



**GLOBE TRADE CENTRE S.A.**

**CONSOLIDATED**

**FINANCIAL STATEMENTS FOR THE YEAR**

**ENDED 31 DECEMBER 2021**

**TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT**

**Globe Trade Centre S.A.**  
**Consolidated Statement of Financial Position**  
**as of 31 December 2021**  
**(in thousands of Euro)**

	Note	31 December 2021	31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	17	2,240,660	2,125,128
Residential landbank	18	27,002	10,094
Property, plant and equipment	16	7,834	7,785
Blocked deposits	21	11,078	10,979
Deferred tax asset	15	3,786	616
Derivatives	19	826	-
Other non-current assets		163	159
		<b>2,291,349</b>	<b>2,154,761</b>
Loan granted to non-controlling interest partner	27	10,628	11,252
<b>Total non-current assets</b>		<b>2,301,977</b>	<b>2,166,013</b>
<b>Current assets</b>			
Accounts receivables		6,161	5,873
Accrued income		3,448	878
Receivables from shareholders	30	123,425	-
VAT and other tax receivable	26	2,957	2,343
Income tax receivable		456	1,036
Prepayments and deferred expenses	33	11,515	3,604
Short-term blocked deposits	21	14,341	27,434
Cash and cash equivalents	22	87,468	271,996
		<b>249,771</b>	<b>313,164</b>
<b>Assets held for sale</b>	32	<b>292,001</b>	<b>1,580</b>
<b>TOTAL ASSETS</b>		<b>2,843,749</b>	<b>2,480,757</b>

**Globe Trade Centre S.A.**  
**Consolidated Statement of Financial Position**  
**as of 31 December 2021**  
**(in thousands of Euro)**

	Note	31 December 2021	31 December 2020
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	30	11,007	11,007
Share premium		550,522	550,522
Unregistered share capital increase	30	120,295	-
Capital reserve	30	(49,489)	(49,489)
Hedge reserve		(30,903)	(11,930)
Foreign currency translation reserve		(2,570)	(2,553)
Accumulated profit		501,704	460,053
		<b>1,100,566</b>	<b>957,610</b>
Non-controlling interest	27	16,423	16,538
<b>Total Equity</b>		<b>1,116,989</b>	<b>974,148</b>
<b>Non-current liabilities</b>			
Long-term portion of long-term borrowing	28	1,255,114	1,067,867
Lease liability	29	38,767	42,891
Deposits from tenants	24	11,078	10,979
Long term payable	25	2,426	2,524
Provision for share based payment	31	1,410	977
Derivatives	19	38,743	15,895
Provision for deferred tax liability	15	140,145	133,230
		<b>1,487,683</b>	<b>1,274,363</b>
<b>Current liabilities</b>			
Current portion of long-term borrowing	28	44,337	193,425
Current portion of lease liabilities	29	198	163
Trade payables and provisions	20	31,092	27,299
Deposits from tenants	24	1,932	1,790
VAT and other taxes payables		2,222	1,551
Income tax payables		1,000	4,220
Derivatives	19	2,681	3,365
Advances received		784	433
		<b>84,246</b>	<b>232,246</b>
<b>Liabilities related to assets held for sale</b>	32	<b>154,831</b>	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,843,749</b>	<b>2,480,757</b>

**Globe Trade Centre S.A.**  
**Consolidated Income Statement**  
**for the year ended 31 December 2021**  
**(in thousands of Euro)**

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Rental revenue	10,14	130,289	120,652
Service charge revenue	10,14	41,662	39,469
Service charge costs	14	(44,356)	(41,527)
<b>Gross margin from operations</b>		<b>127,595</b>	<b>118,594</b>
Selling expenses	11	(1,652)	(1,307)
Administration expenses	12	(14,145)	(11,712)
Loss from revaluation / impairment of assets	17	(12,867)	(142,721)
Other income		1,432	776
Other expenses	23	(1,062)	(1,622)
<b>Profit/(loss) from continuing operations before tax and finance income / expense</b>		<b>99,301</b>	<b>(37,992)</b>
Foreign exchange gain / (loss), net		196	(2,951)
Finance income	13	304	331
Finance cost	13	(43,281)	(35,244)
<b>Profit/(loss) before tax</b>		<b>56,520</b>	<b>(75,856)</b>
Taxation	15	(13,784)	4,995
<b>Profit/(loss) for the year</b>		<b>42,736</b>	<b>(70,861)</b>
<b>Attributable to:</b>			
Equity holders of the Company		41,651	(70,189)
Non-controlling interest	27	1,085	(672)
Basic/diluted earnings (losses) per share (in Euro)	34	0.09	(0.14)

**Globe Trade Centre S.A.**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended 31 December 2021**  
**(In thousands of Euro)**

	Year ended 31 December 2021	Year ended 31 December 2020
<b>Profit/(loss) for the period</b>	<b>42,736</b>	<b>(70,861)</b>
<i>Net other comprehensive income for the period, net of tax not to be reclassified to profit or loss in subsequent periods</i>	-	-
Loss on hedge transactions	(20,356)	(7,748)
Income tax	1,383	812
<b>Net loss on hedge transactions</b>	<b>(18,973)</b>	<b>(6,936)</b>
Foreign currency translation	(17)	(3,496)
<i>Net other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods</i>	(18,990)	(10,432)
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>23,746</b>	<b>(81,293)</b>
<b>Attributable to:</b>		
Equity holders of the Company	22,661	(80,621)
Non-controlling interest	1,085	(672)

**Globe Trade Centre S.A.**  
**Consolidated Statement of Changes in Equity**  
**for the year ended 31 December 2021**  
**(In thousands of Euro)**

	Share capital	Share premium	Unregistered share capital increase	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
<b>Balance as of 1 January 2021</b>	<b>11,007</b>	<b>550,522</b>	<b>-</b>	<b>(49,489)</b>	<b>(11,930)</b>	<b>(2,553)</b>	<b>460,053</b>	<b>957,610</b>	<b>16,538</b>	<b>974,148</b>
Other comprehensive income	-	-	-	-	(18,973)	(17)	-	(18,990)	-	(18,990)
Profit for the year ended 31 December 2021	-	-	-	-	-	-	41,651	41,651	1,085	42,736
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18,973)</b>	<b>(17)</b>	<b>41,651</b>	<b>22,661</b>	<b>1,085</b>	<b>23,746</b>
Unregistered share capital increase (note 30)	-	-	120,295	-	-	-	-	120,295	-	120,295
Dividend distribution to non-controlling interest	-	-	-	-	-	-	-	-	(1,200)	(1,200)
<b>Balance as of 31 December 2021</b>	<b>11,007</b>	<b>550,522</b>	<b>120,295</b>	<b>(49,489)</b>	<b>(30,903)</b>	<b>(2,570)</b>	<b>501,704</b>	<b>1,100,566</b>	<b>16,423</b>	<b>1,116,989</b>

	Share capital	Share premium	Unregistered share capital increase	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
<b>Balance as of 1 January 2020</b>	<b>11,007</b>	<b>550,522</b>	<b>-</b>	<b>(43,098)</b>	<b>(4,994)</b>	<b>943</b>	<b>530,242</b>	<b>1,044,622</b>	<b>14,040</b>	<b>1,058,662</b>
Other comprehensive income	-	-	-	-	(6,936)	(3,496)	-	(10,432)	-	(10,432)
Loss for the year ended 31 December 2020	-	-	-	-	-	-	(70,189)	(70,189)	(672)	(70,861)
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,936)</b>	<b>(3,496)</b>	<b>(70,189)</b>	<b>(80,621)</b>	<b>(672)</b>	<b>(81,293)</b>
Acquisition of non-controlling interest	-	-	-	(6,391)	-	-	-	(6,391)	3,590	(2,801)
Dividend distribution to non-controlling interest	-	-	-	-	-	-	-	-	(420)	(420)
<b>Balance as of 31 December 2020</b>	<b>11,007</b>	<b>550,522</b>	<b>-</b>	<b>(49,489)</b>	<b>(11,930)</b>	<b>(2,553)</b>	<b>460,053</b>	<b>957,610</b>	<b>16,538</b>	<b>974,148</b>

**Globe Trade Centre S.A.**  
**Notes to the Consolidated Financial Statements**  
**for the year ended 31 December 2021**  
**(In thousands of Euro)**

		Year ended 31 December 2021	Year ended 31 December 2020
	Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit/(loss) before tax		56,520	(75,856)
<b>Adjustments for:</b>			
Loss from revaluation/impairment of assets and residential projects		12,867	142,721
Foreign exchange loss/(gain), net		(196)	2,951
Finance income	13	(304)	(331)
Finance cost	13	43,281	35,244
Provision for share based payment loss/(profit)	12	432	(469)
Depreciation	16	653	654
<b>Operating cash before working capital changes</b>		<b>113,253</b>	<b>104,914</b>
Decrease (increase) in accounts receivables and prepayments and other current assets		(4,952)	2,469
Decrease in advances received		583	72
Increase in deposits from tenants		2,878	27
Increase (decrease) in trade and other payables		3,550	(800)
<b>Cash generated from operations</b>		<b>115,312</b>	<b>106,682</b>
Tax paid in the period		(8,885)	(6,357)
<b>Net cash from operating activities</b>		<b>106,427</b>	<b>100,325</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Expenditure on investment property and property, plant and equipment	17	(92,784)	(78,528)
Purchase of completed assets and land	17	(262,937)	(21,468)
Purchase of residential landbank	18	(13,300)	-
Decrease in short term deposits designated for investment		1,150	5,923
Purchase of minority		-	(1,802)
Sale of investment property		-	64,569
Sale of subsidiary		595	-
Advances received for assets held for sale	32	1,210	-
VAT/tax on purchase/sale of investment property		(614)	953
Interest received		28	55
<b>Net cash used in investing activities</b>		<b>(366,652)</b>	<b>(30,298)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term borrowings	28	706,070	286,807
Repayment of long-term borrowings	28	(585,323)	(224,293)
Interest paid and other financing breaking fees		(32,786)	(32,068)
Repayment of lease liability	29	(516)	(162)
Loans origination payment		(8,147)	(1,983)
Dividend paid to non-controlling interest	27	(300)	(420)
Decrease/(Increase) in short term deposits		5,908	(168)
<b>Net cash from financing activities</b>		<b>84,906</b>	<b>27,713</b>
<b>Net foreign exchange difference</b>		<b>(44)</b>	<b>(5,380)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>(175,363)</b>	<b>92,360</b>
<b>Cash and cash equivalents at the beginning of the period</b>	22	<b>271,996</b>	<b>179,636</b>
<b>Cash and cash equivalents at the end of the period</b>	22	<b>96,633</b>	<b>271,996</b>

## **1. Principal activities**

Globe Trade Centre S.A. (the “Company”, „GTC S.A.” or “GTC”) with its subsidiaries (“GTC Group” or “the Group”) is an international real estate developer and investor. The Company was registered in Warsaw on 19 December 1996. The Company’s registered office is in Warsaw (Poland) at Komitetu Obrony Robotników 45a. The Company owns, through its subsidiaries, commercial and residential real estate companies with a focus on Poland, Hungary, Bucharest, Belgrade, Zagreb and Sofia. There is no seasonality in the business of the Group companies.

The Group’s main business activities are development and rental of office and retail space.

As of 31 December 2021 and 31 December 2020, the number of full-time equivalent working employees in the Group companies was 211 and 209, respectively.

GTC is primarily listed on the Warsaw Stock Exchange and inward listed on Johannesburg Stock Exchange.

As of 31 December 2021, the majority shareholder of the Company is GTC Holding Zrt., which holds directly and indirectly 320,466,380 shares of GTC S.A., entitling to 320,466,380 votes in the Company, representing 66% of the share capital of GTC S.A. and carrying the right to 66% of the total number of votes in GTC S.A. GTC Holding Zrt. holds directly 21,891,289 shares of the Company, entitling to 21,891,289 votes in GTC S.A., representing 4.51% of the share capital of the Issuer and carrying the right to 4.51% of the total number of votes in GTC S.A. and indirectly (i.e. through GTC Dutch Holdings B.V.) holds 298,575,091 shares in the Company, entitling to 298,575,091 votes GTC S.A., representing 61.49% of the share capital of the Company and carrying the right to 61.49% of the total number of votes in the Company.

## **2. Functional and presentation currencies**

The functional currency of GTC S.A. and most of its subsidiaries is Euro. The functional currency of some of GTC’s subsidiaries is other than Euro.

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

### **3. Basis of preparation and statement of compliance**

The Company maintains its books of account in accordance with accounting principles and practices employed by enterprises in Poland as required by the Polish accounting regulations. The companies outside Poland maintain their books of account in accordance with local GAAP. The consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRS.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU („EU IFRS"). At the date of authorisation of these consolidated financial statements, taking into account the EU IFRS's ongoing process of IFRS endorsement and the nature of the Group's activities, there is no relevant difference between IFRS applying to these consolidated financial statements and IFRS endorsed by the European Union.

### **4. Going concern**

The Group's policies and processes are aimed at managing the Group's capital, financial and liquidity risks on a sound basis. The Group meets its day to day working capital requirements through the generation of operating cash-flows from rental income. Further details of liquidity risks and capital management processes are described in note 37.

As of 31 December 2021, the Group's net working capital (defined as current assets less current liabilities) was positive and amounted to Euro 165,525.

The management has analysed the timing, nature and scale of potential financing needs of particular subsidiaries and believes that there are not risks for paying current financial liabilities and cash on hand, as well as, expected operating cash-flows will be sufficient to fund the Group's anticipated cash requirements for working capital purposes, for at least the next twelve months from the balance sheet date. Consequently, the consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least twelve months from the balance sheet date.

Based on management's analysis, the current cash liquidity of the Company and prepared cash flow budget assumptions, the management concluded that there is no material uncertainty as to the Company's ability to continue as a going concern in the foreseeable future i.e. at least in the next 12 months.

## **5. Accounting policies**

The accounting policies adopted in the preparation of the attached consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020 except for the new standards, which are effective as at 1 January 2021 (see note 6).

Also, there is no significant changes in accounting estimates used by the Group. For valuation of Serbian offices transaction approach was used. Asset deal approach was used for Winmark and G-Delta Adrsy transactions (please refer to note 9), as it is qualified in accordance with IFRS 3.

## **6. New standards and interpretations that have been issued**

### **STANDARDS ISSUED AND EFFECTIVE FOR FINANCIAL YEARS BEGINNING ON OR AFTER 1 JANUARY 2021:**

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020). These amendments complement those made in 2019 ('IBOR – phase 1') and focus on the effects on entities when an existing interest rate benchmark is replaced with a new benchmark rate as a result of the reform.
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020).

The Company's assessment is that the above changes (new standards/amendments) have no material impact.

