

MANAGEMENT BOARD'S REPORT

ON THE ACTIVITIES OF GTC HUNGARY REAL ESTATE DEVELOPMENT PLTD. GROUP

IN THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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1. Introduction

The GTC Hungary Real Estate Development Pltd. Was registered in Budapest in September 1998. The Company is an asset developer and manager active in Hungary and Belgrade. The Company is part of the GTC Group an experienced, established and fully integrated, real estate company operating in the CEE and SEE region with a primary focus on Poland and capital cities in the CEE and SEE region including Budapest, Bucharest, Belgrade, Zagreb and Sofia, where it directly manages, acquires and develops primarily high-quality office and retail real estate assets in prime locations. The GTC Group operates a fully-integrated asset management platform and is represented by local teams in each of its core markets.

HUNGARY GROUP:

21 subsidiaries
in Budapest
and Belgrade

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

As of 30 June 2021, the book value of the Group's real estate portfolio was €823,057. The breakdown of the Group's property portfolio is as follows:

- 8 completed office buildings, with a total combined commercial space of approximately 152 thousand sq m of GLA. occupancy rate at 98% and book value of €422,438 which accounts for 51% of the Group's portfolio;
- 11 completed assets held for sale, including 11 office buildings with a total combined commercial space of approximately 122 thousand sq m of GLA. occupancy rate at 91% and book value of € 271,232 which accounts for 33% of the Group's portfolio
- 1 office building under construction with a total GLA of approximately 29 thousand sq m and book value of €75,800 which accounts for 9% of the Group's portfolio
- investment landbank intended for future development with the book value of €53,587 which accounts for 7% of the Group's portfolio.

19¹
completed
buildings

274,000¹
sq m of
GLA

1
building
under
construction

landbank for
future
development

¹ Includes assets held for sale

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

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

the Company or GTC	are to GTC Hungary Real Estate Development Pltd.
the Group or the GTC Hungary	are to GTC Hungary Real Estate Development Pltd. and its consolidated subsidiaries
The GTC SA	are to Globe Trade Centre S.A.
The GTC Group	are to Globe Trade Centre S.A. and its consolidated subsidiaries
Shares	are to the shares in GTC Hungary Real Estate Development Pltd., fully-owned by Globe Trade Centre S.A.
Bonds	are to the bonds issued by GTC Hungary Real Estate Development Pltd. and introduced to alternative trading market on Xbond and marked with the ISIN codes HU0000360102 and HU0000360284
the Report	are to the consolidated interim report prepared according to Act CXX of 2001 on the Capital Market and Prime Minister Decree no. 24/2008. (VIII. 15.)
CEE	are to the Group of countries that are within the region of Central and Eastern Europe (Hungary, Poland)
SEE	are to the Group of countries that are within the region of South-Eastern Europe (Bulgaria, Croatia, Romania, and Serbia)
net rentable area, NRA", or net leasable area, NLA	are to the metric of the area of a given property as indicated by the property appraisal experts to prepare the relevant property valuations. With respect to commercial properties, the net leasable (rentable) area is all the office or retail leasable area of a property exclusive of non-leasable space, such as hallways, building foyers, and areas devoted to heating and air conditioning installations, elevators, and other utility areas. The specific methods of calculation of NRA may vary among particular properties, which is due to different methodologies and standards applicable in the various geographic markets on which the Group operates

gross rentable area or gross leasable area, GLA	are to the metric of all the office leasable space available to be rented in completed assets multiplied by add-on-factor. Gross leasable area is the area for which tenants pay rent, and thus the area that produces income for the Group;
Commercial properties	are to properties with respect to which GTC derives revenue from rent and includes both office and retail properties
Occupancy rate	are to average occupancy of the completed assets based on square meters ("sq m") of gross leasable area;
In-place rent	are to rental income that was in place as of the reporting date. It includes headline rent from premises, income from parking, and other rental income
EUR, € or euro	are to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time
HUF	are to the lawful currency of Hungary

PRESENTATION OF FINANCIAL INFORMATION

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

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

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

PRESENTATION OF PROPERTY INFORMATION

Information on properties is presented pro-rata to the Group's consolidation method in each of the properties. The properties' valuation is based on the value that the Group consolidates in its consolidated financial statements. The occupancy rate is as of 30 June 2021.

FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements relating to future expectations regarding the Group's business, financial condition, and results of operations. You can find these statements by looking for words such as "may", "will", "expect", "anticipate", "believe", "estimate", and similar words used in this Report. By their nature, forward-looking statements are subject to numerous assumptions, risks, and uncertainties. Accordingly, actual results may differ

materially from those expressed or implied by forward-looking statements. The Group cautions you not to place undue reliance on such statements, which speak only as of this Report's date.

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the Company or persons acting on its behalf may issue. The Group does not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Report.

The Company discloses essential risk factors that could cause its actual results to differ materially from its expectations under Item 3. "Key risk factors", Item 5. "Operating and financial review", and elsewhere in this Report. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on behalf of the Group. When the Group indicates that an event, condition, or circumstance could or would have an adverse effect on the Group, it means to include effects upon its business, financial situation, and results of operations.

2. Selected financial data

The following tables present the Group's selected historical financial data for the six-month period ended 30 June 2021 and 2020. The historical financial data should be read in conjunction with Item 5. "Operating and Financial Review" and the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2021 (including the notes thereto). The Group has derived the financial data presented in accordance with IFRS from the unaudited interim condensed consolidated financial statements for the period ended 30 June 2021.

	For the 6-month period ended 30 June	
(in thousands EUR)	2021	2020
Consolidated Income Statement		
Rental and service charge revenues	18,391	11,134
Service charge costs	(4,028)	(2,504)
Gross margin from operations	14,363	8,630
Profit from revaluation	7,510	14,143
Selling expenses	(116)	(115)
Administrative expenses	(1,099)	(595)
Financial income/(expense), net	(5,282)	(2,657)
Net profit / (loss)	12,075	17,315
Consolidated Cash Flow Statement		
Net cash from operating activities	8,092	10,370
Net cash used in investing activities	(663,306)	(10,798)
Net cash from/(used in) financing activities	691,232	(4,320)
Cash and cash equivalents at the end of the period	181,336	10,739

(in thousands EUR)	As at	
	30 June 2021	31 December 2020
Consolidated statement of financial position		
Investment property (completed and under construction)	551,825	319,683
Assets held for sale	286,846	-
Loan granted to related parties	424,024	-
Cash and cash equivalents	181,336	145,366
Others	19,933	10,574
Total assets	1,463,964	475,623
Non-current liabilities	1,045,503	379,234
Current liabilities	15,509	14,474
Total Equity	217,889	81,915
Share capital	40,716	16

3. Key risk factors

Due to the fact that the GTC Hungary is part of the GTC Group and business activity of the GTC Group are limited to perform its activities through subsidiaries, the following description of group key risk factors is a description of the key risk factors of these entities.

RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY

THE IMPACT OF THE SARS-COV-2 VIRUS AND THE COVID-19 PANDEMIC ON THE OPERATIONS AND FINANCIAL STANDING OF THE GROUP

The Group is subject to risk related to the spread of the SARS-CoV-2 virus and the COVID-19 pandemic. The impact of the SARS-CoV-2 virus and the COVID-19 pandemic is largely dependent on factors over which the Group companies have no control. The consequences of the epidemic related to the SARS-CoV-2 virus (including precautionary restrictions such as temporary closures of public spaces including shopping malls or a temporary ban on public gatherings introduced in countries in which the Group or its tenants operate) may have an adverse effect on the operations of the Group, specifically, in the following areas:

- i. reduced demand for both office and retail space as a result of different work patterns (a growing share of employees may work from home and not from the office) and habits (a growing number of customers may switch to shopping online rather than in brick-and-mortar shopping malls);
- ii. the sales dynamics of real estate projects and the conclusion of lease agreements - in the form of delays in signing agreements relating to the sale of real estate projects or leases;
- iii. administrative proceedings in public administration authorities – in the form of protraction of such proceedings and, consequently, delays in obtaining administrative decisions of key importance to the development process;

- iv. the dynamics of securing financing required for funding current and planned real estate projects - in the form of delays in obtaining or the failure to obtain such financing;
- v. the timetables of construction works - in the form of possible delays in such works related to limited access to building materials (disrupted supply chains) and insufficient personnel, if any, of subcontractors, thus having a direct impact on the timeliness of completion of the investments; and
- vi. any case of employees of the Group or individuals cooperating therewith testing positive for the COVID-19 pandemic, whereby such persons or the Group's headquarters or other office buildings are subject to quarantine, thus, having an adverse impact on the Group's operations and functioning, in particular, if such affects a significant number of individuals or individuals who are key to the Group's operations.

Any of these factors may have a material adverse effect on the Group's business, financial condition and results of operations. It cannot be excluded that the recently intensified spread of the COVID-19 pandemic will not cause the precautionary restrictions introduced in countries in which the Group operates to be re-imposed or that new, more strict measures will not be introduced, which could have an adverse negative impact on the business operations or financial liquidity of the Group's tenants or other business partners and on the general behavior of the public, and thus, intensify the negative impact of the COVID-19 pandemic and its consequences on the Group's business, financial condition and results of operations or increase the likelihood of the materialisation of risks connected therewith.

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

The Group is exposed to all of the risks inherent in the business of owning, managing and using commercial real estate. Its performance may be adversely affected by an oversupply or a downturn in the commercial real estate market in general, or in the commercial real estate market in those cities in which the properties are located. For example, rental income and the market value for properties are generally affected by overall conditions in the EU and national and local economies, such as growth in gross domestic product ("**GDP**"), inflation and changes in interest rates. Changes in GDP may also impact employment levels, which in turn may affect tenants' ability to meet their rental obligations to the Group and impact the demand for premises generally. There can be no assurance that the Group will be able to maintain the current high occupancy rates, rental levels and lease terms of its properties in the future.

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

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

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

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

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

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

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

The success of the Group's strategy relies, in part, on various assumptions and contingencies, including assumptions with respect to the level of profitability of any acquisition targets to be completed in the future and investment criteria that have been developed by the Group to

achieve an expected level of returns on acquired properties. Such assumptions may prove to be partially or wholly incorrect and/or inaccurate.

Furthermore, the Group may fail to achieve its major goals due to internal and external factors of a regulatory, legal, financial, social or operational nature, some of which may be beyond the Group's control. In particular, volatile market conditions, a lack of capital resources needed for expansion and the changing price and availability of properties for sale in relevant markets may hinder or make it impossible for the Group to implement the core elements of its strategy. Moreover, expanding its presence in the asset management sector may be hindered or even impossible due to increasing competition from other real estate managers and investors in the real estate market.

