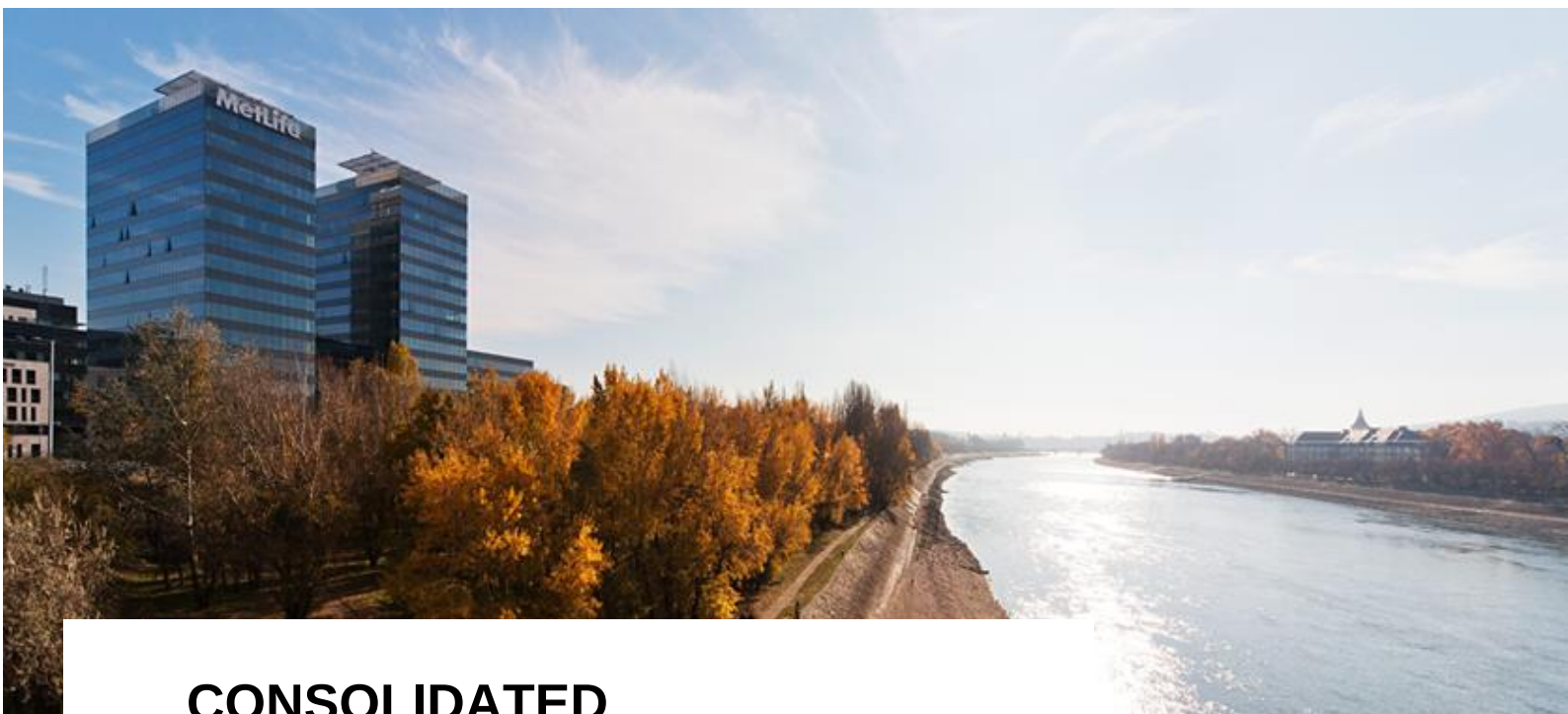




CONSOLIDATED

ANNUAL REPORT

**OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER**

2020

Place and date of publication: Warsaw, 23 March 2021

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Dear Stakeholders,

During the last few years, including 2020, we have grown our property portfolio through development and smart acquisitions, tightened our financial policy and strengthened our liquidity. Our asset management teams delivered excellent service to our tenants and maintained high levels of occupancy. The Group heightened its attention to ESG matters, issued green bonds and strengthened its contribution to the well-being of the communities it creates. We are proud that these accomplishments prepared us for the unforeseen challenges posed by the outbreak of COVID-19 during 2020.

COVID-19 IMPACT AND RESPONSE

Our immediate priority has been to work alongside and support the communities in which we operate, our suppliers and those customers most affected to protect the long-term value of our business. To help us achieve this, we implemented multi-pronged measures to support tenants and encourage consumer spending, such as reducing rent, allowing rent payment in instalments, waiving late payment interest and service charges. The financial impact of this in terms of lost operating profit was € 15m. Overall, we have collected 99% of the rent originally due for the year (99% for offices and 97% for retail). The value of the portfolio declined 5% as ongoing structural challenges were exacerbated at the year-end valuation date by the effects of Covid-19.

In the office segment, occupiers are working on plans to get back to the workplace and most feel that it is too early to make fundamental long-term changes regarding their requirements. However, we are mindful that the trend towards greater flexibility may accelerate following this prolonged period of working from home. At the same time, there will be a greater focus on high quality, modern and safe environment, which provides more space per person and we expect the trend towards higher density offices and hot-desking to reverse. We continue to make progress on leasing discussions, particularly larger space requirements. We are encouraged by the strong level of activity we are seeing in the markets we operate.

CORPORATE GOVERNANCE

The year was also marked with a change on the corporate side of the Group. Spring brought a change of the key shareholder, as Lone Star sold its majority stake to Optimum Ventures Private Equity Fund. In autumn, the Supervisory Board appointed Yovav Carmi as the new CEO and strengthen the management team by further promoting Ariel Ferstman and Robert Snow, very experienced and motivated professionals, to the Management Board positions. We remain focused on executing the company strategy while taking active steps to further improve the balance sheet and operational results as proven by our year end strong FFO amounting to 66m despite the Covid-19 impact.

In August, the Management Board made a difficult decision to temporarily suspend the dividend payment for FY19. It was deemed to be an appropriate course of action given the circumstances and uncertainty of the outlook despite our financial resilience and performance during FY20. Going forward, the Management Board understands the importance of the dividend to shareholders. We will seek to resume dividends at an appropriate level as soon as there is a sufficient clarity of outlook. To achieve this, we will need to see a significant improvement in rent

collection and have more visibility on the post lockdown productivity of our assets, principally how quickly retail customers and office workers return.

REVIEW OF THE YEAR

At the end of 2020, our property portfolio reached €2.1 billion. Total revenues were at €160 million. The Group's EPRA net asset value (NAV) now stands at €1.1 billion, reflecting the high quality of our portfolio and low leverage: net loan-to-value (LTV) was 45% at year-end. GTC has a low cost of debt averaging 2.3% and a strong net interest coverage ratio (ICR) of 3.7×. Occupancy across the whole portfolio was steady at 91%.

Our local asset management teams continued to outperform and showed that long-standing relationship with tenants combined with very good quality of the portfolio can bring new leases even in more challenging times: the LPP Group decided to open the biggest Polish Sinsay store in Galeria Północna, Mobica and Barry Callebaut expanded their offices in University Business Park, EoN prolonged office space in City Gate, Modis ,World Bank and Commerzbank chose Advance Business Center II, while Generali leased office space in Matrix B. Additionally, IKEA and Bershka will open their stores in the Mall of Sofia.

During the year we also decided to refresh our portfolio: we sold one of our Hungarian assets, the Spiral office building, generating €41m of free cash to finance new acquisitions and implementing new projects. At the beginning of 2020, we completed the construction of the final building of the Green Heart office complex in Belgrade, followed by Advance Business Center II in Sofia and Matrix B in Zagreb towards the end of the year. In 2020, we also commenced Sofia Tower 2, an A-class office building above the Mall of Sofia, and additionally, our development pipeline includes such great projects as Pillar in Budapest, which was fully pre-let prior to the commencement of construction.

We benefit from the work we have done over several years to strengthen our balance sheet. GTC remained active on the capital markets in 2020, raising about €110 million of senior unsecured bonds, providing additional flexibility that will be used for a combination of debt repayment, new developments and acquisitions. We issued HUF-denominated green bonds, further demonstrating our commitment to sustainability and financial innovation. The Group's strong market position was also confirmed by investment grade rating BBB- by Scope Ratings. Total available liquidity of the Group was €272 million at the end of 2020. As a result, GTC's finances are prepared for any opportunities or uncertainties which may lie ahead.

Invariably, sustainability has been our priority. We actively strive to deliver the most modern buildings, equipped with the latest technology solutions that meet the strict BREEAM or LEED criteria. The major accomplishment was LEED Platinum certification for two of our A-class buildings, Matrix A and Matrix B in Zagreb. Thus, 84% of all GTC properties now proudly bear an eco-friendly label. Additionally, we are working on the ESG policy to increase our market advantages, improve financial results and reduce operational risk. It is another step forward for the company to develop environmental protection, social care and corporate governance. As a result, we have embarked on a project to deliver the 2020 ESG report.

Near term, it is clear that the management and maintenance of places and buildings are likely to become more important to businesses, their customers and their people, as they place an even greater focus on the safety and quality of their environments. As a result, our property management expertise is likely to become even more of a positive differentiator for our business.

In the longer-term, it is our view that many of the macro trends will accelerate. This includes the growth of online shopping, reinforcing our focus on delivering a smaller, more focused retail business. We continue to believe there remains a role for the right kind of retail within our portfolio especially assets that can play a key role for retailers in terms of fulfilment of online sales, returns and click-and-collect. This will particularly be the case for shopping malls located conveniently in and around key transport hubs. We also expect demand to polarise towards workspace which is high quality, modern and sustainable and supports more flexible working patterns. However, it remains early days and we do not yet have clarity around what long term trends will emerge so we will remain alert as things develop, and be flexible in our approach, including evolving or adapting our strategy as appropriate.

Our success, and our ability to face future challenges, would not be possible without our employees, tenants, banks and bondholders. Whatever 2021 holds, we look forward to working together and believe the future is bright as we step in 2021 trusting that we could enhance the deal flow, mitigate risk and optimize performance effectively through our regional platform.

*Sincerely,
Members of the Management Board
Globe Trade Centre S.A.*



Yovav Carmi
CEO



Ariel A. Ferstman
CFO



Gyula Nagy
Board Member



Robert Snow
Board Member

MANAGEMENT BOARD'S REPORT

ON THE ACTIVITIES OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP
IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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1. Introduction

The GTC Group is a leading real estate investor and developer focusing on Poland and capital cities in Eastern and Southern Europe: Belgrade, Budapest, Bucharest, Zagreb, and Sofia. The Group was established in 1994.

Group's portfolio comprises: (i) completed commercial properties; (ii) commercial properties under construction; (iii) a commercial landbank intended for future development (iv) assets held for sale, and (v) residential landbank.

GTC GROUP:

Poland,
Budapest,
Belgrade,
Bucharest, Sofia,
and Zagreb

Since its establishment and as of 31 December 2020, the Group has: (i) developed approximately 1.2 million sq m of gross commercial space and approximately 300 thousand sq m of residential space; (ii) sold approximately 600 thousand sq m of gross commercial space in completed commercial properties and approximately 300 thousand sq m of residential space; and (iii) acquired approximately 160 thousand sq m of commercial space in completed commercial properties. Additionally, GTC Group developed and sold over 100 thousand sq m of commercial space and approximately 76 thousand sq m of residential space through its associates in the Czech Republic.

As of 31 December 2020, the Group's property portfolio comprised the following properties:

- 48 completed commercial buildings, including 43 office buildings and five retail properties with a total combined commercial space of approximately 753 thousand sq m of GLA, of which the Group's proportional interest amounts to approximately 743 thousand sq m of GLA;
- 2 office buildings under construction with a total GLA of approximately 37 thousand sq m;
- commercial landbank designated for future development; and
- residential landbank.

48	753 000	2	landbank for
completed	sq m of	buildings	future
buildings	GLA	under	development
		construction	

As of 31 December 2020, the book value of the Group's portfolio amounts to €2,136,802 with: (i) the Group's completed investment properties account for 88% thereof; (ii) investment properties under construction for 3%; (iii) an investment landbank intended for future

development for 7%; (iv) right of use of lands under perpetual usufruct for 2% (v) assets held for sale for less than 1% and (vi) residential landbank account for less than 1%.

The Company's shares are listed on the Warsaw Stock Exchange and inward listed on the Johannesburg Stock Exchange. The Company's shares are included in mWIG 40.

The Group's headquarters are located in Warsaw, at Komitetu Obrony Robotników 45A.

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 Globe Trade Centre S.A.

the Group or the GTC Group are to Globe Trade Centre S.A. and its consolidated subsidiaries

Shares are to the shares in Globe Trade Centre S.A., which were introduced to public trading on the Warsaw Stock Exchange in May 2004 and later and are marked under the PLGTC0000037 code and inward listed on Johannesburg Stock Exchange in August 2016 and are marked under the ISIN PLGTC0000037 code

Bonds are to the bonds issued by Globe Trade Centre S.A. and introduced to alternative trading market and marked with the ISIN codes PLGTC0000177, PLGTC0000219, PLGTC0000227, PLGTC0000235, PLGTC0000243, PLGTC0000268, PLGTC0000276, PLGTC0000292, PLGTC0000318 and HU0000360102GTC

the Report are to the consolidated annual report prepared according to art. 71 of the Decree of the Finance Minister of 29 March 2018 on current and periodical information published by issuers of securities and conditions of qualifying as equivalent the information required by the provisions of the law of a country not being a member state

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", 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

or net leasable area, NLA	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 or retail leasable area of a property multiplied by add-on-factor;
Commercial properties	are to properties with respect to which GTC Group derives revenue from rent and includes both office and retail properties
FFO, FFO I	are to profit before tax less tax paid, after adjusting for non-cash transactions (such as fair value or real estate re-measurement, share-based payment provision and unpaid financial expenses) and one-off items (such as FX differences and residential activity);
EPRA NAV	are to total equity less non-controlling interest, less deferred tax liability related to real estate assets and derivatives at fair value
EBITDA	are to earning before fair value adjustments, interest, tax, depreciation, and amortization;
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
PLN or zloty	are to the lawful currency of Poland
HUF	are to the lawful currency of Hungary
JSE	are to the Johannesburg Stock Exchange

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 PLN 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 given for each of the markets is as of 31 December 2020.

INDUSTRY AND MARKET DATA

In this Report the Group sets out information relating to its business and the markets in which it operates and in which its competitors operate. The information regarding the markets, their potential, macroeconomic situation, occupancy rates, rental rates, and other industry data relating to the Group's markets are based on data and reports compiled by various third-party entities. The information included in that section is not expressed in thousand and is prepared by Jones Lang LaSalle IP, Inc („JLL"). It is based on material that JLL believes to be reliable. While every effort has been made to ensure its accuracy, GTC cannot offer any warranty that contains no factual errors.

Moreover, in numerous cases, the Group has made statements in this Report regarding the industry in which it operates based on its own experience and examining market conditions. The Group cannot guarantee that any of these assumptions properly reflect the Group's understanding of the markets on which it operates. Its internal surveys have not been verified by any independent sources.

FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements relating to future expectations regarding the Group's business, financial condition, and results of operations. You can find these statements by looking for words such as "may", "will", "expect", "anticipate", "believe", "estimate", and similar words used in this Report. By their nature, forward-looking statements are subject to numerous assumptions, risks, and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by forward-looking statements. The Group cautions you not to place undue reliance on such statements, which speak only as of this Report's date.

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

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

2. Selected financial data

The following tables present the Group's selected historical financial data for the financial year ended 31 December 2020 and 2019. The historical financial data should be read in conjunction with Item 5. "Operating and Financial Review" and the consolidated financial statements for the year ended 31 December 2020 (including the notes thereto). The Group has derived the financial data presented in accordance with IFRS from the audited consolidated financial statements for the year ended 31 December 2020.

Selected financial data presented in PLN is derived from the consolidated financial statements for the year ended 31 December 2020 presented in accordance with IFRS and prepared in the Polish language and Polish zloty as a presentation currency.

The reader is advised not to view such conversions as a representation that such zloty amounts actually represent such euro amounts or could be or could have been converted into euro at the rates indicated or at any other rate.

	For the 12-month period ended 31 December			
	2020		2019	
(in thousands)	€	PLN	€	PLN
Consolidated Income Statement				
Revenues from operations	160,121	711,706	169,762	729,637
Cost of operations	(41,527)	(184,579)	(41,876)	(179,983)
Gross margin from operations	118,594	527,127	127,886	549,654
Selling expenses	(1,307)	(5,809)	(2,017)	(8,669)
Administrative expenses	(11,712)	(52,057)	(14,410)	(61,934)
Profit/(loss) from revaluation/impairment of assets, net	(142,721)	(649,116)	16,190	69,779
Financial income/(expense), net	(34,913)	(155,182)	(34,254)	(147,224)
Net profit / (loss)	(70,861)	(328,741)	75,421	324,319
Basic and diluted earnings per share (not in thousands)	(0.14)	(0.67)	0.15	0.66
Weighted average number of issued ordinary shares (not in thousands)	485,555,122	485,555,122	484,659,406	484,659,406
Consolidated Cash Flow Statement				
Net cash from operating activities	100,325	445,925	101,407	435,849
Net cash used in investing activities	(30,298)	(134,631)	(9,882)	(42,447)
Net cash from/(used in) financing activities	27,713	123,178	7,549	32,910
Cash and cash equivalents at the end of the period	271,996	1,255,207	179,636	764,980
Consolidated statement of financial position				
Investment property (completed and under construction)	1,942,082	8,962,320	2,087,268	8,888,631
Investment property landbank	140,367	647,766	115,277	490,907
Right of use	42,679	196,955	44,485	189,439
Residential landbank	10,094	46,582	13,388	57,013
Assets held for sale	1,580	7,291	-	-
Cash and cash equivalents	271,996	1,255,207	179,636	764,980
Others	71,959	322,077	82,688	352,127
Total assets	2,480,757	11,448,198	2,522,742	10,743,097
Non-current liabilities	1,274,363	5,880,931	1,192,168	5,076,847
Current liabilities	232,246	1,071,769	271,912	1,157,938
Total Equity	974,148	4,495,498	1,058,662	4,508,312
Share capital	11,007	48,556	11,007	48,556

3. Key risk factors

RISK FACTORS RELATING TO THE GROUP'S BUSINESS

THE IMPACT OF THE SARS-COV-2 VIRUS AND THE COVID-19 DISEASE 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:

- 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);
- 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;
- 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;
- the dynamics of securing the financing required for funding current and planned real estate projects - in the form of delays in obtaining or the failure to obtain such financing;
- the timetables of construction work - 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
- 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 cause the precautionary restrictions introduced in countries in which the Group operates to be re-imposed or that new, more strict measures will 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 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 materialization of risks connected therewith.

THE GROUP'S BUSINESS COULD BE AFFECTED IF THE GENERAL ECONOMIC CONDITIONS IN THE COUNTRIES IN WHICH THE GROUP OPERATES CONTINUE OR WORSEN

A deterioration of the general economic conditions and the real estate market in the countries where the Group operates may adversely affect customers' willingness and ability to secure financing and purchase or lease property. If such demand falls, the Group may have to sell or let its projects at a loss or may not be able to sell or let its projects at all. A potential downturn in the general economic conditions and the real estate market in Poland or other countries in which the Group operates, resulting from the outbreak of the COVID-19 pandemic or otherwise, may also lead to a drop in the market value of the Group's properties. The financial markets crisis may also adversely affect the Group's business in other ways, for example, if tenants of the Group or the financial institutions that provide the Group with financing go bankrupt.

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

THE GROUP MAY FAIL TO IMPLEMENT ITS STRATEGY

The Group has its growth strategy approved pursuant to which it plans to: (i) expand its portfolio by acquiring and improving yielding properties in Poland and in capital cities in countries where the Group operates, supplemented by selected, most attractive development projects in the Group's Property Portfolio; (ii) improve the efficiency of its asset management activities and maximize operating performance and efficiency, and (iii) sell its non-core assets which may allow the Group to reduce its financial leverage or obtain funds to be used for new investments.

As a result, certain properties and qualities of the portfolio may change in terms of the geographic split, the ratio of the value of completed properties and the value of properties under construction, as well as the portfolio's split by asset classes (i.e., retail, office, residential and other properties). As a result, various metrics of the Group's business and recurring cash flows derived from rental income may change. Moreover, no assurance can be given that 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. In particular, the success of the Group's business strategy relies on assumptions and contingencies that may prove to be partially or wholly incorrect and/or inaccurate. This includes assumptions with respect to the level of profitability of the acquisition targets to be completed in the future and investment criteria which have been developed by the Group for the purpose of achieving the expected level of returns on the acquired properties.

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 of available properties for sale in the 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.

Should the Group experience these or other challenges, the Group may be unable to implement its strategy fully or at all; it may decide to change, suspend or withdraw from its strategy or development program, and it may be unable to achieve, or it could encounter delays in achieving, the planned synergies and desired benefits from its strategy and development program. This could have a material adverse effect on the Group's business, financial condition, results of operations.

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

The Group presents the vast majority of its real estate properties at a fair value, which has been estimated by external real estate valuation experts.

The valuation of property is inherently subjective and uncertain since it is done on the basis of assumptions which may differ from actual future developments. For example, the valuation reports were prepared on the basis of certain forecasts and assumptions regarding the real estate market in geographic markets in which the Group operates.

The fair value of investment properties and the undeveloped landbank is established semi-annually (i.e. as of 30 June and 31 December of each year) by independent certified appraisers based on discounted projected cash flows from the investment properties using discount rates applicable for the relevant local real estate market or, in case of some of the real properties, using the sales comparison approach. In most instances the independent certified appraisers do not, prepare valuations for 31 March and 30 September of each year. Such valuations are reviewed internally and, if necessary confirmed by our 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 Poland and other markets in which the Group operates compared to mature markets. Moreover, a lack of comparable transactions, experienced particularly during difficult times such as the lockdowns, forces valuation experts to rely on yields derived from theoretical models and estimates rather than actual market yields.

Additional factors that impact the valuation and, specifically, the planning of projects are the construction costs as estimated by the Group and established on the basis of current prices and future price forecasts, whereas the actual costs may be different. Moreover, some of the valuations are based on certain assumptions regarding future zoning decisions. Such assumptions may turn out not to be fulfilled which may result in the Group not being able to develop certain property in line with the plan. 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.