### **STANDARDS ISSUED BUT NOT YET EFFECTIVE:**

- Amendments to IFRS 16 *Leases: Covid-19 Related Rent Concessions* (issued on 31 March 2021) – effective for financial years beginning on or after 1 April 2021;
- Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to standards 2018-2020 (Annual improvements) - issued on 14 May 2020 and effective for financial years beginning on or after 1 January 2022;

## **6. New standards and interpretations that have been issued (continued)**

- Amendments to IAS 1 - *Disclosure of accounting policies* and IAS 8 - *Definition of accounting estimates* (issued on 12 February 2021) — effective for financial years beginning on or after 1 January 2023;
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017 and amended on 25 June 2020) – effective for financial years beginning on or after 1 January 2023;
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020 and amended 15 July 2020) – effective for financial years beginning on or after 1 January 2023;
- Amendment to IFRS 17 *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information* (issued on 9 December 2021) — effective for financial years beginning on or after 1 April 2023;
- Amendments to IAS 12: *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (issued on 7 May 2021) — effective for financial years beginning on or after 1 April 2023.

The new standards are not yet endorsed by EU at the date of approval of these financial statements.

The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union.

The Group plans to adopt all new standards on the required effective date and will not restate comparative information. The Group does not expect a significant impact on its statement of financial position and equity.

## 7. Summary of significant accounting policies

### (a) BASIS OF ACCOUNTING

The consolidated financial statements have been prepared on a historical cost basis, except for completed investment properties, investment property under construction ("IPUC") if the certain condition described in note 7(c) ii are met, share based payments, and derivative financial instruments that have been measured at fair value.

### (b) PROPERTY, PLANT AND EQUIPMENT

Plant and equipment consist of vehicles and equipment. Plant and equipment are recorded at cost less accumulated depreciation and impairment. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Reassessment of the useful life and indications for impairment is performed each quarter.

The following depreciation rates have been applied:

Depreciation rates	
Equipment	7-20%
Buildings	2%
Vehicles	20%

Assets under construction other than investment property are shown at cost. The direct costs paid to subcontractors for the improvement of the property are capitalised into construction in progress. Capitalised costs also include borrowing costs, planning, and design costs, construction overheads, and other related costs. Assets under construction are not depreciated.

## **7. Summary of significant accounting policies (continued)**

### **(c) INVESTMENT PROPERTIES**

Investment property comprises a land plot or a building or a part of a building held to earn rental income and/or for capital appreciation and property that is being constructed or developed for future use as an investment property (investment property under construction).

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognized in the profit or loss for the year in which it arose, after accounting for the related impact on deferred tax.

#### **(i) Completed Investment properties**

Investment properties are stated at fair value according to the fair value model, which reflects market conditions at the reporting date

Completed investment properties were externally valued by independent appraisers as of 31 December 2021 and 31 December 2020 based on open market values (RICS Standards). Completed properties are either valued on the basis of discounted cash flow (DCF) or - as deemed appropriate – on the basis of the *income capitalisation* or *yield method*. The applied method is defined by the valuer.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use, and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

## **7. Summary of significant accounting policies (continued)**

Transfers are made to investment property only when there is a change in use, evidenced by the end of owner occupation or commencement of a lease. Transfers are made from investment property only when there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

### **(ii) Investment property under construction**

The Group revalue IPUC based on its fair value, once a substantial part of the development risks has been eliminated. IPUC, which does not meet this condition, is presented at the lower of cost or recoverable amount. Recoverable amount is a fair value, externally valued by independent appraisers.

The land is reclassified to IPUC at the moment, at which active development of this land begins (i.e. when construction works start).

The Group has adopted the following criteria to assess whether the substantial risks are eliminated with regard to particular IPUC:

- agreement with a general contractor is signed;
- a building permit is obtained;
- at least 20% of the rentable area is leased to tenants (based on the signed lease agreements and letters of intent);
- external financing is secured.

The fair values of IPUC were determined as at their development stage at the end of the reporting period. Valuations were performed in accordance with RICS and IVSC Valuation Standards using the residual method approach.

The future assets' value is estimated based on the expected future income from the project, using yields that are higher than the current yields of the similar completed property. The remaining expected costs to completion are deducted from the estimated future assets value.

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

## **7. Summary of significant accounting policies (continued)**

### **(d) HIERARCHY OF INVESTMENT PROPERTY**

Fair value hierarchy is based on the sourced of input used to estimate the fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,

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

All investment properties are categorized in Level 2 or Level 3 of the fair value hierarchy.

The Group considered all investment value under construction carried at fair value as properties categorized in Level 3.

The Group considered completed investment properties as properties categorize in Level 2 or Level 3, based on the liquidity in the market it operates.

The Group applied the simplified classification rules of the investment properties fair value hierarchy based on the two main criteria: the type of investment property (retail/office) and mainly its location.

The fair value measurement of completed investment property is based on the market assumptions made by the independent appraisers. Those assumptions depend on the observable market transactions. For more mature and active markets – like e.g. Poland, Hungary, and Romania, with a relevant number of comparative transactions, properties are classified to level 2. The other markets provide few observable data, and the relevant properties are classified to level 3.

### **(e) INVESTMENTS IN ASSOCIATES**

Investments in associates are accounted for under the equity method. The investment is carried in the statement of financial position at cost plus post acquisition changes in the Group share of net assets of the associate.

### **(f) INVESTMENTS IN JOINT VENTURES**

Investments in joint ventures are accounted for under the equity method. The investment is carried in the statement of financial position at cost plus post acquisition changes in the Group share of net assets of the joint ventures.

## **7. Summary of significant accounting policies (continued)**

### **(g) LEASE ORIGATION COSTS**

The costs incurred to originate a lease (mainly brokers' fees) for available rental space are added to the carrying value of investment property until the date of revaluation of the related investment property to its fair value. If as of the date of revaluation, the carrying value is higher than the fair value, the costs are recognized in the income statement.

### **(h) NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets and their disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This requirement can be fulfilled only if the occurrence of a sale transaction is highly probable and the item of assets is available for immediate sale in its present condition. The classification of an asset as held for sale assumes the intent of the entity's management to realise the transaction of sale within one year from the moment of asset classification to the held for sale category. Non-current assets held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

### **(i) ADVANCES RECEIVED**

Advances received (related to pre-sales of residential units) are deferred to the extent that they are not reflected as revenue as described below in note 7(j).

### **(j) RENTAL REVENUE**

Rental revenues result from operating leases and are recognised as income over the lease term on a straight-line basis (according to IFRS 16 *Leases*).

### **(k) INTEREST AND DIVIDEND INCOME**

Interest income is recognised on an accrual basis using the effective interest method that is the rate that exactly discounts estimated future cash flows through the expected life of financial instruments to the net carrying amount of the underlying financial asset or liability.

Dividend income is recognised when the shareholders' right to receive payments is established.

## 7. Summary of significant accounting policies (continued)

### (I) CONTRACT REVENUE AND COSTS RECOGNITION

Group has the following revenue streams:

- **Rental income.** The main source of income of the Group, which is charged to tenants on a monthly basis, based on rent fee rate agreed in the contract.
- **Service charge** represents fees paid by the tenants of the Group's investment properties to cover the costs of the services provided by the Group in relation to their leases. Service charge is billed on a monthly basis, based on service fee rate agreed in the contract, which represents the best estimate for a particular project. Allocation of service charge to tenants is done based on the leased area.

Heating, water, and sewage are billed separately on a monthly basis, based on leased area and rates agreed in the contract.

#### *Service charge revenue under IFRS 15 Revenue from Contracts with Customers*

Service charge revenue is recognised under IFRS 15 when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Group recognizes two kinds of performance obligations in the Group:

- **Acting as an agent.** Some tenants install counters for electricity. In this case, the invoices for electricity are billed through GTC entities and addressed to the tenants directly. The Group recognizes cost and corresponding income at the same amount. For financial statement purposes such income and expenses are disclosed on a net basis, as GTC acts as an agent.
- **Acting as a principal.** In the other cases, all service charges are billed to GTC entities. The Group bills the tenants based on the rates in the contract on a monthly basis. By the end of the year, the Group does reconciliation of actual service charges costs vs. billed one, and then bill for deficit or return the overpayment to the tenant if it is required. For financial statement purposes such expenses are disclosed on a gross basis, as GTC acts as a principal.

## **7. Summary of significant accounting policies (continued)**

### **(m) BORROWING COSTS**

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

### **(n) SHARE ISSUANCE EXPENSES**

Share issuance costs are deducted from equity (share premium), net of any related income tax benefits.

### **(o) INCOME TAXES & OTHER TAXES**

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

## **7. Summary of significant accounting policies (continued)**

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- in respect of deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured using the tax rates enacted to taxable income in the years in which these temporary differences are expected to be recovered or settled.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which each company of the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

At each reporting date, the Group companies re-assess unrecognised deferred tax assets and the carrying amount of deferred tax assets. The companies recognise a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## **7. Summary of significant accounting policies (continued)**

The companies conversely reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset that might be utilised.

Deferred tax relating to items recognised outside profit and loss is also recognized outside profit and loss: under other comprehensive income if relates to items recognised under other comprehensive income, or under equity – if relates to items recognized in equity.

Deferred tax assets and deferred tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes that are levied by the same taxation authority.

Revenues, expenses, assets and liabilities are recognized net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable and
- receivables and payables, which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

If, according to the Group's assessment, it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group determines taxable income (tax loss), tax base, unused tax losses and unused tax credits and tax rates, after considering in its tax return the applied or planned approach to taxation.

If the Group ascertains that it is not probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group reflects the impact of this uncertainty in determining taxable income (tax loss), unused tax losses, unused tax credits or tax rates. The Group accounts for this effect using the following methods:

- determining the most probable amount – it is a single amount from among possible results or
- providing the expected amount – it is the sum of the amounts weighted by probability from among possible results.

## **7. Summary of significant accounting policies (continued)**

### **(p) FOREIGN EXCHANGE DIFFERENCES**

For companies with Euro as a functional currency, transactions denominated in a foreign currency (including Polish Zloty) are recorded in Euro at the actual exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at period-end using period-end exchange rates. Foreign currency translation differences are charged to the income statement. The following exchange rates were used for valuation purposes in cases where a certain lease is denominated in local currency.

	<b>31 December 2021</b>	<b>31 December 2020</b>
PLN/EUR	4.5994	4.6148
USD/EUR	1.1329	1.2279
HUF/EUR	369.01	365.13

### **(q) INTEREST BEARING LOANS AND BORROWINGS AND DEBT SECURITIES**

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

After initial recognition, interest-bearing loans and borrowings and debt securities are measured at amortised cost using the effective interest rate method, except for liabilities designated as hedged items, which are measured in accordance with hedge accounting policies, as described in note 7(w).

Debt issuance expenses are deducted from the amount of debt originally recognised. These costs are amortised through the income statement over the estimated duration of the loan, except to the extent that they are directly attributable to construction. Debt issuance expenses represent an adjustment to effective interest rates.

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

## 7. Summary of significant accounting policies (continued)

### (r) FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“OCI”), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 7(l) *Contract revenue and costs recognition*.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with the recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

## **7. Summary of significant accounting policies (continued)**

### ***Financial assets at amortised cost (debt instruments)***

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables, loans to associate and short-term deposits under current financial assets.

### ***Financial assets at fair value through OCI (debt instruments)***

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation, and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have such debt instruments.

## 7. Summary of significant accounting policies (continued)

### *Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have such equity instruments.

### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group does not have such instruments.

## **7. Summary of significant accounting policies (continued)**

### **Financial liabilities**

#### ***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts and derivative financial instruments.

#### ***Subsequent measurement***

The measurement of financial liabilities depends on their classification, as described below:

#### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

### **Loans and borrowings**

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

## **7. Summary of significant accounting policies (continued)**

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category applies to interest-bearing loans and borrowings.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

The table below presents the categorisation of financial assets and liabilities: item, category, and measurement.

<b>Item</b>	<b>Financial assets/liabilities category</b>	<b>Measurement</b>
Cash and short-term deposits	Financial assets at amortised cost	Amortised cost
Debtors	Financial assets at amortised cost	Amortised cost
Trade and other payables	Financial liabilities at amortised cost	Amortised cost
Long and short term borrowings	Financial liabilities at amortised cost	Amortised cost
Deposits from tenants	Financial liabilities at amortised cost	Amortised cost
Long term payables	Financial liabilities at amortised cost	Amortised cost
Interest rate swaps	Hedging (cash flow hedges)	Fair value – adjusted to other comprehensive income (effective portion) / adjusted to profit or loss (ineffective portion)
Cap	Financial liabilities at fair value through profit or loss	Fair value – adjusted to profit or loss
Cross-currency interest swap	Financial liabilities at fair value through other comprehensive income / profit or loss	Fair value related to interest – adjusted to other comprehensive income Fair value related to currency – adjusted to profit or loss

## 7. Summary of significant accounting policies (continued)

### **(s) CASH AND CASH EQUIVALENTS**

Cash comprises cash on hand and on-call deposits. Cash equivalents are short-term, highly liquid investments that readily convert to a known amount of cash and which are subject to an insignificant risk of changes in value.

### **(t) ACCOUNTS RECEIVABLES**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section *r) Financial instruments – initial recognition and subsequent measurement*. The carrying amount of accounts receivables is equal to their fair value.

### **(u) IMPAIRMENT OF NON-CURRENT ASSETS**

The carrying value of assets not measured at fair value is periodically reviewed by the Management Board to determine whether impairment may exist. In particular, the Management Board assessed whether the impairment indicators exist. Based upon its most recent analysis, management believes that there are no impairment indicators.

### **(v) PURCHASE OF SHARES OF NON-CONTROLLING INTEREST**

If the Group increases its share in the net assets of its controlled subsidiaries, the difference between the consideration paid/payable and the carrying amount of non-controlling interest is recognised in equity attributable to equity holders of the parent.

### **(w) DERIVATIVES FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING**

#### ***Initial recognition and subsequent measurement***

The Group uses derivative financial instruments, such as interest rate swaps and cap, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently premeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

## **7. Summary of significant accounting policies (continued)**

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below.

### **Cash flow hedges**

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

## **7. Summary of significant accounting policies (continued)**

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point of time, any cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

For derivatives that do not qualify for hedge accounting, any gain or losses arising from changes in fair value are recorded directly to net profit or loss of the year.

The fair value of cross-currency interest swap, interest rate swaps and caps contracts is determined by reference to market values for similar instruments (fair value level hierarchy 2).

### **(x) ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with International Financial Reporting Standards requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the balance date. The actual results may differ from these estimates.

Investment property represents property held for long-term rental yields. Investment property is carried at fair value, which is established at least annually by an independent registered valuer based on discounted projected cash flows from the investment property using the discounts rates applicable for the local real estate market and updated by the Management judgment or - as deemed appropriate – on basis of the Income capitalisation or yield method. The applied method and main assumptions as defined in note 17 are defined by the valuer.

The changes in the fair value of investment property are included in the profit or loss for the period in which it arises (note 17).

The Group uses estimates in determining the amortization rates used (note 16, note 29).

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. In selecting the appropriate methods and assumptions, the Group applies professional judgment (note 19).

The Group recognises deferred tax asset based on the assumption that taxable profits will be available in the future against which the deferred tax asset can be utilised. Deterioration of future taxable profits might render this assumption unreasonable (note 15).

## **7. Summary of significant accounting policies (continued)**

### **(y) SIGNIFICANT ACCOUNTING JUDGEMENTS**

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

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on such leases.