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

THE VALUATION OF THE GROUP'S PROPERTIES IS INHERENTLY UNCERTAIN, MAY BE INACCURATE AND IS SUBJECT TO FLUCTUATION

The financial statements of the Group reflect property valuations performed by external valuation agents and are not guarantees of present or future value. One external valuation agent may reach a different conclusion to the conclusion that would be reached if a different external valuation agent were appraising the same property, and similarly the same external valuation agent may come to a different conclusion at different periods of time. The valuation of property is inherently subjective and uncertain as it is based different methodologies, forecasts and assumptions. Any change to valuation methodology may result in gains or losses in the Group's consolidated income statement, based on the change to each property's valuation compared with prior valuations.

The fair value of the Group's investment properties and undeveloped landbank is assessed semi-annually (as at 30 June and 31 December of each year) by independent certified appraisers based on discounted projected cash-flows from investment properties using discount rates applicable for the relevant local real estate market or, in case of certain properties, by reference to the sale value of comparable properties. Such valuations are reviewed internally and, if necessary, confirmed by the Group's independent certified appraiser and, verified by the Group's management.

There can be no assurance that the valuations of the Group's properties (undeveloped, in progress and completed) will reflect the actual sale prices or that the estimated yield and annual rental revenue of any property will be attained, or that such valuations will not be subject to be challenged by, among others, the regulatory authorities. Forecasts may prove inaccurate as a result of the limited amount and quality of publicly available data and research regarding Hungary, Serbia and the other markets in which the Group operates, compared to mature markets. Moreover, a recent lack of comparable transactions during periods of lockdowns has forced valuation agents to rely on yields derived from theoretical models and estimates rather than actual market yields.

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

If the forecasts and assumptions on which the valuations of the projects in the Group's portfolio are based prove to be inaccurate, the actual value of the projects in the Group's portfolio may differ materially from that stated in the valuation reports. Inaccurate valuations of the Group's properties and fluctuations in valuations may have a material adverse effect on the Group's business, financial condition and results of operations.

THE GROUP'S CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT MAY BE SIGNIFICANTLY AFFECTED BY FLUCTUATIONS IN THE FAIR MARKET VALUE OF ITS PROPERTIES AS A RESULT OF REVALUATIONS

The Group's income generating properties and properties under development are independently revalued on, at a minimum, a semi-annual basis in accordance with its accounting policy. In accordance with IAS 40 "Investment Property" as adopted by the European Union (the "EU"), any increase or decrease in the value of the Group's properties are accounted for in accordance with fair value models recorded as a revaluation gain or loss in the Group's consolidated income statement for the period during which the revaluation occurred. Moreover, projects under construction which cannot be reliably valued at fair value are valued at historical cost decreased by impairment, if any. Such properties are tested for impairment on at least, a semi-annual basis. If the criteria for impairment is satisfied, a loss is recognised in the Group's consolidated income statement.

As a result, the Group can have significant non-cash revenue gains or losses from period to period depending on the changes in the fair value of its investment properties, whether or not such properties are sold. For instance, in some years, the Group may recognise revaluation losses and impairment in respect of certain assets and residential projects, and profits for the same assets and residential projects in other years.

If market conditions and the prices of comparable commercial real properties continue to be volatile, the Group may continue to experience significant revaluation gains or losses from the Group's existing properties in the future. If a substantial decrease in the fair market value of its properties occurs, over the longer term, this may have a material adverse effect on the Group's business, financial condition and results of operations.

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

A core part of the Group's operations is the active management of its assets, which includes the management of vacancy rates and rent levels and the terms of executed lease agreements in the case of commercial properties.

The active management of the Group's large-scale commercial properties is of particular importance. In addition to legal constraints, the Group's ability to reduce vacancies, renegotiate

rents and create a desired tenant mix is partly subject to market-related factors. Some of these factors, such as the general economic environment, consumer confidence, inflation and interest rates, and others are beyond the Group's control. During periods of recession or downturns in the economy, or as a result of the uncertainty caused by the outbreak of the COVID-19 pandemic, it is more challenging for developers to attract new tenants and to retain existing ones, and competition between developers for each tenant is much stronger. If the Group is unable to create or capture demand for its properties by, for example, improving tenant services or motivating its external sales agents, it may not be able to reduce vacancy rates or renegotiate rents as desired. Moreover, tenants that experience liquidity shortages may not pay their rent on time over prolonged periods, but, despite that, the Group may not be able to replace them with different tenants with a better financial standing.

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

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

In accordance with its strategy, the Group intends to expand its business through: (i) the acquisition of yielding properties; (ii) asset management focused on realising the full potential of, and maximising returns from the Group's portfolio; and (iii) the development of selected projects. Accordingly, the growth and profitability of the Group and the success of its proposed business strategy depend, to a significant extent, on its continued ability to locate and acquire yielding properties at attractive prices and on favorable terms and conditions.

The ability to identify and secure accretive value-added acquisition opportunities involves uncertainties and risks, including the risk that the acquisition will not generate an income after the Group has carried out business, technical, environmental, accounting and legal examinations of the property or project. In addition, the Group also faces the risk that competitors may anticipate certain investment opportunities and compete for their acquisition. Additionally, any potential acquisition of properties may give rise to pre-acquisition costs which have to be paid by the Group even if the purchase of a property is not concluded. There can be no assurance that the Group will be able to: (i) identify and secure investments that satisfy its rate of return objective and realise their values; and (ii) acquire properties suitable for management in the future at attractive prices or on favorable terms and conditions.

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

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

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

The acquisition of real estate requires a precise analysis of the factors that create value, in particular the levels of future rental values and the potential for the improvement of the net operating income ("**NOI**"). Such an analysis is subject to a wide variety of factors as well as subjective assessments and is based on various assumptions. It is possible that the Group or its service providers will misjudge individual aspects of a given project when making acquisition decisions or that assessments on which the Group bases its decisions are inaccurate or based on assumptions that turn out to be incorrect. Such judgment errors may lead to an inaccurate analysis and valuation of the properties by the Group in connection with investment decisions that may only become apparent at a later stage and force the Group to revise its valuation amounts downwards. The Group can also not guarantee that the service provider it chooses to carry out its due diligence when purchasing property will identify all the risks related to the property in question. In addition, the Group cannot guarantee that it will be able to have recourse to the seller of the property for not disclosing such risks. The Group may suffer financial loss if it is unable to learn of such risks. The occurrence of one or several of such risks could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

In particular, due to increased competition and pressure on rents, amidst the general economic uncertainty arising from the COVID-19 pandemic, there can be no assurance that tenants will renew their leases on terms favorable to the Group at the end of their current tenancies or, if they do not, that new tenants of equivalent standing (or any new tenants) will be found to take-up replacement leases.

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

rates of return on the new acquisitions. Subdued or negative rental return and profits could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

Any failure of the Group to sustain an adequate occupancy level would result in lower rental income from the management of the existing portfolio and in a lower valuation of the Group's properties and overall portfolio. Expected vacancies are reflected in the valuation reports as at 30 June 2021. If a significant portion of the Group's property portfolio remains vacant for a prolonged period of time, the fixed costs for maintaining such vacant spaces and the lack of rental income generated by such spaces could have a material adverse effect on the Group's business, financial condition and results of operations. Further, the relevant Group member would continue to face fixed costs (subject to certain exceptions) to cover service charge contributions in respect of any vacant units, which would reduce the funds from operations.

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

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

However, the Group is not able to pass on all such costs to the tenants, especially in a very competitive environment, where the Group has to offer attractive conditions and terms to be

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

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

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

The presence of reputable tenants, especially anchor tenants, in the Group's projects is important for its commercial success. It may be more difficult for the Group to attract tenants to enter into leases during periods when market rents are increasing or when general consumer activity is decreasing, or if there is competition for such tenants from competing developments. In addition, the termination of a lease agreement by any significant tenant may adversely affect the attractiveness of a project. Moreover, following the period of the lockdown, anchor tenants were among the first to demand renegotiation of their lease agreements. In order to maintain such tenants, the Group was required to implement multi-pronged measures to support tenants and encourage consumer spending, such as reducing rent, allowing rent payment in instalments, and waiving late payment interest and service charges. Depending on the extent and length of the COVID-19 pandemic, the Group may have to extend further assistance to its tenants across the portfolio.

The failure of such tenants to abide by their lease agreements, or their bankruptcy or economic decline, which may have become more likely as a result of the COVID-19 pandemic, may cause delays or result in a decrease in rental income (temporary or long-term), the effect of which the Group may not be able to offset due to difficulties in finding a suitable replacement tenant.

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

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

The Group has faced and continues to face increased competition from other owners, local and international real estate managers and developers of commercial real estate. Such competition may affect the Group's ability to attract and retain tenants and may reduce the rents that the Group is able to charge. Such competing properties may have vacancy rates

that are higher than the vacancy rates of the Group's properties, which could result in their owners being willing to rent their properties at lower rental rates than the Group would normally be prepared to offer but which the Group may have to match. Competition in the real estate market may also lead to increased marketing and development costs.

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

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

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

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

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

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

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

The Group's properties may constitute collateral established in favor of entities providing external financing, which may further restrict and/or delay their transferability if the lender's consent must first be obtained. Several of the Group's projects are also held through joint ventures with third parties and may, as a result, be subject to legal and/or contractual

limitations on transferability, such as first refusal and co-sale rights, or a requirement to obtain joint approval for any such sale. Such limitations could adversely affect the Group's ability to complete a transaction and to generate cash flow as needed through the timely sale of its projects at favorable prices or to vary its property portfolio in response to economic or other conditions impacting the property value. It may be particularly difficult to sell real estate properties in an uncertain market environment caused by the COVID-19 pandemic. If the Group cannot sell a particular project within a reasonable time, it may not be able to generate the cash flow it may require to service ongoing operations or invest in new projects, or it may be unable to take advantage of favorable economic conditions or mitigate the impact of unfavorable economic conditions should they arise, which could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

No assurances can be given that any permits, consents or approvals required from various government entities in connection with existing or new development projects will be obtained by the Group in a timely manner, or that they will be obtained at all, or that any current or future permits, consents or approvals will not be withdrawn. For example, as part of its operations, the Group, may occasionally purchase land that requires rezoning or a new or amended local spatial development plan or planning permission. The issuance of a required permission cannot be guaranteed, and the Group has encountered difficulties in the past in that respect.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- additional construction costs for a development project being incurred in excess of the amount originally agreed with the general contractor;
- liability to subcontractors related with bankruptcy of the general contractor;
- changes in existing legislation or the interpretation or application thereof (e.g. an increase of the rate of the goods and services tax, which impacts the demand for housing);
- actions of governmental and local authorities resulting in unforeseen changes in urban planning, zoning and architectural requirements;
- potential defects or restrictions in the legal title to plots of land or buildings acquired by the Group, or defects, qualifications or conditions related to approvals or other authorizations relating to plots of land held by the Group;
- the Group's potential inability to obtain financing on favorable terms or at all for individual projects or in the context of multiple projects being developed at the same time;
- potential liabilities relating to acquired land, properties or entities owning properties with respect to which the Group may have limited or no recourse;
- tenants' unwillingness to vacate a development site;
- obligations regarding the development of adjacent properties;
- inability to receive required zoning permissions for intended use;
- discrepancies between the planned area and the post-construction area of developments;
- obligations relating to the preservation and protection of the environment and the historic and cultural heritage of jurisdictions in which the Group conducts its operations, as well as other social obligations;
- Covid-19 pandemic associated development costs.

