in thousands of Euro)

	Note	30 June 2024 (unaudited)	31 December 2023 (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>	(7,126)	(5,557)
Transaction reserve		(1,416)	(1,416)
Retained earnings		226,608	210,875
		252,573	238,409
Non-controlling interest	<u>13</u>	5,578	5,341
Total Equity		258,151	243,750
Non-current liabilities			
Non-current portion of long-term borrowing	<u>14</u>	404,393	411,812
Non-current portion of long-term loans from related parties	<u>15</u>	652,470	654,934
Non-current portion of long-term loans from non-controlling interest	<u>13</u>	5,865	7,449
Lease liabilities		410	82
Derivatives	<u>11</u>	23,729	18,329
Deferred tax liabilities		23,259	21,889
Deposits from tenants		1,705	2,717
Share based payment liabilities		-	-
Other long-term liabilities		4,347	2,524
		1,116,178	1,119,736
Current Liabilities			
Trade payables and provisions		7,307	8,512
Deposits from tenants		1,465	343
Current portion of long-term borrowing	<u>14</u>	6,183	5,956
Current portion of lease liabilities		2	2
VAT payables		838	864
Income tax payables		146	336
Advances received		2,017	1,035
		17,958	17,048
TOTAL EQUITY AND LIABILITIES		1,392,287	1,380,534

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 2024
(in thousands of Euro)

	Note	Six-month period ended 30 June 2024 (unaudited)	Six-month period ended 30 June 2023 (unaudited)
Rental income		18,392	16,288
Management fees		189	329
Service charge income		6,143	6,627
Service charge costs		(6,679)	(7,221)
Gross margin from operations		18,045	16,023
Profit/(Loss) from revaluation of investment property	<u>10</u>	5,975	(16,526)
Selling expenses		(186)	(333)
Administrative expenses	<u>7</u>	(1,353)	(2,461)
Other income		33	30
Other expense		(185)	(632)
Profit from continuing operations before tax, finance income / cost and foreign exchange gain, net		22,329	(3,899)
Foreign exchange loss, net		(521)	(110)
Finance income	<u>8</u>	10,171	10,105
Finance cost	<u>8</u>	(13,924)	(13,444)
Profit before tax		18,055	(7,348)
Taxation	<u>9</u>	(2,111)	(532)
Profit for the period		15,944	(7,880)
Attributable to:			
Equity holders of the Company		15,733	(8,131)
Non-controlling interest		211	251
(Loss) / gain on cash-flow hedge		(1,689)	14,130
Deferred tax expense / (income) on cash-flow hedge		146	(1,272)
Net (loss) / gain on cash-flow hedge		(1,543)	12,858
Total other comprehensive income		(1,543)	12,858
Total comprehensive income for the period, net of tax		14,401	4,978
Attributable to:			
Equity holders of the Company		14,190	4,727
Non-controlling interest		211	251

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 2024
(in thousands of Euro)

	Attributed to equity holders of the Company							Total Equity	
	Share capital	Share premium	Cash flow hedge reserve (11)	Foreign currency translation reserve	Transaction reserve	Retained earnings	Total		Non- controlling interest
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	-	-	16,143	-	-	-	16,143	-	16,143
Loss for the period	-	-	-	-	-	(346)	(346)	-	(346)
Transaction with non-controlling interest	-	-	-	-	-	-	-	449	449
Balances as of 31 December 2023	20,366	20,350	(5,557)	(6,209)	(1,416)	210,857	238,409	5,341	243,750
Balances as of 1 January 2024	20,366	20,350	(5,557)	(6,209)	(1,416)	210,857	238,409	5,341	243,750
Other comprehensive income	-	-	(1,569)	-	-	-	(1,569)	26	(1,543)
Profit for the period	-	-	-	-	-	15,733	15,733	-	15,733
Transaction with non-controlling interest (Note 13)	-	-	-	-	-	-	-	211	211
Balances as of 30 June 2024	20,366	20,350	(7,126)	(6,209)	(1,416)	226,608	252,573	5,578	258,151

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 2024
(in thousands of Euro)