In addition, a decrease in the value of the real estate properties of the Group may also negatively affect the Group's covenants to maintain certain levels of loan-to-value ratios established in connection with the Group's loans incurred to finance projects and the ability of the Group to raise and service its debt funding. Each such event may have a material adverse effect on the Group's business, financial condition, 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 least semi-annual basis in accordance with its accounting policy. Consequently, in accordance with IAS 40 "Investment Property" as adopted by the EU, any increase or decrease in the value of its properties accounted for in accordance with fair value models recorded as a revaluation gain or loss in the Company's consolidated income statement for the period during which the revaluation occurs. 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 are satisfied, a loss is recognized 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, the Group may recognize revaluation losses and impairment of assets and residential projects as well as profits 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, 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 all commercial properties, as well as achieving the desired tenant mix in the case of retail properties. This is particularly relevant with respect to the Group's large scale commercial properties. 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 the 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 during 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 it 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, 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 unlocking value 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 is not an income-generating one 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 realize 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 maximizing the operating performance and efficiency of the active management 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 Company's business, financial condition, 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 NOI. Such an analysis is subject to a wide variety of factors and 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 decision are inaccurate or based on assumptions that turn out to be incorrect. Such judgment errors may lead to 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 us to revise the Group's 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. If the Group does not find out about these risks, this could lead the Group to economic and financial disadvantages. The Group cannot guarantee that it will be able to pursue remedies against the respective seller for the non-disclosure 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, 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 economy as well as the conditions of the portfolio itself (including future acquisitions of properties and the performance of the existing portfolio), the development of the selected existing projects, their infrastructure condition, the specific properties, and the vacancy rates. All these elements are subject to various factors, some of which are outside the Group's control. In particular, due to increased competition and pressure on rents and the worsening of the

financial condition of tenants, the Group may not be able to renew the expiring leases of its current properties on favorable terms and conditions (if at all) or find and retain tenants willing to enter into leases on terms that are at least as favorable as those on which the Group has rented its properties thus far. Moreover, the Group's portfolio has included and will continue to include numerous properties with non-fixed rents tied to the turnover of the tenants. Accordingly, if the turnover of such tenants declines, the rent payable by them will also decrease. In addition, the Group has no impact on the operations of its tenants and may not be able to monitor on an ongoing basis the tenants' turnover in order to ensure that the level of turnover reflects the best and actual performance efforts of its tenants. Consequently, the amounts of rental income generated by the Group's office and retail properties in the past cannot be used to predict future rental income, and there can be no assurance that rental income will develop positively in the future.

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 reorienting its portfolio and intends to acquire accretive and value-added properties and sell its non-core assets. In accordance with such strategy, newly acquired properties are intended to be integrated with the existing portfolio and rented 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 realize its expected rates of return on the new acquisitions.

Less positive or negative development of rental income and profits could have a material adverse effect on the Group's business, financial condition, results of operations.

THE TERMINATION OR EXPIRATION OF LEASE AGREEMENTS OR THE INABILITY TO RENT OUT EXISTING UNOCCUPIED SPACE COULD HAVE LASTING NEGATIVE EFFECTS ON THE GROUP'S PROFITABILITY AND ON THE VALUE OF THE GROUP'S PORTFOLIO

For the Group to be profitable over the long term, the income-generating properties it owns and intends to acquire in the future must be rented out without interruptions to the greatest extent possible. The same applies to maintaining the valuation of the properties the Group owns and thus the valuation of the overall portfolio. To the extent that leases are terminated or expire, the Group can give no assurance that the properties in question can be rented out again immediately, especially in light of potential softening demand for office or retail space which may be caused by the outbreak of the COVID-19 pandemic. An increased vacancy rate 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 already reflected in the valuation reports as of 31 December 2020. The fixed costs for maintaining 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, results of operations.

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

The majority of the Group's lease contracts are structured in a way that allows passing on certain of the costs related to the leased property to the tenant, including marketing cost, electricity cost on common space, real estate taxes, building insurance, and maintenance. However, the Group is not able to pass on all such costs to the tenants, especially in a very competitive environment, where the Company has to offer the attractive conditions to be able to compete with the other office buildings or has to improve the conditions offered to its tenants to be able to attract a new tenant to its retail project. 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 the tenants. The service charges of the properties may increase due to a number of factors, including an increase in the electricity costs or an increase in the maintenance cost. Moreover, if vacancy rates increase, the Company has to cover the portion of the service charge related to the vacant space. Some lease agreements provide for the maximum value combined rental rate and service charge paid by the tenant. In such cases, if the maintenance charges increase, the Group is unable to pass on such costs to the tenants.

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

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

The presence of reputable tenants, especially anchor tenants, in the Group's retail projects is important for its commercial success. Such tenants play an important part in generating customer traffic and making a building a desirable location for other tenants. 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 spendings, such as reducing rent, allowing rent payment in installments, 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 make space available at lower rental rates than the Group would typically 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 depend on: (i) the level of its vacancy rates; (ii) the increase and maintenance of occupancy on best achievable market terms; (iii) the level of lease rent and rent collection; (iv) optimization of property maintenance costs; and (v) the acquisition of real estate at lowest available prices, the 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 Company 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. 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 Company considers attractive may become difficult to complete. Accordingly, the implementation of the Company's strategy to make suitable investments in prime locations may be delayed or, even, become impossible.

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 targets for the Group. Each of these risks could have a material adverse effect on the Group's business, financial condition, results of operations.

THE GROUP CANNOT ASSURE PROFITABILITY OF ITS PROJECTS

The Group currently has no projects that are not profitable, however, in the past, the Group had several projects that were not primarily due to insufficient occupancy rates and rent levels. The Group cannot exclude that other projects may also start generating losses in the future. Any such development may have a material adverse effect on the Group's business, financial condition, 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 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 as needed through the timely sale of its projects at favorable prices or to vary its portfolio in response to economic or other conditions impacting the property value. It may be challenging 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, 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 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, results of operations.

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

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

The Group cannot guarantee 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 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, 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 general reputable contractors. 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. The Group's failure to hire general contractors on commercially reasonable terms could result in increased costs. Failure to hire general contractors at all could result in project delays or cancellations. Failure of the general contractors to meet accepted standards of quality and safety or to complete the construction within the agreed timeframe or within an approved budget may result in increased costs, project delays or claims against the Group. General contractors may face additional difficulties with obtaining qualified personnel if further restrictions or quarantine requirements are imposed on immigrant workers from outside the European Union. In addition, it may damage the Group's reputation and affect the marketability of the completed property. If the Group is unable to enter into contract 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, 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 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. The Group endeavors to require general contractors to secure the performance of their obligations under their respective agreements, in particular by presenting bank guarantees. However, there can be no assurance that such guarantees will cover the entire 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, 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 its 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, 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, labor, 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 canceled, which could have a material adverse effect on the Group's business, financial condition, 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 these projects do not, as of the date of delivery of this Report, 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 the 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 the intended use;
- discrepancies between the planned area and the post-construction area of developments; and
- obligations relating to the preservation and protection of the environment and the historical and cultural heritage of Poland and other 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 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 canceled, which may have a material adverse effect on the Group's business, financial condition, results of operations.

WITHOUT SUFFICIENT LOCAL INFRASTRUCTURE AND UTILITIES, THE CONSTRUCTION OF THE GROUP'S PROJECTS MAY BE DELAYED OR CANCELED, OR IT MAY BE UNABLE TO REALIZE 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 required 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 maybe 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 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, results of operations.

THE GROUP IS RELIANT ON PARTNERS AND CO-INVESTMENT AGREEMENTS FOR A PORTION OF ITS DEVELOPMENTS AND FACES COUNTERPARTY RISKS

A subsidiary of the Group may be a party to a shareholders agreement imposing some restrictions on it, including, inter alia, in relation to the disposal of its interest and its income and capital distribution entitlements. In addition, as a shareholder, the Group may be jointly and severally liable for costs, taxes or liabilities with its co-investors and, in the event of the subsidiary default, and the Group company may be exposed to more than its proportionate share of the cost, tax or liability in question. This could have an adverse effect on the Group's business, financial condition, and results of operations.

The Group is also exposed to the credit risk of its counterparties in such partnership or co-investment agreements and their ability to satisfy the terms of contracts Group companies have with them. This may have an adverse effect on the Group's business, financial condition, results of operations.

THE GROUP MAY BE SUBJECT TO LIABILITY FOLLOWING THE DISPOSAL OF INVESTMENTS

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, results of operations.

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

The environmental laws in CEE and SEE impose existing and potential requirements 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, 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 amount 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 specific 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. In addition, the Group may be unable, for a variety of reasons, including, in particular, the seller's insolvency, to enforce its claims under these assurances. If this were to occur, the Group might suffer a financial loss.

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, results of operations.

WHEN LEASING OR SELLING REAL ESTATE, THE GROUP COULD BE FACED WITH CLAIMS FOR GUARANTEES FOR WHICH IT DOES NOT HAVE ADEQUATE RECOURSE

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 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 these guarantees. Defects of which the Group was not aware, but of which it should have been aware when it concluded the transaction poses a particular risk. The Group's possible rights of recourse towards the sellers of properties could fail due to the inability of the persons in question to demonstrate that they 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. The occurrence of one or several of the aforementioned risks could have a material adverse effect on the Group's business, financial condition, 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 incurred 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 could lose the capital invested in the affected developments as well as anticipated future revenues from such projects. In addition, the Group could 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, results of operations.

THE GROUP IS DEPENDENT ON A LIMITED NUMBER OF KEY MEMBERS OF ITS MANAGEMENT

The Group's success depends on the activities and expertise of the members of its management. If the Group is unable to retain the key members of its management, this could result in a significant loss of expertise and could have a material adverse effect on the Group's business, financial condition, results of operations.

Additionally, in view of the increased spread of the COVID-19 pandemic, it cannot be excluded that key members of the Group's management will be subjected to quarantine and/or will test positive for COVID-19 pandemic what might result in such persons being subjected to isolation/hospitalization or not being able to devote sufficient time and resources to managing the Group's operations, and thus, could have an 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. 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 ADAPTING TO THESE CHANGES IN A TIMELY MANNER COULD CREATE A COMPETITIVE DISADVANTAGE AND DECREASE IN RENTAL REVENUE, WHILE ADAPTING TO CHANGES MAY REQUIRE ADDITIONAL CAPITAL EXPENDITURE

Over the 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. 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 a timely or appropriate manner. Additionally, the Group cannot assess at that stage what adjustments to its properties will be required going forward to adapt the properties to the changes in climate and what capital expenditure will be required to make those adaptations.

NOT ADAPTING TO THE NEW TECHNOLOGICAL SOLUTIONS IN A TIMELY MANNER COULD CREATE A COMPETITIVE DISADVANTAGE AND DECREASE IN RENTAL REVENUE

The Group continuously monitors innovative technological solutions (e.g., energy efficiency, data analysis in investment decisions, etc.) and keeps abreast of their development. The Group strives to meet the new technological challenges, as well as the changing market (e.g., the significant decrease of the popularity of "open plan" offices), new trends, and economic environment. However, it cannot be guaranteed that the Group will not suffer a competitive disadvantage or decrease in rental revenues in the future as a result of not adapting such new technological solutions in a timely or appropriate manner.

RISK FACTORS RELATING TO THE GROUP'S FINANCIAL CONDITION

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

As of the date of this Report the Group is substantially 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, results of operations. The Group's leverage could have material consequences for investors, including, but not limited to, could lead 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 that 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, 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 FAVORABLE TERMS

All of the Group's real estate developments have been financed through loans, which have been provided for a limited term. The Group might not be able to renew or refinance the remaining obligations in part or at all or might 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 CHANGES IN FOREIGN CURRENCY EXCHANGE RATES

The Group's financial statements are expressed in Euro, and the Company'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, labor costs, and remuneration for certain general contractors, are incurred in the currencies of the respective geographical markets, including Polish złoty, Bulgarian leva, Croatian kuna, Hungarian forint, Romanian lei or Serbian dinar.

In making the assumptions regarding the level 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 will be expressed in Euro. Therefore, no assurance can be given that the proceeds derived and expressed in Polish zloty will suffice to meet the investment requirements of the Group's contemplated acquisition pipeline. Whilst the companies of 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 their currency exposure by, inter alia, 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, inter alia, 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, results of operations.

THE GROUP IS SUBJECT TO INTEREST RATE RISK

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

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

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

RISK FACTORS RELATING TO THE MACROECONOMIC, POLITICAL AND LEGAL ENVIRONMENT IN THE MARKETS WHERE THE GROUP OPERATES

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

All of the Group's revenues are attributable to operations in CEE and SEE countries, particularly Poland, Romania, Serbia, Croatia, Bulgaria, and Hungary. 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 the 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 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 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. In particular, the armed conflict in the territory of Ukraine and uncertainties regarding the relationship with Russia may affect the attitude of investors towards the regional real estate market and their willingness to invest in the countries neighboring Ukraine and Russia, where the Group operates.

Furthermore, the governments of the developing countries in the CEE and SEE region may not have the resources necessary to provide fiscal stimulus in response to the economic downturn

caused by the outbreak of the COVID-19 pandemic on par with the levels implemented in developed countries.

The Group may not be able to realize its expected rates of return if the real estate markets in CEE and SEE countries in which the Group operates become saturated and competition increases. Real estate markets may reach saturation if the supply of properties exceeds demand. Saturation in these markets would result in an increase in vacancy rates and/or a decrease in market rental rates and sale prices. As the commercial real estate markets in CEE and SEE are characterized predominantly by short-term leases, the Group expects that rental rates will decrease promptly in response to a perceived oversupply of lettable commercial space in those markets. If vacancy rates rise and/or market rental rates decrease, the Group may not be able to realize its expected rates of return on its projects or may be unable to let or sell its properties at all, which could have a material adverse effect on the Group's business, financial condition, results of operations.

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

THE FUTURE OF THE COMMERCIAL REAL ESTATE MARKET IS UNCERTAIN

The outbreak of the COVID-19 pandemic has had a significant impact on the way companies operate their businesses. In light of forced lockdowns, many companies were required or allowed their employees to work from home. Prompted by the successful implementation of the above, the employers may continue to require or allow a growing number of their employees not to return to their physical offices for a prolonged period of time. This may result in a significant decrease in the aggregate demand for office real estate.

During the lockdowns introduced in the countries coping with the spread of the COVID-19 pandemic, shopping malls were among the first to be temporarily shut down. Even after they reopened, the footfall recorded in such shopping malls did not revert to the levels experienced before the outbreak of the pandemic. During the lockdown, a growing number of customers switched to shopping online and may not be willing to visit shopping malls as frequently as before the pandemic. As a result, the aggregate demand for retail space may decline in the future.

The materialization of the above risk would have a material adverse effect on the Group's business, financial condition, and results of operations.

THE REAL ESTATE MARKET IS CYCLICAL

The real estate market is cyclical. Consequently, the number of projects completed by the Group has varied from year to year, depending on, among other things, general macro-economic factors, changes in the demographics of specific metropolitan areas, availability of financing, and market prices of existing and new projects. Typically, growing demand results in greater expectations regarding the achieved profits and an increase in the number of new projects, as well as increased activity on the part of the Group's competitors. Because of the significant lag time between the moment a decision is taken to construct a project and its actual

delivery, due in part to the protracted process of obtaining the required governmental consents and construction time, there is a risk that once a project is completed, the market will be saturated and the developer will not be able to lease or sell the project with the anticipated level of profits. An upturn in the market is typically followed by a downturn as new developers are deterred from commencing new projects due to reduced profit margins. There can be no assurance that during a downturn in the market, the Group will be able to select projects which will fill actual demand during an upturn in the market. Additionally, the corporate bodies of the respective Group Companies that are expected to make certain investment decisions may not be able to properly assess the cycle of the real estate market and, consequently, accurately define the most favorable stage for completing the given investments.

All such events may have a material adverse effect on the Group's business, financial condition, results of operations.

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

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 an 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 stems 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.

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

Tax regulations in a number of countries the Group operates in, including Poland, 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 Company that the tax authorities will not employ a different interpretation of the tax laws which apply to the Group Companies, which may prove unfavourable 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 to comply 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 the Republic of Poland is 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.

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 endeavor 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.

CHANGES IN LAWS COULD ADVERSELY AFFECT THE GROUP

The Group's operations are subject to various regulations in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria, and other jurisdictions in which the Group conducts business activities, such as fire and safety requirements, environmental regulations, labor 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 in Poland 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 CEE and 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.

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

THE LAND AND MORTGAGE REGISTRY SYSTEMS IN CERTAIN OF THE CEE AND SEE JURISDICTIONS ARE NON-TRANSPARENT 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, inter alia, 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, 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 nationalization 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, 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 the title to a property has been vested in a relevant Group company due to the fact that real estate laws in Poland and other jurisdictions in which the Group operates are complicated and often ambiguous and/or contradictory and the relevant registries may not be reliable. For example, under the laws of Poland, transactions involving real estate may be challenged on many grounds, including where the seller or assignor to a given property did not have the right to dispose of such property, for a breach of the corporate approval requirements by a counterparty or a failure to register the transfer of a title in an official register, when required. Also, even if a title to real property is registered, it may still be contested. Therefore, there can be no assurance that the Group's claim to a title would be upheld if challenged. Further, it is possible that permits, authorizations, 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 challenges. Similar issues may arise in the context of compliance with privatization 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, authorizations, 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, results of operations.

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

THERE MAY BE POTENTIAL CONFLICT OF INTEREST BETWEEN THE GROUP AND THE GROUP'S CONTROLLING SHAREHOLDER

GTC Dutch Holdings B.V. ("GTC Dutch"), which is fully owned by GTC Holding Zártkörűen Működő Részvénytársaság, is GTC's majority shareholder as of the date of the delivery of this Report. GTC Holding Zártkörűen Működő Részvénytársaság, is fully owned by Optimum Ventures Private Equity Fund, which is managed by Optima Investment Fund Management Zrt ("Optima").

Optima representatives may constitute the majority of the supervisory board and may thus control the appointment of the management board. Consequently, Optima may influence the decision-making process in the Company. Accordingly, in considering any investment, business, and operational matters of the Company and the most appropriate uses for the Company's available cash, the interests of Optima may not be aligned with the interests of the Company or of its other stakeholders.

Moreover, Optima operate in the same market as the Group and they may compete over investments that the Group may be interested in. Any such conflicts of interest may have an adverse effect on the Group's business, financial condition, results of operations.

Furthermore, as in the case of any significant shareholder, all of the shares of the Company may be offered for sale without any restrictions, and there can be no assurance as to whether or not they will be sold on the market and at which price. Such sale, or new issuance of shares, may adversely affect the price of the Company's share in the market or an offering of the Company's shares, if any.

BECAUSE THE COMPANY IS A HOLDING COMPANY, ITS ABILITY TO PAY DIVIDENDS DEPENDS UPON THE ABILITY OF ITS SUBSIDIARIES TO PAY DIVIDENDS AND ADVANCE FUNDS

The dividend policy is strictly connected with the general business strategy of the Group. The Group introduced a dividend policy in 2017, however, the amount which may be distributed by the Company in accordance with the Polish law depends on the net profit and certain other figures reflected in the Company's stand-alone financial statements. Such figures may differ from the figures included in the Group's consolidated financial statements, which are prepared in accordance with the IFRS.

As a holding company, the Company's ability to pay dividends depends upon the ability of its subsidiaries to pay dividends and advance funds to the Company. Therefore, there can be no assurance that the Company will declare or pay any dividends to its shareholders in the future. The payment and amount of any future dividends will depend on the management board's assessment of factors such as long-term growth and earnings trends, the need for sufficient liquidity, the need for investment in the Company's existing project portfolio, the existence of alternative investment opportunities and the Company's financial position in general. This may have a material adverse effect on the Group's business, financial condition, results of operations.

FUTURE OFFERINGS OF DEBT OR EQUITY SECURITIES OFFERED BY THE COMPANY MAY ADVERSELY AFFECT THE MARKET PRICE OF THE SHARES AND DILUTE THE SHAREHOLDERS' INTERESTS

To finance future acquisitions, the Company may raise additional capital by offering debt or additional equity securities, including convertible notes, medium-term notes, senior or subordinated notes, and ordinary shares. The issuance of equity or debt securities with conversion rights may dilute the economic and voting rights of existing shareholders if made without granting pre-emptive or other subscription rights or reduce the price of the Company's shares, or both. The exercise of conversion rights or options by the holders of convertible or warrant-linked bonds that the Company may issue in the future may also dilute the shareholders' interests. Holders of the Company's ordinary shares have statutory pre-emptive rights entitling them to purchase a percentage of every issuance of the Company's ordinary shares. As a result, holders of the Company's ordinary shares may, in certain circumstances, have the right to purchase ordinary shares that the Company may issue in the future in order to preserve their percentage ownership interest in the Company, thereby reducing the percentage

ownership interest of other investors. Because any decision by the Company to issue additional securities depends on market conditions and other factors beyond the Company's control, the Company cannot predict or estimate the amount, timing or nature of any such future issuances. Thus, prospective investors bear the risk of the Company's future offerings reducing the market price of the shares and diluting their interest in the Company.

4. Presentation of the Group

4.1 General information about the Group

The GTC Group is a leading real estate investor and developer focusing on Poland and capital cities in Eastern and Southern Europe: Belgrade, Budapest, Bucharest, Zagreb, and Sofia. The Group was established in 1994.

Group's portfolio comprises: (i) completed commercial properties; (ii) commercial properties under construction; (iii) a commercial landbank intended for future development (iv) assets held for sale, and (v) residential landbank.

Since its establishment and as of 31 December 2020, the Group has: (i) developed approximately 1.2 million sq m of gross commercial space and approximately 300 thousand sq m of residential space; (ii) sold approximately 600 thousand sq m of gross commercial space in completed commercial properties and approximately 300 thousand sq m of residential space; and (iii) acquired approximately 160 thousand sq m of commercial space in completed commercial properties. Additionally, GTC Group developed and sold over 100 thousand sq m of commercial space and approximately 76 thousand sq m of residential space through its associates in the Czech Republic.

As of 31 December 2020, the Group's property portfolio comprised the following properties:

- **48 completed commercial buildings**, including 43 office buildings and five retail properties with a total combined commercial space of approximately 753 thousand sq m of GLA, of which the Group's proportional interest amounts to approximately 743 thousand sq m of GLA;
- **Two office buildings under construction** with a total GLA of approximately 37 thousand sq m,
- **commercial landbank** designated for future development; and
- **residential landbank**.

As of 31 December 2020, the book value of the Group's portfolio amounts to €2,136,802 with: (i) the Group's completed investment properties account for 88% thereof; (ii) investment properties under construction for 3%; (iii) an investment landbank intended for future development for 7%; (iv) right of use of lands under perpetual usufruct for 2% (v) assets held for sale for less than 1% and (vi) residential landbank account for less than 1%.

The Company's shares are listed on the WSE and inward listed on the Johannesburg Stock Exchange. The Company's shares are included in mWIG40.

The Group's headquarters are located in Warsaw, at Komitetu Obrony Robotników 45A.

4.2 Main events of 2020

On 27 January 2020, Midroog announced a cessation of debt rating for Globe Trade Centre S.A. at the Company's request, in light of not raising debt in Israel.

On 13 February 2020, the Group signed with Erste Group Bank AG and Raiffeisenlandesbank Niederösterreich-Wien AG a loan agreement, which refinanced the existing loan of Galeria Jurajska with a top-up of €46,000, to a total of €130,000.

In March 2020, GTC Group completed the construction of the Green Heart N3 (5,400 sq m) office building in Belgrade.