Significant accounting judgements related to investment property are presented in note 7(c).

Significant accounting judgements related to market liquidity of investment property are presented in note 7(d).

The Group classifies its residential inventory to current or non-current assets, based on their development stage within the business operating cycle. The normal operating cycle in most cases falls within a period of 1-5 years. Residential projects, which are active, are classified as current inventory. Residential projects which are planned to be completed in a period longer than the operating cycle are classified as residential landbank under non-current assets.

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

Deferred tax with respect to outside temporary differences relating to subsidiaries was calculated based on an estimated probability that these temporary differences will be realized in the foreseeable future.

The Group also makes an assessment of the probability of realization of deferred tax asset. If necessary, the Group decreases deferred tax asset to the realizable value.

The Group uses judgements in determining the settlement of share-based payment in cash.

### **(z) BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of GTC and the financial statements of its subsidiaries for the year ended 31 December 2021.

## **7. Summary of significant accounting policies (continued)**

The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company, using consistent accounting policies and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee.

The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if, and only if, it has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate impairment.

### **(aa) PROVISIONS**

Provisions are recognised when the Group has present obligation, (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### **(ab) SHARE-BASED PAYMENT TRANSACTIONS**

Amongst others, GTC remunerates key personnel by granting them rights for payments based on GTC's share price performance in PLN, in exchanges for their services ("Phantom shares").

## **7. Summary of significant accounting policies (continued)**

The cost of the phantom shares is measured initially at fair value at the grant date. The liability is re-measured to fair value at each reporting date up and including the settlement date, with changes in fair value recognised in administration expenses. Phantom shares are vested in annual tranches during the work/service period. Expenses are recognised in a straight-line basis over the vesting period.

### **(ac) EARNINGS PER SHARE**

Earnings per share for each reporting period is calculated as quotient of the profit for the given reporting period and the weighted average number of shares outstanding in that period.

### **(ad) SHORT TERM DEPOSITS**

Short-term deposits include deposits related to loan agreements and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements. Deposits related to loan agreements can be used anytime (for the defined purposes upon approval of the lender), as so, they are presented within current assets.

### **(ae) DEPOSITS FROM TENANTS**

Deposits from tenants include deposits received from tenants to secure the obligation of the tenants towards the landlord. The deposits are refundable at the end of the lease.

### **(af) RESIDENTIAL INVENTORY AND RESIDENTIAL LANDBANK**

Inventory related to residential projects under construction is stated at the lower of cost and net realisable value. The realisable value is determined using the Discounted Cash Flow method or Comparison method by independent appraisers. Costs relating to the construction of a residential project are included in the inventory.

Commissions paid to sales or marketing agents on the sale of real estate units, which are not refundable, are expensed in full when the contract to sell is secured.

The Group classifies its residential inventory to current or non-current assets based on their development stage within the business operating cycle. The normal operating cycle, in most cases, falls within a period of 1-5 years. Residential projects, which are active, are classified as current inventory. Residential projects which are planned to be completed in a period longer than the operating cycle are classified as residential landbank under non-current assets.

## 7. Summary of significant accounting policies (continued)

### (ag) LEASES

Leases, where the Group does not transfer substantially all the risk and benefits of ownership of the asset, are classified as operating leases.

There are two types of leases in GTC Group that are subject to IFRS 16 and affect the financial statements:

- Leasing property rented to tenants - the primary activity of GTC Group.

For this leasing activity, GTC Group acts as a Lessor. The Group has entered into leases on its property portfolio.

- Leases of lands under perpetual usufruct where the Group acts as Lessee.

Perpetual usage payments are payments, which are done in advance or in arrears on an annual or monthly basis within a define period (from 33 to 87 years). Perpetual usage payments are made in Poland, Croatia, Romania and Serbia.

Due to the fact that perpetual usage payments, by substance, are treated as lease payments, which are accounted for under IFRS 16.

In the consolidated financial position statements, the Group recognized a Right of Use and Lease Liabilities:

a) Right of use of lands under perpetual usufruct is presented:

- as part of the Investment Property, with separate disclosure in a separate note;
- as part of the residential landbank.

b) Lease Liabilities are presented separately, as part of the short-term and long-term liabilities, with a separate disclosure.

## **7. Summary of significant accounting policies (continued)**

Under IFRS 16, the Group presents the amortization of Right of Use or the change in fair value of Right of Use within the profit (loss) on revaluations. Interest embedded within land leases is presented as finance expenses.

The Right of Use of lands under perpetual usufruct is amortized over the lease period (for cost method) or valued using the fair value approach (for investment properties valued at fair value).

The Group entered into several other leases (low value, short term), which are not treated in accordance with IFRS 16. Additionally, the Group has decided not to apply IFRS 16 guidelines to leases whose term will end within twelve months of the date of initial application. In such cases, the lease is expensed without balance sheet recognition.

**Globe Trade Centre S.A.**  
**Notes to the Consolidated Financial Statements**  
**for the year ended 31 December 2021**  
**(in thousands of Euro)**

## **8. Investment in Subsidiaries**

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below together with direct and indirect ownership of these entities, and voting rights proportion as at the end of each period (the table presents the effective stake):

### **Subsidiaries**

<b>Name</b>	<b>Holding Company</b>	<b>Country of incorporation</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
GTC Konstancja Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
GTC Korona S.A.	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o.	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Sterlinga Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Karkonoska Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
GTC Ortal Sp. z o.o.	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Pixel Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Handlowe Wilanow Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Management Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Corius Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Światowida Sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine Investments Sp. z o.o. (2)	GTC S.A.	Poland	-	100%
Glorine Investments Sp. z o.o. SKA (2)	GTC S.A.	Poland	-	100%
GTC Galeria CTWA Sp. z o.o.	GTC S.A.	Poland	100%	100%
Artico Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Hungary Real Estate Development Company Pltd. ("GTC Hungary")	GTC S.A.	Hungary	100%	100%
GTC Duna Kft.	GTC Hungary	Hungary	100%	100%
Váci út 81-85. Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartmanok Kft. (1)	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft.	Váci út 81-85. Kft.	Hungary	100%	100%
Centre Point II. Kft.	Váci út 81-85. Kft.	Hungary	100%	100%
Spiral I. Kft.	GTC Hungary	Hungary	100%	100%
Albertfalva Üzletközpont Kft.	GTC Hungary	Hungary	100%	100%
GTC Metro Kft.	GTC Hungary	Hungary	100%	100%
Kompakt Land Kft.	GTC Hungary	Hungary	100%	100%

(1) Under liquidation

(2) Liquidated

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## 8. Investment in Subsidiaries (continued)

Name	Holding Company	Country of incorporation	31 December 2021	31 December 2020
GTC White House Kft.	GTC Hungary	Hungary	100%	100%
VRK Tower Kft.	GTC Hungary	Hungary	100%	100%
GTC Future Kft.	GTC Hungary	Hungary	100%	100%
Globe Office Investments Kft.	GTC Hungary	Hungary	100%	100%
Office Planet Kft. (3)	GTC Hungary	Hungary	100%	-
GTC Investments Sp. z o.o. (previously Halsey Investments Sp. z o.o.) (4)	GTC Hungary	Poland	100%	-
GTC Univerzum Projekt Kft. (previously Winmark Kft.) (4)	GTC Hungary	Hungary	100%	-
GTC Origine Investments Pltd. ("GTC Origine") (3)	GTC S.A.	Hungary	100%	-
GTC HBK Project Kft. (3)	GTC Origine	Hungary	100%	-
GTC VI188 Property Kft. (3)	GTC Origine	Hungary	100%	-
GTC FOD Property Kft. (3)	GTC Origine	Hungary	100%	-
G-Delta Adrsy Kft. (4)	GTC Origine	Hungary	100%	-
GTC KLZ 7-10 Kft. (3)	GTC Origine	Hungary	100%	-
GTC Nekretnine Zagreb d.o.o.	GTC S.A.	Croatia	100%	100%
Euro Structor d.o.o.	GTC S.A.	Croatia	70%	70%
Marlera Golf LD d.o.o.	GTC S.A.	Croatia	100%	100%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o.	Croatia	100%	100%
GTC Matrix d.o.o.	GTC S.A.	Croatia	100%	100%
GTC Seven Gardens d.o.o.	GTC S.A.	Croatia	100%	100%
Towers International Property S.R.L.	GTC S.A.	Romania	100%	100%
Green Dream S.R.L.	GTC S.A.	Romania	100%	100%
Aurora Business Complex S.R.L.	GTC S.A.	Romania	100%	100%
Cascade Building S.R.L.	GTC S.A.	Romania	100%	100%
City Gate Bucharest S.R.L.	GTC S.A.	Romania	100%	100%
Venus Commercial Center S.R.L.	GTC S.A.	Romania	100%	100%
Beaufort Invest S.R.L. (2)	GTC S.A.	Romania	-	100%
Fajos S.R.L. (2)	GTC S.A.	Romania	-	100%
City Gate S.R.L.	GTC S.A.	Romania	100%	100%
City Rose Park S.R.L.	GTC S.A.	Romania	100%	100%
Deco Intermed S.R.L.	GTC S.A.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L.	GTC S.A.	Romania	66.7%	66.7%

(1) Under liquidation

(2) Liquidated

(3) Newly established wholly owned subsidiary

(4) Acquired

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## 8. Investment in Subsidiaries (continued)

Name	Holding Company	Country of incorporation	31 December 2021	31 December 2020
NRL EAD	GTC S.A.	Bulgaria	100%	100%
Advance Business Center EAD	GTC S.A.	Bulgaria	100%	100%
GTC Yuzhen Park EAD	GTC S.A.	Bulgaria	100%	100%
Dorado 1 EOOD	GTC S.A.	Bulgaria	100%	100%
GOC EAD (3)	GTC S.A.	Bulgaria	100%	-
GTC Medj Razvoj Nekretnina d.o.o. Beograd (5)	GTC S.A.	Serbia	100%	100%
GTC Business Park d.o.o. Beograd (5)	GTC S.A.	Serbia	100%	100%
Commercial and Residential Ventures d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Demo Invest d.o.o. Novi Beograd (5)	GTC S.A.	Serbia	100%	100%
Atlas Centar d.o.o. Beograd (5)	GTC S.A.	Serbia	100%	100%
Commercial Development d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Glamp d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
GTC BBC d.o.o. (5)	GTC S.A.	Serbia	100%	100%
GTC Aurora Luxembourg S.A. (3)	GTC S.A.	Luxembourg	100%	-
Europort Investment (Cyprus) 1 Limited	GTC S.A.	Cyprus	100%	100%
Europort Ukraine Holdings 1 LLC (6)	Europort Investment (Cyprus) 1 Limited	Ukraine	-	100%
	Europort Investment (Cyprus) 1 Limited	Ukraine	-	100%
Europort Ukraine LLC (6)	Europort Investment (Cyprus) 1 Limited	Ukraine	-	100%
Europort Project Ukraine 1 LLC (6)	Europort Investment (Cyprus) 1 Limited	Ukraine	-	100%

(3) Newly established wholly owned subsidiary

(5) GTC S.A. holds 100% shares through a wholly-owned subsidiary Office Planet Kft, which has 70% of shares and remaining 30% is held directly by GTC S.A.

(6) Sold

## **9. Events in the period**

### **MANAGEMENT BOARD CHANGES AND OTHER CORPORATE EVENTS**

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 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 at 15 January 2022 and János Gárdai to the Management Board of the Company (Chief Operating Officer) effective as at 1 February 2022.

### **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 sqm for a consideration of EUR 33.8 million from Groton Global Corp. The site has potential office development of ca 79,000 sqm. 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 sqm 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.

## **9. Events in the period (continued)**

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 sqm 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 sqm.

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 sqm 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 sqm 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 sqm 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 sqm for the total consideration of EUR 12.8 million. The site has potential residential development ca. 17,000 sqm.

On 21 September 2021, GTC Origine Investments Pltd., a wholly owned subsidiary of the Company, acquired 100% holding of G-Delta Adrsy 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 sqm for a consideration of EUR 10.8 million. The office building is located in the CBD of Budapest.

## **9. Events in the period (continued)**

### **DISPOSAL OF ASSETS**

On 21 May 2021, GTC and GTC Hungary Real Estate Development Company Pltd., a wholly-owned subsidiary of the Company, 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. GTC Group has received an amount of EUR 134.3 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 sqm 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.

## **9. Events in the period (continued)**

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.

## **9. Events in the period (continued)**

### **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 20,494.

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.

## **9. Events in the period (continued)**

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.

## **10. Revenue from operations**

Rental income includes variable rental revenue based on tenants' turnover for the year ended 31 December 2021 of Euro 4,976 (2020: Euro 2,657). The remaining revenue is based on fixed contractual rental fees.

The Group has entered into various operational lease contracts on its property portfolio in Poland, Romania, Croatia, Serbia, Bulgaria, and Hungary. The commercial property leases typically include clauses to enable the periodic upward revision of the rental charge according to European Consumer Price Index (CPI).

Future minimum rental revenue under operating leases from completed projects are, as follows (in millions of Euro):

	<b>31 December 2021</b>	<b>31 December 2020</b>
Within 1 year	111	121
Within 2 year	88	100
Within 3 year	64	74
Within 4 year	45	52
Within 5 year	33	33
Within 6 year	18	22
More than 6 years	18	37
<b>Total</b>	<b>377</b>	<b>439</b>

Most of the revenue from operations is earned predominantly on the basis of amounts denominated in, directly linked to, or indexed by reference to the Euro.

Service charge revenue includes income from charging maintenance costs to tenants. Service charge is billed on a monthly basis, based on the agreed rate from the contract.

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## 11. Selling expenses

Selling expenses comprise of the following:

	Year ended 31 December 2021	Year ended 31 December 2020
Advertising and marketing	424	140
Payroll and related expenses	1,228	1,167
<b>Total</b>	<b>1,652</b>	<b>1,307</b>

## 12. Administration expenses

Administration expenses comprise of the following:

	Year ended 31 December 2021	Year ended 31 December 2020
Remuneration and fees	9,002	8,396
Audit and valuations	755	852
Legal, tax, IT and other advisory	1,306	905
Office and insurance expenses	1,167	669
Travel expenses	242	285
Supervisory board remuneration fees	187	137
Depreciation	653	654
Investors relations and other expenses	401	283
<b>Total before share based payment</b>	<b>13,713</b>	<b>12,181</b>
Share based payment	432	(469)
<b>Total</b>	<b>14,145</b>	<b>11,712</b>

## 13. Finance income and finance expense

Finance income comprises of the following:

	Year ended 31 December 2021	Year ended 31 December 2020
Interest on deposits and other	28	55
Interest on loan granted to non-controlling interest	276	276
<b>Total</b>	<b>304</b>	<b>331</b>

## 13. Finance income and finance expense (continued)

Finance expense comprises of the following:

	Year ended 31 December 2021	Year ended 31 December 2020
Interest expenses (on financial liabilities that are not fair valued through profit or loss) and other charges	(31,841)	(31,321)
Finance costs related to lease liability	(1,938)	(2,010)
Early prepayment costs	(5,102)	-
Amortization of loan raising costs	(4,400)	(1,913)
<b>Total</b>	<b>(43,281)</b>	<b>(35,244)</b>

The weighted average interest rate (including hedges) on the Group's loans (excluding loans related to assets held for sale) as of 31 December 2021 was 2.16% p.a. (2.3% p.a. as of 31 December 2020).