	Note	Six-month period ended 30 June 2024 (unaudited)	Six-month period ended 30 June 2023 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		18,055	(7,348)
<i>Adjustments for</i>			
Depreciation		109	118
(Gain) / loss from revaluation of investment property		(5,975)	16,526
Share-based payment gain		-	(24)
Foreign exchange loss, net		-	116
Finance income		(10,171)	(10,105)
Finance cost		13,924	13,444
Operating cash flow before working capital changes		15,942	12,727
Changes in trade receivables and other current assets		(1,424)	(2,033)
Changes in deposits from tenants		1,012	-
Changes in trade and other payables		615	(4,376)
Cash generated from operations		16,145	6,318
Tax paid in the period		(1,404)	(4,108)
Net cash from operating activities		14,741	2,210
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures on investment property and property, plant and equipment	<u>10</u>	(18,030)	(18,321)
Change in short term deposits designated for investment		(1,197)	-
Provision of loan		34,725	20,190
Interest received		5,918	7,599
Net cash from investing activities		21,416	9,468
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	<u>14</u>	-	25,000
Repayment of long-term borrowings	<u>14</u>	(1,979)	(1,979)
Repayment from related party loans		(1,451)	(1,482)
Interest paid and other financing fees		(16,540)	(15,870)
Repayment of lease liabilities		329	-
Decrease / (Increase) in short term deposits		1,122	(240)
Loans origination payment		(14)	(272)
Net cash (used in) / from financing activities		(18,533)	5,157
Net foreign exchange difference, related to cash and cash equivalents		92	(2)
Net increase in cash and cash equivalents		17,716	16,833
Cash and cash equivalents, at beginning of year		15,380	34,998
Cash and cash equivalents at the end of the period		33,096	51,821

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 2024
(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 month ended June 30, 2024 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, considering 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, 2023. 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 2024, the Group's net working capital (defined as current assets less current liabilities) was positive and amounted to EUR 44,345.

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 2024
(in thousands of Euro)

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

The accounting policies adopted in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023 (see note 7 to the consolidated financial statements for 2023) except for changes in the standards which became effective as of 1 January 2024:

- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020 amended 15 July 2020 and 31 October 2023) - not yet endorsed by EU at the date of approval of these financial statements.

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

The Group's assessment is that the above changes have no material impact on the Condensed Consolidated Interim 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 2024 (unaudited)	31 December 2023 (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 GTC Metro Kft. (Metro)	Hungary	EUR	100%	100%
5 Albertfalva Kft. (Szeremi Gate)	Hungary	EUR	100%	100%
6 GTC Future Kft. (GTC Future)	Hungary	EUR	100%	100%
7 Spiral I. Kft.	Hungary	HUF	100%	100%
8 GTC White House Kft.	Hungary	EUR	100%	100%
9 GTC Duna Kft. (Duna Tower)	Hungary	EUR	100%	100%
10 VRK Tower Kft. (Twins)	Hungary	EUR	100%	100%
11 Kompakt Land Kft. (Pillar)	Hungary	EUR	100%	100%
12 Globe Office Investments Kft. (Váci Greens D)	Hungary	EUR	100%	100%
13 GTC Investments Sp. z.o.o.	Poland	EUR	100%	100%
14 GTC Univerzum Projekt Kft. (Univerzum)	Hungary	EUR	100%	100%
15 Glamp d.o.o. Beograd (GTC X)	Serbia	EUR	70%	70%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2024
(in thousands of Euro)

5. EVENTS IN THE PERIOD

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

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

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 2024 and 30 June 2023 is presented below:

Six-month period ended 30 June 2024 (unaudited)

	Rental income	Service charge income	Service charge costs	Gross margin from operations
Hungary	16,626	5,557	(6,302)	15,881
Serbia	1,766	586	(377)	1975
Not allocated ⁽¹⁾	-	-	-	189
Total	18,392	6,143	(6,679)	18,045

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

⁽¹⁾ Comprises management fee income in the Company.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2024
(in thousands of Euro)

6. SEGMENTAL ANALYSIS (CONTINUED)

Segment analysis of assets and liabilities is presented below:

30 June 2024 (unaudited)

	Real estate ⁽¹⁾	Cash and deposits	Other	Total assets
Hungary	647,736	21,249	33,467	702,452
Serbia	50,664	1,751	656	53,071
Not allocated	0	17,483	619,281	636,764
Total	698,400	40,483	653,404	1,392,287
	Borrowings	Deferred tax	Other	Total liabilities
Hungary	235,660	20,606	15,833	272,099
Serbia	24,795	2,597	1,223	28.615
Not allocated ⁽²⁾	808,456	56	24,910	833,421
Total	1,068,911	23,259	41,986	1,134.136