The Covid-19 pandemic has triggered a wave of strong negative effects on the global economy which include a pronounced recession. 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. From mid-March 2020, it became apparent that the economic disruptions caused by the COVID-19 virus and the increased market uncertainty combined with increased volatility in the financial markets might lead to a potential decrease in rental revenues, a potential decrease in the Company assets' values, as well as impact on the Company's compliance with financial covenants. While the exact effect of the coronavirus is still to be determined, it is clear that it poses substantial risks. (see *item 5.2 in this Report and note 36 in the consolidated financial statements for the year ended 31 December 2020*).

On 9 April 2020, Mr. Alexander Hesse, Chairman of the supervisory board, resigned from the supervisory board of the Company, effective 16 April 2020.

On 16 April 2020, the GTC Dutch Holdings B.V appointed Mr. Christian Harlander as a supervisory board member.

On 16 April 2020, the supervisory board of the Company chose Mr. Jan-Christoph Düdden as a chairman of the supervisory board.

On 16 April 2020, the supervisory board of the Company appointed Mr. Yovav Carmi as a member of the management board of the Company.

On 22 June 2020, the supervisory board of the Company dismissed Thomas Kurzmann from the position of member of the management board of the Company and appointed Robert Snow to the management board of the Company effective as of the moment of receipt by the Company of the notification issued by LSREF III GTC INVESTMENTS B.V. regarding the indirect disposal of shares in the share capital of the Company resulting from the disposal by LSREF III GTC INVESTMENTS B.V. of all of the shares in the share capital of GTC DUTCH HOLDINGS B.V.

On 23 June 2020, GTC Holding Zártkörűen Működő Részvénytársaság ("GTC Holding Zrt") registered in Budapest, Hungary, bought 100% of shares of GTC Dutch Holdings B.V. (the "Majority Shareholder") from LSREF III GTC Investments B.V. registered in Amsterdam, the Netherlands. GTC Dutch Holdings BV owns 298,575,091 shares of the Company, representing 61.49% of the shares in the share capital of the Company. After the abovementioned acquisition, GTC Holding Zrt (i.e. through the Majority Shareholder) holds indirectly 298,575,091 shares of the Company, representing 61.49% votes in the Company.

On 23 June 2020, the Company received resignations of the following five members of the supervisory board of Globe Trade Centre S.A.: Jan-Christoph Düdden, Olivier Brahin, Patrick Haerle, Christian Harlander, and Katharina Schade, such resignations being effective as of the moment of receipt by the Company of the notification issued by LSREF III GTC INVESTMENTS B.V. regarding the indirect disposal of shares in the share capital of the Company resulting from the disposal by LSREF III GTC INVESTMENTS B.V. of all of the shares in the share capital of GTC DUTCH HOLDINGS B.V.

On 23 June 2020, the GTC Dutch Holdings B.V appointed Dr. Zoltán Fekete, Mr. Balázs Figura, Dr. János Péter Bartha, Mr. Bálint Szécsényi and Mr. Péter Bozó as members of the supervisory board of the Company, effective immediately.

On 1 July 2020, the supervisory board of the Company appointed Mr. Gyula Nagy as a member of the management board of the Company.

On 1 July 2020, the supervisory board of the Company chose Mr. Zoltán Fekete as a Chairman of the supervisory board.

On 28 July 2020, the Supervisory Board of the Company appointed Mr. Ariel Alejandro Ferstman as a member of the management board of the Company.

On 28 July 2020, the Company and Mr. Erez Boniel have mutually agreed to terminate his appointment as a member of the management board of the Company.

On 28 July 2020, the supervisory board of the Company, following the recommendation of the management board hereby issued a positive opinion on the management board's proposal to deviate from published dividend policy (dividend policy published on 20 March 2017) and retain the profit for the year ended 31 December 2019 in the amount of PLN 321,756 by the Company and allocate to the reserve/supplementary capital. Thus the supervisory board of the Company recommends not to pay dividends out of profits earned by the Company in the financial year ended on 31 December 2019. The final decision regarding the distribution of the Company's profit for the year ended 31 December 2019 was made by the general meeting of the Company. On 27 August 2020, the general meeting of the Company decided not to distribute a dividend for 2019.

In July 2020, Dorado 1 EOOD, a wholly-owned subsidiary of the Company has started the construction of an office building (Sofia Tower 2) in Sofia, Bulgaria. The project shall consist of 8,300 sq m of leasable area. The total investment for the development of Sofia Tower 2 is EUR estimated at EUR 13,340. Superb location in the CBD, close proximity to a metro station, easy access from the main road, excellent public transportation and large variety of amenities are only few of the strengths of Sofia Tower II. Moreover, the project will support the shopping center with additional 1000 people/employees per day who will use the food court units and the other amenities. Sofia Tower 2 will offer Class A+ energy efficiency and LEED Gold standard and as a result will be financed with Green Bonds Proceeds. The project is expected to be completed in the second quarter of 2022.

On 17 September 2020, a Centrum Światowida Sp. z o.o., a wholly-owned subsidiary of the Company, operating the Galeria Północna shopping mall, entered into an annex to a loan agreement with Bank Pekao SA in order to relax the debt service coverage ratio (DSCR) covenant and to cure the loan-to-value (LTV) covenant breach. According to the annex, the subsidiary repaid in advance a part of the outstanding loan in the amount of €9,500 and agreed to repay additionally up to €3,000 within 12 months of the date of the Annex. DSCR covenant was relaxed for 18 months from the date of the signed annex. As of the date of these financial statements the financial covenants are cured.

On 18 September 2020, the supervisory board of the Company appointed Yovav Carmi as the president of the management board of the Company.

In September 2020, the Group acquired the remaining 20% in Marlera Golf LD d.o.o. for consideration of €2,800, €1,800 of which was paid in September 2020 (the remaining part of €1,000 will be paid upon completion of certain conditions). Following the transaction, GTC remained the sole owner of the subsidiary. As a result of the transaction, the NCI increased by €3,600, and the capital reserve decreased by €6,400. Consequently, the total equity decreased by €2,800.

On 20 October 2020, Spiral I Kft., an indirect wholly-owned subsidiary of the Company, signed a sale and purchase agreement for the sale of Spiral office building for consideration of €62,700. On 5 November 2020, all conditions precedent for the sale were concluded, and the purchase price was paid in full. In parallel with the closing Spiral I kft repaid the full outstanding amount of the loan with Erste Bank.

On 27 October 2020, the Company received a notification from GTC Holding Zártkörűen Működő Részvénytársaság with its registered office in Budapest, Hungary ("GTC Holding Zrt") regarding an increase to 66% in the total number of votes in the Company. The acquisition of the above-mentioned shares took place as a result of the conclusion on 22 October 2020 and settlements on 23 October 2020 (in relation to shares acquired from other than South African shareholders of the Company) and on 27 October 2020 (in relation to shares acquired from South African shareholders of the Company) of

GTC Holding
Zártkörűen Működő
Részvénytársaság
and
GTC Holding Zrt
holds together
66%

transactions of resulting from acceptance of subscriptions for the sale of shares under the tender offer for the sale of shares in the Company announced by GTC Holding Zrt on 7 September 2020. After the abovementioned acquisition, GTC Holding Zrt holds directly and indirectly 320,466,380 shares of the Company, entitling to 320,466,380 votes in the Company, representing 66% of the share capital of the Company and carrying the right to 66% of the total number of votes in the Company

In October 2020, the Group completed the construction of Advance Business Center II (17,800 sq m) office building in Sofia.

In November 2020, the Group completed the construction of Matrix B (10,700 sq m) office building in Zagreb.

On 12 November 2020, Scope Ratings assigned a first-time issuer rating of BBB-/Stable investment grade to the Company and its wholly-owned subsidiary GTC Real Estate Development Hungary Zrt. for the purpose of issuing green bonds within the framework of the Bond Funding for Growth Program in Hungary. The potential unsecured debt has also been rated BBB-.

On 13 November 2020, GTC Future Kft, a newly established wholly-owned subsidiary, acquired a land plot from a subsidiary related to the majority shareholder with an existing old office and industrial buildings in Vaci Corridor in Budapest for a total amount of €21,350. The buildings have total leasable area of 12,000 sq m (GLA 8,200 sq m). The Company plans to demolish the buildings and develop office buildings in phases with a total leasable area of 64,000 sq m.

On 7 December 2020, GTC Real Estate Development Hungary Zrt issued 10 years green bonds with the total nominal value of €110,000 denominated in HUF to finance real estate projects and upstream the funds with refinancing purposes. The bonds are fully and irrevocable guaranteed by the Company and were issued at yield of 2.33% with an annual fixed coupon of 2.25%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 7 December 2030. The Bonds (ISIN code: HU0000360102GTC) are traded on the XBond market in Budapest.

On 8 December 2020, GTC Real Estate Development Hungary Zrt. entered into cross-currency interest swap agreements with three 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 interest fixed rate of 0.99%.

EVENTS THAT TOOK PLACE AFTER 31 DECEMBER 2020:

On 8 January 2021, GTC Pixel and GTC Francuska signed a loan agreement with Santander Bank Polska, which refinanced the existing loans. GTC Pixel repaid the loan in PKO BP in amount of €19,200 and obtained the new loan in Santander Bank Polska in amount of €19,700. GTC Francuska repaid the loan in ING in amount of €18,900 and obtained the new loan in Santander Bank Polska in amount of €19,300.

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, Budapest for a consideration of €51,000. Subsequently on 19 March 2021 a loan agreement in the amount of €25,000 with Erste Group Bank AG was signed for the purpose of financing the acquisition. The transaction is expected to be close during Q2 2021 upon certain conditions precedents are fulfilled.

On 5 March 2021, GTC SA repaid all bonds issued under ISIN code PLGTC0000276 (full redemption). The original nominal value was €20,494.

On 11 March 2021 GTC Real Estate Development Hungary Zrt, a wholly-owned subsidiary of the Company and Groton Global Corp signed a sale and purchase agreement for the purpose of acquisition of the Napred company from Belgrade holding a land plot of 19,537 sq m for a consideration of €33,800. The site has potential office development of cca 79,000 sq m. The transaction is expected to be finalized during Q2 2021 upon certain conditions precedents are fulfilled.

On 17 March 2021, GTC Real Estate Development Hungary Zrt. , a wholly-owned subsidiary of the Company issued 10-year green bonds with the total nominal value of €53,800 denominated in HUF to finance real estate acquisitions, redevelopment and constructions of projects. The bonds are fully and irrevocable guaranteed by the Company and were issued at a yield of 2.68% with an annual fixed coupon of 2.6%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 17 March 2031.

On 17 March 2021, GTC Real Estate Development Hungary Zrt. a wholly-owned subsidiary of the Company entered into cross-currency interest swap agreements with two different banks to hedge the total green bonds liability against foreign exchange fluctuations. The green bonds were fixed to the Euro, and the fixed annual coupon was swapped for an average annual interest fixed rate of 0.93%.

As of 17 March 2021, the Polish government has announced a lockdown from 20 March 2021 till 9 April 2021 and implemented rigorous measures to contain the spread of COVID-19, including, among others, the closure of shops in shopping malls, except those selling essential goods (such as groceries, other food stores and pharmacies). Measures taken by the government will affect our business. The currently known impact is a decline in revenues of shopping malls. The magnitude of the impact is not yet fully known and will depend between the others, on the length of the closure.

On 18 March 2021, Erste Group Bank AG, Raiffeisenlandesbank Niederösterreich-Wien AG and GTC CTWA Sp. z o.o., a wholly-owned subsidiary of the Company, operating Galeria Jurajska Shopping Mall, signed a waiver letter, according to which the DSCR covenant was waived until the end of September 2022 and a prepayment of €5,000 will be done by the end of March 2021.

On 19 March 2021 City Gate SRL and City Gate Bucharest SRL wholly-owned subsidiaries of the Company signed on loan agreement prolongation with Erste Group Bank AG, for additional 5 years.

On 19 March 2021, Commercial Development d.o.o. Beograd, a wholly owned subsidiary of the Company, operating Ada Mall, and Intesa Bank signed a restated loan agreement whereby the existing loan in the amount of €58,300 shall be early prepaid by 31 March 2021 in the amount of €29,000 and margin reduced from 3.15% to 2.9%. Following the prepayment the outstanding loan amount shall be payable in full at maturity in 2029.

4.3 Structure of the Group

The structure of Globe Trade Centre S.A. Capital Group as of 31 December 2020 is presented in the consolidated financial statements for the year ended 31 December 2020 in Note 8 "Investment in subsidiaries, associates and joint ventures."

The following changes in the structure of the Group occurred in the twelve-month period ended 31 December 2020:

- liquidation of Julesberg Sp. z o.o.,
- liquidation of Jowett Sp. z o.o.,
- the commencement of liquidation of Glorine investments Sp. z o.o.,
- the commencement of liquidation of Fajos S.R.L.,
- a merger of SASAD Resort Kft. to GTC Hungary Ltd,
- a merger of Amarantan Ltd. to Center Point I. Kft.,
- acquisition of the remaining 20% in Marlera Golf LD d.o.o.,
- establishment of wholly-owned subsidiary - GTC Future Kft,
- establishment of wholly-owned subsidiary - Globe Office Investments Kft

4.4 Changes to the principal rules of the management of the Company and the Group

There were no changes to the principal rules of management of the Company and the Group.

During 2020, the following changes in the composition of the management board took place:

- on 16 April 2020, the supervisory board of the Company appointed Mr. Yovav Carmi as a member of the management board of the Company (see current report no 7/2020);
- on 22 June 2020, the supervisory board of the Company dismissed Mr. Thomas Kurzmann from the position of member of the management board of the Company and appointed Robert Snow to the management board of the Company effective as of the moment of receipt by the Company of the notification issued by LSREF III GTC INVESTMENTS B.V. regarding the indirect disposal of shares in the share capital of the Company resulting from the disposal by LSREF III GTC INVESTMENTS B.V. of all of the shares in the share capital of GTC DUTCH HOLDINGS B.V (see current reports no 11/2020 and 13/2020);
- on 1 July 2020, the supervisory board of the Company appointed Mr. Gyula Nagy as a member of the management board of the Company (see current report no 16/2020);
- on 28 July 2020, the Company and Mr. Erez Boniel have mutually agreed to terminate his appointment as a member to the management board of the Company (see current report no 18/2020);
- on 28 July 2020, the supervisory board of the Company appointed Mr. Ariel Alejandro Ferstman as a member of the management board of the Company (see current report no 18/2020);
- on 18 September 2020, the supervisory board of the Company appointed Mr. Yovav Carmi as the president of the Company's management board. Mr. Carmi has been a member of the management board of the Company since 16 April 2020 (see current report no 25/2020).

4.5 The Group's Strategy

The Group's objective is to create value from:

- active management of a growing commercial real estate portfolio in CEE and SEE, 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, among others, to achieve its strategic objectives:

01. Acquiring yielding properties in Poland and in capital cities of selected CEE and SEE countries

The Group's strategic objective is to expand its portfolio by acquiring yielding properties in Poland and capital cities of selected CEE and SEE countries with value-added potential.

The management board believes that the current market conditions, including the attractive pricing of yielding properties and the widening range of potential sellers, present compelling real estate acquisition opportunities for both individual assets and portfolios at attractive prices. The management board will carefully consider and evaluate attractive investment opportunities, which meet the investment criteria of the Group while taking into consideration the prevailing market yields and the Group's investment criteria targets.

In addition, in implementing its strategic objective of expanding its portfolio, the Group is well-positioned to benefit from:

- the exceptionally high yield spread in the current low-interest rate environment, allowing for highly accretive growth;
- the future growth potential in Poland, and capital cities in the Group's countries of operation if the macro environment improves;
- a selective approach by lenders that operate in the CEE and SEE regions, which limits competition from other potential purchasers;
- limited offer of high-class office and retail space in some markets, which results in increased demand for renting space in class A properties.

The Group's acquisition strategy includes the acquisition of income generating assets with value-added potential and/or high FFO yield that meet the following criteria:

- office and retail assets;
- located in Warsaw or secondary cities in Poland or the capital cities of CEE/SEE countries;

- cash generation ability (upon acquisition or shortly after);
- potential growth of net operating income, through re-leasing optimizing occupancy, rental rates, and/or redevelopment; and
- potential to increase return on equity through active asset management.

The Group's expansion will be selective and will be evaluated based on market opportunity, demand, and the potential return on investment. The Group may invest alone or co-invest with partners, allowing for increased portfolio diversification and boosting the scope of investments.

Since the end of 2015, the Group also acquired:

- Duna Tower (office building located in Budapest, Hungary);
- Pixel (office building located in Poznań, Poland);
- Premium Point (office building located in Bucharest, Romania);
- Premium Plaza (office building located in Bucharest, Romania);
- Neptun Office Center (office building located in Gdańsk, Poland);
- Sterlinga Business Center (office building located in Łódź, Poland);
- Cascade Office Building (office building located in Bucharest, Romania);
- Belgrade Business Center (office building located in Belgrade, Serbia);
- Mall of Sofia combined with Sofia Tower (shopping mall with adjacent office building located in Sofia, Bulgaria);

Additionally, the Group acquired a number of land plots for office development, predominantly in Budapest, but also in Zagreb, Bucharest and Sofia.

02. Improving the efficiency of asset management activities and maximizing the operating performance

The Group will continue to manage actively its current and future income-generating commercial property portfolio to maximize operating performance and efficiency, diversify tenant risk and enhance rental income.

The Group intends at least to maintain high value to its portfolio through its asset management activities. Such activities include:

- increasing and maintaining occupancy on best achievable market terms;
- maintaining high collection efficiency by strict monitoring of receivables;
- striving for a low and efficient cost base by using energy-efficient technologies and optimizing property repair and maintenance costs;
- optimizing development costs by revising and cost-engineering its developments without detriment to the competitiveness of any individual asset;
- optimizing administrative costs where possible; and

- optimizing the costs of finance through refinancing where possible.

The management board believes that, on a long-term basis, active asset management of completed assets will constitute a critical success factor of the Group's strategy.

03. Developing selected projects in the pre-construction or construction stage

Another core growth source under the Group's strategy is developing commercial projects in areas where there is a demand for commercial properties.

The Group is a real estate investor and developer and adjusts its development activities to the market conditions. The management board believes that this approach allows the Group to better respond to the changing conditions of the real estate market and focus on more active and efficient asset management of its existing as well as its expanded portfolio. Subject to prevailing market conditions, in order to improve the recurring operating income, in the mid-term, the Group intends to structure its real estate portfolio in such a manner whereby more than half of its value is attributed to income-generating assets and the remaining portion to trading and development.

In 2020, the Group completed three office buildings:

- Green Heart N3 (office building located in Belgrade, Serbia);
- Advance Business Center II (office building located in Sofia, Bulgaria);
- Matrix B (office building located in Zagreb, Croatia).

The development of projects, which at the date of the Report were in the construction stage or the pre-construction stage, is an important value driver.

Currently, the Group has two projects consisting of 37,300 sq m of office space under construction:

- Pillar - an office building in Budapest, Hungary with an intended GLA of approximately 29,000 sq m;
- Sofia Tower 2 - an office building (part of Mall of Sofia) in Sofia, Bulgaria, with an intended GLA of approximately 8,300 sq m;

As of 31 December 2020, projects under construction represent approximately 3% of the Group's portfolio value.

Currently, another two buildings consisting of 52,300 sq m in of office space is ready to be launched in 24 months:

- GTC X - an office building in Belgrade, Serbia, with an intended GLA of approximately 16,800 sq m;
- Center Point 3 - an office building in Budapest, Hungary, with an intended GLA of approximately 35,500 sq m.

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

04. Disposal of mature assets

The Group may sell certain of its mature assets from its portfolio (i.e., completed commercial properties that generate a stable flow of rental income and have reached their long-term value in the Group's view, have reached their long-term value). Moreover, following the acquisition of existing income-generating properties and increasing their value, the Group may also sell such properties.

Based on market conditions and Group's strict criteria during 2020, the Group sold Spiral (office building located in Budapest, Hungary).

05. Maintaining a balanced mix of investments across CEE and SEE regions and adapting to changes in the real estate markets

The Group intends to continue to focus its real estate management and development activities on properties located in Warsaw or secondary cities in Poland and in the capital cities of CEE and SEE countries, characterized by macroeconomic stability, continued GDP growth, and investor and tenant demand. The Group believes that some other markets in which it operates also offer long-term growth potential due to their relatively underdeveloped real estate markets and relatively illiquid markets. Further investments in these markets will be explored on an opportunistic basis with strict risk-adjusted return hurdles. Simultaneously, specific performance requirements will be imposed on all assets in the Group's portfolio.

The Group aims to create and maximize shareholder value by continually adapting to changes in the markets in which it operates while maintaining the maximum performance of its core portfolio of assets.

4.6 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 CEE and SEE supplemented by selected development activities. As of 31 December 2020, the book value of the Group's investment property, residential landbank, and assets held for sale amounted to €2,136,802. The Group's investment properties include income generating assets (completed properties), projects under construction, commercial landbank, and right of use.

INVESTMENT PORTFOLIO

As of 31 December 2020, the Group manages completed commercial properties with a combined gross rentable area of approximately 753 thousand sq m, including 43 office buildings and five shopping malls, which constituted 88% of the overall portfolio.

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, IBM, Allegro, Budapest Bank, T-Mobile, Concentrix, Rompetrol, UniCredit, CBRE, LOT, Deloitte, KPMG, Roche, State Street, and others

The Group's shopping centers are located in both capital cities as well as in secondary cities in Poland, Serbia, Bulgaria, and Croatia. They are always very highly ranked in the city of their location. The tenants include big multinationals as well as local brands like Carrefour, Cinema City, H&M, LPP Group, Inditex Group, and others.

PROJECTS UNDER CONSTRUCTION

As of 31 December 2020, the Group had two office buildings classified as an investment under construction with a book value of €62,909, which constituted 3% of the Group's overall portfolio.

INVESTMENT PROPERTY LANDBANK

As of 31 December 2020, the Group had land classified as an investment property landbank designated for the future development of €140,367, which constituted 7% of the Group's overall portfolio (by value). This landbank includes projects that are on the Group's focus for the coming year like GTC X, Center Point 3, The Twins, City Rose Park, Moderna, Platinum 6, and Matrix future phases which constitute 5% of the Group's overall portfolio (80% of investment property landbank).

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.

RESIDENTIAL LANDBANK

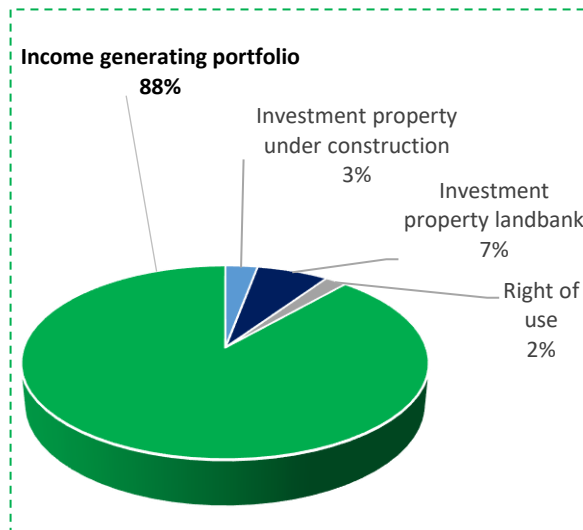
As of 31 December 2020, the Group held a residential landbank with a total value of €10,094, which constituted less than 1% of the Group's overall portfolio.

