



# 2021 ANNUAL REPORT

OF THE **SUPERVISORY BOARD**  
OF GLOBE TRADE CENTRE S.A.

*April 2022*



## 1. Legal basis for the Annual Report of the supervisory board

This Annual Report of the supervisory board (the “**Report**”) has been prepared and adopted by the supervisory board of Globe Trade Centre S.A., with its registered seat in Warsaw, Poland (the “**Company**” or “**GTC**”), (the “**supervisory board**”), according to Article 382 § 3 of the Polish Commercial Companies Code and is addressed to the general meeting of the Company (the “**General Meeting**”).

The purpose of the Report is to ensure compliance with Rules 2.11 of the 2021 Code of Best Practices of WSE Listed Companies.

## 2. The composition of the supervisory board

As of 31 December 2021, the supervisory board comprised eight (8) members, 100% men. The following table presents the names, surnames, functions, dates of appointment, and dates of expiry of the current term of the members of the supervisory board as of 31 December 2021:

Name and surname	Function	Year of the first appointment	Year of appointment for the current term	Year of expiry of term
Zoltán Fekete	Chairman of the supervisory board	2020	2020	2023
János Péter Bartha <sup>1</sup>	Independent member of the supervisory board	2020	2020	2023
Lóránt Dudás	Member of the supervisory board	2020	2020	2023
Balázs Figura	Member of the supervisory board	2020	2020	2023
Mariusz Grendowicz <sup>2</sup>	Member of the supervisory board	2000	2019	2022
Marcin Murawski <sup>1</sup>	Independent member of the supervisory board	2013	2019	2022
Bálint Szécsényi	Member of the supervisory board	2020	2020	2023
Daniel Obajtek <sup>1</sup>	Independent member of the supervisory board	2021	2021	2024
<sup>1</sup> conforms with the independence criteria listed in the Best Practices of WSE Listed Companies.				
<sup>2</sup> conforms with the independence criteria listed in the articles of association of the Company				

During 2021, the following changes in the composition of the supervisory board took place:

- on 29 June 2021 Otwarty Fundusz Emerytalny PZU „Złota Jesień” represented by Powszechne Towarzystwo Emerytalne PZU S.A. re-appointed Ryszard Wawryniewicz as a member of the supervisory board of the Company for a three-year term in office, effective as of 29 June 2021 (see current report no 14/2021);
- on 30 December 2021 Otwarty Fundusz Emerytalny PZU „Złota Jesień” represented by Powszechne Towarzystwo Emerytalne PZU S.A. dismisses Ryszard Wawryniewicz and appoints Daniel Obajtek as a member of the supervisory board of the Company for a three-year term in office, starting as of 30 December 2021 (see current report no 24/2021).

The following table presents the periods in 2021 during which given members served on the supervisory board:

Name	Periods in 2021 during which the given member served on the supervisory board
Zoltán Fekete	1 January - 31 December 2021
János Péter Bartha	1 January - 31 December 2021
Lóránt Dudás	1 January - 31 December 2021
Balázs Figura	1 January - 31 December 2021
Mariusz Grendowicz	1 January - 31 December 2021
Marcin Murawski	1 January - 31 December 2021
Bálint Szécsényi	1 January - 31 December 2021
Ryszard Wawryniewicz	1 January - 30 December 2021
Daniel Obajtek	30 December - 31 December 2021

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

- on 11 March 2022, Mr. Zoltán Fekete resigned from his seat on the supervisory board of the Company, effective immediately (see current report no 20/2022);
- on 11 March 2022, GTC Dutch Holdings B.V. appointed Mr. Gyula Nagy as member of the supervisory board of the Company, effective immediately. (see current report no 20/2022).

The following table presents the names, surnames, functions, dates of appointment, and dates of expiry of the current term of the members of the supervisory board as of the date of this report:

Name and surname	Function	Year of the first appointment	Year of appointment for the current term	Year of expiry of term
János Péter Bartha <sup>1</sup>	Chairman of the supervisory board	2020	2020	2023
Lóránt Dudás	Member of the supervisory board	2020	2020	2023
Balázs Figura	Member of the supervisory board	2020	2020	2023
Mariusz Grendowicz <sup>2</sup>	Member of the supervisory board	2000	2019	2022
Marcin Murawski <sup>1</sup>	Independent member of the supervisory board	2013	2019	2022
Gyula Nagy	Member of the supervisory board	2022	2022	2025
Bálint Szécsényi	Member of the supervisory board	2020	2020	2023
Daniel Obajtek <sup>1</sup>	Independent member of the supervisory board	2021	2021	2024
<sup>1</sup> conforms with the independence criteria listed in the Best Practices of WSE Listed Companies.				
<sup>2</sup> conforms with the independence criteria listed in the articles of association of the Company				