31 December 2023 (audited)

	Real estate ⁽¹⁾	Cash and deposits	Other	Total assets
Hungary	617,968	16,436	27,357	661,761
Serbia	50,678	2,684	341	53,703
Not allocated	-	3,462	661,608	665,070
Total	668,646	22,582	689.306	1,380,534
	Borrowings	Deferred tax	Other	Total liabilities
Hungary	239,370	19,321	13,495	271,186
Serbia	24,785	2,512	1,154	28.451
Not allocated ⁽²⁾	816,996	56	20,095	837,147
Total	1,080,151	21,889	34,744	1,136,784

⁽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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2024
(in thousands of Euro)

7. ADMINISTRATIVE EXPENSES

Administration expenses comprise the following:

	Six-month period ended 30 June 2024 (unaudited)	Six-month period ended 30 June 2023 (unaudited)
Remuneration and other employee benefits ⁽¹⁾	586	1,490
Audit and valuations	219	131
Legal, tax, IT and other advisory	71	126
Office and insurance expenses	57	102
Travel expenses	11	27
Depreciation	109	118
Other expenses	22	89
Office rent	11	9
Management fees	267	393
Provision for share-based payments	-	(24)
Total	1,353	2,461

⁽¹⁾ **Remuneration** decreased due to the severance payments to resigned board members in 2023.

8. FINANCE INCOME AND EXPENSE

Finance income comprises the following:

	Six-month period ended 30 June 2024 (unaudited)	Six-month period ended 30 June 2023 (unaudited)
Interest on deposits and other	167	8
Interest on loan granted to related-parties	10,004	10,097
Total	10,171	10,105

Finance costs comprise the following:

	Six-month period ended 30 June 2024 (unaudited)	Six-month period ended 30 June 2023 (unaudited)
Interest expenses (on financial liabilities that are not fair valued through profit or loss), banking costs and other charges	4,858	4,134
Finance costs related to lease liability	-	2
Arrangement fee	-	273
Amortization of long-term borrowings raising costs	113	100
Interest on loan granted by related-parties	8,953	8,935
Total	13,924	13,444

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2024
(in thousands of Euro)

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 2024 (unaudited)	Six-month period ended 30 June 2023 (unaudited)
Current corporate and capital gain tax expense	(644)	(881)
Deferred tax expense	(1,467)	349
Total	(2,111)	(532)

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 2024 (unaudited)	Year ended 31 December 2023 (audited)
Completed investment properties	593,680	586,180
Investment property under construction ('IPUC')	63,700	41,400
Investment property landbank	36,960	36,960
Total	694,340	664,540

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

Movements in investment property were as follows:

	Six-month period ended 30 June 2024 (unaudited)	Year ended 31 December 2023 (audited)
Fair value as of beginning of the period	664,540	650,821
Purchase of completed assets and land	-	-
Reduction of lease income (SIC 15) ⁽¹⁾	-	-
Capitalized expenditure ⁽²⁾	23,825	31,887
Adjustment to fair value / (impairment)	5,975	(17,699)
Borrowing cost capitalized ⁽³⁾	-	688
Reclassified to Property, Plant and Equipment	-	(1.157)
Fair value as of period end	694,340	664,540

⁽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 4% (prior year 4%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2024
(in thousands of Euro)

10. INVESTMENT PROPERTY (CONTINUED)

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

	Six-month period ended 30 June 2024 (unaudited)	Six-month period ended 30 June 2023 (unaudited)
Capitalized expenditure (including Purchase of completed assets and land)	23,825	14,400
Change in payables and provisions related to investing activities	(221)	3,705
Change in receivables related to investing activities	(5,657)	66
Purchase of property, plant and equipment.	83	150
Expenditures on investment property and property, plant and equipment (Statement of Cash Flows)	18,030	18,321

Adjustment to fair value consists of the following:

	Six-month period ended 30 June 2024 (unaudited)	Six-month period ended 30 June 2023 (unaudited)
Adjustment to fair value of completed investment properties and IPUC	6,013	(14,575)
Adjustment to fair value of investment property landbank	(38)	(1,951)
Profit / (loss) from revaluation of investment property	5,975	(16,526)

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).