RIGHT OF USE

The Group recognized the right of use in the amount €42,679, which constituted 2% of the Group's overall portfolio.

4.6.1 Overview of the investment portfolio

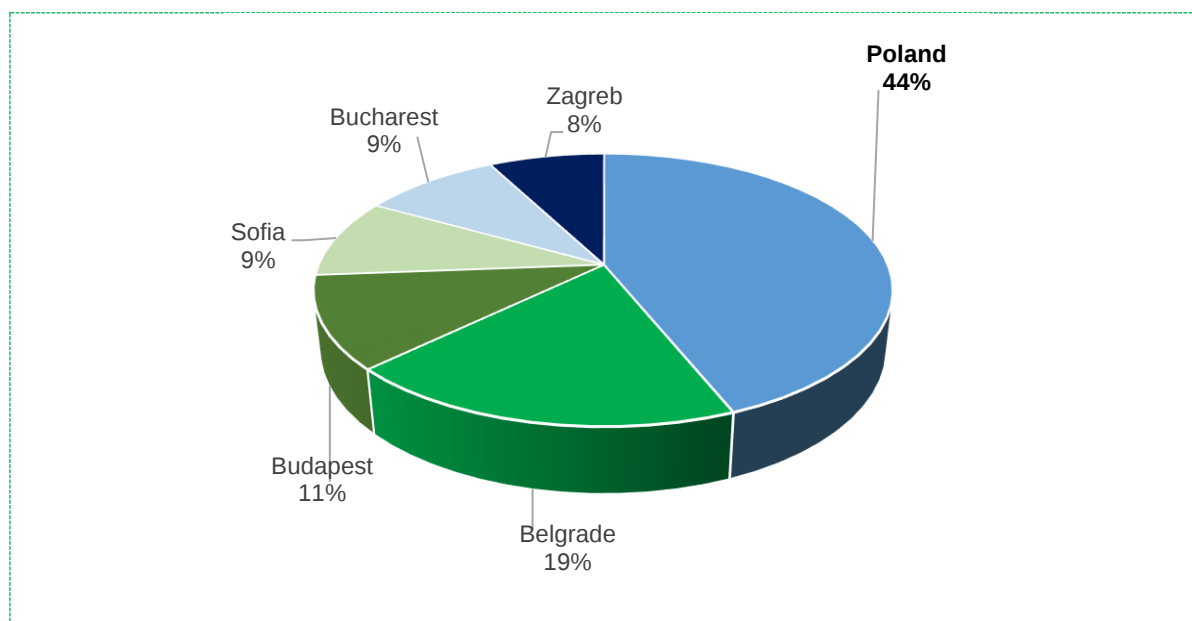
The Group's strategy focuses on creating value from active management of a growing real estate portfolio in CEE and SEE. The Group has a presence in Poland, Belgrade, Budapest, Bucharest, Zagreb, and Sofia. The Group focused on commercial assets, mainly office buildings and office parks as well as retail and entertainment centers. The Groups investment properties include income generating assets (completed properties), projects under construction, investment property landbank and right of use.



4.6.1.1 Overview of income generating portfolio

As of 31 December 2020, the Group had 48 income generating portfolio totaling 753 thousand sq m and valued at €1,879,173. The average occupancy rate within the income generating portfolio was 91% as of 31 December 2020. The portfolio was valued based on an average yield of 7.8%. The average duration of leases in the Group's income generating portfolio was 2.9 years, and the average rental rate was €17.2/sq m/month.

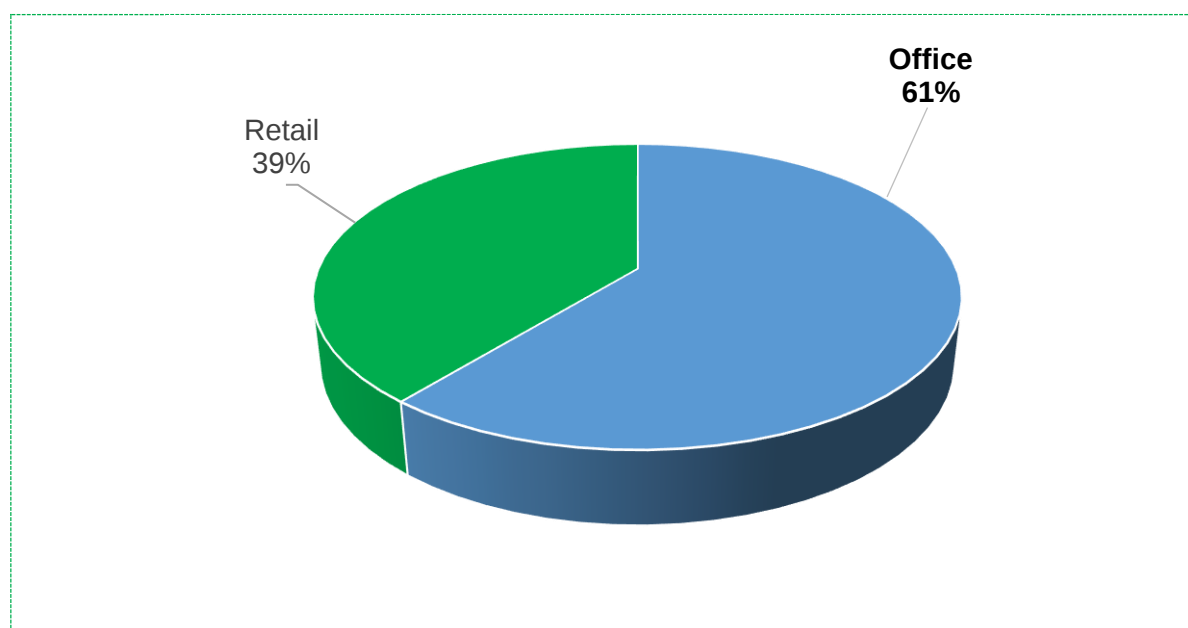
Approximately 44% of the income generating portfolio is located in Poland, 19% in Belgrade, 11% in Budapest, 9% in Bucharest, 9% in Sofia, and 8% in Zagreb.



The following table presents income generating portfolio by country in which the Group operates as at 31 December 2020:

Location	Total gross leasable area (sq m)	% of GLA (sq m)	Average occupancy (%)	Book value (€)	% of total book value
Poland	309,200	41%	90%	824,738	44%
Belgrade	156,800	21%	94%	355,481	19%
Budapest	96,600	13%	95%	206,138	11%
Sofia	67,200	9%	88%	176,500	9%
Bucharest	66,600	9%	93%	172,085	9%
Zagreb	56,100	7%	89%	144,231	8%
Total	752,500	100%	91%	1,879,173	100%

The Group is focused on the office sector. As of 31 December 2020, office properties accounted for around 61%, and retail properties accounted for the remaining 39% of the book value of income generating portfolio.



The following table presents income generating portfolio by main usage type as of 31 December 2020:

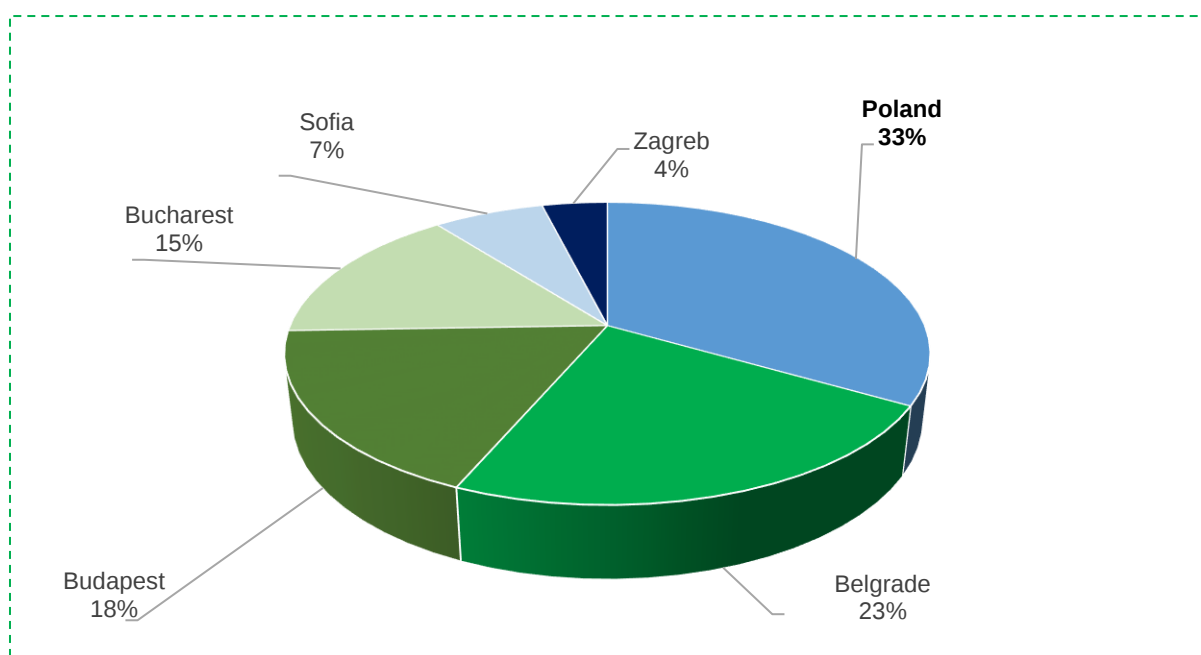
Usage type	Total gross leasable area (sq m)	% of GLA (sq m)	Average occupancy (%)	Book value (€)	% of total book value
Office	536,400	71%	90%	1,145,261	61%
Retail ¹	216,100	29%	95%	733,912	39%
Total	752,500	100%	91%	1,879,173	100%

¹Including Avenue Center, Zagreb, Croatia and Sofia Tower, Sofia, Bulgaria.

4.6.1.1.1 Overview of the office portfolio

As of 31 December 2020, the Group office portfolio comprises 43 office buildings. Total gross rentable office space was 536 thousand sq m compared to 531 sq m as of 31 December 2019. The total value of the office portfolio as of 31 December 2020 was €1,145,261 compared to €1,173,106 as of 31 December 2019. The decrease in value is mainly due revaluation loss arise mainly from an increase in yields combined with a decrease in occupancy and expected rental values across the portfolio coming mostly from Covid-19 pandemic impact and sale of Spiral office building. This was partially offset by the completion of in the Green Heart N3 in Belgrade, Advance Business Center II in Sofia, and Matrix B in Zagreb.

The Group's office buildings are located in Poland, and capital cities of CEE and SEE region: Budapest, Belgrade, Zagreb, Bucharest, and Sofia.



The following table presents the office portfolio by country as of 31 December 2020:

Location	Total gross leasable area (sq m)	% of GLA (sq m)	Average occupancy (%)	Book value (€)	% of total book value
Poland	195,700	37%	88%	381,738	33%
Belgrade	122,100	23%	93%	264,781	23%
Budapest	96,600	18%	95%	206,138	18%
Bucharest	66,700	12%	93%	172,085	15%
Sofia	33,800	6%	79%	75,800	7%
Zagreb	21,500	4%	76%	44,719	4%
Total	536,400	100%	90%	1,145,261	100%

4.6.1.1.1 Office portfolio in Poland

The total gross rentable area in Poland comprises 196 thousand sq m in 16 office buildings located in Warsaw, Kraków, Łódź, Katowice, Poznań and Wrocław. The average occupancy rate was at the level of 88%. The average duration of leases was 2.6 years at the year-end, and applied yield was at the level of 8.2%. The average rental rate generated by the office portfolio in Poland was at the level of €14.6/sq m/month. The book value of the office portfolio in Poland amounted to €381,738 as of 31 December 2020 compared to €398,888 as of 31 December 2019. The decrease comes from a decline in estimated rental values and expansion of yield.

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

Property	Location	GTC's share (%)	Total gross rentable area (sq m)	Year of completion
Galileo	Kraków	100%	10,600	2003
Globis Poznań	Poznań	100%	13,800	2003
Newton	Kraków	100%	10,800	2007
Edison	Kraków	100%	10,900	2007
Nothus	Warsaw	100%	9,600	2007
Zephyrus	Warsaw	100%	9,600	2008
Globis Wrocław	Wrocław	100%	16,100	2008
University Business Park A	Łódź	100%	20,200	2010
Francuska Office Centre A&B	Katowice	100%	23,000	2010
Sterlinga Business Center	Łódź	100%	13,400	2010
Corius	Warsaw	100%	9,600	2011
Pixel	Poznań	100%	14,400	2013
Pascal	Kraków	100%	5,900	2014
University Business Park B	Łódź	100%	20,200	2016
Artico	Warsaw	100%	7,600	2017
		Total	195,700	

4.6.1.1.1.2 Office portfolio in Belgrade

The Group's total gross rentable area in Belgrade comprises 122 thousand sq m in 11 office buildings. The occupancy rate was at the level of 93%. The average duration of leases was 2.5 years at the year-end, and the applied yield was 8.6%. The average rental rate generated by the office portfolio in Belgrade was at €16.7/sq m/month. The book value of the Group's office portfolio in Belgrade amounted to €264,781 as of 31 December 2020 compared to €263,081 as of 31 December 2019.

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

Property	GTC's share (%)	Total gross rentable area (sq m)	Year of completion
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	

4.6.1.1.1.3 Office portfolio in Budapest

The Group's total gross rentable area in Budapest comprises 97 thousand sq m in five office buildings. The occupancy rate was 95%. The average duration of leases was 2.3 years at the year-end, and the applied yield was 7.5%. The average rental rate generated by the office portfolio in Budapest was €14.2/sq m/month. The book value of the Group's office portfolio in Budapest amounted to €206,138 as of 31 December 2019, as compared to €259,419 as of 31 December 2019. A decrease comes mainly from sale of Spiral office building, partially offset by the purchase of landbank for future development, with a small office building.

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 ¹	100%	8,200	-
Total		96,600	

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

4.6.1.1.1.4 Office portfolio in Sofia

The Group's total gross rentable area in Sofia comprises 44 thousand sq m in three office buildings (including Sofia Tower). The occupancy rate, the book value, and other data of the Sofia Tower are presented together with the data for Mall of Sofia.

The occupancy rate of the Group's office portfolio in Sofia was 79%. The average duration of leases was 3.7 years at the year-end, and the applied yield was 7.8%. The average rental rate generated by the office portfolio in Sofia was at the level of €14.6/sq m/month. Book value of the Group's office portfolio in Sofia amounted to €75,800 as of 31 December 2020 compared to €36,800 as of 31 December 2019 and came from the completion of the second building in the Advance Business Center complex.

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

Property	GTC's share (%)	Total gross rentable area (sq m)	Year of completion
Advance Business Center I	100%	16,000	2019
Advance Business Center II	100%	17,800	2020
Total		33,800	
Sofia Tower ¹	100%	10,300	2006
		44,100	

¹ The occupancy rate, the book value, and other data of the Sofia Tower are presented together with the data for Mall of Sofia (retail portfolio).

4.6.1.1.1.5 Office portfolio in Bucharest

The Group's total gross rentable area in Bucharest comprises 67 thousand sq m in five office buildings. The occupancy rate was 93%. The average duration of leases was 1.9 years at the year-end, and the applied yield was 7.7%. The average rental rate generated by the office portfolio in Bucharest was at the level of €20.5/sq m/month. Book value of the Group's office portfolio in Bucharest amounted to €172,085 as of 31 December 2020, compared to €190,418 as of 31 December 2019. The decrease comes mainly from a decrease in value of City Gate due to decline in estimated rental values and extended void period.

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

Property	GTC's share	Total gross rentable area	Year of completion
	(%)	(sq m)	
Cascade Office	100%	4,200	2005
Premium Plaza	100%	8,500	2008
City Gate	100%	47,600	2009
Premium Point	100%	6,400	2009
Total		66,700	

4.6.1.1.1.6 Office portfolio in Zagreb

The Group's total gross rentable area in Zagreb comprises 28 thousand sq m in three office buildings (including Avenue Centre). The occupancy rate, the book value, and other data of the Avenue Centre in Zagreb are presented together with the data for Avenue Mall Zagreb.

The occupancy rate of the Group's office portfolio in Zagreb was 76%. The average duration of leases was 4.5 years at the year-end and applied yield was 7.6%. The average rental rate generated by the office portfolio in Zagreb was at the level of €14.3/sq m/month. Book value of the Group's office portfolio in Zagreb amounted to €44,719 as of 31 December 2020 compared to €24,500 as of 31 December 2019. The increase in value comes from the completion of the second building in Matrix complex.

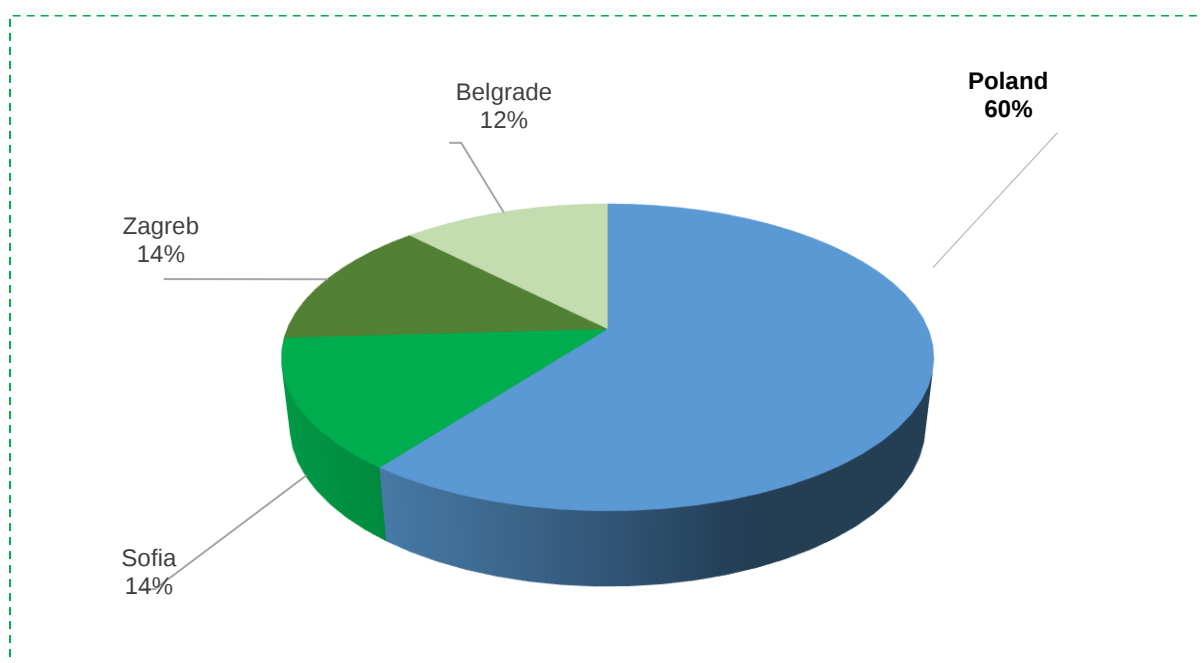
The following table lists the Group's office investment properties located in Zagreb:

Property	GTC's share (%)	Total gross rentable area (sq m)	Year of completion
Matrix A	100%	10,800	2019
Matrix B	100%	10,700	2020
Total		21,500	
Avenue Center ¹	70%	7,000	2007
		28,500	

¹ The occupancy rate, the book value, and other data of the Avenue Centre in Zagreb are presented together with the data for Avenue Mall Zagreb (retail portfolio).

4.6.1.1.2 Overview of the retail portfolio

As of 31 December 2020, the Group's retail properties comprised five shopping centres with a total gross rentable area of 216 thousand sq m compared to 216 thousand sq m as of 31 December 2019. The total value of retail investment properties as of 31 December 2020 was €733,912 compared to €830,082 as of 31 December 2019. The decrease in value comes mainly from the impact of COVID-19 pandemic. It results from multi-pronged measures implemented to support tenants and encourage consumer spendings, such as reducing rent, allowing rent payment in installments, waiving late payment interest and service charges and a decline of the expected rental values combined with a slight expansion over the assets' future yields.



The following table presents the retail portfolio by country as of 31 December 2020:

Location	Total gross leasable area (sq m)	% of total retail portfolio (%)	Average occupancy (%)	Book value (€)	% of total book value
Poland	113,500	53%	93%	443,000	60%
Sofia ¹	33,400	15%	98%	100,700	14%
Zagreb ¹	34,600	16%	97%	99,512	14%
Belgrade	34,600	16%	97%	90,700	12%
Total	216,100	100%	95%	733,912	100%

¹ Including book value of office building

4.6.1.1.2.1 Retail portfolio in Poland

The total gross rentable retail space in Poland comprises 113 thousand sq m in two retail schemes located in Warsaw and Częstochowa. The average occupancy rate was 93%. The average duration of leases was 3.9 years at the year-end, and the applied yield was 6.2%. The average rental rate generated by the retail portfolio in Poland was €20.9/sq m/month. The book value of the Group's retail portfolio in Poland amounted to €443,000 as of 31 December 2020, as compared to €497,370 as of 31 December 2019. The decrease comes mainly from the impact of COVID-19 pandemic. It results from multi-pronged measures implemented to support tenants and encourage consumer spendings, such as reducing rent, allowing rent payment in installments, waiving late payment interest and service charges and a decline of the expected rental values combined with a slight expansion over the assets' future yields.

The following table lists the Group's retail properties located in Poland:

Property	Location	GTC's share (%)	Total gross rentable area (sq m)	Year of completion
Galeria Jurajska	Częstochowa	100%	48,700	2009
Galeria Północna	Warsaw	100%	64,800	2017
Total			113,500	

4.6.1.1.2.2 Retail portfolio in Sofia

The Group's total gross rentable retail space in Sofia comprises 33 thousand sq m (including 10.3 thousand sq m of Sofia Tower office building) in one retail scheme. The occupancy rate was 98%. The average duration of leases was 2.5 years at the year-end, and the applied yield was 7.8%. The average rental rate generated by the retail portfolio in Sofia was €18.8 /sq m/month. The book value of the Group's retail portfolio in Sofia amounted to €100,700 (including the book value of Sofia Tower) as of 31 December 2020 as compared to €108,600 as of 31 December 2019. The decrease comes mainly from the impact of COVID-19 pandemic. It results from multi-pronged measures implemented to support tenants and encourage consumer spendings, such as reducing rent, allowing rent payment in installments, waiving late payment interest and service charges and a decline of the expected rental values combined with a slight expansion over the assets' future yields. The following table lists the Group's retail properties located in Sofia:

Property	GTC's share (%)	Total gross rentable area (sq m)	Year of completion
Mall of Sofia	100%	33,400	2006
Total		33,400	

¹Including Sofia Tower

4.6.1.1.2.3 Retail portfolio in Zagreb

The Group's total gross rentable retail space in Zagreb comprises 35 thousand sq m (including 7 thousand sq m of Avenue Center office building) in one retail scheme. The occupancy rate was 97%. The average duration of leases was 2.8 years at the year-end, and the applied yield was 7.9%. The average rental rate generated by the retail portfolio in Zagreb was at the €20.2/sq m/month. Book value of the Group's retail portfolio in Zagreb amounted to €99,512 (including book value of Avenue Center) as of 31 December 2020 compared to €104,812 as of 31 December 2019. The decrease comes mainly from the impact of COVID-19 pandemic. It results from multi-pronged measures implemented to support tenants and encourage consumer spendings, such as reducing rent, allowing rent payment in installments, waiving late payment interest and service charges and a decline of the expected rental values combined with a slight expansion over the assets' future yields.