### 3. Activities of the supervisory board

The supervisory board operates in compliance with the Polish Commercial Companies Code as well as based on the Company's statute and the by-laws of the supervisory board dated 14 April 2005 with the changes introduced by the General Meeting on 16 May 2017. The supervisory board also reviews the financial position of the Group and evaluates its debt situation and sources of financing, including a review of the Polish bonds market as one of the sources for finance.

The supervisory board of GTC exercised supervision over and evaluated the operations of the Company and its financial statements. The supervisory board reviewed issues related to the Company's current operations and adopted resolutions regarding matters related to the Company's activities and those required under the regulations of the Polish Commercial Companies Code, the Company's statute, and the by-laws of the supervisory board.

In 2021, the supervisory board held seven (7) meetings. The supervisory board adopted numerous resolutions related to the current operations of GTC. The meetings of the supervisory board were attended by members of the Company's management board, invited guests (including, specifically, representatives of BDO sp. z o.o. sp. k., which was mandated to review and audit the financial statements of the Company and the capital group of the Company (the "**Capital Group**" or "**GTC Group**") and Polska Grupa Audytorska sp. z o.o. (Internal Auditor) as well as One Software Technologies Ltd. (the external advisor on cybersecurity). The supervisory board was also constantly updated by the management board in respect of the most important events affecting the Company.

In 2021, the most important resolutions adopted by the supervisory board related to, among others:

- the approval of Company's strategy and budget for 2021;
- the approval of Company's financing strategy and shift to predominantly unsecured financing;
- the approval of the EUR 50 million NKP bonds issue and the guarantee given for those bonds by GTC SA;
- the issuance of a positive opinion in respect of GTC's financial statements and the consolidated financial statements of GTC's capital group for the 2020 financial year;
- the approval of the management board's proposal related the coverage by the Company of loss for the financial year 2020 from the retained earnings accrued from the profits for the previous years (*kapitał zapasowy utworzony z zysków zatrzymanych*);
- the approval of the Internal Audit plan for 2021;
- the approval of the disposal of GTC group assets in Serbia;
- the approval of the acquisition of Ericsson HQ and evosoft (Univerzum) HQ office buildings in Hungary;
- the approval of related party transactions conducted by the Company during 2021;
- the approval of refinancing and top up loan two office buildings: of Ericsson HQ and evosoft HQ in Budapest;
- the approval of the issuance of bonds up to the amount of EUR 500 million;
- the approval of the development of GTC X project in Belgrade;
- the approval of the discount on the issue price of the series O shares, issued by the Company in December 2021.

The supervisory board also dealt with the following issues:

- the evaluation of the financial position and the financial results of the Company and the Capital Group after each quarter of 2021;
- the evaluation of the 2021 budget and its utilization;
- the assessment of the progress of developed projects and new investments;



- the impact of COVID-19 pandemic on Company's business.

The supervisory board also monitored selected business risks of the Capital Group and evaluated the methods that the Company uses to control and protect itself from risk.

## 4. Evaluation of the work of the supervisory board in 2021

The supervisory board has a positive opinion of its work in 2021. While performing its duties, the supervisory board acted in compliance with the law and, specifically, within the scope of the competencies defined by the Polish Commercial Companies Code, the Statute of the Company, and the by-laws of the supervisory board.

The supervisory board consists of individuals with extensive experience, which allows them to make a thorough and accurate analysis of the Company's plans and the implementation thereof. The supervisory board supports the management board in the making of all the strategic decisions related to the business of GTC.

## 5. Evaluation of the work of the committees of the supervisory board in 2021

### AUDIT COMMITTEE

The objective of the audit committee of the supervisory board (the “**audit committee**”) is to evaluate the administrative financial control, financial reporting, and the external and internal auditing of the Company and the companies within the Capital Group, as well as to provide the supervisory board with opinions in that respect.