Assumptions used in the fair value valuations of completed assets as of 30 June 2024 (unaudited) are presented below:

Input	Unit	Hungary	Serbia	Total
Book value	€ thousand	544,137	49,543	593,680
Gross leasable area (GLA)	thousand sqm	181	18	199
Average occupancy	%	86	100	87
Actual average rent	€/sqm/month	19,0	18,7	18,8
Average ERV ⁽¹⁾	€/sqm/month	17,7	18,8	17,8
Average Yield ⁽²⁾	%	6,5	7,9	6,6

⁽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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2024
(in thousands of Euro)

10. INVESTMENT PROPERTY (CONTINUED)

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

Input	Unit	Hungary	Serbia	Total
Book value	€ thousand	536,637	49,543	586,180
Gross leasable area (GLA)	thousand sqm	181	18	199
Average occupancy	%	86	100	87
Actual average rent	€/sqm/month	20,0	18,4	19,7
Average ERV ⁽¹⁾	€/sqm/month	17,0	18,5	17,1
Average Yield ⁽²⁾	%	6,9	7,7	7,0

(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 2024 (unaudited)	Book value 31 December 2023 (audited)	Estimated area
	€ thousand	€ thousand	thousand sqm
Center Point 3 (Hungary)	63,700	41,400	36
Investment properties under construction as at period end	53,700	41,400	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 2024 (unaudited)	31 December 2023 (audited)
Non-current assets	592	1,043
Current assets	1,987	3,119
Non-current liabilities	(23,729)	(18,329)
Fair value as of the end of the period	(21,150)	(14,167)

Movements in derivatives were as follows:

	Six-month period ended 30 June 2024 (unaudited)	Six-month period ended 30 June 2023 (unaudited)
Fair value as of the beginning of the period	(14,167)	(39,696)
Charged to other comprehensive income ¹	(2,125)	14,130
Charged to profit or loss ²	(4,858)	11,645
Fair value as of the end of the period	(21,150)	(13,921)

(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2024
(in thousands of Euro)

11. DERIVATIVES (CONTINUED)

Movements in Cash flow hedge reserve were as follows:

	30 June 2024 (unaudited)	31 December 2023 (audited)
Cash flow hedge reserve as of the beginning of the period	(5,557)	(21,700)
Charged to other comprehensive income	(1,720)	17,739
Income tax on hedge transactions	151	(1,596)
Cash flow hedge reserve as of the end of the period	(7,126)	(5,557)

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 B.

13. NON-CONTROLLING INTEREST

Summarized financial information of the material non-controlling interest as of 30 June 2024 (unaudited) is presented below:

	Glamp d.o.o. Beograd (Serbia)
Non-current assets	51,261
Current assets	1,810
Total assets	53,071
Equity	18,590
Non-current liabilities	33,793
Current liabilities	688
Total equity and liabilities	53,071
Revenue	1,766
Profit / (loss) for the year	701
Other comprehensive profit/(loss)	26
NCI share in equity	5,578
Loans received from NCI	5,865
NCI share in profit	211

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2024
(in thousands of Euro)

13. NON-CONTROLLING INTEREST (CONTINUED)

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

	Glamp d.o.o. Beograd (Serbia)
Non-current assets	51,245
Current assets	2,458
Total assets	53,703
Equity	17,803
Non-current liabilities	35,244
Current liabilities	656
Total equity and liabilities	53,703
Revenue	2,549
Profit for the year	1,497
Other comprehensive profit/(loss)	-
NCI share in equity	5,341
NCI share in profit / (loss)	449

Movements of the non-controlling interest were as follows:

	30 June 2024 (unaudited)	31 December 2023 (audited)
Balance as of the beginning of the period	5,341	4,892
Disposal of NCI	-	-
NCI recognized at acquisition date	-	-
Other comprehensive income for the period	26	-
Profit for the period	211	449
Balance as of end of the period	5,578	5,341

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 2024 (unaudited)	31 December 2023 (audited)
Loan from OTP (Center Point 1-2)	EUR	40,709	42,027
Loan from OTP (Duna Tower)	EUR	31,570	32,592
Loan from Erste (Váci Greens D)	EUR	21,813	22,188
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	25,000
Green bonds mature in 2027-2030 (HU0000360102)	EUR	100,215	103,454
Green bonds mature in 2028-2031 (HU0000360284)	EUR	50,108	51,727
Deferred debt expenses	EUR	(2,021)	(2,175)
		404,393	411,812