The following table lists the Group's retail properties located in Zagreb:

Property	GTC's share	Total gross rentable area	Year of completion
	(%)	(sq m)	
Avenue Mall Zagreb	70%	34,600 ¹	2007
Total		34,600	

¹Including Avenue Center

4.6.1.1.2.4 Retail portfolio in Belgrade

The total gross rentable retail space in Belgrade comprises 35 thousand sq m in one shopping mall in Belgrade. The average occupancy rate was 97%. The average duration of leases was 4.5 years at the year-end, and the applied yield was 8.5%. The average rental rate generated by the retail portfolio in Belgrade was at €22/ sq m/month. Book value of the Group's retail portfolio in Belgrade amounted to €90,700 as of 31 December 2020 as compared to €119,300 as of 31 December 2019. The decrease comes mainly from the impact of COVID-19 pandemic. It results from multi-pronged measures implemented to support tenants and encourage consumer spendings, such as reducing rent, allowing rent payment in installments, waiving late payment interest and service charges and a decline of the expected rental values combined with a slight expansion over the assets' future yields.

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

Property	GTC's share	Total gross rentable area	Year of completion
	(%)	(sq m)	
Ada Mall	100%	34,600	2019
Total		34,600	

4.6.1.2 Overview of properties under construction

As of 31 December 2020, the Group had two office projects with a total gross rentable area of 37 thousand sq m and a book value of €62,909.

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
Sofia Tower 2	office	Sofia, Bulgaria	100%	8,300	Q2 2022
Total				37,300	

4.6.1.3 Overview of investment property landbank

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

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

As of 31 December 2020, the Group had land classified as investment property landbank designated for future commercial development of €140,367. This landbank, designated for future commercial development, includes projects on Group's focus for the coming years.

The following table lists the Group's projects that are in the planning stage:

Property	Segment	Location	GTC's share	Total gross leasable area (sq m)
GTC X	office	Belgrade, Serbia	100%	16,800
Center Point 3	office	Budapest, Hungary	100%	35,500
The Twins	office	Budapest, Hungary	100%	38,000
Moderna	office	Katowice, Poland	100%	18,300
City Rose Park	office	Bucharest, Romania	100%	50,100
Platinum 6	office	Warsaw, Poland	100%	13,500
Matrix future phases	office	Zagreb, Croatia	100%	55,000
Zielone Tarasy	mixed use	Warsaw, Poland	100%	61,000
Total				288,200

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.

4.6.2 Residential landbank

As of 31 December 2020, the Group held a residential landbank with a total value of €10,094, which constituted less than 1% of the Group's overall portfolio.

4.7 Overview of the markets on which the Group operates¹

With varying recent and ongoing policy responses to the COVID-19 pandemic across the region and the mitigating implications differing by market and sector, we provide no assurance that market conditions will not change unfavorably as a result of future events that are unknown to us.

¹ This market commentary was prepared by Jones Lang LaSalle IP, Inc. It is based on material that we believe to be reliable. Whilst every effort has been made to ensure its accuracy, we cannot offer any warranty that it contains no factual errors. We would like to be told of any such errors in order to correct them. Please note, the below-presented market commentaries are based on information available to us as at 4 February 2021.

4.7.1 Office market

WARSAW

Following several months of the pandemic, the office market's dynamics, when compared to the last few years, have changed. Demand for office space in 2020 was 31% lower than in 2019, with the vacancy rate increasing as the year went on. Before the COVID-19 pandemic, 2020 was forecast to experience a new supply peak, demand growth, but an increase in vacancy rates. In fact, in comparison to the expectations from 2019, office demand decreased by 29%, with new supply being 26% lower.

In terms of demand for traditional offices in Warsaw in 2020, the total was 602,000 sq m. The two leading districts, comprising over $\frac{2}{3}$ of total demand, are the City Centre and Mokotów. Furthermore, right now, companies are more likely to renew their leases, and Mokotów looks set to benefit from this. In 2020, renewals in occupied office buildings accounted for 37% of tenant activity. During the pandemic, i.e., between Q2-Q4 2020, this increased to approximately 39%.

For several years, under-construction volume in the Polish capital ranged from between 700,000 sq m and 800,000 sq m. Now it stands at around 500,000 sq m. Developers are much more cautious about starting new construction, and only a few have done so in the past few months. In the next 2-3 years, this may create a supply gap in Warsaw, especially outside of the city centre. This can further boost the appeal of, and competition for, space in best-in-class buildings located outside of the central parts of Warsaw.

Current market sentiment is, unsurprisingly, having an influence on the vacancy rate. In Q4 2020, it increased to 9.9% in Warsaw (8.5% in Central zones and 10.8% in the Non-Central zones of the city), which was a 2.1 pp increase in Q4 2019. However, in the mid-term, the contracting pipeline coupled with future demand growth should contribute to the gradual absorption of available space.

COVID-19 affected not only the activity of tenants and developers in the office market but also the strategy of landlords in terms of offered rent rates for office space. Currently, the highest transaction rents for prime properties in the city centre are stable at €18-24/sq m/month, and outside the centre stands at €16/sq m/month. Some landlords continue to have a relatively rigid financial policy regarding the rates they offer, but a growing package of incentives for tenants is evidently being offered, resulting in lower effective rents.

REGIONAL CITIES POLAND

As a result of the cautious attitude from both developers and tenants, a slowdown in the office market was observed. Compared to 2019, demand for office space was only 16% lower in Polish regional markets. However, between the beginning of April and the end of December, this number was as much as 35% lower y-o-y.

Office space being offered for sublease is currently one of the most visible trends on Poland's office market. Out of the approx. 150,000 sq m available for sublease in major office markets

outside Warsaw, 30% is located in Wrocław, followed by Kraków and the Tri-City (with 23% and 22% respectively). Such offers vary from less than 100 sq m up to approx. 11,000 sq m. Therefore, both small and large companies can opt for this solution.

The demand for offices in 2020 was 582,200 sq m, of which 38% were renewals of lease agreements. In fact, from April to December, the share of renewals was as high as 49%. Currently, an increasing number of companies are deciding to extend their lease agreements rather than relocate.

In 2020, 36 new buildings offering a total of 393,300 sq m came onto the regional markets. Under-construction space in the eight major regional markets now totals approx. 700,000 sq m. It is less than pre- COVID-19 levels when the supply under construction ranged from 800,000 sq m up to 900,000 sq m. This is mainly because developers continue construction works but have not started new projects.

The overall vacancy rate for the eight regional markets now stands at 12.7%, which is a 3.2 pp increase y-o-y, and 0.9 pp growth q-o-q. During 2020, the largest increases in the vacancy rate were recorded in Łódź (5.1 p.p.) and Tri-City (4.6 p.p.). Szczecin boasts the lowest vacancy rate (6.9%), while the highest rate is currently in Łódź (16.4%).

Currently, the highest rents are quoted in Kraków (€14-15.5/sq m/month), while the lowest are to be found in Lublin (€10.5-11.5/sq m/month). Due to the increasing vacancy rate and reduced demand, rental rates are now coming under pressure in the Polish regional cities.

BUDAPEST

The Budapest office market became volatile in the second quarter of 2020, however, the level of new developments shows an active developer market – completion rate was triple compared to 2019. The share of renewals is increasing quarter by a quarter due to the current economic climate, leasing activity is decreasing, and real estate strategies are under reconsideration. Due to the efficiency of remote working, downsizing and subleasing trends are growing. In line with the global workplace trends, there is a growing demand for serviced offices which is clearly reflected in the growing number of new locations and increased sizes of flex operators.

Q4 2020 office market statistics have reflected the ongoing economic restrictions triggered by the COVID-19 pandemic. Total leasing activity has decreased considerably y-o-y, the number of transactions has shown a significant reduction. Based on headline rents in the current availability, only minimal rent correction has been witnessed, mainly in category 'B' office schemes.

In the fourth quarter of 2020, 38,850 sq m of new office space was delivered to the Budapest office market in 4 schemes. Váci Greens E (22,460 sq m) was handed over in the Váci Corridor submarket, the Szervita Square building (8,450 sq m) was completed in the CBD, and the Alphagon office building (4,690 sq m) was handed over in the South Buda submarket. In addition, the office component of Csalogány 43 (3,250 sq m) was delivered in the Central Buda submarket.

Despite a few postponed hand-over dates, developers are still active on the market, the volume of buildings under construction is 441,000 sq m. It became common in the past quarters that developers cannot complete their buildings for the expected handover-date partly because of the lack of workforce on the construction sites and due to COVID19. Developers are more cautious with speculative development in competitive locations. Therefore, some constructions were postponed in case of planned new developments until anchor tenant pre-leases. The volume of expected completions in 2021 is 157,900 sq m, and nearly the double volume is forecasted for 2022 with 283,416 sq m. The total modern office stock currently adds up to 3.9 million sq m, consisting of 3.3 million sq m of 'A' and 'B' category speculative office space as well as 614,750 sq m of owner-occupied space. Most developments are located in the Váci Corridor, Pest Central South, and Buda South submarkets.

In 2020, we experienced a more active developer market than in 2019, completions increased to more than triple year-on-year (230%). The newly constructed office buildings were built on a speculative basis (except for one building), and only 28% of the total delivered space was available at completion, the remaining spaces were pre-let.

In the last quarter of 2020, total demand reached 86,310 sq m, representing a 9% increase quarter-on-quarter, however, it is a 57% decrease year-on-year. Renewals still made up the largest share of total leasing activity with 44%, followed by new leases in the existing stock with 42%, while expansions of existing premises and pre-leases in new developments amounted to 7% of the total demand, each. The most active tenant sectors in the market are IT, professional services, SSCs, and the public sector.

In 2020 annual gross take-up reaching 334,703 sq m while net take-up amounted to 182,627 sq m meaning that more than 42% of the total demand was generated by renewals, and 31% was generated by new transactions. The owner-occupied stock in 2020 made up only 2% of the total leasing activity.

In Q4 2020, the office vacancy rate has increased to 9.1% due to handover of new completions, decreasing demand, the emergence of secondary space and sublease options, representing an increase of 1.0 p.p. quarter-on-quarter and 3.5 p.p. year-on-year. The proportion of subleases within the whole vacancy is ca. 15%.

In 2018, prime rent increased by 11% to €25/sq m/month and remained at this level at the end of 2020. The highest rents are registered in the CBD submarket, the average rents in Budapest for existing Class 'A' buildings are between €13.5-16.5/sq m/month, and in the case of Class 'B' buildings between €11.5-12.5/sq m/month.

BELGRADE

Since the beginning of the year, construction of ongoing projects has continued relatively uninterrupted, despite the ongoing pandemic, whilst the start of construction for some pipeline projects has been postponed. The second quarter recorded the completion of notable projects such as Ušće Tower 2 by MPC Properties and the final building of the GTC Green Heart project, spread over 23,200 sq m and 5,300 sq m, respectively, both located in the central

business district. In Q3 2020, positive signals on the office market are still present from the supply side with the opening of two smaller-scale projects located in the central business district, followed by the opening of Navigator Business Center II and Marera Kondina Office building in October.

The restrictive measures in place due to Covid have resulted in a drop-in leasing activity similar to other countries. More than 80% of all transactions were closed in New Belgrade, recognized as the CBD area. The most active sector was IT, followed by consumer goods and professional services.

The vacancy rate for class A and B offices remained low, standing at 4.5%.

As in other countries, activity in the market has been dominated by contract renewals. The total stock currently stands at 928,000 sq m whilst prime rents are generally in the range of €15-16.5/sq m/month.

ZAGREB

The Zagreb office market is developing and maturing. Most of the office stock is in the Centre of the city, New Zagreb, and the Business District East and West.

The stock of A and B class offices is approximately 1.15 million sq m. After an uptick in activity recorded at the beginning of 2020 and the completion of the second building within Matrix Office Park in Business District East, the office market in Croatia slowed down and there were no new notable completions since.

In the next three years, the average annual supply is likely to be less than 20,000 sq m.

Office vacancy is currently at a record low of below 4% and is expected to remain stable due to low levels of upcoming new supply.

The total take-up of office space in the first half of the year exceeded 15,000 sq m. The earthquake in Zagreb contributed to office market activity, as many companies located in older buildings in the center began to consider the option of moving to more modern office accommodation. Rental prices for both A and B class offices remained stable, and the market does not expect major changes in the next quarter. Market activity considering leasing transactions picked up during the third quarter. During the past two quarters of 2020, market activity was mostly dominated by relocations, followed by new lease agreements.

Rental levels are currently generally in the range of €13-15.5/sq m/month and are unlikely to move significantly in the short term.

BUCHAREST

The vaccination campaign against COVID-19 started in Romania on 27 December 2020. A month later, over 500,000 people already received at least the first of two required vaccine doses. The COVID-19 pandemic had a profound impact on the economy, for 2020, the GDP was estimated to have fallen by -4.4%, according to the National Commission for Strategy and Prognosis.

The latest prognosis issued by the World Bank in January 2021 is slightly more pessimistic, estimating the country's economic contraction for 2020 to -5.0% (revised from -5.7% in October 2020). This is to be followed by a 3.5% growth in 2021 (revised from 4.9% in October 2020).

Total gross transaction volume in Bucharest during Q4 2020 reached almost 55,000 sq m. That represents half the volume recorded during Q4 2019, of over 107,000 sq m. Net take-up during the period accounted for a little over 21,600 sq m, compared to 83,600 sq m in Q4 2019.

Even though gross take-up decreased by approx. 13% in Q4 2020 compared to the previous quarter, net take-up increased by almost 50%.

By far, renewals had the largest share in total transactions in Q4 2020, with almost 54%, followed by relocations, with approximately 17%.

For the entire year 2020, gross take-up totaled approx. 217,500 sq m, corresponding to a 44% decrease when compared to 2019. However, net take-up in 2020 reached only 71,400 sq m, marking a 65% drop from the level recorded during the previous year.

The vacancy rate continued to increase in Q4, from approx. 10.9% during the previous quarter, to 11.3%.

For the last three consecutive quarters of 2020, the office market has been severely affected by the uncertainty caused by the COVID-19 pandemic and the measures taken to contain the spread of the virus. While analyzing the impact of the work from home approach and waiting for an end to the pandemic, many companies postponed their decision with regards to renting additional office space. We expect market sentiment to gradually improve during 2021, as more and more people will be vaccinated against COVID-19 and companies will start recalling their employees at the office.

Deliveries during Q4 2020 totaled 31,200 sq m, bringing the Bucharest modern office stock to almost 2.96 million sq m. Overall, the office stock expanded by 155,200 sq m during 2020, compared to 286,400 sq m in the previous year, representing an almost 46% decrease. The largest projects were delivered in North-West Expozitiei and Dimitrie Pompeiu sub-markets, accounting for almost half of total deliveries in 2020.

By far, the largest delivery during Q4 was One Tower, the 23,900 sq m GLA office building in the mix-use project One Floreasca City, developed by One United Properties in the Floreasca – Barbu Vacarescu sub-market.

After the decrease in 2020, office deliveries are expected to bounce back in 2021 to a volume close to the one registered in 2019. The pipeline for 2021 totals almost 252,000 sq m. Close

to 43% of planned deliveries are in the Center-West sub-market, followed by the Center, with 16%, and the CBD, with approximately 12%.

The largest delivery expected for 2021 is the first phase of the One Cotroceni Park project, developed by One United Properties, adding approximately 45,000 sq m GLA to the Center-West sub-market.

Whilst prime headline office rents in Bucharest remained stable at €18.50/sq m/month, four sub-markets out of the eleven sub-markets of Bucharest experienced a fall of €0.5-1/sq m/month in prime rents over the fourth quarter. The rental decrease in these sub-markets came off the back of additional supply, which increased the vacancy in these areas and put further pressure on rents. We also observe that incentive packages have become more commonplace, which will lead to lower net effective rents.

SOFIA

The second half of the year recorded the opening of five new buildings, predominately within the suburban area, followed by a broad center and CBD. The largest among them was the second phase of Advance Business Center with its 17,500 sq m. From there on, a 15,000 sq m mixed-use project GORA was completed, followed by three smaller-scale projects Business House, Vitorio Pozitano business center, and a smaller scale owner-occupied scheme, presenting around 9,000 sq m in total.

Based on the volume of currently active projects in the pipeline, Sofia remains the most dynamic office market in the region. With over 300,000 sq m under construction, more than a half is expected to be delivered during the first half of the year 2021, from which the majority will take place in the suburban areas and the broad center, with Tsarigradsko Shosse as the hotspot of the activity.

With an increase in supply towards the end of the year, the vacancy level recorded a slight increase, standing at 11%, while the prime rent remained stable.

In Q2 and Q3 2020, the office market in Sofia faced a significant slowdown due to the economic uncertainty caused by COVID-19. Most of the inquiries and new leases were terminated or deferred until the situation will improve. With 107,832 sq m gross leasing volume, 2020 was the weakest of the last five years for the office market in Sofia.

Currently, companies are putting short-term expansion plans on hold and are considering the option of letting more employees work from home going forward.

Prime headline office monthly rents have been stable at €15-16/sq m/month, however, landlords are under pressure and are offering more incentives than previously, therefore driving the net-effective rates to lower levels.

New office construction is on hold and is not expected to begin in the short term until the COVID-19 impact on the economy is clear, and the pandemic has passed.

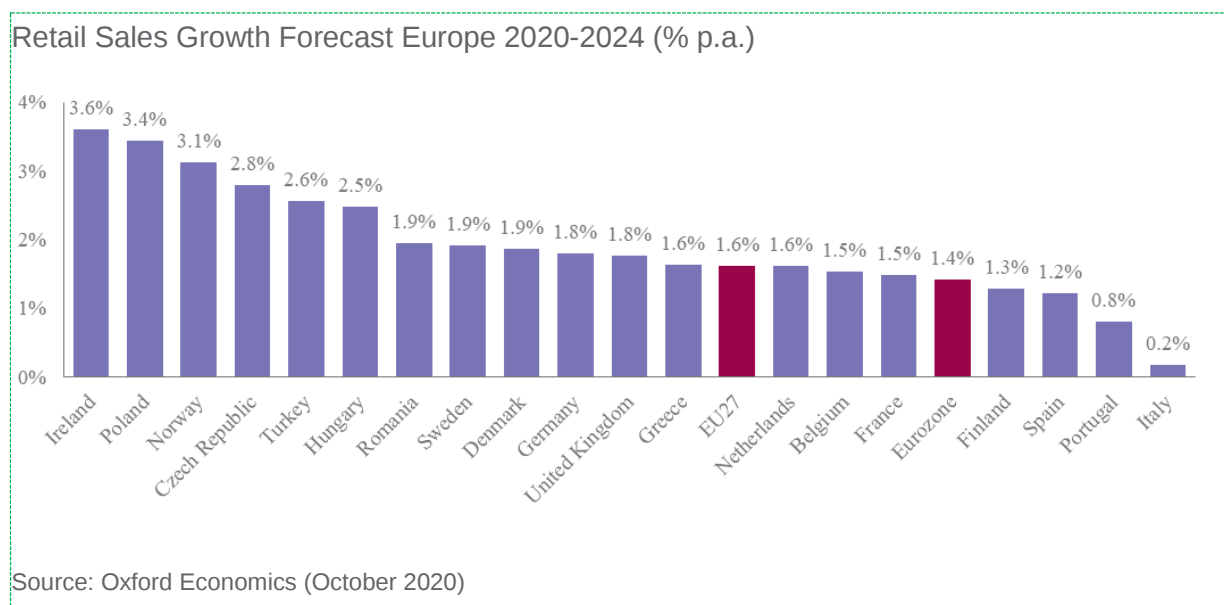
The current modern stock in Sofia was almost 2.3 million sq m as of the end of 2019, of which 71% is considered class A. Following the completion of Building C in Garitage Park, Sofia Office.

4.7.2 Retail market

GENERAL

Retail sales in many countries across the Eurozone had recovered to pre COVID-19 levels by July. As harsh national lockdown restrictions eased, a strong bounce-back in retail sales and consumer spending occurred over May and June as consumers made up for the lost time. However, retail sales continue to be propped up by the closure of other avenues or outlets for spending. Moreover, where there has been a drop in sales during the lockdown, there are few signs of pent-up demand being released across all retail sectors.

Over the longer-term, the developing markets of the CEE/SEE region are anticipated to see retail sales above Eurozone levels. Poland, the Czech Republic, and Hungary are forecast to see retail sales increase by 3.4%, 2.8%, and 2.5%, respectively, on an annual basis. The more developed markets of Germany, the UK, the Netherlands, Spain, and Italy are expected to see average annual retail sales growth until the end of 2024 at levels nearer the wider Eurozone region (1.4%), accounting for 1.8%, 1.8%, 1.6%, 1.2%, and 0.2% respectively.



The recovery in European retail sales is favoring retail warehouse parks above high street locations and major shopping centers. Retail parks are outperforming high street, and shopping centers as consumers find the convenience of easy parking and safe traveling more appealing than using public transport into inner-city areas.

Across all retail sectors, online sales growth remained significantly above pre-COVID-19 levels. Various electronic goods retailers, DIY-stores, and furniture specialists have particularly benefitted from pent-up demand as a large number of consumers spent money that they would have otherwise used on holidays or entertainment.

WARSAW

The last twelve months were marked by three lockdowns that helped change the shopping habits of Poles, lower developer activity, and increase the popularity of smaller retail formats.

The local and convenience trend, which existed before COVID-19, has been boosted by the pandemic and is reflected in the new retail supply. In 2020, developers in Poland completed 430,000 sq m of modern retail space both in large-scale projects (GLA > 5,000 sq m) and convenience centers (GLA of between 2,000 sq m and 4,999 sq m).

Of the new space delivered in 2020, 41% was located in retail parks and another 28% in convenience centers. Shopping centers which are still the most widespread format on the market delivered a mere 86,000 sq m (20% of the new retail space).

In Warsaw, Elektrownia Powiśle mixed-use project was opened (15,500 sq m of GLA). In Q4 2020, Designer Outlet in Piaseczno was extended by the additional 5,500 sq m of GLA (what accounts for 1/3 of already existing retail space) and 30 shopping units.

As a result, the total modern retail stock in Poland, covering large scale formats and convenience centers, stood at a total of 15.9 million sq m of GLA at the end of 2020. Four hundred and fourteen shopping centers account for 9.97 million sq m of that space, equating to a shopping center density of 260 sq m per 1,000 people.

In line with growing market maturity, developer activity is slowing down. Approximately 406,000 sq m of GLA was under construction at the year's end in Poland, confirming this trend. Retail parks and standalone retail warehouses account for the largest shares in the under-construction retail space (36% and 30%, accordingly).