## 14. Segmental analysis

	Year ended 31 December 2021	Year ended 31 December 2020
Rental income from office sector	117,315	108,537
Rental income from retail sector	54,636	51,584
<b>TOTAL</b>	<b>171,951</b>	<b>160,121</b>

The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets, and other factors. GTC operates in six core markets: Poland, Hungary, Bucharest, Belgrade, Sofia, and Zagreb. Segment *Hungary* includes Budapest and Debrecen, in the financial statements for 2020 only Budapest.

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

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

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## 14. Segmental analysis (continued)

Segment analysis of rental income and costs for the year ended 31 December 2021 and 31 December 2020 is presented below:

Portfolio	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenues	Costs	Gross margin	Revenues	Costs	Gross margin
Poland	63,818	(17,959)	45,859	65,227	(19,218)	46,009
Belgrade	33,555	(8,139)	25,416	33,806	(8,485)	25,321
Hungary	33,691	(7,762)	25,929	21,926	(4,900)	17,026
Bucharest	15,019	(3,100)	11,919	17,229	(2,969)	14,260
Zagreb	13,225	(4,209)	9,016	11,004	(3,684)	7,320
Sofia	12,643	(3,187)	9,456	10,929	(2,271)	8,658
<b>Total</b>	<b>171,951</b>	<b>(44,356)</b>	<b>127,595</b>	<b>160,121</b>	<b>(41,527)</b>	<b>118,594</b>

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

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

(\*) Includes assets held for sale and liabilities related to assets held for sale. For details please refer to note 32.

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

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## 14. Segmental analysis (continued)

Segment analysis of assets and liabilities as of 31 December 2020 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans, bonds and leases	Deferred tax liability	Other	Total liabilities
Poland	906,313	44,939	3,872	<b>955,124</b>	532,127	59,536	14,005	<b>605,668</b>
Belgrade	370,123	13,316	3,711	<b>387,150</b>	211,497	10,373	8,628	<b>230,498</b>
Hungary	321,704	149,239	4,680	<b>475,623</b>	223,862	12,240	17,617	<b>253,719</b>
Bucharest	197,247	13,527	1,119	<b>211,893</b>	104,974	11,816	3,103	<b>119,893</b>
Zagreb	159,319	5,905	12,305	<b>177,529</b>	67,142	16,728	4,383	<b>88,253</b>
Sofia	179,109	11,609	1,087	<b>191,805</b>	93,212	8,337	6,850	<b>108,399</b>
Other	9,521	17	18	<b>9,556</b>	-	-	1,141	<b>1,141</b>
Non allocated	-	71,857	220	<b>72,077</b>	78,370	14,200	6,468	<b>99,038</b>
<b>Total</b>	<b>2,143,336</b>	<b>310,409</b>	<b>27,012</b>	<b>2,480,757</b>	<b>1,311,184</b>	<b>133,230</b>	<b>62,195</b>	<b>1,506,609</b>

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## 15. Taxation

The major components of tax expense are as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Current corporate and capital gain tax expense	5,656	8,811
Deferred tax expense / (income)	8,128	(13,806)
<b>Total</b>	<b>13,784</b>	<b>(4,995)</b>

The Group companies are subject to taxes in the following jurisdictions: Poland, Serbia, Romania, Hungary, Bulgaria, Cyprus, Croatia and Luxembourg. The Group does not constitute a tax group under local legislation. Therefore, every company in the Group is a separate taxpayer.

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

	Year ended 31 December 2021	Year ended 31 December 2020
Accounting profit / (loss) before tax	56,520	(75,856)
Taxable expenses at the applicable tax rate in each country of activity	<b>7,756</b>	<b>(14,818)</b>
Tax effect of expenses that are not deductible in determining taxable profit	2,095	772
Commercial property tax	46	(416)
Tax effect of foreign currency differences	211	5,975
Withholding tax	584	604
Unrecognised deferred tax asset on losses in current year	3,092	2,888
<b>Tax expense / (income)</b>	<b>13,784</b>	<b>(4,995)</b>

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## 15. Taxation (continued)

The components of the deferred tax balance were calculated at a rate applicable when the Group expects to recover or settle the carrying amount of the asset or liability. Net deferred tax assets comprise the following:

	As of 1 January 2020	Credit / (charge) to income statement	As of 31 December 2020	Credit / (charge) to income statement	As of 31 December 2021
Financial instruments (*)	5,300	9,085	14,385	3,105	17,490
Tax loss carried forwards	10,197	(3,515)	6,682	(2,629)	4,053
Basis differences in non-current assets	1,024	(59)	965	643	1,608
Accruals	789	257	1,046	535	1,581
Netting (**)	(17,310)	(5,152)	(22,462)	1,516	(20,946)
<b>Net deferred tax assets</b>	<b>-</b>	<b>616</b>	<b>616</b>	<b>3,170</b>	<b>3,786</b>

Net deferred tax liability comprises of the following:

	As of 1 January 2020	Credit / (charge) to income statement	Credit / (charge) to equity	As of 31 December 2020	Credit / (charge) to income statement	Credit / (charge) to equity	Reclassified to liabilities related to assets held for sale	As of 31 December 2021
Financial instruments (*)	(14,775)	(5,523)	812	(19,486)	(6,297)	1,383	3,000	(21,400)
Basis differences in non-current assets	(149,748)	13,542	-	(136,206)	(3,485)	-	-	(139,691)
Other	(19)	19	-	-	-	-	-	-
Netting (**)	17,310	5,152	-	22,462	(1,516)	-	-	20,946
<b>Net deferred tax liability</b>	<b>(147,232)</b>	<b>13,190</b>	<b>812</b>	<b>(133,230)</b>	<b>(11,298)</b>	<b>1,383</b>	<b>3,000</b>	<b>(140,145)</b>

(\*) Mostly unrealized interest and foreign exchange differences.

(\*\*) Within a particular company, deferred tax assets are accounted separately from deferred tax liabilities as they are independent in their nature. However, as they represent a future settlement between the same parties, they are netted off for the purpose of the presentation in financial statements.

## 15. Taxation (continued)

The enacted tax rates in the various countries were as follows:

<b>Tax rate</b>	<b>Year ended 31 December 2021</b>	<b>Year ended 31 December 2020</b>
Poland	19%	19%
Hungary	9%	9%
Ukraine	18%	18%
Bulgaria	10%	10%
Serbia	15%	15%
Croatia	18%	18%
Romania	16%	16%
Cyprus	12.5%	12.5%
Luxembourg	24.94%	-

Future benefit for deferred tax assets has been reflected in these consolidated financial statements only if it is probable that taxable profits will be available when timing differences that gave rise to such deferred tax asset reverse.

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These frequent changes result in there being little point of reference, inconsistent interpretations not consistent, and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies and between government bodies and companies. Tax settlements and other areas of activity (e.g., customs or foreign currency related issues) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest.

On 15 July 2016, amendments were made to the Polish Tax Ordinance to introduce the provisions of the General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realizing tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of artificial activities subject to GAAR. New regulations require considerably greater judgment in assessing the tax effects of individual transactions.

The GAAR clause should be applied to the transactions performed after the clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realized or continue to be realised.

## **15.** Taxation (continued)

The implementation of the above provisions will enable Polish tax authority to challenge such arrangements realized by tax remitters as restructuring or reorganization.

Tax settlements may be subject to inspections by tax authorities. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

### Main tax changes to the Polish Corporate Income Tax effective from 1 January 2022

#### Withholding tax (WHT)

The package of changes introduced to the Polish tax law regulations starting from January 2022 has limited the original scope of the application of pay and refund mechanism (settlement of WHT in relation to payments exceeding PLN 2 million (EUR 0,4 million) per annum for each taxpayer). Under new rules, the conditional exemption from WHT or application of the reduced tax rate stipulated in the applicable double tax treaty (DTT) is restricted in terms of the passive payments (i.e. dividends, interest, license fees) in the amount exceeding PLN 2 million per annum made with respect to foreign related entities. In such cases the tax remitter is obliged to automatically collect the tax at a statutory domestic rate (19% or 20%) regardless of the fulfilment of the conditions allowing the application of the exemption or the reduced rate on the basis of the local law or DTT.

Group does not expect significant impact of above change on consolidated financial statements.

#### Limitation of tax depreciation of commercial buildings

According to general tax regulations depreciation expenses on fixed assets (buildings classified as investment property) can be tax deductible. However, from 1 January 2022 in the case of real estate companies, tax-deductible depreciation expenses rates cannot be greater than the current applied accounting depreciation expenses rates applied to the same fixed assets in a given year.

Group is in the process of assessing the tax impact of above change on consolidated financial statements.

The Group companies have tax losses carried forward as of 31 December 2021 available in the amount of Euro 249 million (Euro 260 million as of 31 December 2020). The expiry dates of these tax losses as of 31 December 2021 are as follows: within one year - Euro 35 million, between 2-5 years - Euro 133 million, afterwards – Euro 81 million. As of 31 December 2021, the Group has not recognized deferred tax assets for tax losses carried forward in amount of Euro 217 million (Euro 212 million as of 31 December 2020), as the Group believes that these losses will not be utilized within claim period.

## 16. Property, Plant, and Equipment

The movement in property, plant, and equipment for the year ended 31 December 2021 was as follows:

	Buildings and related improvements	Right of use	Equipment and software	Vehicles	Total
<b>Gross carrying amount</b>					
<b>As of 1 January 2021</b>	<b>7,599</b>	<b>302</b>	<b>1,909</b>	<b>900</b>	<b>10,710</b>
Additions	1,864	-	192	223	2,279
Reclassified to assets held for sale	(819)	-	(31)	(9)	(859)
Disposals, impairments and other decreases	(489)	(131)	(230)	(335)	(1,185)
<b>As of 31 December 2021</b>	<b>8,155</b>	<b>171</b>	<b>1,840</b>	<b>779</b>	<b>10,945</b>
<b>Accumulated Depreciation</b>					
<b>As of 1 January 2021</b>	<b>1,057</b>	<b>97</b>	<b>1,345</b>	<b>426</b>	<b>2,925</b>
Charge for the period	295	93	162	103	653
Reclassified to assets held for sale	(82)	-	(11)	(8)	(101)
Disposals, impairments and other decreases	(37)	(61)	(134)	(134)	(366)
<b>As of 31 December 2021</b>	<b>1,233</b>	<b>129</b>	<b>1,362</b>	<b>387</b>	<b>3,111</b>
<b>Net book value as of 31 December 2021</b>	<b>6,922</b>	<b>42</b>	<b>478</b>	<b>392</b>	<b>7,834</b>

## 16. Property, Plant, and Equipment

The movement in property, plant, and equipment for the year ended 31 December 2020 was as follows:

	Buildings and related improvements	Right of use	Equipment and software	Vehicles	Total
<b>Gross carrying amount</b>					
<b>As of 1 January 2020</b>	<b>7,551</b>	<b>286</b>	<b>1,801</b>	<b>934</b>	<b>10,572</b>
Additions	48	-	133	67	248
Foreign exchange differences	-	16	11	16	43
Disposals, impairments and other decreases	-	-	(36)	(117)	(153)
<b>As of 31 December 2020</b>	<b>7,599</b>	<b>302</b>	<b>1,909</b>	<b>900</b>	<b>10,710</b>
<b>Accumulated Depreciation</b>					
<b>As of 1 January 2020</b>	<b>786</b>	<b>37</b>	<b>1,208</b>	<b>382</b>	<b>2,413</b>
Charge for the period	271	60	171	152	654
Foreign exchange differences	-	-	(7)	-	(7)
Disposals, impairments and other decreases	-	-	(27)	(108)	(135)
<b>As of 31 December 2020</b>	<b>1,057</b>	<b>97</b>	<b>1,345</b>	<b>426</b>	<b>2,925</b>
<b>Net book value as of 31 December 2020</b>	<b>6,542</b>	<b>205</b>	<b>564</b>	<b>474</b>	<b>7,785</b>

## 17. Investment Property

Investment properties that are owned by the Group are office and commercial space, including property under construction:

Investment property can be split up as follows:

	31 December 2021	31 December 2020
Completed investment property	1,929,979	1,879,173
Investment property under construction	132,410	62,909
Investment property landbank at cost	139,843	140,367
Right of use of lands under perpetual usufruct	38,428	42,679
<b>Total</b>	<b>2,240,660</b>	<b>2,125,128</b>

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## 17. Investment Property (continued)

The movement in investment property for the periods ended 31 December 2021 and 31 December 2020 was as follows:

	Right of Use of land	Level 2	Level 3 at fair value	Level 3 at Cost	Total
<b>Carrying amount as of 1 January 2020</b>	<b>44,485</b>	<b>1,346,097</b>	<b>741,172</b>	<b>115,276</b>	<b>2,247,030</b>
Reclassification	-	(7,799)	-	7,799	-
Capitalised subsequent expenditure	-	11,446	48,184	8,065	67,695
Purchase of completed assets and land	-	5,600	-	16,502	22,102
Adjustment to fair value / (impairment)	-	(84,904)	(52,844)	(3,165)	(140,913)
Amortization of right of use of lands under perpetual usufruct	(440)	-	-	-	(440)
Increase	96	-	-	-	96
Reclassified to assets held for sale	-	-	-	(900)	(900)
Disposals	-	(62,649)	-	(500)	(63,149)
Foreign exchange differences	(1,462)	(4,830)	-	(101)	(6,393)
<b>Carrying amount as of 31 December 2020</b>	<b>42,679</b>	<b>1,202,961</b>	<b>736,512</b>	<b>142,976</b>	<b>2,125,128</b>
Capitalised expenditure	-	16,091	44,070	20,471	80,632
Purchase of completed assets and land	-	310,627	-	15,457	326,084
Adjustment to fair value / (impairment)	-	(12,765)	3,399	(2,105)	(11,471)
Amortization of right of use of lands under perpetual usufruct	(416)	-	-	-	(416)
Reclassified to assets held for sale (1)	(3,724)	-	(266,763)	(1,352)	(271,839)
Reclassified to residential landbank (2)	-	-	-	(5,500)	(5,500)
Classified to assets for own use, net	-	(1,252)	-	-	(1,252)
Disposal of land	-	-	-	(595)	(595)
Decrease	(745)	-	-	-	(745)
Foreign exchange differences	634	-	-	-	634
<b>Carrying amount as of 31 December 2021</b>	<b>38,428</b>	<b>1,515,662</b>	<b>517,218</b>	<b>169,352</b>	<b>2,240,660</b>

(1) Mainly relates to sale of Serbian assets and sale of land in Croatia (note 32).

(2) Mainly relates to reclassification of part of the land which is expected to use for residential project in Romania.