In 2021, the audit committee consisted of the following members of the supervisory board: Marcin Murawski, Chairman of the Audit Committee, Mariusz Grendowicz, and János Péter Bartha. The members of the audit committee actively participated in meetings of the audit committee. All of the members of the audit committee are qualified in accounting and auditing. According to their statements presented to the management board, both Marcin Murawski and János Péter Bartha fulfilled the independence criteria.

The most important duties of the audit committee include, among other things: the evaluation of the current financial results of the Company, its liquidity, the level of its debts and receivables, the financing of projects, and the monitoring of the accuracy of financial statements. The audit committee also evaluates the internal control and risk management systems material to the Company.

In 2021, five (5) audit committee meetings were held. The representatives of the entity mandated to review the financial statements of the Company and the Capital Group participated in the relevant meetings of the audit committee.

The audit committee reviewed all of the financial statements of the Company and the Capital Group prior to their publication and recommended the approval thereof by the supervisory board.

The audit committee and the supervisory board discussed internal control matters, risk management issues, hedging policy, cybersecurity and key compliance issues during its meetings in 2021.

The audit committee continuously monitored the financial reporting process and the statutory auditing process in the Company and regularly reported to the supervisory board the results of these monitoring activities.

## REMUNERATION COMMITTEE

On 12 May 2014, the supervisory board established the remuneration committee of the supervisory board, which has no decision-making authority and which is responsible for making recommendations to the supervisory board with respect to the remuneration of the members of the management board and the policies for determining such remuneration.

In 2021, the remuneration committee consisted of the following members of the supervisory board: Zoltán Fekete, the Chairman of the Remuneration Committee, Marcin Murawski and Mariusz Grendowicz, and. According to his statement presented to the management board, Marcin Murawski fulfills the independence criteria.

In 2021, four (4) remuneration committee meetings were held during which the remuneration committee recommended to the supervisory board to approve the salary and the annual bonuses for the management board members. The remuneration committee during the year discussed the composition and compensation of the management board which resulted in recommending to the supervisory board to approve the mutual termination of contract with Robert Snow, as well as appointment of Pedja Petronijevic and János Gárdai to the management board.

## **6. The assessment of the manner in which the Company fulfills the disclosure obligations concerning the application of the corporate governance rules specified in the WSE Rules and the provisions governing current and interim information disclosed by issuers of securities**

In the opinion of the supervisory board, in 2021, the Company fulfilled all the disclosure obligations concerning the application of the corporate governance rules specified in the WSE Rules and the provisions governing current and interim information disclosed by issuers of securities.

The Company reported that until 1 July 2021, under the WSE Best Practice Listed Companies 2016, the Company complied with all the principles set by the Warsaw Stock Exchange. However, with the introduction of the Best Practice of GPW Listed Companies 2021 as of 1 July 2021, the Company does not apply with three principles as informed in its statement of compliance with the Best Practice of GPW Listed Companies 2021.

The Company has in place procedures ensuring its compliance with section 29.3 of the WSE Rules, pursuant to which if the Company permanently does not comply with or has incidentally violated a principle set forth in the Code of Best Practice, it discloses such non-compliance or violation in a current report issued through the EBI reporting system.

Acting in accordance with par. 70.6.5) of the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated 29 March 2018 (Dz.U. of 2018, item 757), GTC releases a statement of compliance with corporate governance principles in its consolidated and separate annual reports.

In the opinion of the supervisory board, the Company conducts a transparent and effective information policy, providing easy access to disclosed information. The “Investors” section of the corporate website ([www.gtc.com.pl](http://www.gtc.com.pl)) contains a corporate governance page which is where the Company’s annual reports on compliance with WSE best practices, a statement of best practices applied by the Company, and all other information required by the Best Practice of GPW Listed Companies 2021 are published.

The supervisory board also monitored WSE rules and the corporate governance rules and believes that the Company fulfilled all obligations of listed companies.

## **7. Diversity policy in terms of the management, supervisory, or administrative bodies of the Company.**

The Company does not apply with the principles regarding to gender diversity of corporate bodies, as informed in its statement of compliance with the Best Practice of GPW Listed Companies 2021. The Company does not plan to formally adopt a diversity policy (with the participation of the minority group in each body at the level at least 30%) towards the management board and the supervisory board as the main criteria in selecting its members are knowledge, experience, personality traits and education, and not, for example, age or gender.

The strategic objective of the Group diversity policy is to recruit and retain such workforce as to ensure delivery of the GTC Group’s business objectives. The priority of diversity policy is to build a sense of trust between the management and other employees, and to treat everyone fairly regardless of their position.