These factors, including factors over which the Group has little or no control, may increase costs, give rise to liabilities or otherwise create difficulties or obstacles to the development of

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

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

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

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

SHORTAGES OF QUALIFIED EMPLOYEES AND OTHER SKILLED PROFESSIONALS COULD DELAY THE COMPLETION OF THE PROJECTS OF THE GROUP OR INCREASE ITS COSTS

The Group relies on a skilled team of professionals, including its key management and project managers, mid-level managers, accountants and other financial professionals, in the development of its projects. The Group has in the past experienced delays in the completion of certain projects as a result of shortages of qualified employees and skilled professionals and, if the Group is unable to hire the necessary employees, staffing shortages may adversely affect its ability to adequately manage the completion of its projects and efficiently manage its assets or force it to pay increased salaries to attract skilled professionals or the necessary employees. Furthermore, the future success of the Group depends on its ability to hire senior personnel such as managers with extensive experience in the identification, acquisition,

financing, construction, marketing and management of development projects and investment properties. The failure by the Group to recruit and retain appropriate personnel may have a material adverse effect on the Group's business, financial condition, results of operations.

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

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

LEGAL AND REGULATORY RISKS

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

Tax regulations are complex and they are subject to frequent changes. The tax law practice of the tax authorities is not homogenous and there are rather significant discrepancies between the judicial decisions issued by administrative courts in tax law matters. No assurance may be given by the Issuer that the tax authorities will not employ a different interpretation of the tax laws which apply to the Group companies, which may prove unfavorable to the Group. One may not exclude the risk that the specific individual tax interpretations already obtained and applied by the Group companies will not be changed or questioned. There is also a risk that once new tax law regulations are introduced, the Group companies will need to take actions to adjust thereto, which may result in greater costs forced by circumstances related with complying with the changed or new regulations.

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

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

CHANGES IN LAWS COULD ADVERSELY AFFECT THE GROUP

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

Moreover, there can be no assurance that if perpetual usufruct fees are increased, the Group will be able to pass such costs onto its tenants in the form of increased service charges as such increase might lead to a given property becoming less competitive as compared to properties not situated on land subject to perpetual usufruct fees.

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

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

THE GROUP MAY BE SUBJECT TO LEGAL DISPUTES AND RISKS

The Group's business involves the acquisition, rental, sale and administration of properties, including under cooperation agreements that, as a matter of ordinary course of business, expose the Group to a certain degree of small-scale litigation and other legal proceedings. Legal disputes which, taken individually, are relatively immaterial, may be joined with disputes based on similar facts such that the aggregate exposure of the Group might become material to its business. Furthermore, the Group may face claims and may be held liable in connection with incidents occurring on its construction sites such as accidents, injuries or fatalities of its employees, employees of its contractors or other visitors on the sites. It is standard practice in real estate transactions for the seller to make representations and warranties in the purchase agreement concerning certain features of the property. Typically, the assurances the seller gives regarding the property in the purchase agreement do not cover all of the risks or potential problems that can arise for the Group in connection with the purchase of property by the Group. The Group's possible rights of recourse towards the sellers of properties could fail for a variety of reasons, including due to the inability to establish that the persons in question knew or should have known about the defects, due to the expiration of the statute of limitations, due to the insolvency of the parties opposing the claim, or for other reasons. If this were to occur, the Group may suffer a financial loss.

The Group provides different types of guarantees when it leases real estate, especially with regard to legal title and the absence of defects in quality, as well as existing levels of hazardous

contamination and the portfolio of leases. The same applies to the sale of real estate. Claims could be brought against the Group for breach of such guarantees and/or for the existence of defects of which the Group was not aware, but of which it should have been aware, when it concluded the transaction. The occurrence of one or several of the aforementioned risks could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

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

THE GROUP'S INSURANCE MAY BE INADEQUATE

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

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

RISK RELATING TO THE GROUP'S FINANCIAL CONDITION

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

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

- increasing vulnerability to and simultaneously reducing flexibility to respond to downturns in the Group's business or general adverse economic and industry conditions, including adverse economic conditions in the jurisdictions in which the Group operates;
- limiting the Group's ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings;
- forcing the Group to dispose of its properties in order to enable it to meet its financing obligations, including compliance with certain covenants under loan agreements;

- requiring the dedication of a substantial portion of the Group's cash flows from operations to the payment of the principal of and interest on its indebtedness, meaning that these cash flows will not be available to fund its operations, capital expenditures, acquisitions or other corporate purposes;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the real estate market; and
- placing the Group at a competitive disadvantage compared to its competitors that are not as highly leveraged.

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

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

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

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

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

All of the Group's real estate developments have been financed through loans, which have been provided for a limited term. The Group may not be able to renew or refinance the remaining obligations in part or at all or may have to accept less favorable terms in respect of such refinancing. If the Group is unable to renew a loan or secure refinancing, the Group could be forced to sell one or more of its office properties in order to procure the necessary liquidity.

Additionally, if the Group is not able to renew certain loans, those properties which are financed through loans will become low leveraged and, as a consequence, will not be able to generate the expected returns on equity. Any combination of the above would have material adverse effects on the Group's business, cash flows, financial condition and results of operations.

THE GROUP IS EXPOSED TO FLUCTUATIONS IN FOREIGN CURRENCY EXCHANGE RATES.

The Group's financial statements are expressed in Euro and the Group's functional currency is the Euro. Moreover, the majority of the Group's revenues, specifically rent revenues, are expressed in Euro. However, certain of the Group's costs, such as certain construction costs, labour costs and remuneration for certain general contractors, are incurred Hungarian forints.

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

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

THE GROUP IS SUBJECT TO INTEREST RATE RISK.

The Group currently has and intends to incur certain indebtedness under existing debt facilities which are subject to variable interest rates. Interest rates are highly sensitive to many factors, including government monetary policies and domestic and international economic and political conditions, as well as other factors beyond the Group's control. The Group's exposure to interest risk and the extent to which the Group attempts to hedge such exposure vary significantly between the geographical markets in which the Group operates, but any changes in the relevant interest rates may increase the Group's costs of borrowing in relation to existing loans, thus impacting its profitability. The need to hedge interest rate risk is reviewed by the

Group on a case by case basis, except for those projects in which the lenders require it to hedge the relevant interest rate risk. Changes in interest rates may have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

RISKS RELATING TO THE MARKETS IN WHICH THE GROUP OPERATES

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

As at 30 June 2021, all of the Group's revenues were sourced from its operations in CEE and SEE countries, particularly Hungary (65%) and Serbia (35%). These markets are subject to greater risk than more developed markets. CEE and SEE countries still present various risks to investors, such as instability or changes in national or local government authorities, land expropriation, changes in taxation legislation or regulation, changes to business practices or customs, changes to laws and regulations relating to currency repatriation and limitations on the level of foreign investment or development. In particular, the Group is affected by rules and regulations regarding foreign ownership of real estate and personal property. Such rules may change quickly and significantly and, as a result, impact the Group's ownership and may cause it to lose property or assets without legal recourse.

Furthermore, some countries in which the Group operates (such as Serbia) may regulate or require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is a deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on foreign capital remittances abroad. Any such restrictions may adversely affect the Group's ability to repatriate investment loans or to remit dividends. Some CEE and SEE

countries, have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on the economies and securities markets of certain emerging countries.

In addition, adverse political or economic developments in the countries in which the Group operates and/or neighboring countries could have a significant negative impact on, among other things, gross domestic product, foreign trade or economies in general of individual countries. The countries and the region in which the Group operates have experienced and may still be subject to potential political instability caused by changes in governments, political deadlock in the legislative process, tension and conflict between federal and regional authorities, corruption among government officials and social and ethnic unrest. Additionally, the governments of the developing countries in the CEE and SEE region may not have sufficient resources necessary to provide fiscal stimuli in response to the economic downturn caused by the outbreak of the COVID-19 pandemic on par with the levels implemented in more mature economies, which may delay or hinder any economic recovery following the impact of the COVID-19 pandemic.

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

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

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

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

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

The Group companies have carried out transactions with related parties. When concluding and performing related party transactions, the Group companies endeavour to take special care to ensure that such transactions comply with the applicable transfer pricing regulations. However, due to the specific nature of related-party transactions, the complexity and ambiguity of legal regulations governing the methods of examining the prices applied, as well as the difficulties

in identifying comparable transactions for reference purposes, no assurance can be given that specific Group companies will not be subject to inspections or other investigative activities undertaken by tax authorities or fiscal control authorities. Should the methods of determining arm's-length terms for the purpose of the above transactions be challenged, this may have a material adverse effect on the business, financial standing, growth prospects, results of the Group companies.

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

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

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

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

Moreover, the Group may be exposed to the inherent risk related to investing in real estate situated in CEE and SEE countries resulting from the unregulated legal status of some of such real properties. Following the introduction of nationalisation in certain CEE and SEE jurisdictions, including Poland and Hungary, during the post-war years, many privately-owned properties and businesses were taken over by such states. In many cases, the requisition of the property took place in contravention of prevailing laws. After the CEE and SEE countries moved to a market economy system in 1989-1990, many former property owners or their legal successors took steps to recover the properties or businesses lost after the war or to obtain compensation. For many years, efforts have been made to regulate the issue of restitution claims in Poland. Despite several attempts, no act regulating the restitution process has been passed in Poland. Under the current law, former owners of properties or their legal successors may file applications with the authorities for the administrative decisions under which the properties were taken away from them to be revoked. As at the date of this Report, there are no proceedings underway seeking the invalidation of administrative decisions issued by the authorities concerning properties held by the Group. There is no guarantee, however, that restitution claims may not be brought against the Group in the future, and this could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

4. Presentation of the Group

4.1 General information about the Group

The GTC Hungary Real Estate Development Pltd. was registered in Budapest in September 1998. The Company is an asset developer and manager active in Hungary and Belgrade. The Company is part of the GTC Group, an experienced, established and fully integrated, real estate company operating in the CEE and SEE region with a primary focus on Poland and capital cities in the CEE and SEE region including Budapest, Bucharest, Belgrade, Zagreb and Sofia, where it directly manages, acquires and develops primarily high-quality office and retail real estate assets in prime locations. The GTC Group operates a fully-integrated asset management platform and is represented by local teams in each of its core markets.