Along with the government restrictions placed on shopping centers, the share of e-commerce has been fluctuating over the last few months, reaching a peak of 11.9% in total retail sales in April 2020, when the most severe lockdown was in force. Although e-commerce is now very much developing in Poland, traditional retailing is still the first choice for most consumers.

2020 was a challenging year in terms of rental conditions, too. Mutual obligations between landlords and tenants were temporarily suspended, according to legal regulations. Retailers who had to cease operations were released from rent and service charge payments, being obliged to prolong lease agreements for a period of lockdown plus six months.

Prime rents in Warsaw, defined as rents for a 100 sq m unit for a fashion and accessories sector tenant noted in the best shopping centers in the market, in 2020 stood at the level of €115 -125/sq m/month, which is the highest number recorded in Poland.

In 2020, on top of the statutory regulations, as a result of the negotiations between the parties, many tenants received from landlords the so-called COVID discounts, which were usually spread over several months and lasted until the end of 2020. Due to the 2nd lockdown in November, the 3rd lockdown extended by 31 January 2021, further demands for reductions were received and are under discussion. However, it has to be noted that the statutory regulations negatively impacted the financial condition of shopping centers' owners, who in addition are not included in any of the governmental financial support programs.

BELGRADE

Similar to other countries, the retail market in Serbia and Belgrade, in particular, has been affected by government measures but began to improve in early May when shopping malls started to reopen and also during the whole third quarter of 2020. During the 2nd wave, the shopping malls remained open with limited conditions, and footfalls were stronger than during the 1st wave.

At the same time, there were no major disturbances and interruptions in construction activities and some significant projects were delivered during the second quarter of the year. The most significant of these was the BEO Shopping Centre by MPC Properties, with over 43,000 sq m of space. In addition, RC Reinvest completed the 4,400 sq m of the second phase of NEST Kraljevo. Q3 saw the soft opening of iBW Galerija with over 90,000 sq m within the new city core known as Belgrade Waterfront, becoming the largest retail scheme in the country. The construction of West 65 Mall is progressing, which will provide more than 100,000 sq m.

The second quarter of 2020 witnessed new market entries, including German multi-brand chain Peek & Cloppenburg, which opened its store in BEO Shopping Centre, while the French children's clothing brand, Jacadi opened its first store in the city center. The third quarter of the year recorded the market entrance of notable Polish retailer Pepco, which opened two stores in Belgrade.

Average prime rental rates currently stand at approximately €26-28/sq m/month. Total stock in the market amounts to 421,000 sq m representing a density of 254 sq m per 1,000 inhabitants.

ZAGREB

The COVID-19 pandemic has dramatically disrupted the retail sector in Zagreb. Because of lockdown measures, retailers have turned to flexible omnichannel retail models to offset the loss of revenue from their physical stores and to protect the future of their businesses. During the 2nd wave, the shopping malls remained open with limited conditions, and footfalls were stronger than during the 1st wave.

The relaxation of restrictions at the end of April led to increased turnover in retail, with a 22% rise in consumption in the first week of eased measures. Croatia was among those EU countries with the strongest recovery in retail trade in May, considerably above the EU average according to Eurostat. Despite the recent outbreak, the market recorded several entries, including Italian supermarket chain Eurospin, which opened its store in Zadar. Another major brand that marked its first opening on the market was Domino's fast-food chain in Zagreb.

Total shopping mall floorspace in Zagreb is 510,000 sq m. Shopping center density in Zagreb is about 645 sq m per 1,000 inhabitants. In recent years negotiation strength in the shopping center market in Zagreb has been with occupiers. However, with the improvement of economic and market conditions, we have noted shopping centers are stabilizing their position in the market, and there has been a fundamental shift by occupiers to the higher quality and better performing schemes.

The construction of Supernova Požega and Kaptol center in Zagreb is underway. Z Centar shopping center in Špansko district of Zagreb is ongoing, with completion scheduled for 2021. It is being developed by Sensa Nekretnine and will extend over 30,000 sq m, featuring 70 stores, a nine-screen cinema, and other entertainment content.

Since the beginning of the year, retailer activity has been moderate with no new market entries. At the same time, there has been a trend for tenants to relocate from the CBD High street market to shopping centers constructed according to modern standards. This trend is a result of the earthquake that occurred in spring 2020 and caused structural damage to many historical buildings located in the CBD.

Average prime shopping centre rental rates are currently approximately €19-21/sq m/month.

SOFIA

Total modern retail stock in Bulgaria, including shopping centers, retail parks, and outlet centers, is approximately 1 million sq m, of which 540,500 sq m is in Sofia. Shopping centre stock accounts for approximately 400,000 sq m of this total gross lettable area, and thus, shopping centre density in Sofia is around 320 sq m per 1,000 inhabitants.

Continuing the same trend as 2019, no new shopping centers have been delivered to date in 2020 in Sofia. Currently, developers' focus is shifting from shopping centers towards retail parks.

The largest new shopping centre projects planned for Sofia, totaling 104,750 sq m of gross lettable area, are on hold for the moment. These are Plaza West Mall, Grand Canyon and Sofia Square.

The retail market is the segment that has taken the greatest hit during the COVID-19 crisis. Most shops, restaurants, and shopping centers were closed for two months. This initiated a process of renegotiation of certain lease agreements. Discounts were negotiated with tenants on a case-by-case basis, offering discounts from the base rent or for some tenants turnover rents were applied until the end of 2020.

With some minor exceptions, tenants have witnessed reduced revenues. Retail sales plunged in March and April, especially for non-food goods due to the COVID-19 restrictions, and many shops, malls, restaurants, cafes, and others were closed. Only retailers for first-hand goods remained open such as gas stations, banks, pharmacies, and grocery stores.

Considering the impact of the coronavirus pandemic, the focus in the operation of shopping centers will shift towards the fine-tuning of the tenant mix, the substitution of retailers who fail to sustain the pandemic, and as such, taking measures to cut operational expenses.

Average rental levels in shopping centers are in the approximate current range of €17-21/sq m/month, with prime rental levels at €40/sq m/month.

4.8 Information on the Company's policy on sponsorship, charity, and other similar activities.

The Group is a responsible developer, and asset manager focused on sustainability. All its corporate social responsibility activities are run in a coordinated manner to support local communities in which the Group operates. Such support involves:

- **Enhancement of local infrastructure**, including road and traffic infrastructure. The infrastructure created in connection with or for the purposes of the developments constructed is handed over to the local self-government free of charge to be used by all residents. Moreover, prior to the development of the Group's projects, public green areas (such as squares and parks) are placed on undeveloped plots or plots which will surround future developments following their completion by the Group.
- **Local initiatives**. The Group participates in and supports local initiatives such as:
 - help for medics due to COVID-19 pandemic;
 - commissioning the plot for use by the authorities as part of COVID-19 testing initiative
 - support Red Cross with providing a place for blood donations;
 - promotion of
 - local businesses by continuously providing organic and home-made products for all visitors,
 - supporting charity organizations by continuously providing lease free positions for humanitarian associations and charities;
 - organization of charity Christmas fairs in office buildings;

- sponsoring of sports activities:
 - a humanitarian race “Zagreb Love Run” - all the money collected is used as a donation for “Oblačić” association, a charity aimed to help children with growth disorders;
 - the 1st Santa Claus Run in Galeria Jurajska - promotion of a healthy lifestyle
 - the North Bridge Run (“Bieg przez Most”) - promotion of a healthy lifestyle;
 - participation of Galeria Północna in Night Bicycle Race;
 - Beach Volleyball tournament - Cup of Silesia;
- Cadet Championship in beach volleyball in Galeria Jurajska.

Additionally, Group conducted several local initiatives via its shopping malls:

- Ada Mall created a “Reading corner” – free library in common space in the mall bringing back the importance of the culture and free education to everyone;
 - Mall of Sofia involved in the initiative “The good in the heart of the city” which supports people in need. The charity campaign provided more than 900 boxes of food which were distributed among people from the community who belong to the most vulnerable groups;
 - Avenue Mall Zagreb served as a training place for “The Rehabilitation Centre Silver” in – which trains assistance dogs for disabled persons and children with developmental difficulties.
- [Embracing environmental certification](#). Out of concern for the environment, the investments of the Company and the Group are fully compliant with LEED or BREEAM guidelines. As at the end of 2020, approximately 84% of our properties holds a green certificate, which proves the sustainability of the properties that GTC develop and manage.

5. Operating and financial review

5.1 General factors affecting operating and financial results

GENERAL FACTORS AFFECTING OPERATING AND FINANCIAL RESULTS

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

ECONOMIC CONDITIONS IN CEE AND SEE

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

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

REAL ESTATE MARKET IN CEE AND SEE

The Group derives the majority of its revenue from operations from rental activities, including rental and service revenue. For the year ended 31 December 2020 and for the year ended 30 December 2019, the Group derived 75% and 75% of its revenues from operations as rental revenue, which greatly depends on the rental rates per sq m and occupancy rates. The amount the Group can charge for rent largely depends on the property's location and condition and is influenced by local market trends and the state of local economies. The Group's revenue from rent is particularly affected by the delivery of new rent spaces, changes in vacancy rates, and the Group's ability to implement rent increases. Rental income is also dependent upon the time of completion of the Group's development projects as well as on its ability to let such completed properties at favorable rent levels. Moreover, for the year ended 31 December 2020 and for the year ended 30 December 2019, the Group derived 25% and 25% of its revenues from operations as service revenue, which reflects certain costs the Group passes on to its tenants.

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

REAL ESTATE VALUATION

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 the fair value of investment property is thereafter recognized as a gain or loss in the income statement.

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

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

Moreover, 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.

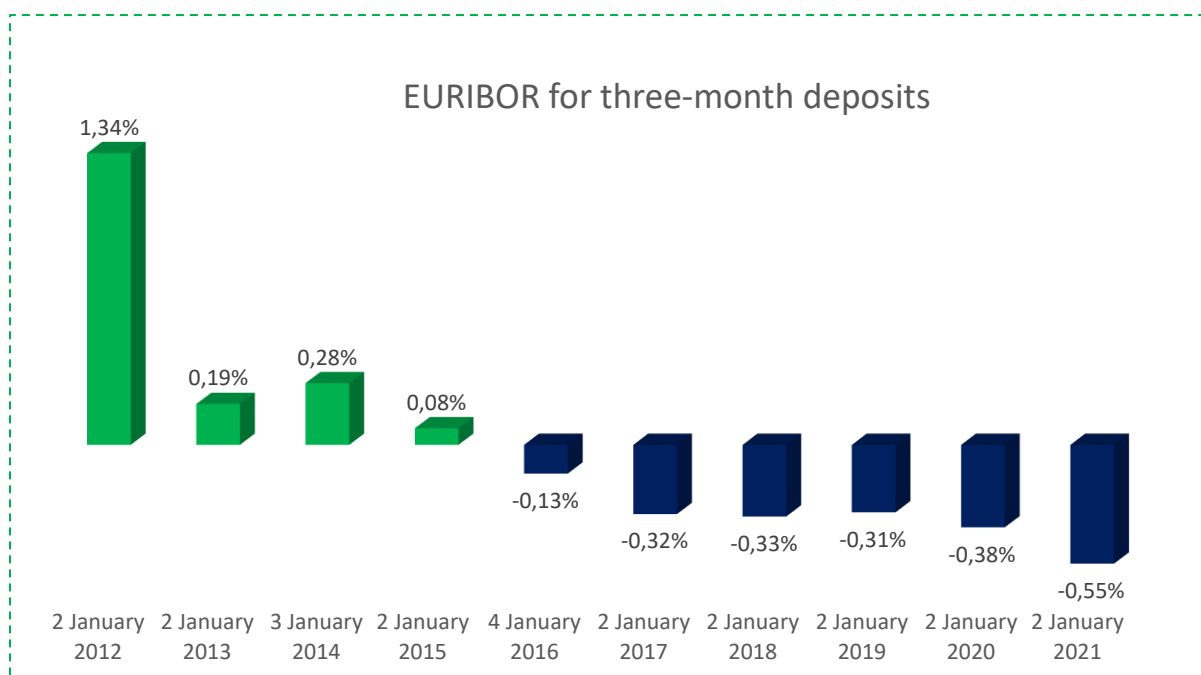
The Group recognized a net loss from revaluation and impairment of assets of €142,721 in the year ended 31 December 2020 and €16,190 net gain from revaluation and impairment of assets in the year ended 31 December 2019.

IMPACT OF INTEREST RATE MOVEMENTS

Substantially all of the loans of the Group have a variable interest rate, mainly connected to EURIBOR. Increases in interest rates generally increase the Group's financing costs. As at 31 December 2020, 95% of the Group's borrowings are hedged. In addition, in an economic environment in which availability of financing is not scarce, demand for investment properties generally tends to increase when interest rates are low, which can lead to higher valuations of the Group's existing investment portfolio. Conversely, increased interest rates generally adversely affect the valuation of the Group's properties, which can result in recognition of impairment that could negatively affect the Group's income.

Historically, EURIBOR rates have demonstrated significant volatility, changing from 1.343% as of 2 January 2012, through 0.188% as of 2 January 2013, to 0.284% as of 3 January 2014, 0.076% as of 2 January 2015, and -0.132% as of 4 January 2016, -0.318% as of 2 January

2017, -0.329% as of 2 January 2018, -0.310% as of 2 January 2019, -0.379 % as 2 January 2020 and -0.546% as 2 January 2021 (EURIBOR for three-month deposits).



IMPACT OF FOREIGN EXCHANGE RATE MOVEMENTS

For the twelve-month period ended 31 December 2020 and for the twelve -month period ended 31 December 2019, a vast majority of the Group's revenues and costs were incurred or derived in euro. Nonetheless, the exchange rates against euro of the local currencies of the countries in which the Group operates are an important factor as the credit facilities that are obtained may be denominated in either euro or local currencies.

The Group presents its financial statements in euro, its operations, however, are based locally in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria, and other countries. The Group receives the vast majority of its revenue from rent denominated in euro, however, it receives a certain portion of its income (including the proceeds from the sales of residential real estate) and incurs most of its costs (including the vast majority of its selling expenses and administrative expenses) in local currencies, including the Polish zloty, Bulgarian leva, Croatian kunas, Hungarian forints, Romanian lei, and Serbian dinars. In particular, the significant portion of the financial costs incurred by the Group includes: (i) the interest on the bonds issued by the Group in Polish zloty, (ii) the interest on the bonds issued by the Group in Hungarian forints and (iii) the interest on the loan taken by the Group in Hungarian forints. The exchange rates between local currencies and the euro have historically fluctuated. The Group hedges its foreign exchange exposure.

The income tax expense (both actual and deferred) in the jurisdictions in which the Group conducts its operations is incurred in such local currencies. Consequently, such income tax expense was and may continue to be materially affected by foreign exchange rate movements.

Accordingly, the foreign exchange rate movements have a material impact on the Group's operations and financial results.

AVAILABILITY OF FINANCING

In the CEE and SEE markets, real estate development companies, including the companies of 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.

In the past, the principal sources of financing for the Group's core business included, apart from proceeds from asset disposals, bank loans, and proceeds from bonds issued by the Company.

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. From mid-March 2020, it became apparent that the economic disruptions caused by the Covid-19 virus and the increased market uncertainty combined with increased volatility in the financial markets might lead to a potential decrease in rental revenues, a potential decrease in the Company assets' values, as well as impact on the Company's compliance with financial covenants. While the exact effect of the coronavirus is still to be determined, it is clear that it poses substantial risks

CLOSING AND REOPENING OF THE GROUP'S SHOPPING CENTRES

The COVID-19 pandemic has significantly impacted the Company's business. Following the outbreak of the COVID-19 pandemic, the authorities in many of the markets the Group operates in imposed restrictions on the opening of its shopping centres. Except for select "essential" retailers, or those able to offer curb side pickup or fulfill delivery orders from the store. The tenants in the Group's centres were unable to trade for a period beginning mid-March and ending between beginning-May and end-May depending on the country, and later in the period between beginning-November and ending end-December and end-January. In addition, even in those regions in which there were no mandatory shutdowns, or when shopping centres were allowed to reopen, not all retailers continued or restarted operations.

As at 31 December 2020, shopping centres in Poland and Bulgaria were closed. These centres contributed 69% of total retail rental revenue for 2020.

RENT DISCOUNTS AND COLLECTION

In several countries of our operations, governments adopted tenant support packages, such as a rental payments holiday in Poland for the period of lockdown or rent support through subsidizing part of any rental discounts. Upon the re-opening of its shopping centres, the Group engaged tenants in discussions about collecting rent and service charges as well as the terms of any support by the Group. The Group implemented multi-pronged measures to support tenants and encourage consumer spendings, such as reducing rent, allowing rent payment in instalments, waiving late payment interest and service charges. The financial impact of this in terms of loss of rent and service income related to the COVID-19 amounted to €14,700. Overall, we have collected 99% of the rent originally due for the year ended 31 December 2020 (99% for offices and 97% for retail).

VALUATION OF INVESTMENT PROPERTIES

As for each year end, investment properties have been valued by external independent appraisers as described in the Note 17 Investment properties in the audited consolidated financial statements for the year ended 31 December 2020. 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 have negatively affected the investment properties of the Group and might have an effect in the future asset valuations, as well as impact on the Company's compliance with financial covenants. 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 financial year end 31 December 2020, the valuation of the investment properties decreased by €142,721 (for details please refer to note 17 in the audited consolidated financial statements for the year ended 31 December 2020.) which led to a breach of certain covenants:

- With respect to a €175,404 loan from Bank Pekao SA on 17 September 2020, a whole owned subsidiary of the Company, operating the Galeria Północna project, entered into an annex to a loan agreement with the bank in order to relax the DSCR (debt service coverage ratio) covenant and to cure the LTV (loan-to-value) covenant breach. According to the annex, the subsidiary repaid in advance a part of outstanding loan in the amount of EUR 9,500 and agreed to repay additionally up to €3,000 within 12 months of the date of the Annex. As of the date of this report the financial covenants are cured.

- With respect to a €125,125 loan from Erste Group Bank AG and Raiffeisenlandesbank Niederösterreich-Wien AG granted to a whole owned subsidiary of the Company, operating the Galeria Jurajska, the DSCR covenant was waived until the end of June 2021.
- With respect to a €58,256 loan from Banka Intesa ad Beograd, Vseobecna Uverova Banka a.s. and Privredna Banka Zagreb d.d. granted to a whole owned subsidiary of the Company, operating the Ada Shopping Mall, the DSCR covenant was waived by the banks until the end of June 2021. In addition the LTV (loan-to-value) covenant was waived by the banks until the end of December 2021.

LIQUIDITY POSITION

During the COVID-19 pandemic, the Group took immediate steps to preserve its strong liquidity position in light of the uncertain impact of the pandemic. These steps included cost and CAPEX measures, as well as the decision to retain profit for the year ended 31 December 2019 in the Company. As of 31 December 2020, the Group holds cash in the amount of €271,996.

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 13 February 2020, the Group signed with Erste and Raiffeisen banks a loan agreement, which refinanced the existing loan of Galeria Jurajska with a top-up of €46,000, to a total of €130,000.

In March 2020, GTC Group completed the construction of the Green Heart N3 (5,400 sq m) office building in Belgrade.

In July 2020, Dorado 1 EOOD, a wholly-owned subsidiary of the Company has started the construction of an office building (Sofia Tower 2) in Sofia, Bulgaria. The project shall consist of 8,300 sq m of leasable area.

On 27 August 2020, the general' meeting of the Company decided not to distribute dividend for 2019.

In September 2020, the Group acquired the remaining 20% in Marlera Golf LD d.o.o. for a consideration of €2,800, €1,800 of which was paid in September 2020 (the remaining part of €1,000 will be paid upon completion of certain conditions). Following the transaction GTC remained the sole owner of the subsidiary. As a result of the transaction, the NCI increased by €3,600 and the capital reserve decreased by €6,400. Consequently, the total equity decreased by €2,800.

On 20 October 2020, Spiral I Kft., an indirect wholly owned subsidiary of the Company, signed a sale and purchase agreement for the sale of Spiral office building for consideration of €62,700. On 5 November 2020 all conditions precedent for the sale were concluded and the purchase price was paid in full. In parallel with the Closing Spiral I kft repaid the full outstanding amount of the loan with Erste Bank.

In October 2020, the Group completed the construction of office building Advance Business Center II (17,800 sq ,) in Sofia.

In November 2020, the Group completed the construction of office building Matrix B (10,700 sq m) in Zagreb.

On 13 November 2020, GTC Future Kft, a newly established wholly owned subsidiary acquired a land plot from a subsidiary related to the majority shareholder with an existing old office and industrial buildings in Vaci Corridor in Budapest for a total amount of €21,350. The buildings have total leasable area of 12,000 sq m (GLA 8,200 sq m). m. The Company plans to demolish the buildings and develop office buildings in phases with a total leasable area of 64,000 sq m.

On 7 December 2020 GTC Real Estate Development Hungary Zrt. issued 10 years green bonds with the total nominal value of €110,000 denominated in HUF to finance real estate acquisition, redevelopment and construction projects as well as refinance existing debt by the issuer and guarantor (or other members of the guarantor's group). The bonds are fully and irrevocable guaranteed by the Company and were issued at yield of 2.33%. with an annual fixed coupon of 2.25%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 7 December 2030.

On 8 December 2020, GTC Real Estate Development Hungary Zrt. entered into cross-currency interest swap agreements with three 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 interest fixed rate of 0.99%.

5.3 Presentation of differences between achieved financial results and published forecasts

The Group did not publish forecasts for 2020.

5.4 Statement of financial position

5.4.1 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.

RESIDENTIAL LANDBANK

The Group classifies its residential inventory as current or non-current assets based on their development stage within the business operating cycle. The normal operating cycle, in most cases, falls within a period of one to five years. The Group classifies residential inventory, the development of which is planned to be commenced at least one year after the balance sheet date as residential landbank, which is part of its non-current assets.

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.

5.4.2 Financial position as of 31 December 2020 compared to 31 December 2019

ASSETS

Total assets decreased by €41,985 (2%) to €2,480,757 as of 31 December 2020 from €2,522,742 as of 31 December 2019. The decrease was mainly due to the devaluation of investment property resulting from the impact of the COVID-19 outbreak combined with disposal of properties, partially offset by an increase in cash and cash equivalents as a result of the issuance of the bonds under the Founding for Growth Scheme.

The value of investment property and investment property landbank decreased by €121,902 (5%) to €2,125,128 as of 31 December 2020 from €2,247,030 as of 31 December 2019, mainly due to the impact of the COVID-19 outbreak on retail activity of the Company which lead to decrease in value of the properties of €140,913 combined with disposal of Spiral office building (Budapest, Hungary) and non-core land plots with the total value of €63,149. The decrease was partially offset by an investment of €67,695 mostly into assets under construction: Green Heart, Advance Business Center II, Matrix B, Pillar and Sofia Tower 2 and an acquisition of a landplot with completed building for €22,102

The value of assets held for sale increased to €1,580 as of 31 December 2020 from €0 as of 31 December 2019 mainly as a result of reclassification of non-core land plots to assets held for sale.