The Company’s diversity policy is centered on respecting the employees as an element of diversity-oriented culture regardless of gender, age, professional experience, education and cultural heritage. It includes integrating employees in their workplace and ensuring that all employees are treated equally at work. The Company supports various social initiatives, which promote equal opportunities. Additionally, the Company joins charitable activities initiated by the employees. The principles of equal treatment at the workplace have been reflected in the Company’s bylaws, which are available to all employees. The Company values its enriched diversity policy in pursuing its goals.

The supervisory board positively assesses the rationale behind and the implementation of the above-described policy of the Company and the Group.



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

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

- **Enhancement of local infrastructure**, including road and traffic infrastructure. Throughout the Group, we share the principle of taking responsibility for the space we create. The infrastructure created in connection with or for the purposes of the developments constructed is handed over to the local self-government free of charge to be used by all residents. Moreover, prior to the development of the Group's projects, public green areas (such as squares and parks) are placed on undeveloped plots or plots which will surround future developments following their completion by the Group.
- **Local initiatives**. The Group takes an active part in a great number of non-profit activities as a partner, organizer, or sponsor. We often present our projects to local communities. We actively participate in public meetings dedicated to spatial planning. The Group's regional offices know the needs of the local community and the market in which they operate best, so they decide which social topics form a priority for them. The Group participates in and supports local initiatives such as:
  - help for medics due to COVID-19 pandemic;
  - commissioning the plot for use by the authorities as part of COVID-19 testing initiative;
  - support of Red Cross with providing a place for blood donations;
  - support of charity organizations with providing a place in our shopping malls and office buildings for promotional activities in attracting sponsors and making people aware of their initiatives as well as humanitarian associations and charities;
  - promotion of local businesses by continuously providing organic and home-made products for all visitors;
  - organization of calligraphy workshops;
  - free medical examination for women and men;
  - organization of family picnics;
  - opening free parking at night due to bad weather conditions;
  - a donation in the form of goods (used furniture from our previous office); the donation was given to The Zagreb Rehabilitation Center which implements education programs for children and youth with special needs.

Additionally, Group conducted several local initiatives with support sports activities:

- yoga training - promotion of active leisure time activities;
- exercise games for children during holiday;
- city games for families - promotion of outdoor activities;
- volleyball festival - promotion of a healthy lifestyle;
- Beach Volleyball tournament - Cup of Silesia;
- Open 40+ Championship in beach volleyball in Galeria Jurajska;
- the North Bridge Run ("Bieg przez Most"); and
- installation of public bike system in our Matrix complex in Croatia.

- **Embracing environmental certification.** Out of focus on the environment, the investments of the Company and the Group are fully compliant with LEED or BREEAM guidelines. The Group certified and recertified 17 properties in 2020, 18 in 2021 and 7 in the beginning of 2022, and is currently in the process of certifying or recertifying five other properties its portfolio with LEED and/or BREEAM with a target of 100% certification of the portfolio. As of January 2022, approximately 88% of our properties (87% incl. Serbia) holds a green certificate, which proves the sustainability of the properties that GTC develop and manage.

In 2021 the Group had expenses on the support of charity in the amount of EUR 25 thousand and sport in the amount of EUR 7 thousand. The supervisory board believes that all the activities of the Company, including the expenses, are reasonable and adjusted to the size of the activity and demanding COVID-19 pandemic situation in the region in which Company operates.

The supervisory board positively assesses the rationale behind and the implementation of the above-described policies of the Company and the Group and the related expenses.

## **9. Overview of the operations of the Company**

### **KEY DEVELOPMENTS AND FACTORS AFFECTING THE FINANCIAL AND OPERATING RESULTS OF THE CAPITAL GROUP IN 2021**

Following a review of the operations of the Capital Group, the supervisory board is of the opinion that the operations of GTC that were of key importance in 2021 included the following.

## COVID- 19 OUTBREAK

The COVID-19 pandemic has triggered a wave of substantial adverse effects on the global economy. The lockdowns brought a large part of the world's economic activity to an unparalleled standstill: consumers stayed home, companies lost revenue, and terminated employees – which, consequently, led to a rise in unemployment. Rescue packages by national governments and the EU, as well as supporting monetary policies by the European Central Bank have been implemented to moderate the economic impact of the pandemic. During 2020 and 2021, the economic disruptions caused by the COVID-19 virus and the increased market uncertainty combined with increased volatility in the financial markets led to a decrease in rental revenues, a decrease in the Company assets' values, as well as impacted on the Company's compliance with financial covenants. (see item 5.2 in the annual report and note 38 in the consolidated financial statements for the year ended 31 December 2021).