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## 17. Investment Property (continued)

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

	Year ended 31 December 2021	Year ended 31 December 2020
<b>Capitalized expenditure (including purchase of completed assets and land)</b>	<b>406,716</b>	<b>89,797</b>
Change in trade payables and provisions	56	11,713
Change in trade receivables	6,758	(1,762)
Loan on acquisition GTC Univerzum Projekt Kft. (previously: Winmark Kft.)	(58,000)	-
Purchase of property, plant and equipment	191	248
<b>Paid expenditures in line with cash flow statement</b>	<b>355,721</b>	<b>99,996</b>

Fair value and impairment adjustment consists of the following:

	Year ended 31 December 2021	Year ended 31 December 2020
Adjustment to fair value of completed investment properties (*)	(17,305)	(144,126)
Adjustment to the fair value of investment properties under construction	7,860	6,378
Reversal of impairment/(Impairment) adjustment	(2,026)	(3,165)
<b>Total adjustment to fair value / (impairment) of investment property</b>	<b>(11,471)</b>	<b>(140,913)</b>
Reversal of impairment/(Impairment) of assets held for sale	(941)	(172)
Amortization of right of use of lands under perpetual usufruct (including on residential landbank)	(455)	(478)
Impairment of residential landbank	-	(1,158)
<b>Total recognised in profit or loss</b>	<b>(12,867)</b>	<b>(142,721)</b>

(\*) During the financial year end 31 December 2020, the Covid-19 pandemic has triggered a wave of strong negative effects on the markets that the Group operates. As a result of this, the valuations prepared by independent appraisers over the completed investment properties has been negatively affected primarily driven by the group retail assets. For further information on the COVID-19 pandemic impact over the business of the Group please see note 38.

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## 17. Investment Property (continued)

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

	Year ended 31 December 2021	Year ended 31 December 2020
Poland	(16,637)	(77,153)
Belgrade	(444)	(42,818)
Hungary	5,470	12,610
Bucharest	(1,599)	(19,362)
Zagreb	92	(6,353)
Sofia	(4,187)	(11,050)
<b>Total adjustment to fair value of completed assets</b>	<b>(17,305)</b>	<b>(144,126)</b>

Assumptions used in the fair value valuations of completed assets as of 31 December 2021 are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV*	Fair Value Hierarchy Level	Average Yield****
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m		%
Poland retail	443,000	113	94%	20.8	20.7	2	6.0%
Poland office	373,639	196	87%	14.2	14.2	2	7.7%
Belgrade office**	-	-	-	-	-	-	-
Belgrade retail	90,700	35	96%	18.0	22.3	3	7.9%
Hungary office	505,437	192	97%	15.5	15.5	2	6.7%
Hungary retail	21,600	6	90%	17.4	18.4	2	5.6%
Bucharest office	171,985	67	66%	18.2	17.9	2	5.6%
Zagreb retail***	85,400	28	99%	21.3	21.7	3	8.2%
Zagreb office***	61,918	28	92%	14.6	14.7	3	7.3%
Sofia office***	95,800	44	84%	14.5	14.8	3	6.7%
Sofia retail***	80,500	23	96%	19.7	23.4	3	6.4%
<b>Total</b>	<b>1,929,979</b>	<b>732</b>	<b>90%</b>	<b>16.5</b>	<b>16.9</b>		<b>6.7%</b>

(\*) ERV- Estimated Rent Value (the open market rent value that a property can be reasonably expected to attain based on characteristics such as a condition of the property, amenities, location, and local market conditions)

(\*\*) Reclassified to assets held for sale (please refer to note 32). There are no significant changes in valuation assumptions used (please refer to note 5).

(\*\*\*) As of 31 December 2021, office part of shopping malls in Croatia and Bulgaria was separated for presentation purpose.

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

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## 17. Investment Property (continued)

Assumptions used in the fair value valuations of completed assets as of 31 December 2020 are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Fair Value Hierarchy Level	Average Yield****
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m		%
Poland retail	443,000	113	93%	20.9	20.8	2	5.9%
Poland office	381,738	196	88%	14.6	14.3	2	7.8%
Belgrade office	264,781	122	93%	16.7	16.2	3	8.6%
Belgrade retail	90,700	35	97%	17.9	19.6	3	7.9%
Hungary office	206,138	97	95%	14.2	13.8	2	7.5%
Bucharest office	172,085	67	93%	20.5	17.7	2	8.3%
Zagreb retail	99,512	35	97%	20.2	20.6	3	8.2%
Zagreb office	44,719	21	76%	14.3	14.6	3	6.2%
Sofia office	75,800	34	79%	14.6	14.6	3	6.2%
Sofia retail	100,700	33	98%	18.8	20.8	3	7.0%
<b>Total</b>	<b>1,879,173</b>	<b>753</b>	<b>91%</b>	<b>17.0</b>	<b>16.7</b>		<b>7.4%</b>

(\*\*\*\*) Average yield is calculated as in-place rent divided by fair value of asset. Method of calculation was changed comparing to financial statements for 2020 year.

Information regarding investment properties under construction as of 31 December 2021 is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Budapest (Pillar)	102,900	29
Belgrade (GTC X)	19,951	17
Sofia (Sofia Tower 2)	9,559	8
<b>Total</b>	<b>132,410</b>	<b>54</b>

Information regarding investment properties under construction as of 31 December 2020 is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Budapest (Pillar)	60,300	29
Sofia (Sofia Tower 2)	2,609	8
<b>Total</b>	<b>62,909</b>	<b>37</b>

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## **17. Investment Property (continued)**

Information regarding book value of investment property landbank for construction as of 31 December 2021 and 31 December 2020 is presented below:

	31 December 2021	31 December 2020
Poland	39,007	37,961
Serbia	-	10,164
Hungary	62,496	49,895
Romania	7,200	15,500
Bulgaria	4,657	-
Croatia	13,614	14,638
<b>Total</b>	<b>126,974</b>	<b>128,158</b>

Information regarding book value of investment property landbank (long term pipeline – with no current plan for construction) as of 31 December 2021 and 31 December 2020 is presented below:

	31 December 2021	31 December 2020
Poland	9,519	8,859
Hungary	3,350	3,350
<b>Total</b>	<b>12,869</b>	<b>12,209</b>
<b>GRAND TOTAL</b>	<b>139,843</b>	<b>140,367</b>

## 18. Residential landbank

The movement in residential landbank for the year ended 31 December 2020 and 31 December 2021 was as follows:

	Residential landbank	Total
<b>Carrying amount as of 1 January 2020</b>	<b>13,388</b>	<b>13,388</b>
Amortization of right of use of lands under perpetual usufruct	(36)	(36)
Disposal	(1,420)	(1,420)
Reclassified to assets held for sale	(680)	(680)
Impairment of residential landbank	(1,158)	(1,158)
<b>Carrying amount as of 31 December 2020</b>	<b>10,094</b>	<b>10,094</b>
Amortization of right of use of lands under perpetual usufruct	(39)	(39)
Capitalized expenditure	300	300
Acquisition	13,300	13,300
Reclassified to assets held for sale	(2,153)	(2,153)
Reclassified from investment properties (note 17)	5,500	5,500
<b>Carrying amount as of 31 December 2021</b>	<b>27,002</b>	<b>27,002</b>

The carrying amount of residential landbank as of 31 December 2021 refers to non-core land plots designated for residential development in Croatia, Hungary and Romania.

## 19. Derivatives

The Group holds instruments (IRS, CAP, currency SWAP and cross-currency interest rate SWAP) that hedge the risk involved in fluctuations of interest rate and currencies rates. The instruments hedge interest on loans for a period of 2-5 years

The movement in derivatives for the years ended 31 December 2021 and 31 December 2020 was as follows:

	31 December 2021	31 December 2020
<b>Fair value as of the beginning of the year</b>	<b>(19,260)</b>	<b>(6,085)</b>
Charged to other comprehensive income (*)	(20,356)	(7,748)
Charged to profit or loss (**)	(1,841)	(5,427)
Reclassified to liabilities related to assets held for sale	859	-
<b>Fair value as of the end of the year</b>	<b>(40,598)</b>	<b>(19,260)</b>

(\*) Increase is mainly attributable to the new cross-currency swap for bonds in HUF

(\*\*) This loss mainly offset a foreign exchange gain on bonds denominated in PLN and HUF.

For more information regarding derivatives, see note 37.

## **20. Trade payables and provisions**

The balance of trade and other payables increased from Euro 27,299 to Euro 31,092 in the year ended 31 December 2021.

The majority of the payables relate to development activity.

## **21. Blocked deposits**

Blocked deposits include deposits related to loan agreements and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements.

Blocked deposits related to contractual commitments include mostly tenants' deposit account, security account, capex accounts, and deposits in order to settle contractual commitments related to the construction of this project.

## **22. Cash and cash equivalents**

Cash balance consists of cash in banks and cash in hand. Cash at banks earns interest at floating rates based on periodical bank deposit rates. Except for minor amounts, all cash is deposited in banks.

All cash and cash equivalents are available for use by the Group.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2021 and 31 December 2020:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Cash at banks and on hand	87,468	271,996
Cash at banks related to assets held for sale	9,165	-
<b>Cash and cash equivalents at the end of the period</b>	<b>96,633</b>	271,996

## **23. Other expenses**

Other expenses relate mainly to one-off expenses as well as unrecoverable VAT and maintenance costs related to undeveloped land.

## **24. Deposits from tenants**

Deposits from tenants represent amounts deposited by tenants to guarantee their performance of their obligations under tenancy agreements. Deposits from tenants that shall be returned within a year are presented within current liabilities.

## **25. Long term payables**

Long term payables consist long term commitments related to the purchase of office building and development of infrastructure.

## **26. VAT and other tax receivable**

VAT and other tax receivable represent VAT receivable on the purchase of assets and due to development activity.

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## 27. Non-controlling interest

Summarized financial information of the material non-controlling interest as of 31 December 2021 is presented below:

	Avenue Mall	Non-core projects	Total
Non-current assets	135,878	2,833	138,711
Current assets	4,155	380	4,535
<b>Total assets</b>	<b>140,033</b>	<b>3,213</b>	<b>143,246</b>
Equity	79,722	(22,483)	57,239
Non-current liabilities	59,204	24,612	83,816
Current liabilities	1,107	1,084	2,191
<b>Total equity and liabilities</b>	<b>140,033</b>	<b>3,213</b>	<b>143,246</b>
Revenue	10,182	-	10,182
Profit /(loss) for the year	4,374	(683)	3,691
<b>NCI share in equity</b>	<b>23,917</b>	<b>(7,494)</b>	<b>16,423</b>
<b>Loan granted to NCI</b>	<b>(10,628)</b>	<b>-</b>	<b>(10,628)</b>
<b>Loan received from NCI</b>	<b>-</b>	<b>8,760</b>	<b>8,760</b>
<b>NCI share in profit / (loss)</b>	<b>1,312</b>	<b>(227)</b>	<b>1,085</b>

Dividend distributed to non-controlling interest in amount of EUR 900 for 2021 was set-off against loan granted to NCI. Remaining amount of EUR 300 was paid.

Summarized financial information of the material non-controlling interest as of 31 December 2020 is presented below:

	Avenue Mall	Non-core projects	Total
Non-current assets	138,366	2,153	140,519
Current assets	3,338	721	4,059
<b>Total assets</b>	<b>141,704</b>	<b>2,874</b>	<b>144,578</b>
Equity	79,347	(21,799)	57,548
Non-current liabilities	58,869	24,670	83,539
Current liabilities	3,488	3	3,491
<b>Total equity and liabilities</b>	<b>141,704</b>	<b>2,874</b>	<b>144,578</b>
Revenue	9,280	-	9,280
Profit /(loss) for the year	(290)	(1,755)	(2,045)
<b>NCI share in equity</b>	<b>23,804</b>	<b>(7,266)</b>	<b>16,538</b>
<b>Loan granted to NCI</b>	<b>(11,252)</b>	<b>-</b>	<b>(11,252)</b>
<b>Loan received from NCI</b>	<b>-</b>	<b>8,529</b>	<b>8,529</b>
<b>NCI share in profit / (loss)</b>	<b>(87)</b>	<b>(585)</b>	<b>(672)</b>

Dividend paid to non-controlling interest was amounted to EUR 420.

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## 28. Long-term loans and bonds

	31 December 2021	31 December 2020
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	48,166	48,117
Green bonds mature in 2027-2030 (HU0000360102)	107,389	108,614
Green bonds mature in 2028-2031 (HU0000360284)	54,056	-
Green bonds mature in 2026 (XS2356039268)	503,263	-
Bonds 0321 (PLGTC0000276)	-	20,737
Bonds 0422 (PLGTC0000292)	9,520	9,515
Loan from Santander (Globis Poznan)	16,323	16,951
Loan from Santander (Korona Business Park)	-	41,966
Loan from Santander (Pixel)	19,011	-
Loan from PKO BP (Pixel)	-	19,224
Loan from Santander (Globis Wroclaw)	20,675	21,368
Loan from Berlin Hyp (Corius)	9,500	10,036
Loan from Pekao (Sterlinga)	14,613	15,138
Loan from Pekao (Galeria Polnocna)	-	175,404
Loan from PKO BP (Artico)	13,338	13,848
Loan from Erste and Raiffeisen (Galeria Jurajska)	115,250	125,125
Loan from Berlin Hyp (UBP)	41,543	42,413
Loan from Santander (Francuska)	18,625	-
Loan from ING (Francuska)	-	18,929
Loan from OTP (Centre Point)	47,862	49,669
Loan from CIB (Metro)	-	13,277
Loan from UniCredit Bank (Pillar)	50,827	13,718
Loan from OTP (Duna)	37,116	38,518
Loan from Erste (HBK)	10,775	-
Loan from Erste (Váci Greens D)	24,438	-
Loan from OTP (Ericsson/evosoft Hungary)	80,000	-
Loan from Erste (V188)	16,225	-
Loan from Erste (GTC House)*	-	14,820
Loan from Erste (19 Avenue) *	-	21,510
Loan from OTP (BBC)*	-	20,985
Loan from Intesa Bank (Green Heart)*	-	55,907
Loan from Raiffeisen Bank (Forty one)*	-	36,295
Loan from Intesa Bank (Ada)	-	58,256
Loan from Erste (City Gate)	-	71,951
Loan from Banca Transilvania (Cascade)	-	3,797
Loan from Alpha Bank (Premium)	-	14,486
Loan from OTP (Mall of Sofia)	-	54,668
Loan from UniCredit (ABC I)	-	18,816
Loan from UniCredit (ABC II)	-	19,622
Loan from Erste (Matrix)	-	21,921
Loan from Zagrebečka Banka (Avenue Mall Zagreb)	42,500	44,000
Loans from NCI	8,760	8,529
Deferred issuance debt expenses	(10,324)	(6,838)
<b>Total</b>	<b>1,299,451</b>	<b>1,261,292</b>

\*Reclassified to liabilities related to assets held for sale.