The value of short-term blocked deposits decreased by €5,597 (17%) to €27,434 as of 31 December 2020 from €33,031 as of 31 December 2019 mainly as a result of a release of retention deposit related to construction works in Ada Mall.

The value of cash and cash equivalents increased by €92,360 (51%) to €271,996 as of 31 December 2020 from 179,636 as of 31 December 2019 mainly as a result of bond issue with the total value of €110,000, disposal of Spiral office building with net proceeds before tax payment of €44,000 (after the repayment of related loan) and refinancing of loan related to Galeria Jurajska with the top-up of €46,000 (€40,989 as at 31 December 2020) partially offset by repayment of bonds in the amount of €68,600 and investment (net of loans received) in planned projects and projects under construction of approximately €30,562.

LIABILITIES

The value of loans and bonds increased by €55,070 (5%) to €1,261,292 as of 31 December 2020 from €1,206,222 as of 31 December 2019. This increase comes mainly from bond issue with the total value of €110,000, refinancing of loan related to Galeria Jurajska with the top-up of €46,000 (€40,989 as at 31 December 2020) and drawdown of loans for projects under construction of €42,043, partially offset by repayment of bonds in the amount of €68,600 and Spiral loan in amount of €18,645 combined with repayment of existing loans in the amount of €48,037.

The value of lease liability (incl. current portion of lease liabilities) decreased by €3,376 (7%) to €43,054 as of 31 December 2020 from €46,430 as of 31 December 2019, mainly due to foreign exchange gain, resulted from devaluation of local currencies.

The value of derivatives increased by €12,910 (203%) to €19,260 as of 31 December 2020 from €6,350 as of 31 December 2019, mainly due to foreign exchange differences on hedged liabilities, resulted from devaluation of local currencies in amount of €5,427 (this loss offset a foreign exchange differences profit in an amount of €5,427 on bonds nominated in PLN and HUF), and a loss in the amount of €7,748 relates to hedge of interest rate mainly from a cross currency swap established for the green bonds.

Provision for deferred tax liability decreased by €14,002 (10%) to €133,230 as of 31 December 2020 from €147,232 as of 31 December 2019 mainly due to the decrease in fair value of investment property from the Covid-19 outbreak impact.

Investment and trade payables and provisions decreased by €9,991 (27%) to €27,299 as of 31 December 2020 from €37,290 as of 31 December 2019 mainly due a decrease in payables related to development activities (Ada Mall and Matrix B).

EQUITY

The amount of accumulated profit decreased by €70,189 (13%) to €460,053 as of 31 December 2020 from €530,242 as of 31 December 2019, following recognition of loss for the period in the amount €70,861.

The value of foreign currency translation decreased by €3,496 to €2,553 loss as of 31 December 2020 from €943 gain as of 31 December 2019, mainly due to devaluation of local currencies.

The value of hedge reserve increased by €6,936 (139%) to €11,930 as of 31 December 2020 from €4,994 as of 31 December 2019, mainly due to hedging of foreign exchange rate fluctuations for bonds in PLN and HUF and devaluation of corresponding local currencies.

The value of capital reserve increased by €6,391 (15%) to €49,489 as of 31 December 2020 from €43,098 as of 31 December 2019, mainly due to acquisition of non-controlling interest in Marlera.

Equity decreased by €84,514 (8%) to €974,148 as of 31 December 2020 from €1,058,662 as of 31 December 2019 mainly due to a decrease in accumulated profit in the amount of €70,861, following recognition of loss during the period.

5.5 Consolidated income statement

5.5.1 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.

5.5.2 Comparison of financial results for the year ended 31 December 2020 with the result for the corresponding period of 2019

REVENUES FROM RENTAL ACTIVITY

Rental and service revenues decreased by €9,641 (6%) to €160,121 in the year ended 31 December 2020 from €169,762 in the year ended 31 December 2019. The decrease mainly resulted from a decrease in rental revenues of approximately €14,720 due to rent relief imposed by governments during lockdown of shopping malls and rent concessions and discounts provided by the Group to the retail tenants across the portfolio due to the COVID-19 outbreak combined with a decrease in rental revenues following the sale of GTC White House in the third quarter of 2019, Neptun Office Center in the fourth quarter of 2019 and Spiral in the fourth quarter of 2020 of €3,870. The decrease was partially offset by an increase in the rental revenues due to the completion of Ada Mall, Green Heart, ABC I, and Matrix A of €8,982.

COST OF RENTAL ACTIVITY

Service cost decreased by €349 (1%) to €41,527 in the year ended 31 December 2020 from €41,876 in the year ended 31 December 2019 mainly as a result of a decrease of service costs and implemented savings in our shopping malls due to the COVID-19 outbreak of €1,213 combined with a decrease in the service costs due to the sale of GTC White House in the third quarter of 2019, Neptun Office Center in the fourth quarter of 2019 and Spiral in fourth quarter of 2020 of €1,562. The decrease was partially offset by an increase on service costs due to the completion of Ada Mall, Green Heart, ABC I and Matrix A of € 2,385.

GROSS MARGIN FROM OPERATIONS

Gross margin (profit) from operations decreased by €9,292 to €118,594 in the year ended 31 December 2020 from €127,886 in the year ended 31 December 2019 mostly resulting from a loss in rent and service revenues in our shopping malls across the portfolio due to the COVID-19 outbreak partially offset by newly completed properties net of sold assets.

Gross margin on rental activities in the year ended 31 December 2020 was 74% compared to 75% in the year ended 31 December 2019.

ADMINISTRATIVE EXPENSES

Administrative expenses (before provision for share based program) decreased by €5,316 to €12,181 in the year ended 31 December 2020 from €17,497 in the year ended 31 December 2019. The administrative expenses in year ended 31 December 2019 included one-off cost related to the exercise of phantom shares of €5,900. Mark-to-market of share based program resulted in a reversal of the provision of €469 in the year ended 31 December 2020 compared to a reversal of the provision of €3,087 recognized in the year ended 31 December 2019. The above factors resulted in a decrease of administration expenses by €2,698 to €11,712 in the year ended 31 December 2020 from €14,410 in the year ended 31 December 2019.

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

Net loss from the revaluation/impairment of the assets amounted to €142,721 in the year ended 31 December 2020, as compared to a net profit of €16,190 in the year ended 31 December 2019. Net loss from the revaluation of the investment properties reflects mainly devaluation of our shopping malls across the portfolio which resulted from the impact of the COVID-19 outbreak mainly on the retail activity of the Group.

OTHER EXPENSE, NET

Other expenses (net of other income) amounted to €846 in the year ended 31 December 2020 as compared to expenses of €772 in the year ended 31 December 2019.

FOREIGN EXCHANGE DIFFERENCES GAIN (LOSS)

Foreign exchange differences loss amounted to €2,951 in the year ended 31 December 2020, as compared to a foreign exchange loss of €437 in the year ended 31 December 2019. An increase is mainly due to the significant devaluation of local currencies following the COVID-19 outbreak.

FINANCIAL INCOME

Financial income amounted to €331 in the year ended 31 December 2020 as compared to €380 in the year ended 31 December 2019.

FINANCIAL COST

Financial cost increased by €610 to €35,244 in the year ended 31 December 2020 as compared to €34,634 in the year ended 31 December 2019. The average interest cost was 2.3%.

PROFIT/(LOSS) BEFORE TAX

Loss before tax was €75,856 in the year ended 31 December 2020, as compared to profit before tax of €92,186 in the year ended 31 December 2019. A decrease is mainly due to a recognition of loss from revaluation/impairment of assets in the amount of €142,721 (as compared to net profit from revaluation/impairment of assets in the amount of €16,190 in 2019) combined with a decrease in gross margin from operations resulting from COVID-19 outbreak.

TAXATION

Tax benefit amounted to €4,995 in the year ended 31 December 2020. Taxation consists mainly of €8,811 of current tax expenses and €13,806 of deferred tax benefit.

NET PROFIT/ (LOSS)

Net loss amounted to €70,861 in the year ended 31 December 2020, as compared to a net profit of €75,421 in the year ended 31 December 2019. This mostly resulted from recognition of loss from revaluation/impairment of assets in the amount of €142,721 (as compared to net

profit from revaluation/impairment of assets in the amount of €16,190 in 2019) combined with a decrease in gross margin from operations resulting from COVID-19 outbreak, partially offset by the recognition of tax benefit of €4,995.

SEGMENTAL ANALYSIS

The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets, and other factors. GTC operates in six core markets: Poland, Budapest, Bucharest, Belgrade, Sofia, and Zagreb.

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

- a. Poland
- b. Belgrade
- c. Budapest
- d. Bucharest
- e. Zagreb
- f. Sofia
- g. Other

Segment analysis of rental income and costs for the year ended 31 December 2020 and 31 December 2019 is presented below:

Portfolio	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenues	Costs	Gross margin	Revenues	Costs	Gross margin
Poland	65,227	(19,218)	46,009	75,793	(20,499)	55,294
Belgrade	33,806	(8,485)	25,321	29,542	(6,658)	22,884
Budapest	21,926	(4,900)	17,026	24,195	(5,792)	18,403
Bucharest	17,229	(2,969)	14,260	17,497	(3,103)	14,394
Zagreb	11,004	(3,684)	7,320	11,624	(3,893)	7,731
Sofia	10,929	(2,271)	8,658	11,111	(1,931)	9,180
Total	160,121	(41,527)	118,594	169,762	(41,876)	127,886

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

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

Segment analysis of assets and liabilities as of 31 December 2019 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans, bonds, and leases	Deferred tax liability	Other	Total liabilities
Poland	978,398	38,399	5,062	1,021,859	516,539	70,600	10,506	597,645
Belgrade	404,219	18,427	5,625	428,271	216,805	13,570	19,545	249,920
Budapest	326,832	20,364	4,705	351,901	126,524	14,090	5,756	146,370
Bucharest	219,271	10,578	1,941	231,790	110,272	12,844	4,793	127,909
Zagreb	160,366	4,305	12,326	176,997	58,710	17,538	7,161	83,409
Sofia	166,070	8,825	1,733	176,628	79,321	8,940	5,360	93,621
Other	12,029	20	15	12,064	-	-	1,184	1,184
Non allocated		122,886	346	123,232	151,249	9,650	3,123	164,022
Total	2,267,185	223,804	31,753	2,522,742	1,259,420	147,232	57,428	1,464,080

5.6 Consolidated cash flow statement

5.6.1 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.

5.6.2 Cash flow analysis

The table below presents an extract of the cash flow for the period of twelve months ended on 31 December 2020 and 2019:

	<u>Year ended 31</u> <u>December</u> <u>2020</u>	<u>Year ended 31</u> <u>December</u> <u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	100,325	101,407
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investment property	(78,528)	(144,688)
Decrease in short term deposits	5,923	5,579
Purchase of subsidiary, completed assets, land, and minority	(23,270)	-
Sale (including advances) of investment property	64,569	80,504
Proceeds related to the expropriation of land	-	4,917
Sale of shares in associates and subsidiaries	-	42,834
VAT/tax on purchase/sale of investment property	953	857
Interest received	55	115
Net cash used in investing activities	(30,298)	(9,882)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution of dividend	-	(37,992)
Proceeds from long-term borrowings	286,807	292,962
Repayment of long-term borrowings	(224,293)	(200,918)
Interest paid	(32,068)	(30,430)
Repayment of lease liability	(162)	(1,739)
Loans origination cost	(1,983)	(2,390)
Dividend granted to non-controlling interest	(420)	(429)
Loan granted to non-controlling interest	-	(429)
Decrease/(increase) in short term deposits	(168)	(11,086)
Net cash from (used in) financing activities	27,713	7,549
Effect of foreign currency translation	(5,380)	106
Net increase/(decrease) in cash and cash equivalents	92,360	99,180
Cash and cash equivalents, at the beginning of the year	179,636	80,456
Cash and cash equivalents, at the end of the year	271,996	179,636

Net cash flow from operating activities decreased to €100,325 in the year ended 31 December 2020 compared to €101,407 in the year ended 31 December 2019. The decrease is mainly due to the impact of COVID-19 outbreak (decrease in income due to the rent relief imposed by governments during lockdowns of shopping malls and rent concessions and discounts provided by the Group across the portfolio) in the amount of €14,700 combined with a decrease in operating cash flow following the sale of GTC White House and Neptun Office Center in amount of €3,870. The decrease was partially offset by the completion of Ada Mall, Green Heart, ABC I, and Matrix A of €8,980 and execution of phantom shares which impacted 2019 cash flow from operating activity in the amount of €5,900.

Net cash flow used in investing activities amounted to €30,298 in the year ended 31 December 2020 compared to €9,882 used in the year ended 31 December 2019. Cash flow used in investing activities mainly composed of (i) expenditure on investment properties of €78,528 related to: Green Heart, Advance Business Center, Matrix, Pillar and Sofia Tower 2, (ii) proceeds from sale (including advances) of investment property of €64,569 (iii) purchase of completed assets and land of €21,468 (iv) decrease in short term blocked deposits of €5,923 and (v) a purchase of minority of €1,802.

Net cash flow from financing activities amounted to €27,713 in the year ended 31 December 2020, compared to €7,549 of cash flow from financing activities in the year ended 31 December 2019. Cash flow from financing activities mainly composed of (i) proceeds from long-term borrowings for the year ended 31 December 2020 in the amount of €286,807 that are related mainly to the bond issue with the total value of €110,000, loans related to assets under construction in the amount of €42,043, refinancing of loans related to Galeria Jurajska in the amount of €130,000; (ii) repayment of long-term borrowings in the amount of €224,293 mainly loan repayment of €84,000 related to Galeria Jurajska, loan repayment of €9,500 related to Galeria Pólnocna, settlement of maturing bonds in amount of 68,600, repayment of Spiral Loan in amount of €18,645 as well as amortization of existing loans in the amount of €38,537; and (iii) interest paid in the amount of €32,068.

Cash and cash equivalents as of 31 December 2020 amounted to €271,996 compared to €179,636 as of 31 December 2019. The Group keeps its cash in the form of bank deposits.

5.7 Future liquidity and capital resources

As of 31 December 2020, the Group believes that its cash balances, cash generated from leasing activities of its investment properties, and cash available under its existing and future loan facilities will fund its needs.

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

As of 31 December 2020, the Group's non-current liabilities amounted to €1,274,363 compared to €1,192,168 as of 31 December 2019.

The Group's total debt from long and short-term loans and borrowings as of 31 December 2020 amounted to €1,261,292 as compared to €1,206,222 as of 31 December 2019.

The Group's loans and borrowings are mainly denominated in Euro. Debt in other currencies includes bonds (series mature in 2022-2023) in PLN and bonds issued by Hungarian subsidiary in HUF (series mature in 2030).

The Group's loan-to-value ratio amounted to 45% as of 31 December 2020, as compared to 44% as of 31 December 2019. The Group's strategy is to keep its loan-to-value ratio at a level not exceeding 50%.

As of 31 December 2020, 95% of the Group's loans (by value) were hedged against interest fluctuations, mostly through interest rate swaps and cap transactions.

Availability of financing

In the CEE and SEE markets, real estate development companies, including the companies of 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 cash flow and net profit.

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

With reference to the COVID-19 outbreak, the management has prepared and analyzed cash flow budget based on certain hypothetical defensive assumptions to assess the reasonableness of the going concern assumption in view of the current developments on the market. This analysis assumed certain loan repayment acceleration, negative impact on NOI, as well as other offsetting measures, which the Management may take to mitigate the risks, including deferring the development activity and dividend pay-out.

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

More information regarding the impact of the COVID-19 outbreak is presented in the audited consolidated financial statements for the year ended 31 December 2020 in Note 36 COVID-19.

6. Information on the use of proceeds from the issuance of shares and bonds

On 7 December 2020 GTC Real Estate Development Hungary Zrt. issued 10 years green bonds with the total nominal value of €110,000 denominated in HUF to finance real estate acquisition, redevelopment and construction projects as well as refinance existing debt by the issuer and guarantor (or other members of the guarantor's group). The bonds are fully and irrevocable guaranteed by the Company and were issued at yield of 2.33% with an annual fixed coupon of 2.25%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 7 December 2030. (see current report no 32/2020).

As at 31 December 2020, the proceeds were not allocated. The net proceeds from the issuance of the bonds amounted to €109,200 and will be used for acquisition, redevelopment, and construction of real estate projects which meet recognized green building standards, such as BREEAM (Very good and above) and LEED (Gold and above) in line with Group's Green Bonds Framework as well as refinance existing debt.

7. Information on loans granted with a particular emphasis on related entities

As of 31 December 2020, the Group does not have any long-term loans granted to its associates or joint ventures.

8. Information on granted and received guarantees with a particular emphasis on guarantees granted to related entities

In December 2020, the Company guaranteed bonds issued by GTC Real Estate Development Hungary Zrt with the total nominal value of €110,000 nominated in HUF.

GTC gives guarantees to third parties in the normal course of its business activities. As of 31 December 2020, the guarantees granted amounted to €0.

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

In the normal course of business activities, the Group receives guarantees from the majority of its tenants to secure the rental payments on the leased space.

9. Off balance liabilities

COMMITMENTS

As of 31 December 2020 (and as at 31 December 2019), the Group had commitments contracted for in relation to future building construction without specified date, amounting to €40,000 (€77,000). These commitments are expected to be financed from available cash and current financing facilities, other external financings, or future installments under already contracted sale agreements and yet to be contracted sale agreements.

CROATIA

In relation to the Marlera Golf project in Croatia, part of the land is held on a lease basis from the State. There is furthermore a Consortium agreement with the Ministry of Tourism of Croatia (Ministry), which includes a deadline for the completion of a golf course that has expired in 2014. If the deadline is not met, then the Ministry has the right to terminate the Consortium agreement which might automatically trigger the termination of the Land Acquisition Agreements, as well as collateral activation and damages claims. Prior to 2014, the Company has taken active steps to achieve an extension of the period for completing the project. In February 2014, the Company received a draft amendment from the Ministry expressing its good faith and intentions to prolong the abovementioned timeline however, the amendment was not formalized since then. Since the formalization of the amendment is not at the sole discretion of the Group, the Management has decided to revalue the freehold asset in assuming no development of the golf course project. Furthermore, as a prudential measure, the Management has also written off the related collateral in the amount of €1,000 provided to the Ministry as a guarantee for completing the golf course. As of 31 December 2020 the book value of the investment in Marlera Golf project was assessed by an independent valuer at €6,800.

10. Major investments, local and foreign (securities, financial instruments, intangible assets, real estate), including capital investments outside the Group and its financing method

The Group does not have any major local or foreign investments other than direct investments in real estate properties designated for development or through companies that hold such real estate.

11. Information on risk management

The Group's principal financial instruments comprise bank and shareholders' loans, bonds, hedging instruments, trade payables, and other long-term financial liabilities. The main purpose of these financial instruments is to finance the Group's operations. The Group has

various financial assets such as trade receivables, loans granted, derivatives, and cash and short-term deposits.

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

INTEREST RATE RISK

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

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

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

As at 31 December 2020, 95% of the Group's borrowings are hedged. (As at 31 December 2019 – 95%).

A 50bp increase in EURIBOR rate would lead to a €2,022 change in loss before tax.

FOREIGN CURRENCY RISK

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

Exchange rates as of 31 December 2020 and 2019 were as following:

	31 December 2020	31 December 2019
PLN/EURO	4.6148	4.2585

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

	2020					2019		
	PLN/Euro					PLN/Euro		
Rate/Percentage of change	5.0763 (+10%)	4.8455 (+5%)	4.3841 (-5%)	4.1533 (-10%)	4.6844 (+10%)	4.4714 (+5%)	4.0456 (-5%)	3.8327 (-10%)
Cash and blocked deposits	(4,303)	(2,151)	2,151	4,303	(8,105)	(4,053)	4,053	8,105
Trade and other receivables	(353)	(176)	176	353	(519)	(259)	259	519
Trade and other payables	1,052	526	(526)	(1,052)	818	409	(409)	(818)
Land leases	3,172	1,586	(1,586)	(3,172)	3,486	1,743	(1,743)	(3,486)

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

CREDIT RISK

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

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

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

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

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

LIQUIDITY RISK

As at 31 December 2020, the Group holds Cash and Cash Equivalent (as defined in IFRS) in the amount of approximately €272,000. As described above, the Group attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to (i) debt servicing of its existing assets portfolio; (ii) CAPEX; and (iii) development of commercial properties. Such

funding will be sourced through available cash, operating income, sales of assets, and refinancing. The management board believes that based on its current assumptions, the Group will be able to settle all its liabilities for at least the next twelve months.

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

	31 December 2020	31 December 2019
First year	218	251
Second year	211	189
Third year	204	199
Fourth year	272	198
Fifth year	155	270
Thereafter	292	196
	1,352	1,303

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

All derivative instruments mature within 1-5 years from the balance sheet date.

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

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

Some loans classified as current liabilities were refinanced post balance sheet data (please refer to note 37 in consolidated financial statement for the year ended 31 December 2020).

Maturity dates of current financial liabilities as of 31 December 2019 were as following:

	Total	Overdue	Up to a month	From a month to three months	From three months to one year
Investment and trade payables and provisions	37,289		6,674	14,374	16,241
Current portion of long-term borrowing	225,350		1,965	111,172	112,213
VAT and other taxes payable	1,817		1,817	-	-
Deposits from tenants	1,605		117	433	1,055
Lease liabilities	208		-	52	156
Income tax payable	1,542		410	-	1,132
Derivatives	3,739		66	868	2,805
	271,550	-	11,049	126,899	133,602

FAIR VALUE

As of 31 December 2020, and 2019, all bank loans bear floating interest rates (however, as of 31 December 2020 and 2019, 95% of loans are hedged). The fair value of the loans, which is related to the floating component of the interest, equals the market rate.

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

For the fair value of investment property, please refer to note 17 consolidate financial statement for the year ended 31 December 2020.

FAIR VALUE HIERARCHY

As at 31 December 2020 and 2019, the Group held several hedge instruments carried at fair value on the statement of financial position.

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

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

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

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

Valuations of hedges are considered as level 2 fair value measurements. During the year ended 31 December 2020 and 31 December 2019, there were no transfers among Level 1 and Level 3 fair value measurements.

PRICE RISK

The Group is exposed to fluctuations in the real estate markets in which it operates. These can have an effect on the Group's results (due to changes in the market rent rates and in occupancy of the leased properties). Further risks are detailed in the Management Report as of 31 December 2020.

CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies, or processes during the years ended 31 December 2020 and 31 December 2019.

The Group monitors its gearing ratio, which is Gross Project and Corporate Debt less Cash & Deposits, (as defined in IFRS) divided by its real estate investment value. The Group's policy is to maintain the loan-to-value ("LTV") ratio at a level not higher than 50%.

	31 December 2020	31 December 2019
(1) Loans, net of cash and deposits (*)	949,192	980,903
(2) Investment properties (exc. land leases), residential landbank, assets held for sale and building for own use	2,099,300	2,220,994
LTV ratio [(1)/(2)]	45.2%	44.2%

(*) Excluding loans from non-controlling interest and deferred issuance debt expenses.