## MANAGEMENT BOARD CHANGES AND OTHER CORPORATE EVENTS

In April 2021, the Group commencement of construction of GTC X, an office building in Belgrade.

On 29 June 2021, the Annual General Meeting adopted a resolution regarding the capital increase of up to 20% of the existing share capital. As per the Annual General Meeting authorization, the Management launched the capital increase via the accelerated book building in December 2021. The subscription agreements with the shareholders participating in the offer of O series bearer shares were signed on 20-21 December 2021. As a result the Company issued 88,700,000 series O bearer shares. The capital increase and new Articles of Association were registered by the National Court Register on 4 January 2022 and the funds were transferred to the Company's account in January 2022. The O series bearer shares were admitted to trading on the respective stock exchange on 26 January 2022.

On 29 June 2021, Powszechne Towarzystwo Emerytalne PZU SA, with its registered seat in Warsaw, acting on behalf of Otwarty Fundusz Emerytalny PZU "Złota Jesień", has re-appointed Ryszard Wawryniewicz to the Company's supervisory board for a new 3-years term, effective 29 June 2021.

On 27 October 2021, the Company and Mr. Robert Snow have mutually agreed to terminate his appointment as a member to the management board of the Company and other subsidiaries of the Company. The resignation was approved by the supervisory board on 28 October 2021.

On 13 December 2021, the supervisory board of the Company appointed Pedja Petronijevic to the management board of the Company (Chief Development Officer) effective as of 15 January 2022 and János Gárdai to the management board of the Company (Chief Operating Officer) effective as of 1 February 2022.

On 30 December 2021 Otwarty Fundusz Emerytalny PZU „Złota Jesień” represented by Powszechne Towarzystwo Emerytalne PZU S.A. dismisses Ryszard Wawryniewicz and

appoints Daniel Obajtek as a member of the supervisory board of the Company for a three-year term in office, starting as of 30 December 2021.

## ACQUISITIONS

On 11 March 2021, GTC Hungary Real Estate Development Company Pltd., a wholly-owned subsidiary of the Company, signed a sale purchase agreement to acquire a Napred company in Belgrade, holding a land plot of 19,537 sq m for a consideration of EUR 33.8 million from Groton Global Corp. The site has potential office development of ca 79,000 sq m. The transaction was completed on 11 February 2022.

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

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

On 1 June 2021, GOC EAD, a wholly-owned subsidiary of the Company, acquired a land plot in Sofia with an area of 2,417 sq m for a total amount of EUR 4.7 million. The Group plans to develop an office building in Sofia, Bulgaria with a leasable area of 9,200 sq m.

On 30 June 2021, GTC HBK Project Kft., an indirect wholly-owned subsidiary of the Company, acquired from a company related to the majority shareholder of the Company a 6,400 sq m mixed-used retail and office asset in Budapest for the total consideration of EUR 21 million. The acquisition was partially financed by a bank facility in the amount of EUR 10.8 million.

On 30 June 2021, GTC VI188 Property Kft., an indirect wholly-owned subsidiary of the Company, acquired from a company related to the majority shareholder of the Company a 15,000 sq m Class A office building in Budapest for a consideration of EUR 31.2 million. The acquisition was partially financed by a bank facility in the amount of EUR 16.2 million.

On 22 July 2021, GTC FOD Kft, an indirect wholly-owned subsidiary of the Company, acquired from a company related to the majority shareholder of the Company a 24,000 sq m Class A Office Building in Debrecen, the second-largest city in Hungary, for a consideration of EUR 46.7 million.

On 21 September 2021, GTC KLZ 7-10 Kft., an indirect wholly owned subsidiary of the Company, acquired from an investment fund related to the majority shareholder of the Company a land plot of 3,750 sq m for the total consideration of EUR 12.8 million. The site has potential residential development ca. 17,000 sq m.