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## 28. Long-term loans and bonds (continued)

Long-term loans and bonds have been separated into the current portion and the long-term portion as disclosed below:

	31 December 2021	31 December 2020
<b>Current portion of long-term loans and bonds:</b>		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	16,278	442
Green bonds mature in 2027-2030 (HU0000360102)	72	-
Green bonds mature in 2028-2031 (HU0000360284)	397	-
Green bonds mature in 2026 (XS2356039268)	5,918	-
Bonds 0321 (PLGTC0000276)	-	20,737
Bonds 0422 (PLGTC0000292)	9,520	75
Loan from Santander (Globis Poznan)	629	629
Loan from Santander (Korona Business Park)	-	1,395
Loan from Santander (Pixel)	690	-
Loan from PKO BP (Pixel)	-	19,224
Loan from Berlin Hyp (UBP)	870	870
Loan from Erste and Raiffeisen (Galeria Jurajska)	4,875	4,875
Loan from Santander (Globis Wroclaw)	693	693
Loan from Berlin Hyp (Corius)	-	10,036
Loan from Pekao (Sterlinga)	525	15,138
Loan from PKO BP (Artico)	510	510
Loan from Pekao (Galeria Polnocna)	-	5,000
Loan from Santander (Francuska)	676	-
Loan from ING (Francuska)	-	18,929
Loan from OTP (Centre Point)	1,807	1,807
Loan from OTP (Duna)	1,401	1,401
Loan from Erste (Váci Greens D)	750	-
Loan from CIB (Metro)	-	1,172
Loan from Erste (GTC House)*	-	624
Loan from Erste (19 Avenue)*	-	994
Loan from Intesa Bank (Green Heart)*	-	2,873
Loan from OTP (BBC)*	-	805
Loan from Raiffeisen Bank (Forty one)*	-	1,853
Loan from Intesa Bank (Ada)	-	3,473
Loan from OTP (Mall of Sofia)	-	2,457
Loan from UniCredit (ABC I)	-	816
Loan from UniCredit (ABC II)	-	801
Loan from Zagrebacka Banka (Avenue Mall Zagreb)	-	2,000
Loan from Erste (Matrix)	-	580
Loan from Alpha Bank (Premium)	-	1,025
Loan from Banca Transilvania (Cascade)	-	240
Loan from Erste (City Gate)	-	71,951
Deferred issuance debt expenses	(1,274)	-
<b>Total</b>	<b>44,337</b>	<b>193,425</b>

\*Reclassified to liabilities related to assets held for sale.

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## 28. Long-term loans and bonds (continued)

	31 December 2021	31 December 2020
<b>Long term portion of long-term loans and bonds:</b>		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	31,888	47,675
Bonds 0422 (PLGTC0000292)	-	9,440
Green bonds mature in 2027-2030 (HU0000360102)	107,317	108,614
Green bonds mature in 2028-2031 (HU0000360284)	53,659	-
Green bonds mature in 2026 (XS2356039268)	497,345	-
Loan from Santander (Globis Poznan)	15,694	16,322
Loan from Santander (Korona Business Park)	-	40,571
Loan from Santander (Pixel)	18,321	-
Loan from Santander (Globis Wroclaw)	19,982	20,675
Loan from Berlin Hyp (Corius)	9,500	-
Loan from Pekao (Sterlinga)	14,088	-
Loan from Pekao (Galeria Polnocna)	-	170,404
Loan from PKO BP (Artico)	12,828	13,338
Loan from Erste and Raiffeisen (Galeria Jurajska)	110,375	120,250
Loan from Berlin Hyp (UBP)	40,673	41,543
Loan from Santander (Francuska)	17,949	-
Loan from OTP (Centre Point)	46,055	47,862
Loan from CIB (Metro)	-	12,105
Loan from OTP (Duna)	35,715	37,117
Loan from Erste (HBK)	10,775	-
Loan from Erste (Váci Greens D)	23,688	-
Loan from OTP (Ericsson/evosoft Hungary)	80,000	-
Loan from Erste (V188)	16,225	-
Loan from UniCredit Bank (Pillar)	50,827	13,718
Loan from Erste (GTC House)*	-	14,196
Loan from Erste (19 Avenue)*	-	20,516
Loan from Intesa Bank (Green Heart)*	-	53,034
Loan from Intesa Bank (Ada)	-	54,783
Loan from OTP (BBC)*	-	20,180
Loan from Raiffeisen Bank (Forty one)*	-	34,442
Loan from Banca Transilvania (Cascade)	-	3,557
Loan from Alpha Bank (Premium)	-	13,461
Loan from OTP (Mall of Sofia)	-	52,211
Loan from UniCredit (ABC I)	-	18,000
Loan from UniCredit (ABC II)	-	18,821
Loan from Zagrebacka Banka (Avenue Mall Zagreb)	42,500	42,000
Loan from Erste (Matrix)	-	21,341
Loans from NCI	8,760	8,529
Deferred issuance debt expenses	(9,050)	(6,838)
<b>Total</b>	<b>1,255,114</b>	<b>1,067,867</b>

\*Reclassified to liabilities related to assets held for sale.

## **28.** Long-term loans and bonds (continued)

As securities for the bank loans, the banks have mortgage over the assets and security deposits together with assignment of the associated receivables and insurance rights.

In its financing agreements with banks, the Group undertakes to comply with certain financial covenants that are listed in those agreements. The main covenants are: maintaining a Loan-to-Value and Debt Service Coverage ratios in the company that holds the project.

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

Bonds (series maturing in 2022-2023) are denominated in PLN. Green Bonds (series maturing in 2027-2030) and green bonds (series maturing in 2028-2031) are denominated in HUF. All other bank loans and bonds are denominated in Euro.

In its financing agreements with banks, the Company undertakes to comply with certain financial covenants that are listed in those agreement. The main covenants are: maintaining a Loan-to-Value and Debt Service Coverage ratios in the company that holds the project.

As at 31 December 2021, the Group continue to comply with the financial covenants set out in their loan agreements and bonds' terms and conditions.

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## 28. Long-term loans and bonds (continued)

The movement in long term loans and bonds for the years ended 31 December 2021 and 31 December 2020 was as follows:

	31 December 2021	31 December 2020
<b>Balance as of the beginning of the year (excluding deferred debt expenses)</b>	<b>1,268,130</b>	<b>1,212,990</b>
Drawdowns*	706,070	286,807
Repayments	(585,323)	(224,293)
Reclassified to liabilities related to assets held for sale (note 32)	(142,369)	-
Loan on acquisition of GTC Univerzum Projekt Kft. (previously Winmark Kft.)	58,000	-
Change in accrued interest	6,531	(73)
Foreign exchange differences	(1,264)	(7,301)
<b>Balance as of end of the year (excluding deferred debt expenses)</b>	<b>1,309,775</b>	<b>1,268,130</b>

(\*) Includes bonds issued by GTC Aurora Luxembourg S.A. in amount of EUR 497 million (for more detail please refer to note 9).

## 29. Lease liability and Right of Use of land

Lease liabilities include mostly lease payments for land subject to perpetual usufruct payments and classified as land under investment property (completed, under construction, and landbank) and residential landbank.

The balance of Right of Use as of 31 December 2021 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
Poland	10,730	21,052	-	-	31,782
Romania	6,646	-	-	-	6,646
Serbia*	-	-	-	-	-
Croatia	-	-	1,102	-	1,102
Bulgaria	-	-	-	5	5
Hungary	-	-	-	37	37
<b>Balance as of 31 December 2021</b>	<b>17,376</b>	<b>21,052</b>	<b>1,102</b>	<b>42</b>	<b>39,572</b>

(\*) Reclassified to assets held for sale.

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## 29. Lease liability and Right of Use of land (continued)

The balance of Right of Use as of 31 December 2020 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
Poland	10,722	22,021	-	-	32,743
Romania	6,211	-	-	-	6,211
Serbia	3,725	-	-	-	3,725
Croatia	-	-	1,140	-	1,140
Bulgaria	-	-	-	131	131
Hungary	-	-	-	74	74
<b>Balance as of 31 December 2020</b>	<b>20,658</b>	<b>22,021</b>	<b>1,140</b>	<b>205</b>	<b>44,024</b>

The balance of lease liability as of 31 December 2021 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total	Discount rate
Poland	10,730	20,339	-	-	31,069	4.2%
Romania	6,646	-	-	-	6,646	5.7%
Serbia (*)	-	-	-	-	-	7.6%
Croatia	-	-	1,204	-	1,204	4.4%
Bulgaria	-	-	-	30	30	4.5%
Hungary	-	-	-	16	16	3.9%
<b>Balance as of 31 December 2021</b>	<b>17,376</b>	<b>20,339</b>	<b>1,204</b>	<b>46</b>	<b>38,965</b>	

(\*) Reclassified to liabilities related to assets held for sale.

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## 29. Lease liability and Right of Use of land (continued)

The balance of lease liability as of 31 December 2020 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total	Discount rate
Poland	10,722	21,003	-	-	31,725	4.2%
Romania	6,211	-	-	-	6,211	5.7%
Serbia	3,724	-	-	-	3,724	7.6%
Croatia	-	-	1,222	-	1,222	4.4%
Bulgaria	-	-	-	106	106	4.5%
Hungary	-	-	-	66	66	3.9%
<b>Balance as of 31 December 2020</b>	<b>20,657</b>	<b>21,003</b>	<b>1,222</b>	<b>172</b>	<b>43,054</b>	

The lease liabilities were discounted using discount rates applicable to long-term borrowing in local currencies in the countries of where the assets are located.

The movement in Right of Use of land for the year ended 31 December 2021 and 31 December 2020 was as follows:

	2021	2020
<b>Balance as of 1 January</b>	<b>44,024</b>	<b>45,931</b>
Recognition / (derecognition) of Right of Use asset for lands under perpetual usufruct	(745)	96
Amortization of right of use	(531)	(556)
Reclassification to assets held for sale	(3,724)	-
Foreign exchange differences	548	(1,447)
<b>Balance as of 31 December</b>	<b>39,572</b>	<b>44,024</b>

## **29. Lease liability and Right of Use of land (continued)**

The movement in lease liability for the year ended 31 December 2021 and 31 December 2020 was as follows:

	2021	2020
<b>Balance as of 1 January</b>	<b>43,054</b>	<b>46,430</b>
Recognition / (derecognition) of lease liability for lands under perpetual usufruct	(745)	96
Payments of leases	(516)	(162)
Change in provision	970	(1,350)
Change in accrued interest	(658)	1,336
Reclassification to liabilities related to assets held for sale	(3,724)	-
Foreign exchange differences	584	(3,296)
<b>Balance as of 31 December</b>	<b>38,965</b>	<b>43,054</b>

The group pays an annual amount of EUR 2,120 (EUR 2,300 in 2020) as lease payment (principal and interest) for lands under perpetual usufruct.

## 30. Capital and Reserves

### SHARE CAPITAL

As at 31 December 2021, the shares structure was as follows:

Number of Shares	Share series	Total value in PLN	Total value in Euro
139,286,210	A	13,928,621	3,153,995
1,152,240	B	115,224	20,253
235,440	B1	23,544	4,443
8,356,540	C	835,654	139,648
9,961,620	D	996,162	187,998
39,689,150	E	3,968,915	749,022
3,571,790	F	357,179	86,949
17,120,000	G	1,712,000	398,742
100,000,000	I	10,000,000	2,341,372
31,937,298	J	3,193,729	766,525
108,906,190	K	10,890,619	2,561,293
10,087,026	L	1,008,703	240,855
13,233,492	M	1,323,349	309,049
2,018,126	N	201,813	47,329
<b>485,555,122</b>		<b>48,555,512</b>	<b>11,007,473</b>

All shares are entitled to the same rights.

Shareholders who as at 31 December 2021, held above 5% of the Company shares were as follows:

- GTC Dutch Holdings B.V
- OFE PZU Zlota Jesien
- OFE AVIVA Santander

### CAPITAL RESERVE

Capital reserve represents a loss attributed to non-controlling partners of the Group, which crystalized once the Group acquired the non-controlling interest in the subsidiaries of the Group.

### RETAINED EARNING

On 29 June 2021, the Company held an ordinary shareholders meeting. It was decided that the loss for the year 2020 presented in the financial statements of Globe Trade Centre S.A. prepared in accordance with the International Financial Reporting Standards in the amount of PLN 325.6 million shall be covered from profits generated in previous years.

## **30. Capital and Reserves (continued)**

### **SHARE ISSUE**

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

As of December 31, 2021 the Group recognized receivables from shareholders in the amount of EUR 123,425 and unregistered share capital increase in the amount of EUR 120,295. Unregistered share capital increase represents value of share capital increase at the moment of signing the subscription agreements, decreased by corresponding share issue costs.

## **31. Provision for share based payments**

### **PHANTOM SHARES**

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

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

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

## 31. Provision for share based payments (continued)

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

Last year of exercise date	Number of phantom shares
2023	5,006,516
2025	354,000
<b>Total</b>	<b>5,360,516</b>

As at 31 December 2020 phantom shares issued were as follows:

Last year of exercise date	Number of phantom shares
2021	500,000
2022	220,000
2023	4,426,200
<b>Total</b>	<b>5,146,200</b>

The number of phantom shares were changed as follows:

<b>Number of phantom shares as of 1 January 2021</b>	<b>5,146,200</b>
Granted during the period	1,139,316
Expired	(875,000)
Exercised during the year	(50,000)
<b>Number of phantom shares as of 31 December 2021</b>	<b>5,360,516</b>

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## 32. Assets held for sale and liabilities related to assets held for sale

The balance of assets held for sale increased significantly due to the planned disposal of Serbian entities (for details please refer to note 9). It was also reclassification of residential land in Romania in amount of EUR 2,153 (Advance for this land in amount of EUR 1,080 was received on 23 March 2021 and was reclassified as liabilities related to assets held for sale as of 31 December 2021) and part of land in Croatia in amount of EUR 1,352 (advance for this land in amount of EUR 130 was reclassified to liabilities related to assets held for sale as of 31 December 2021).

The balance of assets held for sale (disposal group of Serbian entities) as of 31 December 2021 was as follows:

Company	Real estate	Cash and deposits	Other assets	Total
Atlas Centar	106,924	5,407	549	112,880
Demo Invest	62,044	3,500	384	65,928
BBC	38,714	1,525	244	40,483
Business Park	37,860	2,358	105	40,323
GTC MRN	25,682	1,921	167	27,770
CRV	-	390	42	432
<b>Balance as of 31 December 2021</b>	<b>271,224</b>	<b>15,101</b>	<b>1,491</b>	<b>287,816</b>

The balance of assets held for sale as of 31 December 2021 includes Serbian assets of EUR 287,816, part of land plot in Croatia of EUR 1,352 and residential landbank in Romania of EUR 2,833, including EUR 680, which were reclassified on 31 December 2020.

The balance of liabilities related to assets held for sale (disposal group of Serbian entities) as of 31 December 2021 was as follows:

Company	Lease liability	Loans	Deferred tax liability	Other liabilities	Total
Atlas Centar	924	52,920	922	1,934	56,700
Demo Invest	1,126	34,296	623	1,366	37,411
BBC	714	20,125	67	426	21,332
Business Park	960	20,467	779	668	22,874
GTC MRN	-	14,144	609	346	15,099
CRV	-	-	-	205	205
<b>Balance as of 31 December 2021</b>	<b>3,724</b>	<b>141,952</b>	<b>3,000</b>	<b>4,945</b>	<b>153,621</b>

Sale of Serbian entities took place on 12 January 2022, for details please refer to note 9 *Events in the period* and note 39 *Subsequent events*.