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

As of 30 June 2021, the book value of the Group's real estate portfolio was €823,057. The breakdown of the Group's property portfolio is as follows:

- 8 completed office buildings, with a total combined commercial space of approximately 152 thousand sq m of GLA. occupancy rate at 98% and book value of €422,438 which accounts for 51% of the Group's portfolio;
- 11 completed assets held for sale, including 11 office buildings with a total combined commercial space of approximately 122 thousand sq m of GLA. occupancy rate at 91% and book value of € 271,232 which accounts for 33% of the Group's portfolio
- 1 office building under construction with a total GLA of approximately 29 thousand sq m and book value of €75,800 which accounts for 9% of the Group's portfolio
- investment landbank intended for future development with the book value of € 53,587 which accounts for 7% of the Group's portfolio;

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

4.2 Structure of the Group

The structure of GTC Hungary Real Estate Development Pltd. Capital Group as of 30 June 2021 is presented in the unaudited interim condensed consolidated financial statements for the period ended 30 June 2021 in Note 5 "*Projects' description and basis of consolidation.*"

The following changes in the structure of the Group occurred in the six-month period ended 30 June 2021:

- acquisition of wholly-owned subsidiary - Halsey Investments Sp. z.o.o,
- acquisition of fully-owned subsidiary - Winmark Ltd. (Universum),
- establishment of wholly-owned subsidiary - Globe Office Investments Kft,
- establishment of wholly-owned subsidiary - Office Planet Kft, and on 1 April 2021, it acquired 70% shareholding in:
 - GTC BBC d.o.o,
 - Atlas Centar d.o.o. Beograd,
 - Demo Invest d.o.o. Novi Beograd,
 - GTC Business Park d.o.o. Beograd
 - GTC Medunarodni Razvoj Nekretnina d.o.o. Beograd

4.3 The Group's Strategy

Due to the fact that the GTC Hungary is part of the GTC Group and business activity of the GTC Group are limited to perform its activities through subsidiaries, the following description of group strategy is a description of the strategy of these entities.

The Group's objective is to create value from:

- an active management of a growing commercial real estate portfolio, supplemented by selected development activities; and
- enhancing deal flow, mitigating risks, and optimizing performance through its regional platform by investing its funds, the proceeds from share capital increase, and reinvesting potential proceeds from the sale of real estate properties.

The Group implements the following elements, which may be depicted by three well-defined targets, as follows:

1. Portfolio and platform growth:

The Group's strategic goal is to significantly increase the income-generating portfolio through acquisition of yielding properties in Budapest and complete prime development projects on already-owned or acquired land plots. Also, to have value-add acquisitions that provide tangible potential through re-letting, improvement in occupancy and rental upside as well as the realization of redevelopment potential. Its intention is to convert ongoing development projects and land reserves into income-generating properties and the sale of non-core assets to unlock equity for new investments and acquisitions and increase the return on invested equity. Alongside with Group's prime goal to develop the pipeline projects that meet the highest environmental standards, the Issuer will continue to emphasize the sustainability value across its portfolio. As of 30 June 2021 over 72% of Group's properties was green certified. The Group believe that an ecological perspective allows to secure future growth and deliver superior value appreciation to its stakeholders.

2. Operating and financial performance:

The Group is engaged in improving the efficiency of asset management activities and maximizing operating performance. One of the main tools for that is active management of the income-generating property portfolio to achieve and maintain cost efficiency, to improve rental income and occupancy, and to diversify tenant risk by retaining a high-quality tenant base. Moreover, business targets involve further optimizing administrative and platform costs through organizational streamlining and optimization of costs of finance through deleveraging, planning and resource allocation, and through continuous refinancing at improved terms to increase the recurring return on equity.

3. Project delivery:

The Group is devoted to developing high-quality commercial projects, with focus on the delivery of major projects in the next two to three years. The group's goal is to continue to build track record of delivery of projects (a) on time, (b) on budget and (c) at a quality that meets tenants' demand and also continue to adhere to all relevant environmental aspects and standards in the construction of developments (e.g. building LEED certified buildings).

4.4 Business overview

The Group's core business is geared towards commercial real estate, with a clear focus on creating value from active management of a growing real estate portfolio in Budapest supplemented by selected development activities. As of 30 June 2021, the book value of the Group's property portfolio amounted to EUR 823,057. The Group's properties include income generating assets (completed properties), projects under construction and commercial landbank as well as completed assets held for sale.

INVESTMENT PORTFOLIO

As of 30 June 2021, the Group manages completed commercial properties with a combined gross rentable area of approximately 152 thousand sq m, including 8 office buildings, which constituted 51% of the overall portfolio (by value).

The Group's office buildings provide convenient space, flexible interiors, and a comfortable working environment. They are located in the heart of business districts and in proximity to the most important transport routes, including international airports. All projects have earned the trust of a significant number of multinational corporations and other prestigious institutions, including Exxon Mobil, Budapest Bank, IBM, Huawei Technologies, Honeywell, Ericsson and others

ASSETS HELD FOR SALE

As of 30 June 2021, the Group had 11 completed office building with a combined gross rentable area of approximately 122 thousand sq m in Belgrade, Serbia, classified as assets held for sale with a book value of EUR 271,232 which constituted 33% of the Group's overall portfolio (by value).

PROJECTS UNDER CONSTRUCTION

As of 30 June 2021, the Group had one office building classified as an investment under construction with a book value of EUR 75,800, which constituted 9% of the Group's overall portfolio (by value).

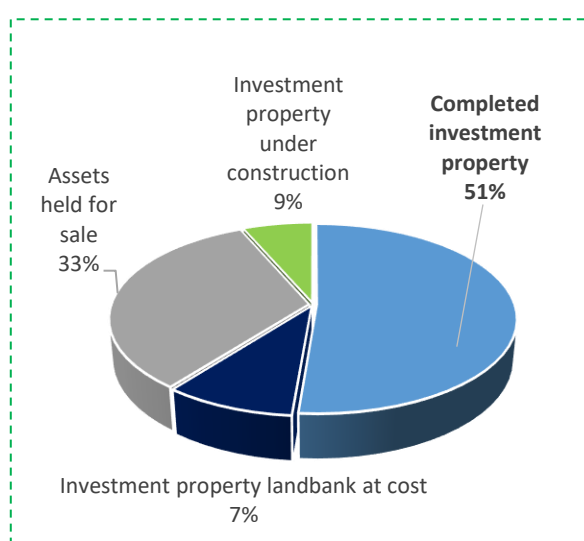
INVESTMENT PROPERTY LANDBANK

As of 30 June 2021, the Group had land classified as an investment property landbank designated for the future development of EUR 53,587, which constituted 7% of the Group's overall portfolio (by value).

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

4.4.1 Overview of the portfolio

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



4.4.1.1 Overview of income generating portfolio

Office portfolio in Budapest

The Group's total gross rentable area in Budapest comprises 152 thousand sq m in eight office buildings. The occupancy rate was 98%. The yield range was 6.0%-9.8%. The range of average rental rate generated by the office portfolio in Budapest was EUR 6.6-18.2 /sq m/month. The book value of the Group's office portfolio in Budapest amounted to EUR 422,438 as of 30 June 2021, as compared to EUR 206,138 as of 31 December 2020. An increase comes mainly from the purchase of three office buildings in Budapest.

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

Property	GTC's share (%)	Total gross rentable area (sq m)	Year of completion
Center Point I&II	100%	40,900	2004/2006
Duna Tower	100%	31,300	2006
GTC Metro	100%	16,200	2010
Vaci 173-177 (GTC Future) ¹	100%	6,200	-
Vaci Greens D	100%	15,600	2017
Ericsson Headquarter (Universum)	100%	21,100	2017
Evosoft Hungary Headquarter (Universum)	100%	20,700	2020
Total		152,000	

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

4.4.1.2 Overview of properties under construction

As of 30 June 2021, the Group had office project with a total gross rentable area of 29 thousand sq m and a book value of EUR 75,800.

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

Property	Segment	Location	GTC's share	Total gross leasable area (sq m)	Expected completion
Pillar	office	Budapest, Hungary	100%	29,000	Q4 2021
Total				29,000	

4.4.1.3 Overview of investment property landbank

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

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

As of 30 June 2021, the Group had land classified as investment property landbank designated for future commercial development of EUR 53,587. This landbank, designated for future commercial development, includes projects on Group's focus for the coming years.

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

4.4.2 Overview of assets held for sale

The Group plans to dispose its office properties located in Belgrade, Serbia. The Group's total gross rentable area of assets held for sale comprises 122 thousand sq m in 11 office buildings. The occupancy rate was 91%. The book value of the Group's office portfolio in Belgrade amounted to EUR 271,232 as of 30 June 2021,

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

Property	GTC's share	Total gross rentable area	Year of completion
	(%)	(sq m)	
GTC House	100%	13,300	2005
Avenue 19	100%	16,700	2008
Belgrade Business Center	100%	17,800	2009
FortyOne phase I	100%	10,100	2015
FortyOne phase II	100%	7,200	2016
FortyOne phase III	100%	10,700	2017
Green Heart E1	100%	10,400	2018
Green Heart E2	100%	11,300	2018
Green Heart N1	100%	13,100	2019
Green Heart N2	100%	6,100	2019
Green Heart N3	100%	5,400	2020
Total		122,100	

5. Operating and financial review

5.1 General factors affecting operating and financial results

The economic crisis may slow down the general economy in Hungary. Such economic downturn in Hungary may result in reduced demand for property, growth of vacancy rates, and increased competition in the real estate market, which may adversely affect the Group's ability to sell or let its completed projects at their expected yields and rates of return. The reduced demand for property that, on the one hand, may result in a drop-in sales dynamic, and, on the other, an increase in vacancy rates and lower rent revenues from leased space, may significantly impact the results of operations of the Group. Specifically, the Group may be forced to change some of its investment plans. Additionally, the Group may not be able to develop numerous plans.

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

The Group's results of operations depend heavily on the fluctuation of the value of assets on the property markets. The Group revalues its investment properties at least twice per year. Any change in fair value of investment property is thereafter recognized as a gain or loss in the income statement. The following three significant factors influence the valuation of the Group's properties: (i) the cash flow arising from operational performance, (ii) the expected rental rates and (iii) the capitalization rates that result from the interest rates in the market and the risk premiums applied to the Group's business.