On 21 September 2021, GTC Origine Investments Pltd., a wholly owned subsidiary of the Company, acquired 100% holding of G-Delta Adrssy Kft. from an investment fund related to the majority shareholder of the Company, which owns an existing office building for a future refurbishment with a GLA of 3,600 sq m for a consideration of EUR 10.8 million. The office building is located in the CBD of Budapest.

## **DISPOSAL OF ASSETS**

On 21 May 2021, GTC and GTC Hungary Real Estate Development Company Pltd signed a sale and purchase agreement, concerning the sale of the entire share capital of Serbian subsidiaries: Atlas Centar d.o.o. Beograd ("Atlas Centar"), Demo Invest d.o.o. Novi Beograd ("Demo Invest"), GTC BBC d.o.o. ("BBC"), GTC Business Park d.o.o. Beograd ("Business Park"), GTC Medjunarodni Razvoj Nekretnina d.o.o. Beograd ("GTC MRN") and Commercial and Residential Ventures d.o.o. Beograd ("CRV"). The purchase price under the Agreement shall be calculated on an enterprise value basis, based on a property value of aggregate EUR 267.6 million. The transaction was successfully closed on 12 January 2022. Group has received an amount of EUR 134.4 million net proceeds before tax.

On 9 September 2021, Europort Investments (Cyprus) 1 Limited, a wholly-owned subsidiary of the Company, sold shares of all its subsidiaries holding two land plots in Ukraine (Odessa) for an amount of EUR 0.6 million. Subsequently to the sale, the Company no longer has any assets or holds any entities in Ukraine.

On 2 December 2021, GTC Seven Gardens d.o.o., a wholly-owned subsidiary of the Company, entered into a preliminary sale agreement of land plot with an area of 3,406 sq m for a total amount of EUR 1.4 million.

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

On 8 January 2021, GTC Pixel and GTC Francuska signed a loan agreement with Santander Bank Polska, which refinanced the existing loans. GTC Pixel repaid the loan in PKO BP in the amount of EUR 19.2 million and obtained the new loan in Santander Bank Polska in the amount of EUR 19.7 million. GTC Francuska repaid the loan in ING in the amount of EUR 18.9 million and obtained the new loan in Santander Bank Polska in the amount of EUR 19.3 million.

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

On 17 March 2021, GTC Hungary Real Estate Development Company Pltd., a wholly-owned subsidiary of the Company, entered into cross-currency interest swap agreements with two different banks to hedge the total green bonds liability against foreign exchange

fluctuations. The green bonds were fixed to the Euro, and the fixed annual coupon was swapped for an average annual interest fixed rate of 0.93%.

On 18 March 2021, Erste Group Bank AG, Raiffeisenlandesbank Niederösterreich-Wien AG and GTC Galeria CTWA Sp. z o.o., a wholly-owned subsidiary of the Company, operating Galeria Jurajska shopping mall, signed a waiver letter, according to which the DSCR covenant was waived until the end of September 2022 and a prepayment of EUR 5 million was made at the end of March 2021.

On 1 April 2021, GTC Corius Sp. z o.o., a wholly-owned subsidiary of the Company, signed a loan agreement prolongation with Berlin Hyp Bank for additional five years.

On 7 May 2021, GTC Sterlinga Sp. z o.o., a wholly-owned subsidiary of the Company, signed a prolongation of the loan agreement with Pekao S.A. for additional five years.

On 8 June 2021, two rating agencies assigned a corporate family rating ("CFR") to GTC: Moody's Investors Service ("Moody's") – Ba1 and Fitch Ratings ("Fitch") – BBB-. Outlook for the assigned ratings is positive (Moody's) and stable (Fitch). After the issue of EUR 500 million fixed-rate, senior unsecured green bonds due 2026, Moody's and Fitch assigned credit ratings for issued bonds on the same level as CFR. Bonds were issued by GTC Aurora Luxembourg S.A., a wholly-owned subsidiary of the Company, and guaranteed by the Company.

On 23 June 2021, GTC Aurora Luxembourg S.A., a wholly-owned subsidiary of the Company, issued 5-year unsecured green bonds with the total nominal value of EUR 500 million denominated in EUR to primarily refinance existing secured debt on its projects whose activities meet the eligibility criteria detailed in the GTC's Green Bond Framework, as well as for general corporate purposes. The bonds are guaranteed by the Company and were issued at a yield of 2.375% with an annual fixed coupon of 2.25%. The bonds are paid at the maturity on 23 June 2026.