### **33. Prepayment and deferred expenses**

The balance of prepayment and deferred expenses increased from EUR 3,604 to EUR 11,515 in the year ended 31 December 2021.

The majority of the increase relates to advances to the constructor for the development activity in Pillar project.

### **34. Earnings per share**

Basic earnings per share were calculated as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Profit/(loss) for the period attributable to equity holders (Euro)	41,651,000	(70,189,000)
Weighted average number of shares for calculating basic earnings per share	487,742,245	485,555,122
<b>Basic earnings per share (Euro)</b>	<b>0.09</b>	<b>(0.14)</b>

There have been no potentially dilutive instruments as at 31 December 2021 and 31 December 2020.

## **35. Related party transactions**

Transactions with the related parties are arm's length transactions.

The transactions and balances with related parties are presented below:

In 2021, Group acquired several assets for the total consideration of EUR 173.5 million from a company related to the majority shareholder of the Company. For further details please refer to note 9 *Events in the period*.

	Year ended 31 December 2021	Year ended 31 December 2020
<b>Transactions</b>		
Rental revenue*	1,869	-
Service charge revenue*	418	-
<b>Balances</b>		
Accounts receivables*	795	-
Receivables from shareholders	123,425	-
Accrued income*	1,250	-
Long term payable**	1,027	-
Trade payables and provisions**	959	-

(\*) *Rental revenue and Service charge revenue in relation to rental guarantees provided by sellers, an entities related to the majority shareholder.*

(\*\*) *In relation to purchase price retention from the seller, an entity related to the majority shareholder.*

### **Other related parties transactions**

	Year ended 31 December 2021	Year ended 31 December 2020
<b>Transactions</b>		
Financial arrangement fee	-	88

Management and Supervisory Board GTC S.A. remuneration for the year ended 31 December 2021 amounted to EUR 2 million and 260,000 phantom shares were vested.

Management and Supervisory Board GTC S.A. remuneration for the year ended 31 December 2020 amounted to EUR 2.2 million and 1,100,000 phantom shares were vested.

## **36. Commitments, contingent liabilities and guarantees**

### **COMMITMENTS**

As of 31 December 2021 (and as at 31 December 2020), the Group had commitments contracted for in relation to future building construction without specified date, amounting to Euro 29.7 million (Euro 40 million as at 31 December 2020). These commitments are expected to be financed from available cash and current financing facilities, other external financing or future instalments under already contracted sale agreements and yet to be contracted sale agreements.

### **GUARANTEES**

As of 31 December 2021 and 31 December 2020 there were no guarantees given to third parties.

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

### **CROATIA**

In relation to the Marlera Golf project in Croatia, part of the land is held on a lease basis from the State. There is furthermore a Consortium agreement with the Ministry of Tourism of Croatia (Ministry) which includes a deadline for the completion of a golf course that has expired in 2014. If the deadline is not met, then the Ministry has the right to terminate the Consortium agreement which might automatically trigger the termination of the Land Acquisition Agreements, as well as collateral activation and damages claims. Prior to 2014, the Company has taken active steps to achieve an extension of the period for completing the project. In February 2014, the Company received a draft amendment from the Ministry expressing its good faith and intentions to prolong the abovementioned timeline however, the amendment was not formalized since then. Since formalization of the amendment is not at the sole discretion of the Group, the Management has decided to revalue the freehold asset in assuming no development of the golf course project. Furthermore, as a prudential measure, the Management has also written off the related collateral in the amount of Euro 1 million provided to the Ministry as a guarantee for completing the golf course. As of 31 December 2021 the book value of the investment in Marlera Golf project was assessed by an independent valuer at EUR 6.8 million.

## **37. Financial instruments and risk management**

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

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

### **INTEREST RATE RISK**

The Group exposure to changes in interest rates that are not offset by hedge relates primarily to the Group's long-term debt obligations and loans granted.

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

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

As at 31 December 2021, 94% of the Group's borrowings are hedged (as at 31 December 2020 – 95%).

A 50bp increase in EURIBOR rate would lead to EUR 486 change in result before tax.

## **37. Financial instruments and risk management (continued)**

### **FOREIGN CURRENCY RISK**

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

Exchange rates as of 31 December 2021 and 2020 were as following:

	31 December 2021	31 December 2020
PLN/EUR	4.5994	4.6148
HUF/EUR	369.01	365.13

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

	2021 PLN/Euro				2020 PLN/Euro			
Rate/Percentage of change	5.0593 (+10%)	4.8294 (+5%)	4.3694 (-5%)	4.1395 (-10%)	5.0763 (+10%)	4.8455 (+5%)	4.3841 (-5%)	4.1533 (-10%)
Cash and blocked deposits	(3,709)	(1,855)	1,855	3,709	(4,303)	(2,151)	2,151	4,303
Trade and other receivables	(1,006)	(503)	503	1,006	(353)	(176)	176	353
Trade and other payables	1,608	804	(804)	(1,608)	1,052	526	(526)	(1,052)
Land leases	3,107	1,553	(1,553)	(3,107)	3,172	1,586	(1,586)	(3,172)

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

### **CREDIT RISK**

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation. To manage this risk, the Group periodically assesses the financial viability of its customers. The Group does not expect any counter parties to fail in meeting their obligations. The Group has no significant concentration of credit risk with any single counterparty or Group counterparties.

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that those will not meet their payment obligations.

## **37. Financial instruments and risk management (continued)**

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

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

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

### **LIQUIDITY RISK**

As at 31 December 2021, the Group holds cash and cash equivalents (as defined in IFRS) in the amount of approximately EUR 87 million. As described above, the Group attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) debt servicing of its existing assets portfolio; (ii) capex; and (iii) development of commercial properties. Such funding will be sourced through available cash, operating income, sales of assets and refinancing. The Management Board believes that based on its current assumptions, the Group will be able to settle all its liabilities for at least the next twelve months.

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

	<b>31 December 2021</b>	<b>31 December 2020</b>
First year	127 <sup>(*)</sup>	218
Second year	148	211
Third year	99	204
Fourth year	144	272
Fifth year	821	155
Thereafter	236	292
<b>Total</b>	<b>1,575</b>	<b>1,352</b>

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

The above table does not contain payments relating to the market value of derivative instruments. The Group hedges significant parts of the interest risk related to floating interests rate with derivative instruments. Management plans to refinance some of the repayment amounts.

**Globe Trade Centre S.A.**  
**Notes to the Consolidated Financial Statements**  
**for the year ended 31 December 2021**  
**(in thousands of Euro)**

## 37. Financial instruments and risk management (continued)

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

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

	<b>Total</b>	<b>Overdue</b>	<b>Up to a month</b>	<b>1-3 months</b>	<b>3 months – 1 year</b>
Trade payables and provisions	31,092	521	6,476	17,386	6,709
Current portion of long-term borrowing	44,337	-	-	3,824	40,512
VAT and other taxes payables	2,222	-	2,222	-	-
Deposits from tenants	1,932	-	161	483	1,288
Current portion of lease liabilities	198	-	21	127	50
Income tax payable	1,000	-	156	-	844
Derivatives	2,681	-	-	654	2,027
<b>Total</b>	<b>83,462</b>	<b>521</b>	<b>9,036</b>	<b>22,475</b>	<b>51,429</b>

Maturity dates of current financial liabilities as of 31 December 2020 were as following:

	<b>Total</b>	<b>Overdue</b>	<b>Up to a month</b>	<b>1-3 months</b>	<b>3 months – 1 year</b>
Trade payables and provisions	27,299	-	6,289	5,905	15,105
Current portion of long-term borrowing	193,425	-	19,284	49,874	124,267
VAT and other taxes payables	1,551	-	1,551	-	-
Deposits from tenants	1,790	-	149	448	1,193
Current portion of lease liabilities	163	-	-	41	122
Income tax payable	4,220	-	76	11	4,133
Derivatives	3,365	-	-	841	2,524
<b>Total</b>	<b>231,813</b>	<b>-</b>	<b>27,349</b>	<b>57,120</b>	<b>147,344</b>

## **37. Financial instruments and risk management (continued)**

### **FAIR VALUE**

As of 31 December 2021, 91% of all bank loans bears floating interest rate (100% as of 31 December 2020). However, as of 31 December 2021, 94% of these loans are hedged (95% as of 31 December 2020). The fair value of the loans which is related to the floating component of the interest equals to the market rate.

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

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

### **FAIR VALUE HIERARCHY**

As at 31 December 2021 and 2020, the Group held several hedge instruments carried at fair value in the statement of financial position.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,

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

Valuations of hedges are considered as level 2 fair value measurements. During the year ended 31 December 2021 and 31 December 2020, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

### **PRICE RISK**

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

Further risks are described in the Management Report as of 31 December 2021.

### **CAPITAL MANAGEMENT**

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

## **37. Financial instruments and risk management (continued)**

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

No changes were made in the objectives, policies, or processes during the years ended 31 December 2021 and 31 December 2020.

The Group monitors its gearing ratio, which is Gross Project and Corporate Debt less Cash & Deposits, (as defined in IFRS) divided by its real estate investment value. The Group's long-term strategy is to keep its loan-to-value ratio ("LTV") at a level of 40 per cent., however in case of acquisitions the Company may deviate temporarily. As of 31 December 2021, LTV was temporary deviated. However, in January 2022 LTV improved significantly (decrease below 50%) as a result of disposal of Serbian entities in Serbia and cash received from share capital increase.

	31 December 2021	31 December 2020
(1) Loans, net of cash and deposits (*)	1,315,395	949,192
(2) Investment properties (exc. land leases), residential landbank, assets held for sale and buildings for own use	2,506,778	2,099,300
<b>LTV [(1)/(2)]</b>	<b>52.5%</b>	<b>45.2%</b>

(\*) Excluding loans from non-controlling interest and deferred issuance debt expense, but including loans related to assets held for sale.

## **38. COVID-19**

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.

## **38. COVID-19 (continued)**

### ***CLOSING AND REOPENING OF THE GROUP'S SHOPPING CENTRES***

Following the outbreak of the COVID-19 pandemic, the authorities in many of the markets the Group operates in, imposed restrictions on the opening of its shopping centres. Except for select "essential" retailers, or those able to offer curb side pickup or fulfil delivery orders from the store. The tenants in the Group's centres were unable to trade between three up to five months during 2020 subject to each country's restriction and around and average of three months during 2021 (only in the period between January and May 2021). Measures taken by the government affected and may continue to affect our business, however the potential future impact may be limited as more and more countries, including Poland, are lifting most of the restrictions.

### ***RENT DISCOUNTS AND COLLECTION***

In several countries of our operations, governments adopted tenant support packages, such as a rental payments holiday in Poland for the period of lockdown or rent support through subsidizing part of any rental discounts. Upon the re-opening of its shopping centres, the Group engaged tenants in discussions about collecting rent and service charges as well as the terms of any support by the Group. The Group implemented multi-pronged measures to support tenants and encourage consumer spending, such as reducing rent, allowing rent payment in instalments, waiving late payment interest and service charges.

The Group has agreed to rental holidays or discounts in certain cases which together with levied rental rate payment in Poland during the lockdown of shopping centres had a negative impact of EUR 14,700 on the Group's operating margin in the year ended 31 December 2020. The impact on gross margin for the year ended 31 December 2021 was significantly lower and amounted to EUR 10,500.

The amendment to the Act on special solutions connected with prevention, counteraction and combating of COVID-19 and other infectious diseases and caused by them crisis situations (art. 15ze), which regulates the relations between tenants and landlords regarding settlements for the period of lockdowns (introducing a new settlement between tenants and landlords in which tenants will pay 20% of the rent in the lockdown period and 50% for the three months following the lockdown) came into force in Poland on 23 July 2021. Based on the Management's assessment the impact of the new regulation on prior periods will be immaterial. The new law provides a roadmap for any future lockdowns and as a result could significantly impact the Group's revenue derived from shopping malls located in Poland in case of any potential lockdowns are implemented. However, as the date of this financial statement the risk of potential lockdowns in Poland is limited as country is lifting most of its Covid-19 related restrictions.

## **38.** COVID-19 (continued)

### **VALUATION OF INVESTMENT PROPERTIES**

The increased uncertainty and increased volatility in the financial markets had negatively affected the investment properties of the Group during 2020 and might have an effect in the future asset valuations, as well as impact on the Company's compliance with financial covenants.

Notwithstanding the above, as at 31 December 2021, the Company received valuations from its external appraisers and there are no significant differences in the value or properties as compared to values as at 31 December 2020.

There is no significant uncertainty regarding the fair value of investment properties.

While the exact effect of the coronavirus is unknown and unknowable, it is clear that it may pose substantial risks of reduction of income, increasing yields, increasing collection costs, and FX volatility.

### **LIQUIDITY POSITION**

During the COVID-19 pandemic, the Group took immediate steps to preserve its strong liquidity position in light of the uncertain impact of the pandemic. These steps included cost and CAPEX measures, as well as the decision to retain profit for the year ended 31 December 2019 in the Company as well as recommendation to suspend dividend for the year ended 31 December 2020. As of 31 December 2021, the Group holds cash in the amount of EUR 87,468. The Group runs stress tests, which indicated that the going concern assumption remains valid for at least 12 months from the financial statement publication date.

The Group is continuously assessing the situation and undertakes mitigating steps to reduce the impact that may be caused by the adverse market situation.

## **39. Subsequent events**

On 4 January 2022, National Court Register registered the amendment to the Company's articles of association regarding the increase of the Company's share capital through the issuance of ordinary series O bearer shares.

On 10 January 2022, the Company received notifications from GTC Holding Zrt and GTC Dutch Holdings B.V regarding a change in the total number of votes in the Company resulting from issue of 88,700,000 ordinary O series shares and registration of the increase in the Company's share capital. Before the abovementioned change, GTC Holding Zrt jointly held 320,466,380 shares in the Company, entitling to 320,466,380 votes in the Company, representing 66% of the share capital of the Company and carried the right to 66% of the total number of votes in the Company. After the abovementioned change, GTC Holding Zrt jointly holds 359,528,880 shares in the Company, entitling to 359,528,880 votes in the Company, representing 62.61% of the share capital of the Company and carrying the right to 62.61% of the total number of votes in the Company.

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

On 12 January 2022, GTC Group finalized 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"), following the satisfaction of customary conditions precedent.

On 13 January 2022, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Zeta DBRNT Kft. from a company related to the majority shareholder of the Company, which owns an existing office building on the Danube riverbank with GLA of 2,540 sqm for a consideration of EUR 7.7 million.

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

## **39. Subsequent events (continued)**

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

On 4 February 2022, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Epsilon PSZTSZR Kft. from a company related to the majority shareholder of the Company, which owns a land plot of 25,330 sqm in Budapest with existing six old buildings for a consideration of EUR 9.9 million. The Group plans to refurbish the existing buildings and provide a 14,000 sqm new green certified Class A office campus.

On 11 February 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, acquired from Groton Global Corp Napred company in Belgrade holding a land plot of 19,537 sqm for a consideration of EUR 33.8 million (see details in note 9).