The cash flow arising from operational performance is primarily determined by current gross rental income per sq. m, vacancy rate trends, total portfolio size, maintenance and administrative expenses, and operating expenses. Expected rental values are determined predominantly by expected development of the macroeconomic indicators as GDP growth, disposable income, etc. as well as micro conditions such as new developments in the immediate neighbourhood, competition, etc. Capitalization rates are influenced by prevailing interest rates and risk premium. In the absence of other changes when capitalization rates increase, market value decreases and vice versa. Small changes in one or some of these factors can have a considerable effect on the fair value of the Group's investment properties and on the results of its operations. Moreover, the valuation of the Group's landbank additionally depends on among others the building rights and the expected timing of the projects. The value of landbank which is assessed using a comparative method is determined by referring to the market prices applied in transactions relating to similar properties.

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

5.2 Specific factors affecting financial and operating results

COVID-19

The COVID-19 pandemic has triggered a wave of strong negative 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. However, the scope and duration of the pandemic and possible future containment measures are still impossible to predict. During 2020 and in the six-month period ended 30 June 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 Group assets' values.

The government adopted tenant support packages, such as rent support through subsidizing part of any rental discounts. 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.

As of 30 June 2021, investment properties have been valued by external independent appraisers as described in the *Note 7 Investment properties of the Unaudited Interim condensed consolidated financial statements for the period ended 30 June 2021*. Those appraisals have been performed in a context of the current COVID-19 pandemic characterised by lack of transactions since the outbreak of the pandemic and difficulties to estimate future market prospects. The increased uncertainty and increased volatility in the financial markets might have an effect in the future asset valuations. While the exact effect of the coronavirus is unknown and unknowable, it is clear that it poses substantial risks of reduction of income, increasing yields, increasing collection costs, and FX volatility.

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 of 30 June 2021, the Group holds cash in the amount of EUR 181,336.

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.

OTHER

On 5 March 2021, Globe Office Investments Ltd an indirect wholly-owned subsidiary of the Company signed a sale and purchase agreement with a company related to the majority shareholder of the Company for the purpose of acquisition of a Class A office building on Váci corridor (Vaci Green D), Budapest for a consideration of EUR 51,000. Subsequently on 19 March 2021 a loan agreement in the amount of EUR 25,000 with Erste Group Bank AG was signed for the purpose of financing the acquisition. The transaction was closed on 30 April 2021.

On 11 March 2021, GTC Real Estate Development Hungary Pltd. signed a sale purchase agreement to acquire a Napred company, Belgrade, holding a land plot of 19,537 sq m for a consideration of EUR 33,800 from Groton Global Corp. The site has potential office development of cca 79,000 sq m. The transaction is expected to be finalized during 2021 upon certain conditions precedents are fulfilled.

On 12 March 2021, Office Planet Ltd. was newly founded and on 1 April 2021, it acquired 70% shares in companies GTC Business Park d.o.o. Beograd, GTC Medunarodni Razvoj Nekretnina d.o.o. Beograd, GTC BBC d.o.o., Demo Invest d.o.o. and Atlas Centar d.o.o. via share capital increase.

On 17 March 2021, GTC Real Estate Development Hungary Pltd. issued 10-year green bonds with the total nominal value of EUR 53,800 denominated in HUF to finance real estate acquisitions, redevelopment and constructions of projects. The bonds are fully and irrevocable guaranteed by GTC SA 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 the 70% of the value paid at the maturity on 17 March 2031. On 17 March 2021, GTC Real Estate Development Hungary Pltd. 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 30 April 2021, Globe Office Investments Ltd an indirect wholly-owned subsidiary of the Company closed transaction on acquisition from a company related to the majority shareholder of the Company a 15,700 sq m Class A office building on Váci corridor (Vaci Green D) in Budapest for a consideration of EUR 51,000. The transaction was partially financed by a bank facility in the amount of EUR 25,000.

On 12 May 2021, GTC Real Estate Development Hungary Zrt., a wholly owned subsidiary of the Company, acquired 100% holding of Winmark Ingatlanfejlesztő Kft ("Winmark"), which owns the Ericsson Headquarter Office Building and the Siemens Evosoft Headquarter Office Building two class A office buildings in Budapest from WING Real Estate Group for a consideration of EUR 160,300, which was financed partially by a bank facility in the amount of EUR 80,000.

On 21 May 2021, GTC S.A. signed a sale and purchase agreement, concerning the sale of the entire share capital of Serbian subsidiaries including 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") which are owned by GTC Hungary Pltd. in 70%. The purchase price under the Agreement shall be calculated on an enterprise value basis, based on a property value of aggregate EUR 267,600. The closing of the transaction is expected to take place in the third quarter of 2021 following the satisfaction of customary conditions precedent, including the completion of acquisition debt financing by the Buyer. Consequently, in the Financial Statements of GTC Hungary Pltd. these assets and liabilities are presented as asset held for sale.

On 9 June 2021, the registered share capital of GTC Hungary increased in the amount of EUR 7,850 from its sole-shareholders cash contribution and simultaneously EUR 7,850 cash contribution was transferred into the capital reserves of GTC Hungary.

On 23 June 2021, GTC Aurora Luxembourg S.A., a wholly-owned subsidiary of the Globe Trade Centre S.A., issued 5-year unsecured green bonds with the total nominal value of EUR 500,000 denominated in EUR to primarily refinance existing secured debt on its projects within GTC Group.

On 25 June 2021, GTC Aurora Luxembourg S.A. provided loan to GTC Real Estate Development Hungary Pltd. with the amount of EUR 490,000 which then has been allocated to GTC Group subsidiaries for repayment of existing bank loans.

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 amount of EUR 13,000.

On 28 June 2021, the registered share capital of GTC Hungary increased in the amount of EUR 12,500 from its sole-shareholders cash contribution and simultaneously EUR 12,500 cash contribution was transferred into the capital reserves of GTC Hungary.

5.3 Statement of financial position

5.3.1 Key items of the statement of financial position

INVESTMENT PROPERTY

Investment properties that are owned by the Group comprise office and commercial space, including property under construction. Investment property can be split up into (i) completed investment property; (ii) investment property under construction; (iii) investment property landplots, and (iv) right of use.

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Investment in associates and joint ventures is accounted for pursuant to the equity method. Such investment is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate and joint ventures.

ASSETS HELD FOR SALE

Assets held for sale comprise office or retail space and land plots that are designated for sale.

BLOCKED DEPOSITS

Short-term blocked, and long-term blocked deposits are restricted and can be used only for certain operating activities as determined by underlying contractual undertakings.

DERIVATIVES

Derivatives include hedge instruments held by the Group that mitigates the risk of interest and currency rate fluctuations. In relation to the instruments qualified as cash flow hedges, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income, and the ineffective portion (if any) is recognized in net profit or loss. The classification of hedges in the statement of the financial position depends on their maturity. For derivatives that do not qualify for hedge accounting, any gain or losses arising from changes in fair value are recorded directly in net profit and loss for the year. The fair value of interest rate swap contracts is determined by calculating the present value of cash flows of each leg of the transaction, taking into account several risk statistics.

5.3.2 Financial position as of 30 June 2021 compared to 31 December 2020

NON-CURRENT ASSETS

The value of non-current assets as of 30 June 2021 was EUR 982,027 as compared to EUR 323,500 as of 31 December 2020. The value of non-current assets includes EUR 551,825 of investment properties (completed office buildings, investment properties under constructions and landbanks) and EUR 424,024 of loan granted to related parties. The increase in value of non-current assets was mainly due to recognition of EUR 424,024 of loan granted to related parties and increase by EUR 232,142 of investment properties value.

CURRENT ASSETS

The value of the current assets as of 30 June 2021 was EUR 195,091 as compared to EUR 152,123, as of 31 December 2020. The value of the current assets includes EUR 2,705 of trade receivables, EUR 3,141 of short-term deposits, EUR 6,882 of prepayments and deferred expenses and EUR 181,336 of cash and cash equivalents. The increase in value of the current assets was mainly due to an increase by EUR 35,970 in cash and cash equivalents and an increase by EUR 4,747 of prepayments and deferred expenses as well as an increase by EUR 2,543 of trade receivables, partially offset by decrease in Vat receivable by EUR 1,527.

ASSETS HELD FOR SALE

The value of assets held for sale as of 30 June 2021 was EUR 286,846 as compared to EUR 0 as of 31 December 2020 due to the Serbian office assets which were transferred to the Company and were classified as asset held for sale following a preliminary agreement to dispose of Serbian entities.

LIABILITIES

The value of the liabilities as of 30 June 2021 was EUR 1,061,012 as compared to EUR 393,708 as of 31 December 2020. The value of the liabilities includes EUR 1,045,503 of long-term liabilities to related undertakings. The increase in value of the liabilities was mainly due to increase in non-current portion of long-term loans from shareholders and non-current portion of long-term borrowing, net of deferred debt expenses.

LIABILITIES HELD FOR SALE

The value of liabilities held for sale as of 30 June 2021 was EUR 185,063 as compared to EUR 0 as of 31 December 2020 due to the Serbian office liabilities which were transferred to the Company and were classified as liabilities held for sale following a preliminary agreement to dispose of Serbian entities.

PRESENTATION OF EQUITY, SHORT - LONG TERM LOANS

The equity was EUR 217,889 as of 30 June 2021 as compared to EUR 81,915 as of 31 December 2020. The increase in value of equity was mainly due to an increase in share capital, recognition of non-controlling interest and transaction reserves.

The value of the long-term liabilities as of 30 June 2021 was EUR 1,045,503 as compared to EUR 379,234 as of 31 December 2020. The value of the long-term liabilities includes EUR 386,942 of long-term part of Group's subsidiaries' bank loan financing and EUR 632,327 of long-term loans from shareholders. The increase in value of the long-term liabilities was mainly due to (i) an increase by EUR 492,338 of non-current portion of long-term loans from shareholders mainly as a result of new loan from GTC Aurora Luxemburg (ii) an increase by EUR 169,226 of non-current portion of long-term borrowing, net of deferred debt expenses as a result of new loans related to acquired properties.

The value of the short-term liabilities as of 30 June 2021 was EUR 15,509 as compared to EUR 14,474 as of 31 December 2020. The value of the short-term liabilities includes EUR 4,891 of short-term part Company's subsidiaries' bank loan financing.

5.4 Consolidated income statement

5.4.1 Key items of the consolidated income statement

REVENUES FROM OPERATIONS

Revenues from operations consist of:

- rental income, which consists of monthly rental payments paid by tenants of the Group's investment properties for the office or retail space rented by such tenants. Rental income is recognized as income over the lease term;
- service income, which comprises 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.