On 29 October 2021, the Company signed the first unsecured revolving credit facility agreement in the amount of EUR 75 million with a club of four different banks.

On 29 December 2021, Euro Structor d.o.o., a partially-owned subsidiary of the Company, signed a prolongation for the existing credit facility for another five years with Zagrebačka banka. The new prolonged loan shall bear a fixed interest of 1.9% and the outstanding amount of EUR 42.5 million shall be paid as a balloon at the maturity date.

## **BONDS AND LOANS REPAYMENTS**

On 5 March 2021, GTC S.A. repaid all bonds issued under ISIN code PLGTC0000276 (full redemption). The original nominal value was EUR 20.5 million.

On 19 March 2021, Commercial Development d.o.o. Beograd, a wholly-owned subsidiary of the Company, operating Ada Mall, and Intesa Bank signed a restated loan agreement whereby the existing loan in the amount of EUR 58.3 million was early prepaid by 31 March 2021 in the amount of EUR 29 million and the margin reduced from 3.15% to 2.9%.



Following the prepayment, the outstanding loan amount shall be payable in full at maturity in 2029.

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

On 30 June 2021, Centrum Światowida Sp. z o.o., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Bank Polska Kasa Opieki S.A. and Commercial Bank of China (Europe) S.A. in the total amount of EUR 174.1 million.

On 30 June 2021, GTC Korona S.A., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Santander Bank Polska S.A. in the amount of EUR 41.6 million.

On 30 June 2021, GTC Matrix d.o.o., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Erste bank in the amount of EUR 23.5 million.

On 30 June 2021, Advance Business Center EAD, a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with UniCredit bank in the amount of EUR 41.1 million

On 30 June 2021, City Gate Bucharest S.R.L. and City Gate S.R.L., a wholly-owned subsidiaries of the Company, repaid the full outstanding amount of the loan with Erste bank in the amount of EUR 62 million.

On 30 June 2021, Venus Commercial Center S.R.L., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Alpha bank in the amount of EUR 13.8 million

On 15 July 2021, Cascade Building S.R.L., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Banca Transilvania S.A. in the total amount of EUR 3.6 million.

On 31 August 2021, Dorado 1 EOOD, a wholly-owned subsidiary of the Company, operating Mall of Sofia, repaid the full outstanding amount of the loan with OTP Bank in the total amount of EUR 53.4 million.

On 28 September 2021, Commercial Development d.o.o. Beograd, a wholly-owned subsidiary of the Company, operating Ada Mall, repaid the entire outstanding amount of the loan with Intesa Bank in the total amount of EUR 29.3 million.

## SELECTED FINANCIAL DATA

Below is the most important data concerning the consolidated results achieved by the Capital Group in 2021.

- The revenues from the operations of the Capital Group amounted to EUR 171,951 thousand, compared to EUR 160,121 thousand in 2020.

- The net profit for the year of the Capital Group amounted to EUR 42,736 thousand, compared to a net loss of EUR 70,861 thousand in 2020.
- The total investment property of the Capital Group amounted to EUR 2,240,660 thousand, compared to EUR 2,125,128 thousand in 2020.
- The total equity of the Capital Group amounted to EUR 1,116,989 thousand, compared to EUR 974,148 thousand in 2020.
- The Group's net loan-to-value ratio amounted to 52.5% as of 31 December 2021, compared to 45.2% as of 31 December 2020. The increase results from the significant acquisitions of cash-generating assets performed during the year 2021. The Group's net loan-to-value is expected to decrease as a result of the disposal in Serbia and the capital increase. The Group's net loan-to-value ratio as of 31 December 2021 adjusted for the sale of the office income-generating portfolio in Belgrade and capital increase is 42.0%. The Group's long-term strategy is to keep its loan-to-value ratio at a level of 40%; however, in case of acquisitions, the Company may deviate temporarily.

## **10. Evaluation of the internal control, internal audit, compliance, and risk management systems**

In 2021, the audit committee participated in the development and implementation of an internal control system, risk management, and internal audits as outlined below.

### **INTERNAL CONTROL SYSTEM**

The management board is responsible for the Company's internal control system and for ensuring its effectiveness. The management board regularly reports on the internal control system to the audit committee and the supervisory board. During the reference period, the following items were covered during audit committee and/or supervisory board meetings:

- a) the Internal Control universe presented by an external Internal Auditor for the purpose of audit planning during the audit committee meetings;
- b) the presentation of the Internal Audit work performed during 2021;
- c) financial reports (at each of the audit committee and supervisory board meetings); and
- d) the review and approval of the audited financial statements (in respect of the audited financial statements for the financial year ended 31 December 2021).