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

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

## **39. Subsequent events (continued)**

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

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

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

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

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

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

On 24 February 2022, Russian forces entered Ukraine and military conflict ensued. At the time this financial statements were prepared the extent of the conflict and its longer-term impact are unknown. The conflict caused immediate volatility in global stock markets and uncertainties are anticipated in relation to the cost and availability of energy and natural resources, particularly within Europe. Significant economic sanctions have been imposed against Russia by the European Union. The direct impact on the real estate markets where the Company operates is yet unknown. At this stage, there is no evidence that transaction activity within the Markets that the Company operates and the sentiment of buyers or sellers has changed.

## **40.** Approval of the financial statements

The financial statements were authorised for issue by the Management Board on 5 April 2022.



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## **Independent Auditor's Report to the General Meeting and Supervisory Board of Globe Trade Centre S.A.**

### **Report on the Audit of the Year-end Consolidated Financial Statements**

#### **Opinion**

We have audited the annual consolidated financial statements of the group, where the parent company is Globe Trade Centre S.A. located in Warsaw at Komitetu Obrony Robotników 45A ("the Company") ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as notes to the consolidated financial statements including a description of accounting methods and other explanations ("the consolidated financial statements").

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the Group's consolidated financial position as at 31 December 2021, as well as of its consolidated financial result and consolidated cash flows for the year then ended, in accordance with the applicable International Financial Reporting Standards endorsed by the European Union, as well as the adopted accounting methods (policies);
- are consistent, in content and in form, with the applicable laws and regulations and with the Company's Statute.

The present opinion is consistent with the additional report to the Audit Committee, which we issued on 5 April 2022.

#### **Basis for Opinion**

We conducted our audit in accordance with the National Standards on Auditing in the wording of the International Standards on Auditing adopted by resolution of the the National Council of Certified Auditors ("NSA") and in compliance with the Act on Certified Auditors, Audit Firms and on Public Oversight ("the Certified Auditors Act" - 2020 Journal of Laws, item 1415 with subsequent amendments) and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public interest entities ("Regulation EU" - OJ L 158). Our responsibilities under those standards are further described in the "Responsibilities of the Auditor for the Audit of the Consolidated Financial Statements" section of this report.

We are independent of the Group's companies in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants ("the IESBA Code") and adopted by resolutions of the National Chamber of Certified Auditors, and with other ethical requirements relevant to the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the auditor in charge and the audit firm remained independent of the Company in accordance with the independence requirements laid down in the Certified Auditors Act and Regulation EU.

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

BDO spółka z ograniczoną odpowiedzialnością spółka komandytowa, Sąd Rejonowy dla m. st. Warszawy, XIII Wydział Gospodarczy, KRS: 0000729684, REGON: 141222257, NIP: 108-000-42-12. Wartość wkładu kapitałowego wynosi 10.037.500 zł. Biura BDO w Polsce: Katowice 40-007, ul. Uniwersytecka 13, tel.: +48 32 661 06 00, [katowice@bdo.pl](mailto:katowice@bdo.pl); Kraków 31-548, al. Pokoju 1, tel.: +48 12 378 69 00, [krakow@bdo.pl](mailto:krakow@bdo.pl); Poznań 60-650, ul. Piątkowska 165, tel.: +48 61 622 57 00, [poznan@bdo.pl](mailto:poznan@bdo.pl); Wrocław 53-332, ul. Powstańców Śląskich 7a, tel.: +48 71 734 28 00, [wroclaw@bdo.pl](mailto:wroclaw@bdo.pl)

BDO spółka z ograniczoną odpowiedzialnością spółka komandytowa jest członkiem BDO International Limited, brytyjskiej spółki i częścią międzynarodowej sieci BDO, złożonej z niezależnych spółek członkowskich.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in the audit of the consolidated financial statements for the current reporting period. They include the most significant assessed types of risks of material misstatements, including assessed types of risks of material misstatements resulting from fraud. We addressed these matters in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and have summarized our response to these types of risks, and where relevant, presented our key observations relating to those risks. We do not express a separate opinion on these matters.

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### 1 Valuation of investment property

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Investment property amounts to 2,240,660 thousand euro and constitutes more than 78% of total assets of the Group as at 31 December 2021 (31 December 2020: over 85%). It comprises mainly of two categories: completed investment property, which are measured at fair value and investment property under construction, measured either at cost or at fair value, if certain criteria specified in the Group's accounting policies are met.

The fair value of the investment property depends in general on external valuations, which take into account the Company Management's judgements, assumptions and estimates such as current and expected future rents, occupancy levels, rent-free periods and expected market yields. Inputs used to determine the fair value of the Group's investment property are classified into Levels 2 and 3 of the fair value hierarchy.

The valuations have been performed by third party appraisers. The appraisers were engaged by the Group to carry out the valuations in accordance with applicable valuation and professional standards.

We consider valuation of investment property as a key audit matter taking into account the significant impact on the Group's financial statements as well as high dependency on estimates and judgements of the Group's Management and valuation experts.

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### Disclosures in the Financial Statements

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The disclosures and accounting policies relating to the valuation of investment property, incl. assumptions made, are presented in notes 7c, 7d, 17 and 38 of the consolidated financial statements.

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### Audit Procedures Performed in Response to the Risk

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We documented our understanding of the investment valuation process. We also discussed with the Management current situation in markets where the Group operates in. We engaged our internal real estate and valuation specialists to verify properties' valuations performed by the Group.

Our audit procedures included, among others, the following:

- understanding of the process and control systems related to valuation of both investment property and investment property under construction;
  - evaluation of the objectivity and expertise of the external appraisers;
  - analysis of the properties selected on a sample basis, including assets that are of the highest value or those showing significant changes in carrying value;
  - review of the valuation reports and applied valuation models for selected properties and assessment of valuation approach used for determining the carrying value;
  - substantive audit procedures to evaluate the accuracy of the property information provided to the appraisers by the Management, as well as verification of mathematical accuracy of the valuation models;
  - evaluation of the appropriateness of the property related data for selected properties, including estimates as used by the external appraisers, in particular, comparison of the applied investment yields to an expected estimated range, including reference to published benchmarks;
  - assessment of other assumptions that are not so readily comparable with published benchmarks, such
-

as Estimated Rent Value, void rates and periods. Where assumptions were outside the expected range or otherwise unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the external appraisers and the Management;

- analytical review, including the reasonableness of fair value movements in comparison with expectations built on the knowledge gained during the audit process;
- assessment of the appropriateness and completeness of the disclosures relating to the investment property valuation presented in notes of the consolidated financial statements.

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## **2 Financing and debt covenants**

The outstanding bonds, loans and borrowings amount to 1,299,451 thousand euro and constitute 45.7% of total assets of the Group as at 31 December 2021 (31 December 2020: 50.8%). For the majority of loans and bonds, the entities of the Group have to meet certain covenants specified in the loan and bond agreements.

Covenants' calculation depends to a large extent on investment property valuations as described in "Valuation of investment property" point above. These valuations are based on estimates and assumptions, including expectations of future economic and market developments which may be uncertain and, therefore, may change in the future. Additionally, the ability of the Group's entities to meet debt covenants in the foreseeable future may depend also on events after reporting date, including effect of the Covid-19 pandemic. Finally, covenants' calculation results may affect the Group's liquidity, as well as current and non-current liabilities presentation.

The availability of adequate financing and the assessment whether the Group will continue to meet its financial covenants are significant aspects of our audit due to possible impact on the Group's ability to continue as a going concern. Therefore, we consider this to be a key audit matter.

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### **Disclosures in the Financial Statements**

The disclosures regarding the covenants, loan and bond agreements and amendments are presented in notes 9 and 28 of the consolidated financial statements. In the notes 4 and 38 the Group presented its assessment of the going concern assumption, including Covid-19 effects on the Group's operations, financial position and performance.

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### **Audit Procedures Performed in Response to the Risk**

We documented our understanding of the financing process and the Group's control systems on the debt covenants' compliance and liquidity management. We also documented our understanding of the Group Management's calculation process of the debt covenant ratios in accordance with the loan and bonds agreements.

Our audit procedures, among others, included:

- analysis of debt covenants' requirements resulting from the loan and bond agreements, including the covenant ratios and potential events of default;
- analysis of the Group's assessment of debt covenants' compliance and going concern assumption;
- assessment of compliance - estimated by the Group's Management - with applicable financial covenants' requirements by performing recalculation of these covenants as at 31 December 2021 on a sample basis of covenants;
- consideration of the events after the reporting date, including potential impact of the Covid-19 pandemic (i.a. decrease in shopping malls turnover on the future investment property valuations, which are subject to financing collaterals), on the uncertainty of meeting debt covenants and the Group liquidity in the foreseeable future and, consequently, the impact of this events on the going concern assumption assessment;
- analysis of the Group's stress tests - the cash flow projections based on certain hypothetical defensive assumptions to assess the reasonableness of the going concern assumption in view

of the current developments on the market;

- assessment of the appropriateness and completeness of the disclosures relating to the covenants, loan and bond agreements as well as going concern assumption in notes of the consolidated financial statements.

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### **Responsibilities of the Company's Management and Supervisory Board for the Consolidated Financial Statements**

The Company's Management is responsible for the preparation of the consolidated financial statements that give a true and fair view of the Group's financial position and financial result in accordance with International Financial Reporting Standards endorsed by the European Union, the adopted accounting methods (policies), the applicable binding regulations and the Statute. The Company's Management is also responsible for such internal controls as it considers necessary to ensure that the consolidated financial statements are free from material misstatements resulting from fraud or error.

In preparing the consolidated financial statements the Company's Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, any matters related to going concern and using the going concern basis of accounting, except in situations where the Management intends to either liquidate the Group or discontinue its operations, or has no realistic alternative but to do so.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" - 2021 Journal of Laws, item 217 with subsequent amendments). Members of the Company's Supervisory Board are responsible for overseeing the financial reporting process.

### **Responsibilities of the Auditor for the Audit of the Consolidated Financial Statements**

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

The concept of materiality is applied by the auditor at the planning stage and when performing the audit and evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements, as well as when formulating the auditor's opinion. In view of the above, all of the opinions and statements contained in the auditor's report are expressed subject to the qualitative and quantitative level of materiality set in accordance with the applicable standards on auditing and the auditor's professional judgement.

The scope of the audit does not include an assurance regarding the Group's future profitability, or regarding the effectiveness of the Company's Management in the handling of the Group's affairs now or in the future.

Throughout an audit in accordance with NSA we exercise professional judgement and maintain professional skepticism, as well as:

- identify and assess the risks of a material misstatement of the consolidated financial statements resulting from fraud or error, design and perform audit procedures in response to such risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not

- detecting a material misstatement resulting from error, because fraud may involve collusion, forgery, deliberate omission, misrepresentation or override of internal controls;
- obtain an understanding of the internal controls relevant to the audit in order to plan our audit procedures, but not to express an opinion on the effectiveness of the Group's internal controls;
  - evaluate the appropriateness of the accounting policies used and the reasonableness of the estimates and related disclosures made by the Company's Management;
  - conclude on the appropriateness of the Company Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
  - evaluate the overall presentation, structure and contents of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
  - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit and remain solely responsible for our audit opinion.

We provide the Company's Audit Committee with information about, among others, the planned scope and timing of the audit and significant audit findings, including any significant weaknesses of internal controls that we identify during our audit.

We provide the Company's Audit Committee with a statement that we have complied with the relevant ethical requirements relating to independence, and that we will communicate to them all relationships and other matters that may reasonably be considered to constitute a threat to our independence, and where applicable, inform them of the related safety measures.

From the matters communicated to the Company's Audit Committee we determined those matters that were of the most significance to the audit of the consolidated financial statements for the current reporting period and were therefore chosen as key audit matters. We describe these matters in our auditor's report, unless law or regulations prohibit their public disclosure or when, in exceptional cases, we find that a given matter should not be presented in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such information.

## **Other Information, Including Report on Activities**

Other information comprises the Report on the Activities of the Group for the financial year ended 31 December 2021 ("the Report on Activities") along with the representation on the application of corporate governance, as well as the Annual Report for the financial year ended 31 December 2021 ("Annual Report") (together "Other Information").

### *Responsibilities of the Company's Management and Supervisory Board*

The Company's Management is responsible for the preparation of Other Information in accordance with binding regulations.

The Company's Management and members of its Supervisory Board are required to ensure that the Report on Activities along with its separate sections meets the requirements of the Accounting Act.

### *Responsibilities of the Auditor*

Our opinion on the consolidated financial statements does not cover Other Information. In connection with our audit of the consolidated financial statements, our responsibility is to read Other Information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we find a material misstatement of Other Information, we are required to state this fact in our auditor's report. In accordance with the requirements of the Certified Auditors Act, it is also our responsibility to issue an opinion whether the Report on Activities has been prepared in accordance with binding regulations, and whether it is consistent with the information presented in the financial statements. We are also required to issue an opinion whether the Company's representation on application of corporate governance contains the required information.

We received the Report on the Activities of the Group prior to the issue of the present auditor's report, whereas the Annual Report will be available after this date. In the event that we find a material misstatement in the Annual Report, we are required to communicate this to the Company's Supervisory Board.

### **Opinion on the Report on Activities**

Based on the work we have performed during the audit, in our opinion the Report on the Activities of the Group:

- has been prepared in accordance with Article 49 of the Accounting Act and par. 71 of the Minister's of Finance Decree of 29 March 2018 on the current and periodic information reported by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (the "Current Information Decree" - 2018 Journal of Laws, item 757 with subsequent amendments);
- is consistent with the information presented in the consolidated financial statements.

Furthermore, based on our knowledge obtained during the audit about the Group and its environment we have identified no material misstatements in the Report on the Activities of the Group.

### **Opinion on the corporate governance application representation**

In our opinion, the Company's representation on application of corporate governance contains all of the information specified in paragraph 70 section 6 par. 5 of the Current Information Decree. In addition, in our opinion, the information indicated in paragraph 70 section 6 point 5 letters c-f, h and letter i of the Decree, contained in the representation on application of corporate governance is consistent with the applicable regulations and with the information contained in the consolidated financial statements.

### **Report on Other Legal and Regulatory Requirements**

#### **Declaration on the Provision of Non-audit Services**

To the best of our knowledge and belief we declare that any non-audit services we have provided to the Group were consistent with the law and the regulations binding in Poland, and that we have not provided any non-audit services prohibited by virtue of Article 5 par. 1 of Regulation EU and Article 136 of the of the Certified Auditors Act.

The non-audit services we have provided to the Company and its subsidiaries in the audited period are listed in the Report on the Activities of the Group.

### **Appointment of the Auditor**

We were appointed as auditors of the Group's consolidated financial statements in a resolution passed by the Company's Supervisory Board on 29 April 2020. We audited the consolidated financial statements of the Group for the second time.

The auditor in charge of the audit resulting in this independent auditor's report is Krzysztof Maksymik.

**BDO spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw**  
entered on the list of audit firms in number 3355

**on behalf of which the audit was performed by the auditor in charge**

*Signed with a qualified electronic signature*

**Krzysztof Maksymik**  
Certified Auditor No. 11380

Warsaw, 5 April 2022

*Signed with a qualified electronic signature*

**Dr. André Helin**  
Managing Partner of the General Partner  
Certified Auditor No. 90004