COST OF OPERATIONS

Costs of operations consist of:

- service costs, which consist of all the costs that are related to the management services provided to the individual tenants within the Group's properties — service costs should be covered by service income.

GROSS MARGIN FROM OPERATIONS

Gross margin from operations is equal to the revenues from operations less the cost of operations.

SELLING EXPENSES

Selling expenses include:

- brokerage and similar fees incurred to originate the lease or sale of space;
- marketing and advertising costs; and
- payroll and related expenses directly related to leasing or sales personnel.

ADMINISTRATIVE EXPENSES

Administration expenses include:

- payroll, management fees, and other expenses that include the salaries of all employees that are not directly involved in sales or rental activities;
- provisions made to account for the share-based incentive program that was granted to key personnel;

- costs related to the sale of investment properties;
- costs of an audit, legal and other advisors;
- office expenses;
- depreciation and amortization expenses include depreciation and amortization of the Group's property, plant, and equipment; and
- others.

PROFIT/(LOSS) FROM THE REVALUATION/IMPAIRMENT OF ASSETS

Net valuation gains (loss) on investment property and investment properties under development reflect the change in the fair value of investment properties and investment property under development.

FINANCIAL INCOME/(EXPENSE), NET

Financial income includes interest on loans granted to associate companies and interest on bank deposits.

Financial expenses include interest on borrowings and deferred debt rising expenses. Borrowing costs are expensed in the period in which they are incurred, except for those that are directly attributable to construction. In such a case, borrowing costs are capitalized as part of the cost of the asset. Borrowing costs include interest and foreign exchange differences.

Additionally, financial income or expenses include settlement of financial assets and gain or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting.

TAXATION

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted as of the balance sheet date and any adjustments to tax payable in respect of previous years. Generally, the Group disposes of property holding companies rather than the real estate itself, in part because, in certain jurisdictions, the sale and disposal of real estate are generally subject to real estate transfer tax and/or VAT.

5.4.2 Comparison of financial results for the six-month period ended 30 June 2021 with the result for the corresponding period of 2020

RENTAL AND SERVICE REVENUE

The Group achieved rental and service revenue of EUR 18,391 in the six-month period ended 30 June 2021 as compared to EUR 11,134 in the six-month period ended 30 June 2020. The increase comes mainly from the Serbian office assets which were transferred to the Company as well as from acquisition of 3 office buildings in Budapest. Rental and service revenue is driven by the rental income received that was 77% of revenue in the six-month period ended 30 June 2021 and 76% of sales revenue in the six-month period ended 30 June 2020.

GROSS MARGIN FORM OPERATIONS

The amount of the gross margin from operations in the six-month period ended 30 June 2021 was EUR 14,363 as compared to the amount of the gross margin in the six-month period ended 30 June 2020 of EUR 8,630. The increase come from an increase in the rental revenues due to transfer and acquisition of new properties, partially offset by a loss in rental and service revenues due to sale of Spiral in IV quarter of 2020.

PROFIT FROM REVALUATION OF ASSETS

The profit from revaluation of assets was EUR 7,510 in the six-month period ended 30 June 2021 and EUR 14,143 in the six-month period ended 30 June 2020. Net profit from the revaluation of the investment properties reflects mainly profit from the revaluation of the newly acquired assets in Budapest, partially offset by capital expenditure invested on the existing investment properties.

SELLING EXPENSES

The amount of the selling expenses was EUR 116 in the six-month period ended 30 June 2021 and EUR 115 in the six-month period ended 30 June 2020.

ADMINISTRATIVE EXPENSES

The amount of the administrative expenses was EUR 1,099 in the six-month period ended 30 June 2021 and EUR 595 in the six-month period ended 30 June 2020.

FINANCIAL EXPENSES, NET

The financial expenses, net was EUR 5,282 in the six-month period ended 30 June 2021 and EUR 2,657 in the six-month period ended 30 June 2020. The increase is arising mainly on bank loan interest in the acquired Serbian entities, as well as the interest on the bonds.

PROFIT FOR THE PERIOD

The profit for the period in the six-month period ended 30 June 2021 was EUR 12,075 and in the six-month period ended 30 June 2020 was EUR 17,315. This mostly resulted from an increase by EUR 5,733 of operation results, partially offset by EUR 6,735 increase in loss on cash-flow hedge.

5.5 Consolidated cash flow statement

5.5.1 Key items from consolidated cash flow statement

NET CASH FROM (USED IN) OPERATING ACTIVITIES

The operating cash flow is the cash that the Group generates through running its business and comprises cash inflows from rental activities.

NET CASH USED IN INVESTING ACTIVITIES

The investing cash flow is the aggregate change in the Group's cash position resulting from any gains (or losses) from investments in the financial markets, investment properties, and operating subsidiaries, as well as changes resulting from amounts spent on investments in capital assets, such as property, plant, and equipment.

NET CASH FROM (USED IN) FINANCING ACTIVITIES

The cash flow from (used in) financing activities accounts for, inter alia, the payment of cash dividends, receiving proceeds from loans or bonds, and issuing stock.

CASH AND CASH EQUIVALENTS

Cash balance consists of cash in banks. Cash in banks may earn interest at floating rates based on daily bank deposit rates if those are positive. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates if those are positive. All cash is deposited in banks. All cash and cash equivalents are available for use by the Group.

5.5.2 Cash flow analysis

The table below presents an extract of the cash flow for the six-month period ended 30 June 2021 and 2020:

	<u>Six-month period ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	8,092	10,370
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investments properties	(238,517)	(10,660)
Provided loan	(423,561)	-
Purchase of PPE	(272)	(14)
Increase in short term investments	(956)	(124)
Net cash used in investing activities	(663,306)	(10,798)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	179,062	-
Repayment of long-term borrowings	(14,891)	(2,840)
Proceeds from shareholders-loan	490,000	-
Interest paid	(2,773)	(1,480)
Borrowing cost	(866)	-
Proceeds from the issuance of shares	40,700	-
Net cash from (used in) financing activities	691,232	(4,320)
Effect of foreign currency translation	(48)	(545)
Net increase/(decrease) in cash and cash equivalents	35,970	(5,293)
Cash and cash equivalents, at the beginning of the year	145,366	16,032
Cash and cash equivalents, at the end of the period	181,336	10,739

The net cash from operating activities of the Group was EUR 8,092 in the six-month period ended 30 June 2021 and EUR 10,370 in the six-month period ended 30 June 2020.

The net cash used in investing activities was EUR 663,306 in the six-month period ended 30 June 2021 and EUR 10,798 in the six-month period ended 30 June 2020. Cash flow used in investing activities mainly composed of (i) provided loan of EUR 423,561 (ii) expenditure on investment properties of EUR 238,517 related to acquisition of new assets and investment in asset under construction and (iii) increase in short term investments of EUR 956.

The net cash from financing activities was EUR 691,232 in the six-month period ended 30 June 2021 as compare to EUR 4,320 net cash used in financing activities in the six-month period ended 30 June 2020. Cash flow from financing activities mainly composed of (i) proceeds from

shareholders-loan in the amount of EUR 490,000, (ii) proceeds from long-term borrowings in the amount of EUR 179,062 related mainly related mainly to the bond issue and new loans related to acquisitions in Budapest (iii) proceeds from the issuance of shares in the amount of EUR 40,700 and (iv) repayment of long-term borrowings in the amount of EUR 14,891.



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Independent Auditor's Report

to the Shareholder of GTC Magyarország Ingatlanfejlesztő Zrt.

Introduction

We have reviewed the consolidated interim financial statements of GTC Magyarország Ingatlanfejlesztő Zrt. and its subsidiaries (the „Group”), which comprise the interim condensed consolidated statement of financial position as at 30 June 2021, which shows an equal amount of total assets and total liabilities of EUR 1,463,964 thousands and the interim condensed consolidated income statement which shows a net profit for the period of EUR 4,602 thousands, interim condensed consolidated statement of changes in equity, interim condensed consolidated cash flow statement for the period then ended and the notes to the consolidated interim financial statements including a summary of significant accounting policies.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of GTC Magyarország Ingatlanfejlesztő Zrt. as of 30 June 2021 and for the period then ended has not been prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU (“EU IFRS”) and the policies and instructions contained in Globe Trade Center S.A.’s accounting manual.

BDO Magyarország Könyvvizsgáló Kft. egy magyar korlátolt felelősségű társaság, az egyesült királyságbeli BDO International Limited garancia alapú korlátolt felelősségű társaság tagja és a független cégekből álló nemzetközi BDO hálózat része.

BDO Hungary Audit Ltd., a Hungarian limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent firms.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use


We draw attention to Note 3 and Note 6 to the consolidated interim financial statements, which describes the basis of accounting. The consolidated interim financial statements are prepared for the Shareholder of GTC Magyarország Ingatlanfejlesztő Zrt. for the purpose of inclusion of GTC Magyarország Ingatlanfejlesztő Zrt. in Globe Trade Centre S.A group consolidation and for lending financial institutions. Furthermore, the Company issued 10-year green bonds to finance real estate acquisitions, redevelopment and constructions of projects. As a result, the consolidated interim financial statements may not be suitable for another purpose. Our report is intended solely for GTC Magyarország Ingatlanfejlesztő Zrt., lending financial institutions and green bond holders and should not be distributed to or used by parties other than GTC Magyarország Ingatlanfejlesztő Zrt., lending financial institutions and green bond holders. Our conclusion is not modified in respect of this matter.

Budapest, 25 August 2021



BDO Hungary Audit Ltd.
1103 Budapest, Kőér utca 2/A
Registration number: 002387


Péter Kékesi
Managing Director


Edmond Gaál
Statutory registered auditor
Registration number: 007299

GTC Hungary Real Estate Development Pltd.