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2024
(in thousands of Euro)

14. LONG-TERM BORROWINGS (CONTINUED)

Current portion	Currency linkage	30 June 2024 (unaudited)	31 December 2023 (audited)
Loan from OTP (Center Point 1-2)	EUR	2,635	2,221
Loan from OTP (Duna Tower)	EUR	2,043	1,722
Loan from Erste (Váci Greens D)	EUR	750	750
Loan from UniCredit (Pillar)	EUR	-	794
Green bonds mature in 2027-2030 (HU0000360102)	EUR	611	72
Green bonds mature in 2028-2031 (HU0000360284)	EUR	144	397
		6,183	5,956

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 2024, 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, 2024, the unrecognized part of the difference in the statement of profit or loss is EUR 54 thousand (As of 31 December 2023: EUR 109 thousand).

All other bank loans and bonds are denominated in euro.

Movements in long term borrowings for the periods ended 30 June 2024 and 31 December 2023 were as follows:

	30 June 2024 (unaudited)	31 December 2023 (audited)
Balance as of the beginning of the year	417,768	389,089
Drawdowns and issuance of bonds and loans	-	25,000
Repayments of bonds and loans	(1,979)	(3,959)
Change in accrued interest	(5,786)	(8,722)
Interest payments	5,333	9,626
Change in deferred issuance debt expenses	99	(39)
Foreign exchange difference	(4,858)	6,773
Balance as of end of the period	410,576	417,768

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 30 June 2024
(in thousands of Euro)

14. LONG TERM BORROWINGS (CONTINUED)

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

	30 June 2024 (unaudited)	31 December 2023 (audited)
First year	15,422	13,620
Second year	116,681	15,910
Third year	69,612	115,058
Fourth year	49,736	104,217
Fifth year	24,505	26,206
Thereafter	121,183	199,764
Total	397,139	474,774

15. 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 2024 (unaudited) was as the follows:

	Company controlled by the Ultimate controlling party	Majority Shareholder	Subsidiary of the Majority Shareholder
Rental income ⁽¹⁾	-	-	-
Management fees ⁽²⁾	189	-	189
Service charge income ⁽¹⁾	62	-	62
Administrative expenses	266	-	266
Finance income	10,004	-	10,004
Finance cost	8,953	2,210	6,743

⁽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 2023 (audited) were as follows:

	Company controlled by the Ultimate controlling party	Majority Shareholder	Subsidiary of the Majority Shareholder
Rental income ⁽¹⁾	-	-	-
Management fees ⁽²⁾	-	-	581
Service charge income ⁽¹⁾	-	-	98
Administrative expenses	-	-	613
Finance income	-	-	20,627
Finance cost	-	4,469	13,523

⁽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 2024
(in thousands of Euro)

15. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party balances

Related party balances for the year ended 30 June 2024 (unaudited) was as the follows:

	Company controlled by the Ultimate controlling party	Majority Shareholder	Subsidiary of the Majority Shareholder
Loans granted to related parties	-	,	627,584
Non-current portion of long-term loans from related parties	-	34	301
Non-current portion of long-term loans from non-controlling interest	-	160,576	497,759
Trade and other payables	-	68	238
Other long-term liabilities	500	-	-

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

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

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 2024 amounted to Euro 12 thousand (in 2023: Euro 1,684 thousand) and 320,000 phantom share vested (in 2023: 177,000).

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

16. COMMITMENTS AND CONTINGENCIES

As of 30 June 2024 (31 December 2023), the Group had commitments contracted for in relation to future building construction without specified date, amounting to EUR 48.8 million (EUR 69.9 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 2024
(in thousands of Euro)

17. 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 2023.

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.

18. GROUP APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were authorized for the issue by the Management Board on 13 September 2024.



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 2024, 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.

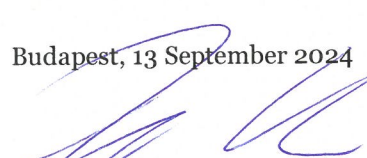
Scope of review

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, 13 September 2024



Radványi László
Partner
PricewaterhouseCoopers Könyvvizsgáló Kft.
1055 Budapest, Bajcsy-Zsilinszky út 78.
Licence Number: 001464