### **RISK MANAGEMENT**

The function of Risk Management is not established in the Company as a separate function, but it is performed by the management board with the substantial involvement of the management board member responsible for financial matters (the Chief Financial Officer). On a quarterly basis, in its periodic quarterly reports to the supervisory board, the management board reports to the audit committee and the supervisory board on risk-related issues, including:

- liquidity risk;
- portfolio concentration risk;
- property overview;
- occupancy ratios;
- yield developments;
- the progress of and issues concerning individual projects (including project delays, if any);
- taxation issues;
- debt ratios;
- financing structure risks; and
- budget execution.

The above-referenced reports were provided for each quarter of the reference period and are included in the minutes of the respective audit committee and supervisory board meetings.

During 2021, the Company identified that it might be exposed to the cybersecurity risk, partially due to home office caused by COVID-19 pandemic and decided to perform a thorough analysis of its cybersecurity systems. The audit was done by the external advisor One Software Technologies Ltd. and findings together with the recommendations were presented to the audit committee on a dedicated meeting and followed by implementation of the recommendations presented by the external advisor.

## INTERNAL AUDIT

The audit committee, the management board of the Company, and the independent Internal Audit firm all have distinct roles with respect to the Internal Audit function of the Company.

The Company engages the Internal Audit firm based on the recommendations of the audit committee and following a thorough selection process.

The Internal Audit firm reports directly to the audit committee. The Internal Audit firm presents its audit plan and audit recommendations to the audit committee on a regular basis. All internal audit-related matters are regularly discussed at the audit committee meetings.

Based on information received and reviewed by the audit committee and supervisory board members, in the opinion of the supervisory board, the internal control and risk management systems material to the Company are maintained at appropriate levels.

## **11. Review of the report of the management board on the activities of the Company in the 2021 financial year, the financial statements of the Company for the 2021 financial year, and the proposal of the management board concerning the division of profit generated by the Company in the 2021 financial year**

The Company's supervisory board reviewed the stand-alone financial statements of the Company, which included:

- the statement of financial position as of 31 December 2021;
- the income statement for the year ended 31 December 2021;
- the statement of comprehensive income for the year ended 31 December 2021;
- the statement of changes in equity for the year ended 31 December 2021;
- the statement of cash flows for the year ended 31 December 2021; and
- the accounting policy and the explanatory notes to the stand-alone financial statements for the year ended 31 December 2021, as well as the consolidated financial statements of the Capital Group for the year ended 31 December 2021, which included:
  - the consolidated statement of financial position as of 31 December 2021;
  - the consolidated income statement for the year ended 31 December 2021;
  - the consolidated statement of comprehensive income for the year ended 31 December 2021;
  - the consolidated statement of changes in equity for the year ended 31 December 2021;
  - the consolidated statement of cash flows for the year ended 31 December 2021; and
  - the notes to the consolidated financial statements for the year ended 31 December 2021, and reviewed the opinion and the report on the audit of such statements conducted by independent statutory auditor BDO sp. z o.o. sp. k. with its registered seat in Warsaw.

The supervisory board also reviewed the management board report on the activities of the Company for 2021 and the management board report on the activities of the Capital Group for 2021.

As a result of its evaluation, the supervisory board found that the above-mentioned statements and reports were prepared:

- in such a way that they truly and fairly reflect the results of the respective economic activities of the Capital Group and the Company in 2021 as well as their respective financial positions as of 31 December 2021; and

- in accordance with the legal regulations governing the preparation of financial statements in respect of form and content, as well as under the International Financial Reporting Standards as adopted by the European Union.

Based on the results of this review and the positive opinion issued by BDO sp. z o.o. sp. k. on 5 April 2022 on the financial statements for 2021 and the consolidated financial statements for 2021, the supervisory board recommends that the General Meeting approves:

- the stand-alone financial statements of the Company for 2021;
- the consolidated financial statements of the Capital Group for 2021;
- the report of the management board on the Company's operations in 2021; and
- the report of the management board on the operations of the Capital Group in 2021.

In submitting this Report, the supervisory board requests that all of its current and former members be acknowledged as having properly performed their duties in the 2021 financial year.