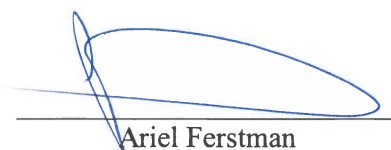
Unaudited Interim condensed consolidated financial statements for the period ended 30 June 2021

Prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

Budapest, 24 August 2021



Yovav Carmi
Board Member



Ariel Ferstman
Board Member

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as of 30 June 2021

(in thousands of Euros)

	Note	30 June 2021	31 December 2020
ASSETS			
Non-current assets			
Properties, plant and equipment		3,061	2,272
Investment properties	(7)	551,825	319,683
Blocked deposits		1,695	1,545
Loan granted to related parties	(10)	424,024	-
Deferred tax assets		1,422	-
		982,027	323,500
Assets held for sale	(9)	286,846	-
Current assets			
Trade receivables		2,705	162
Accrued income		436	102
Prepayments and deferred expenses		6,882	2,135
VAT receivable		366	1,893
Income tax receivable		225	137
Short-term deposits	(8)	3,141	2,328
Cash and cash equivalents	(8)	181,336	145,366
		195,091	152,123
TOTAL ASSETS		1,463,964	475,623
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital		20,366	16
Share premium		20,350	-
Foreign currency translation reserve		(6,209)	(6,209)
Cash-flow hedge reserve		(13,486)	(5,952)
Transaction reserve	(6)	61,332	-
Retained earnings		105,001	94,060
		187,354	81,915
Non-controlling interest		30,535	-
		217,889	81,915
Non-current liabilities			
Non-current portion of long-term borrowing, net of deferred debt expenses	(10)	386,942	217,716
Non-current portion of long-term loans from related parties	(11)	632,327	139,989
Lease liability		14	41
Derivatives		9,767	7,703
Deferred tax liabilities		14,758	12,240
Deposits from tenants		1,695	1,545
		1,045,503	379,234
Liabilities held for sale	(9)	185,063	-
Current Liabilities			
Trade payables and other payables		8,627	5,881
Deposits from tenants		32	52
Current portion of long-term borrowing	(10)	4,891	4,380
Lease liability current portion		4	25
VAT payable		777	269
Income tax payables		455	3,392
Advances received		534	196
Derivatives		189	279
		15,509	14,474
TOTAL EQUITY AND LIABILITIES		1,463,964	475,623

The accompanying notes are an integral part of this interim condensed consolidated income statement

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2021

(in thousands of Euros)

	Note	Period of six months ended 30 June 2021	Period of six months ended 30 June 2020
Rental income		14,163	8,507
Service charge revenue		4,228	2,627
Service charge costs		(4,028)	(2,504)
Gross margin from operations		14,363	8,630
Profit from revaluation		7,510	14,143
Selling expenses		(116)	(115)
Administrative expenses		(1,099)	(595)
Other expense		(28)	(22)
Profit from continuing operations before tax and finance cost		20,630	22,041
Finance income		8,517	-
Finance cost		(13,799)	(2,657)
Profit before tax		15,348	19,384
Taxation	(12)	(3,273)	(2,069)
Profit for the period		12,075	17,315
Attributable to:			
Equity holders of the Company		10,941	17,315
Non-controlling interest		1,134	-
Loss on cash flow hedge		(8,271)	(811)
Deferred tax income on cash-flow hedge		798	73
Net loss on cash-flow hedge		(7,473)	(738)
Foreign currency translation loss		-	(2,858)
Total comprehensive profit for the period, net of tax		4,602	13,719
Attributable to:			
Equity holders of the Company		3,407	13,719
Non-controlling interest		1,195	-

The accompanying notes are an integral part of this interim condensed consolidated income statement

GTC Hungary Real Estate Development Pltd.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021
(in thousands of Euros)

	Share Capital	Share Premium	Cash-flow hedge reserve	Foreign currency translation reserve	Transaction reserve	Retained Earnings	Total	Non- controlling interest	Total
Balances as of 1 January 2020	16	-	(151)	(2,818)	-	114,555	111,602	2,758	114,360
Other comprehensive loss	-	-	(738)	(2,858)	-	-	(3,596)	-	(3,596)
Dividend distributed	-	-	-	-	-	(45,340)	(45,340)	-	(45,340)
Profit for the six months ended 30 June 2020	-	-	-	-	-	17,315	17,315	-	17,315
Balances as of 30 June 2020	16	-	(889)	(5,676)	-	86,530	79,981	2,758	82,739
Balances as of 1 January 2021	16	-	(5,952)	(6,209)	-	94,060	81,915	-	81,915
Issuance of share capital	20,350	20,350	-	-	-	-	40,700	-	40,700
Other comprehensive loss	-	-	(7,534)	-	-	-	(7,534)	61	(7,473)
Profit for the six months ended 30 June 2021	-	-	-	-	-	10,941	10,941	1,134	12,075
Transaction reserve	-	-	-	-	61,332	-	61,332	-	61,332
Non-controlling interest	-	-	-	-	-	-	-	29,340	29,340
Balances as of 30 June 2021	20,366	20,350	(13,486)	(6,209)	61,332	105,001	187,354	30,535	217,889

The accompanying notes are an integral part of this interim condensed consolidated statement of changes in equity

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2021

(in thousands of Euros)

	Six months ended 30 June 2021	Six months ended 30 June 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	15,348	19,384
Adjustments for		
Depreciation	67	55
Gain from revaluation of assets	(7,510)	(14,143)
Other finance (income)/expense	(2,324)	281
Net interest expense	6,722	2,376
Operating cash flow before working capital changes	12,303	7,953
Changes in trade receivables	(935)	2,603
Changes in other current assets	1,522	467
Changes in trade and other payables	(585)	486
Cash generated in operations	12,305	11,509
Tax paid in the period	(4,213)	(1,139)
Net cash from operating activities	8,092	10,370
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on investments properties	(238,517)	(10,660)
Provided loan	(423,561)	-
Purchase of PPE	(272)	(14)
Increase in short term investments	(956)	(124)
Net cash used in investing activities	(663,306)	(10,798)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	179,062	-
Repayment of long-term borrowings	(14,891)	(2,840)
Proceeds from related parties-loan	490,000	-
Interest paid	(2,773)	(1,480)
Borrowing cost	(866)	-
Proceeds from the issuance of shares	40,700	-
Net cash from / (used) in financing activities	691,232	(4,320)
Effect of foreign currency translation	(48)	(545)
Net increase / (decrease) in cash and cash equivalents	35,970	(5,293)
Cash and cash equivalents, at beginning of year	145,366	16,032
Cash and cash equivalents at the end of the period	181,336	10,739

The accompanying notes are an integral part of this interim condensed consolidated cash flow statement

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

as of 30 June 2021
(in thousands of Euros)

1. Principal activities

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

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

As of 30 June 2021 and 31 December 2020 the number of full time equivalent personnel working in the Group companies was 37 and 31 respectively.

2. Shareholders structure

The Company is a wholly-owned subsidiary of Globe Trade Center S.A. ("GTC Poland", "GTC SA"), a company listed on the Warsaw Stock Exchange (WSE) and inward listed on Johannesburg stock exchange (JSE). The major shareholder of the GTC SA is GTC Holding Zrt.

Share capital comprises the following as of June 30, 2021:

Shares	Authorized in HUF	Issued and fully paid in EURO	Issued and fully paid in HUF	Nr of shares issued	Nominal value in HUF
Class "B" Common shares	7 107 400 000	20 385 042	7 107 400 000	7 107 400	1 000
Class "A" Preference shares	2 499 000	8 035	2 499 000	2 499	1 000
TOTAL	7 109 899 000	20 366 077	7 109 899 000	7 109 899	

Share capital comprises the following as of December 31, 2020:

Shares	Authorized in HUF	Issued and fully paid in EURO	Issued and fully paid in HUF	Nr of shares issued	Nominal value in HUF
Class "B" Common shares	2 501 000	8 042	2 501 000	2 501	1 000
Class "A" Preference shares	2 499 000	8 035	2 499 000	2 499	1 000
TOTAL	5 000 000	16 077	5 000 000	5 000	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

at 30 June 2021

(in thousands of Euros)

3. Basis of preparation

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

The interim condensed consolidated financial statements for the six months ended June 30 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by EU.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2020.

The Group's Interim Condensed Consolidated Financial Statements are presented Euro, which is also GTC's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using the functional currency.

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

These Interim Condensed Consolidated Financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements, no circumstances were identified which would indicate any threat to the Group' continuing as a going concern.

4. Significant accounting policies and new standards, interpretations amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020 (see Note 5 to the consolidated financial statements for 2020), except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. No changes to comparative data or error corrections were made.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

at 30 June 2021

(in thousands of Euros)

5. Projects' description and basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Company, its subsidiaries ('Group') listed below as at the end of each period. In brackets, we mention the name of the project the subsidiary is part of as of 30 June 2021.

	Consolidated subsidiaries	Functional currency	30 June 2021	31 December 2020
1	Váci Út 81-85 Ltd. (Center Point I + II)	EUR	100%	100%
2	Center Point I. Ltd. (Center Point I)	EUR	100%	100%
3	Center Point II. Ltd. (Center Point II + III)	EUR	100%	100%
4	Riverside Apartments Ltd. (Riverside) ⁽¹⁾	HUF	100%	100%
5	GTC Metro Ltd. (Metro)	EUR	100%	100%
6	Albertfalva Ltd. (Szeremi Gate)	EUR	100%	100%
7	GTC Future Ltd. (GTC Future)	EUR	100%	100%
8	Spiral I. Ltd. (Spiral I)	HUF	100%	100%
9	GTC White House Ltd. (White House)	EUR	100%	100%
10	GTC Duna Ltd. (Duna Tower)	EUR	100%	100%
11	VRK Tower Ltd. (Twist)	EUR	100%	100%
12	Kompakt Land Ltd. (Pillar)	EUR	100%	100%
13	Globe Office Investments Ltd. (Váci Greens D)	EUR	100%	100%
14	Office Planet Ltd. ⁽²⁾	EUR	100%	-
15	GTC Business Park d.o.o. Beograd	EUR	70%	-
16	GTC Medunarodni Razvoj Nekretnina d.o.o. Beograd	EUR	70%	-
17	GTC BBC d.o.o	EUR	70%	-
18	Demo Invest d.o.o.	EUR	70%	-
19	Atlas Centar d.o.o.	EUR	70%	-
20	Halsey Investments Sp. z.o.o. ⁽²⁾	EUR	100%	-
21	Winmark Ltd. (Universum) ⁽³⁾	EUR	100%	-

⁽¹⁾ The company is under liquidation

⁽²⁾ Newly established fully owned subsidiary in 2021

⁽³⁾ Acquired fully owned subsidiary in 2021

All inter-company balances and transactions are eliminated on consolidation.

6. Events in the period

On 5 March 2021, Globe Office Investments Ltd an indirect wholly-owned subsidiary of the Company signed a sale and purchase agreement with a company related to the majority shareholder of the Company for the purpose of acquisition of a Class A office building on Váci corridor (Vaci Green D), Budapest for a consideration of EUR 51 million. Subsequently on 19 March 2021 a loan agreement in the amount of EUR 25 million with Erste Group Bank AG was signed for the purpose of financing the acquisition. The transaction was closed on 30 April 2021.

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6. Events in the period (continued)

On 11 March 2021, GTC Real Estate Development Hungary Pltd. signed a sale purchase agreement to acquire a Napred company, 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 cca 79,000 sqm. The transaction is expected to be finalized during 2021 upon certain conditions precedents are fulfilled.

On 12 March 2021, Office Planet Ltd. was newly founded and on 1 April 2021, it acquired 70% shares in companies GTC Business Park d.o.o. Beograd, GTC Medunarodni Razvoj Nekretnina d.o.o. Beograd, GTC BBC d.o.o., Demo Invest d.o.o. and Atlas Centar d.o.o. via share capital increase.

On 17 March 2021, GTC Real Estate Development Hungary Pltd. issued 10-year green bonds with the total nominal value of EUR 53.8 million denominated in HUF to finance real estate acquisitions, redevelopment and constructions of projects. The bonds are fully and irrevocable guaranteed by GTC SA 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 the 70% of the value paid at the maturity on 17 March 2031.

On 17 March 2021, GTC Real Estate Development Hungary Pltd. 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 30 April 2021, Globe Office Investments Ltd an indirect wholly-owned subsidiary of the Company closed transaction on acquisition from a company related to the majority shareholder of the Company a 15,700 sqm Class A office building on Váci corridor (Vaci Green D) in Budapest for a consideration of EUR 51 million. The transaction was partially financed by a bank facility in the amount of EUR 25 million.

On 12 May 2021, GTC Real Estate Development Hungary Zrt., a wholly owned subsidiary of the Company, acquired 100% holding of Winmark Ingatlanfejlesztő Kft ("Winmark"), which owns the Ericsson Headquarter Office Building and the Siemens Evosoft Headquarter 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 21 May 2021, GTC S.A. signed a sale and purchase agreement, concerning the sale of the entire share capital of Serbian subsidiaries including 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") which are owned by GTC Hungary Pltd. in 70%. 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 closing of the transaction is expected to take place in the third quarter of 2021 following the satisfaction of customary conditions precedent, including the completion of acquisition debt financing by the Buyer. Consequently, in the Financial Statements of GTC Hungary Pltd. these assets and liabilities are presented as asset held for sale.

On 9 June 2021, the registered share capital of GTC Hungary increased in the amount of EUR 7.85 million from its sole-shareholders cash contribution and simultaneously EUR 7.85 million cash contribution was transferred into the capital reserves of GTC Hungary.

On 23 June 2021, GTC Aurora Luxembourg S.A., a wholly-owned subsidiary of the Globe Trade Centre S.A., 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 within GTC Group.

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6. Events in the period (continued)

On 25 June 2021, GTC Aurora Luxembourg S.A. provided loan to GTC Real Estate Development Hungary Pltd. with the amount of EUR 490 million which then has been allocated to GTC Group subsidiaries for repayment of existing bank loans.

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 amount of EUR 13 million.

On 28 June 2021, the registered share capital of GTC Hungary increased in the amount of EUR 12.5 million from its sole-shareholders cash contribution and simultaneously EUR 12.5 million cash contribution was transferred into the capital reserves of GTC Hungary.

7. Investment Property

The Investment Properties are office space owned by the Group. The movements in investment property were as follows:

	Period ended 30 June 2021	Year ended 31 December 2020
Fair value as of 1 January	319,683	324,817
Additions investments property	495,765	46,314
Translation adjustment (Spiral office building)	-	(5,643)
Reduction of lease income (SIC 15)	(70)	(157)
Adjustment to fair value, net	7,510	15,073
Investment properties plots sold	-	(61,837)
Borrowing cost capitalized	769	1,116
Transfer to Property, Plant and Equipment	(600)	-
Transfer to Asset held for Sale (note 9)	(271,232)	-
Fair value as of 30 June / 31 December	551,825	319,683

The Investment properties can be split up as follows:

	Period ended 30 June 2021	Year ended 31 December 2020
Completed investment properties at fair value	422,438	206,138
Investment property under construction	75,800	60,300
Investment property landbank	53,587	53,245
Total	551,825	319,683

The valuations had been determined on a market value basis in accordance with the RICS valuation Standards. The valuations for investment properties were performed by Jones Lang LaSalle (JLL) accredited independent valuers with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

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at 30 June 2021

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7. Investment Property (continued)

Management is constantly monitoring its assets and believes that the value of assets as at the end of June 2021 reflects the current macroeconomic climate and expectations.

As at 30 June 2021 and 31 December 2020 the portfolio had the following vacancy rates, calculated based on Estimated Rental values, along with the following estimates of when vacancy will equal to the long-term rate:

	Period ended 30 June 2021	Year ended 31 December 2020
ERV SQM/Month/EUR (range)	6.6-18.2	6.6-15.2
Yield (range)	6.0%-9.8%	7.1%-9.8%
Average occupancy	97.5%	95.4%

As of 30 June 2021, the investment properties include the following projects:

- (a) Completed investment properties (at fair value):
- Center Point I (office)
 - Center Point II (office)
 - Duna Tower (office)
 - Metro (office)
 - GTC Future (office)
 - Váci Greens D (office)
 - Universum (office)
- (b) Investment property landbank (at cost):
- Szeremi Gate (office)
 - VRK Tower (office)
 - Center Point III (office)
 - GTC Future (Office)
- (c) Investment property under construction (at fair value):
- Pillar (office)

8. Cash and Cash Equivalents and Short-term deposits

Cash balance consists of cash in banks. Cash at banks earns interest at floating rates based on periodical bank deposit rates. All cash and cash equivalents are available for use by the Group.

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 (e.g. tenant deposits).

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(in thousands of Euros)

9. Asset held for sale and liabilities related to assets held for sale

The balance of assets held for sale increased significantly due to disposal of Serbian entities (for detail please refer to Note 6).

The balance of assets held for sale as of 30 June 2021 was as follows:

	Real Estate	Cash and deposit	Other Assets	Total
Atlas Centar	106,924	4,204	730	111,858
Demo Invest	62,052	2,522	793	65,367
GTC BBC	38,714	1,685	822	41,221
GTC Business Park	37,860	2,177	159	40,196
GTC MRN	25,682	2,312	210	28,204
	271,232	12,900	2,714	286,846

The balance of liabilities related to assets held for sale as of 30 June 2021 was as follows:

	Lease Liability	Loans	Deferred Tax Liability	Other Liabilities	Total
Atlas Centar	924	61,086	3,292	2,850	68,152
Demo Invest	1,126	37,931	2,192	1,399	42,648
GTC BBC	714	28,674	173	1,232	30,793
GTC Business Park	960	21,013	2,797	758	25,528
GTC MRN	-	15,192	2,318	432	17,942
	3,724	163,896	10,772	6,671	185,063

Balance of loans includes shareholder loans from GTC S.A. (please refer to Note 11).

10. Non- current and current portion of borrowing

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

	Currency linkage	30 June 2021	31 December 2020
Loan from OTP (Center Point I)	EUR	21,131	21,538
Loan from OTP (Center Point II)	EUR	25,827	26,324
Loan from OTP (Duna Tower)	EUR	36,416	37,117
Loan from CIB (Metro)	EUR	-	12,105
Loan from Erste (Váci Greens D)	EUR	24,063	-
Loan from OTP (Universum)	EUR	80,000	-
Loan from UniCredit (Pillar)	EUR	33,242	13,718
Bonds issued in 2020 (GTC Hungary)	EUR	112,532	108,614
Bonds issued in 2021 (GTC Hungary)	EUR	56,266	-
Deferred debt expenses	EUR	(2,535)	(1,700)
		386,942	217,716

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10. Non- current and current portion of borrowing (continued)

	Currency linkage	30 June 2021	31 December 2020
Loan from OTP (Center Point I)	EUR	813	813
Loan from OTP (Center Point II)	EUR	994	994
Loan from OTP (Duna Tower)	EUR	1,401	1,401
Loan from Erste (Váci Greens D)	EUR	928	-
Loan from CIB (Metro)	EUR	-	1,172
Bonds issued in 2020 (GTC Hungary)	EUR	611	-
Bonds issued in 2021 (GTC Hungary)	EUR	144	-
		4,891	4,380

Repayments of long-term loans are scheduled as follows:

	30 June 2021	31 December 2020
First year	4,891	4,380
Second year	4,540	4,380
Third year	5,122	4,860
Fourth year	6,591	5,595
Fifth year	107,775	13,809
Thereafter	265,448	190,774
	394,367	223,798

11. Related party transactions

The Company has entered into a variety of transactions with its related parties. It enters into transactions in the normal course of business on an arm's-length basis. The transactions with related parties are made at normal market prices.

Since 2021 the Company acts as financing entity for certain related parties. Loans granted to related parties as of 30 June 2021 amount to EUR 424,024 (EUR 0 as of 31 December 2020).

Long-term loans from related parties as of 30 June 2021 amount to EUR 632,327 (EUR 139,989 as of 31 December 2020). The increase mainly caused by a new loan from GTC Aurora Luxemburg.

Outstanding loans from and to related parties are unsecured and presented with accrued interest.

12. Taxation

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

For the six month ended 30 June

	2021	2020
Previous years and current year tax expense	1,188	92
Deferred tax expense	2,085	241
Total income tax expense	3,273	333

The Group pay taxes in jurisdiction of Hungary and Serbia. The Group does not constitute a tax group under Hungarian legislation. Therefore, every subsidiary in the Group is a separate taxpayer

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at 30 June 2021

(in thousands of Euros)

13. Covid-19

The COVID-19 pandemic has triggered a wave of strong negative 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. However, the scope and duration of the pandemic and possible future containment measures are still impossible to predict. During 2020 and in the six-month period ended 30 June 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 Group assets' values.

The government adopted tenant support packages, such as rent support through subsidizing part of any rental discounts. 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 spendings, such as reducing rent, allowing rent payment in instalments, waiving late payment interest and service charges.

As of 30 June 2021, investment properties have been valued by external independent appraisers as described in the Note 7 Investment properties. Those appraisals have been performed in a context of the current COVID-19 pandemic characterised by lack of transactions since the outbreak of the pandemic and difficulties to estimate future market prospects. The increased uncertainty and increased volatility in the financial markets might have an effect in the future asset valuations. While the exact effect of the coronavirus is unknown and unknowable, it is clear that it poses substantial risks of reduction of income, increasing yields, increasing collection costs, and FX volatility.

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 of 30 June 2021, the Group holds cash in the amount of EUR 181.3 million.

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.

14. Commitments

As of 30 June 2021 (31 December 2020), the Group had commitments contracted for in relation to future building construction without specified date, amounting to EUR 25.4 million (EUR 47.4 million). These commitments are expected to be financed from available cash and current financing facilities, other external financing or future installments under already contracted sale agreements and yet to be contracted sale agreements.