12. Remuneration policy and human resources management

12.1 Remuneration policy

On 27 August 2020, the general meeting approved a Remuneration Policy of the Group. The Remuneration Policy governs the remuneration of the management and supervisory board members.

REMUNERATION OF THE MANAGEMENT BOARD

In accordance with the Remuneration Policy, the remuneration of the members of the management board is determined by the supervisory board and is set at a level appropriate to the roles assigned to individual persons and related responsibilities and takes into account the performance of any additional functions, qualifications and professional experience, the current market and economic situation, as well as the Company's financial and operational situation and needs.

Members of the management board are entitled to the following components of remuneration: (i) fixed remuneration; (ii) variable remuneration in the form of an annual bonus; (iii) Phantom shares or other incentive programs either based on the Company's shares or the movement of prices of these shares to be established in the future by the general meeting or the supervisory board; (iv) compensation for compliance with the non-compete clause; and (v) a severance payment related to the termination of the legal relationship with the Company.

With respect to the variable components of remuneration in the form of an Annual Performance Bonus, as defined in the Remuneration Policy, it is designed to be motivational and to reward the members of the management board for fulfilling their roles, discharging their responsibilities and delivering superior results. Annual Performance Bonus targets and the related payouts reflect a range of expected levels of performance. Members of the management board may be entitled to the Annual Performance Bonus if they achieve the minimum level of the set targets in the given financial year. The Annual Performance Bonus should amount to a particular percentage or part of the maximum bonus amount, as specified in the contract with a particular member of the management board, depending on the level of achievement of the set targets. The Annual Performance Bonus awarded to members of the management board is determined by the supervisory board.

The Annual Performance Bonus is paid after the approval of the annual financial statements by the supervisory board of the Company. As of the date of this Report, the Annual Performance Bonus for 2020 has not yet been paid.

Moreover, the management board members may receive and have received in 2020 additional benefits, such as: (i) private medical care, including for family members; and (ii) the use of company cars, company telephones and other electronic devices for private purposes and the covering of their costs.

The members of the management board may also receive compensation for compliance with the non-compete clause following the end of an engagement, however, the Company has exercised its right to withdraw from such non-compete obligations and such compensation has not been paid to the former members of the management board.

During the 2020 financial year, and in line with the Company's approved Policy regarding the remuneration of the management board members, management board members received a base fixed remuneration as well as variable elements of the remuneration in accordance with the relevant contract concluded with the Company or other entity from the Company's capital group. The establishment of a link between the management board member's remuneration in a form of Phantom Shares and the increase in the Company's share prices aligns such members' personal interest with the interests of the shareholders. The implementation of the

Company's strategy and commitment to long-term interests should have a positive impact on the Company's share prices, which in turn should translate into higher remuneration of the management board members. In addition, it also increases the motivation of management board members and facilitates in the Company retaining them and, as such, contributes to the stability of the Company.

REMUNERATION OF THE SUPERVISORY BOARD

Members of the supervisory board are entitled only to monthly fixed remuneration for performing their functions, or if performing additional functions in a separate committee(s), they are entitled to additional monthly fixed remuneration. The amount of the above-mentioned remuneration is determined by the general meeting. There are no performance-based variable components of remuneration or financial or non-financial benefits awarded to members of the supervisory board.

In 2020, there were changes in the composition of the supervisory board. The remuneration paid to the supervisory board members was granted and paid in compliance with the Remuneration Policy as the supervisory board members were granted only fixed remuneration for holding a position on the board and, in some cases, additional remuneration for performing additional functions in a separate committee(s) of the supervisory board.

12.2 Incentive system

The Company has a remuneration and incentive system that consists of a bonus for meeting specific goals or objectives set by the management board or supervisory board (as the case may be) or achieving special achievements. The Company's management board members key managers are also incentivized by participation in Phantom Shares program, according to which a certain number of phantom shares is vested to the employee once a year.

The Phantom Shares grant to the entitled persons a right for a settlement from the Group in the amount equal to the difference between the average closing price for the Company's shares on the Warsaw Stock Exchange during the 30-day period prior to the date of delivery to the Company of the exercise notice, and settlement price ("strike") amount per share (adjustable for dividend). The Phantom Shares are not securities convertible or exchangeable into shares in the Company, in particular, they are not options on such shares. The Phantom Shares are merely a means of calculation of deferred variable compensation of the entitled persons, which depends on the future market price of the shares on the regulated market.

The company uses binomial model to evaluate the fair value of the phantom shares. The input data includes the date of valuation, strike price, and expiry date.

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

Strike (PLN)	Blocked	Vested	Total
6.11	100,000	751,200	851,200
6.31	4,275,000	20,000	4,295,000
Total	4,375,000	771,200	5,146,200

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

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

As at 31 December 2019, phantom shares issued were as follows:

Last year of exercise date	Number of phantom shares
2020	50,000
2021	1,837,400
2022	330,000
Total	2,217,400

The number of phantom shares were changed as follows:

Number of phantom shares as of 1 January 2020	2,217,400
Granted during the period	4,275,000
Exercised during the year	(1,346,200)
Number of phantom shares as of 31 December 2020	5,146,200

12.2.1.1 Phantom Shares program control system

Granting Phantom Shares to members of the management board and setting their condition is reviewed and approved by the Remuneration Committee and the supervisory board and is in accordance with the Remuneration Policy.

Remuneration to other key personnel is set by the management board.

12.3 Number of employees

As of 31 December 2020 and 2019, the number of full time equivalent working in the Group companies was 209 and 197, respectively.

12.4 Training policy

The Company offers its employees various forms to raise professional qualifications. The key strategic training and workshops are conducted by external companies. Such training opportunities focus mainly on market and product knowledge, marketing, processes, and IT applications competencies, asset management, legal, tax, and accounting. The Company believes that such training is increasing the employee's commitment to the performance of business tasks, improving his/her skills, and maintaining high customer service quality.

12.5 Agreements concluded between GTC and management board members

The Company has concludes agreements with its members of the board, providing for their basic compensation, performance-related bonus, participation in the Phantom Share program, severance payment in the case of their dismissal. Furthermore, the agreements contain a non-competition clause and confidentiality clause.

12.6 Evaluation of the remuneration policy for the realization of its objectives

The remuneration policy is consistent with the shareholders' target to have a long-term increase in shareholder value. Furthermore, it aims to provide stability in managing the Company and carrying out its policies by attracting and retaining highly skilled employees across the organization and operation countries of the Company. Such goals guarantee motivation for quality work and the good attitude of employees, stable financial results, in the long run, sound and effective risk management, supporting the implementation of the business strategy, and the reduction of conflict of interest.

12.7 Remuneration of the Members of the management board and supervisory board

MANAGEMENT BOARD

The following table presents the remuneration of the members of the management board as of 31 December 2020 for the 12 months ended 31 December 2020:

Name	Periods	Fixed remuneration ¹ (€) (not in thousand)	Variable remuneration ¹ (€) (not in thousand)	Vested Phantom Shares (not in thousand)
Yovav Carmi	16 April - 31 December	219,284	-	150,000
Erez Boniel	1 January – 28 July	408,177	358,564	300,000
Ariel Ferstman	28 July - 31 December	99,515	-	
Thomas Kurzmann	1 January - 23 June	249,444	599,213	500,000
Gyula Nagy	1 July - 31 December	18,000	-	-
Robert Snow	23 June - 31 December	166,480	-	100,000

¹ Remuneration (or fees to entities in which the holder is key personnel) consists of payment for 2020 and success fee amounts paid for present and the past year in addition to Group's Phantom Shares program exercised during 2020, as detailed in Item 12.2. Phantom shares.

During 2020, the following changes in the composition of the management board took place:

- on 16 April 2020, the supervisory board of the Company appointed Mr. Yovav Carmi as a member of the management board of the Company (see current report no 7/2020);
- on 22 June 2020, the supervisory board of the Company dismissed Mr. Thomas Kurzmann from the position of member of the management board of the Company and appointed Robert Snow to the management board of the Company effective as of the moment of receipt by the Company of the notification issued by LSREF III GTC INVESTMENTS B.V. regarding the indirect disposal of shares in the share capital of the Company resulting from the disposal by LSREF III GTC INVESTMENTS B.V. of all of the shares in the share capital of GTC DUTCH HOLDINGS B.V (see current reports no 11/2020 and 13/2020);
- on 1 July 2020, the supervisory board of the Company appointed Mr. Gyula Nagy as a member of the management board of the Company (see current report no 16/2020);
- on 28 July 2020, the Company and Mr. Erez Boniel have mutually agreed to terminate his appointment as a member to the management board of the Company (see current report no 18/2020);

- on 28 July 2020, the supervisory board of the Company appointed Mr. Ariel Alejandro Ferstman as a member of the management board of the Company(see current report no 18/2020);
- on 18 September 2020, the supervisory board of the Company appointed Mr. Yovav Carmi as the President of the management board of the Company. Mr. Carmi has been a member of the management board of the Company since 16 April 2020 (see current report no 25/2020).

SUPERVISORY BOARD

The following table presents the remuneration of the members of the supervisory board as of 31 December 2020 for the 12 months ended 31 December 2020:

Name	Periods	Remuneration (€) (not in thousand)
Zoltán Fekete	23 June - 31 December 2020	13,394
János Péter Bartha	23 June - 31 December 2020	12,689
Péter Bozó	23 June - 8 December 2020	9,944
Olivier Brahın	1 January - 23 June 2020	-
Lóránt Dudás	8 December – 31 December 2020	1,393
Jan-Christoph Düdden	1 January - 23 June 2020	-
Balázs Figura	23 June - 31 December 2020	11,279
Mariusz Grendowicz	1 January - 31 December 2020	26,998
Patrick Haerle	1 January - 23 June 2020	-
Christian Harlander	16 April - 23 June 2020	-
Alexander Hesse	1 January – 16 April 2020	-
Marcin Murawski	1 January - 31 December 2020	28,348
Katharina Schade	1 January - 23 June 2020	-
Bálint Szécsényi	23 June - 31 December 2020	11,279
Ryszard Wawryniewicz	1 January - 31 December 2020	22,698

During 2020, the following changes in the composition of the supervisory board took place:

- on 9 April 2020, Mr. Alexander Hesse, Chairman of the supervisory board, resigned from the supervisory board of the Company, effective 16 April 2020 (see current report no 5/2020);
- on 16 April 2020, the GTC Dutch Holdings B.V appointed Mr. Christian Harlander as a supervisory board member (see current report no 6/2020);
- on 16 April 2020, the supervisory board of the Company chose Mr. Jan-Christoph Düdden as a chairman of the supervisory board;
- on 23 June 2020, the Company received resignations of the following members of the supervisory board of Globe Trade Centre S.A.: Jan-Christoph Düdden, Olivier Braham, Patrick Haerle, Christian Harlander, and Katharina Schade, such resignations being effective as of the moment of receipt by the Company of the notification issued by LSREF III GTC INVESTMENTS B.V. regarding the indirect disposal of shares in the share capital of the Company resulting from the disposal by LSREF III GTC INVESTMENTS B.V. of all of the shares in the share capital of GTC DUTCH HOLDINGS B.V. (see current reports no 12/2020 and 13/2020);
- on 23 June 2020, the GTC Dutch Holdings B.V appointed Dr. Zoltán Fekete, Mr. Balázs Figura, Dr. János Péter Bartha, Mr. Bálint Szécsényi and Mr. Péter Bozó as members of the supervisory board of the Company, effective immediately (see current report no 14/2020);
- on 1 July 2020, the supervisory board of the Company chose Mr. Zoltán Fekete as a Chairman of the supervisory board;
- on 8 December 2020, Dutch Holdings B.V. dismissed Mr. Péter Bozó and appointed Mr. Lóránt Dudás as a member of the supervisory board of the Company, effective immediately (see current report no 33/2020).

12.8 Information on any liabilities arising from pension and similar benefits for former members of the management board and the supervisory board

There are no liabilities arising from pension and similar benefits for former members of the management board and the supervisory board.

13. Shares in GTC held by members of the management board and the supervisory board

SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD

The following table presents shares owned directly or indirectly by members of the Company's management board of 23 March 2021, the date of publication of this annual report, and changes in their holdings since the date of publication of the Group's last financial report (interim report for the three and nine-month period ended 30 September 2020) on 24 November 2020.

The information included in the table is based on information received from members of the management board.

Management board member	Balance as of 23 March 2021 (not in thousand)	The nominal value of shares in PLN (not in thousand)	Change since 24 November 2020 (not in thousand)
Yovav Carmi	0	0	No change
Ariel Ferstman	5,240	524	No change
Gyula Nagy	0	0	No change
Robert Snow	0	0	No change
Total	5,240	524	

SHARES OF GTC HELD BY MEMBERS OF THE SUPERVISORY BOARD

The following table presents shares owned directly or indirectly by members of the Company's supervisory board of 23 March 2021, the date of publication of this annual report, and changes in their holdings since the date of publication of the Group's last financial report (interim report for the three and nine-month period ended 30 September 2020) on 24 November 2020.

The information included in the table is based on information received from members of the supervisory board.

Members of supervisory board	Balance as of 23 March 2021 (not in thousand)	The nominal value of shares in PLN (not in thousand)	Change since 24 November 2020
Zoltán Fekete	0	0	No change
János Péter Bartha	0	0	No change
Péter Bozó ¹	0	0	No change
Lóránt Dudás ²	0	0	No change
Balázs Figura	0	0	No change
Mariusz Grendowicz	13,348	1,335	No change
Marcin Murawski	0	0	No change
Bálint Szécsényi	0	0	No change
Ryszard Wawryniewicz	0	0	No change
Total	13,348	1,335	

¹ Balance as of 8 December 2020

² Change since 8 December 2020

14. Transactions with related parties concluded on terms other than market terms

The Group presents information on the material transactions that the Company, or its subsidiaries, concluded with a related party in the consolidated financial statements for the financial year ended 31 December 2020 in Note 33 *Related Party Transactions*.

15. Information on signed and terminated loan agreements within a given year

On 31 March 2020, GTC SA repaid all bonds issued under ISIN code PLGTC0000235 (full redemption). The original nominal value was €18,496.

On 14 June 2020, GTC SA repaid all bonds issued under ISIN code PLGTC0000243 (full redemption). The nominal value was €40,000.

On 18 December 2020, GTC SA repaid all bonds issued under ISIN code PLGTC0000268 (full redemption). The nominal value was €10,104.

On 13 February 2020, the Group signed with Erste Group Bank AG and Raiffeisenlandesbank Niederösterreich-Wien AG a loan agreement, which refinanced the existing loan of Galeria Jurajska with a top-up of €46,000, to a total of €130,000. The loan will expire on 31 March 2025.

On 7 December 2020, GTC Real Estate Development Hungary Zrt. issued 10 years green bonds with the total nominal value of €110,000 denominated in HUF. The bonds are fully and irrevocable guaranteed by the Company and were issued at yield of 2.33%. with an annual fixed coupon of 2.25%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 7 December 2030.

On 8 December 2020, GTC Real Estate Development Hungary Zrt. entered into cross-currency interest swap agreements with three 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 interest fixed rate of 0.99%.

In October 2020, the Group repaid the full outstanding amount of the Spiral loan with Erste Bank. The loan amounted €18,645.

All signed in year 2020 loan agreements are denominated in Euro and interest is based on margin plus Euribor. The Group pays interest on its long term debt and bonds on average 2.3% p.a.

16. Information on contracts of which the Company is aware of (including those concluded after the balance sheet date) which could result in a change in the shareholding structure in the future

There are no contracts of which the Company is aware of (including those concluded after the balance sheet date) which could result in a change in the shareholding structure in the future.

17. Proceedings before a court or public authority involving Globe Trade Centre SA or its subsidiaries the total value of the liabilities or claims is material

There are no individual proceeding or group of proceedings before a court or public authority involving Globe Trade Centre SA or its subsidiaries, with the total value of liabilities or claims is material.

18. Material contracts signed during the year, including insurance contracts and co-operation contracts

On 13 February 2020, the Group signed with Erste Group Bank AG and Raiffeisenlandesbank Niederösterreich-Wien AG a loan agreement, which refinanced the existing loan of Galeria Jurajska with a top-up of €46,000, to a total of €130,000 (see current report no 3/2020).

On 17 September 2020, a Centrum Światowida Sp. z o.o., a wholly-owned, operating the Galeria Północna project, entered into an annex to a loan agreement with Bank Pekao SA in order to relax the debt service coverage ratio (DSCR) covenant and to cure the loan-to-value (LTV) covenant breach. According to the annex, the subsidiary repaid in advance a part of the outstanding loan in the amount of €9,500 and agreed to repay additionally up to €3,000 within 12 months of the date of the Annex. DSCR covenant was relaxed for 18 months from the date of the signed annex. As of the date this Report the financial covenants are cured (see current report no 24/2020).

On 7 December 2020, GTC Real Estate Development Hungary Zrt issued 10 years green bonds with the total nominal value of €110,000 denominated in HUF to finance real estate projects and upstream the funds with refinancing purposes. The bonds are fully and irrevocable guaranteed by the Company and were issued at yield of 2.33%. with an annual fixed coupon of 2.25%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 7 December 2030 The Bonds (ISIN code: HU0000360102GTC) are trade on the XBond market in Budapest (see current report no 32/2020).

19. Agreements with an entity certified to execute an audit of the financial statements

In April 2020, the Company entered into an agreement with BDO spółka z ograniczoną odpowiedzialnością sp. k., with headquarters located in Warsaw, Postępu 12 Street („BDO”), for performance of the audit of the standalone financial statements of Globe Trade Centre S.A. and the consolidated financial statements of Globe Trade Centre Group for the financial year ended 31 December 2020 and 2021. Additionally to that agreement, the Group entered into various agreements with BDO in the countries of the relevant Group’s subsidiaries.

The independent external auditor was selected by the resolution of the Company's supervisory board dated 29 April 2020.

In years 2002-2019, Ernst & Young Audyt Polska Sp. z o.o. sp. k (“Ernst & Young”) has reviewed and audited financial statements of the Company and Group.

The following summary presents a list of services provided by BDO and Ernst & Young as well as remuneration for the services in the periods of 12 months ended on 31 December 2020 and 31 December 2019.

	For year ended	
	31 December 2020	31 December 2019
	€	€
Fee for audit and review of financial statements	440	570
Tax and other advisory services	-	-
Total	440	570



Globe Trade Centre S.A.

REPORT ON APPLICATION OF THE PRINCIPLES OF

CORPORATE GOVERNANCE

FOR THE FINANCIAL YEAR ENDED **31 DECEMBER 2020**

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1. The principles of corporate governance to which the issuer is subject and the location where the set of principles is publicly available

In July 2007, the Council of the Warsaw Stock Exchange adopted a set of principles for the corporate governance for joint-stock companies issuing shares, convertible bonds, or senior bonds that are admitted to trading on the stock exchange (the “**WSE Best Practices**”). The WSE Best Practices have been amended several times since then and were brought in line with recent legislative amendments, current international corporate governance trends, and the expectations of market participants. The last amendment took place on 13 October 2015, when the Warsaw Stock Exchange supervisory board adopted a resolution approving a new code of corporate governance, “Best Practice of GPW Listed Companies 2016” which came to force as at 1 January 2016 and is a base for this report on the application of the principles of corporate governance for the financial year ended 31 December 2020.

The content of the WSE Best Practices is publicly available on the website of the Warsaw Stock Exchange dedicated to those issues at <https://www.gpw.pl/best-practice>.

2. The principles of corporate governance that the issuer has waived, including the reasons for such waiver

We strive to make every possible effort to employ the corporate governance principles set out in the WSE Best Practices, and try to follow, in all areas of the Company’s business, all the recommendations regarding best practices of Warsaw Stock Exchange Listed Companies and all the recommendations directed to management boards, supervisory boards and shareholders.

Additionally, to implement a transparent and effective information policy, the Company provides fast and safe access to information for shareholders, analysts and investors, employing both traditional and modern technologies of publishing information about the Company to the greatest extent possible.

We strive to make every possible effort to employ all corporate governance principles

During the vast majority of the year ended 31 December 2020, the Company complied with all the principles of the WSE Best Practice. The exception was the period from the beginning of the year to 18 March 2020, when the Company did not meet the “II.Z.3. principle (at least two members of the supervisory board should meet the criteria of being independent referred to in principle II.Z.4.).” On 20 December 2019, the Company was notified that on 19 December 2019 PZU Otwarty Fundusz Emerytalny “Złota Jesień” reduced its shares in the total number of votes and shares of the Company below 10%. Due to the above mentioned, the mandate of Ryszard Koper as a supervisory board expired pursuant to Article 9 point 2 of the Company’s Articles of Association. Mr. Ryszard Koper was one of two members of the supervisory board, who met the independence criteria at the level of the supervisory board. As a result, starting from 20 December 2019 until 18 March 2020, the Company has not met the “II.Z.3. principle. On 18 March 2020, Mr. Ryszard Wawryniewicz confirmed in a statement that he meets the criteria of

an independent member of the supervisory board. As a result the Company again complies with all the principles of the Best Practices of WSE Listed Companies.

3. The principal characteristics of the internal control and risk management systems used with respect to the procedure of preparing financial statements and consolidated financial statements

The management board is responsible for the Company's internal control system and its effectiveness in the process of preparing financial statements and interim reports prepared and published in accordance with the provisions of the Decree of the Finance Minister of 29 March 2018 on current and interim information provided by issuers of securities and the conditions for accepting, as equivalent, information required by the provisions of a country not being a member state.

The Company draws on its employees' extensive experience in the identification, documentation, recording, and controlling of economic operations, including numerous control procedures supported by modern information technologies used for the recording, processing, and presentation of operational and financial data.

In order to ensure the accuracy and reliability of the accounts of the parent and subsidiary companies, the Company applies a series of internal procedures in the area of transactional control systems and processes resulting from the activities of the Company and the capital group.

An important element of risk management, in relation to the financial reporting process, is ongoing internal controls exercised by main accountants on the holding and subsidiaries level.

The budgetary control system is based on monthly and annual financial and operational reporting. Financial results are monitored regularly.

One of the basic elements of control in the preparation of financial statements of the Company and the Group is verification carried out by independent auditors. An auditor is chosen from a group of reputable firms which guarantee a high standard of service and independence. The supervisory board approves the choice of the auditor. The tasks of the independent auditor include, in particular: a review of semi-annual stand-alone and consolidated financial statements and an audit of annual stand-alone and consolidated financial statements.

An auditor's independence is fundamental to ensuring the accuracy of an audit of books. An audit committee, appointed to the Company's supervisory board, supervises the financial reporting process in the Company, in co-operation with the independent auditor, who participates in the audit committee meetings. The audit committee oversees the financial reporting process in order to ensure sustainability, transparency, and integrity of financial information. The audit committee includes one member of the supervisory board who meets

the independence criteria set out in the Best Practices of WSE Listed Companies. The audit committee reports to the supervisory board.

Moreover, under Article 4a of the Act of 29 September 1994 on accounting, the duties of the supervisory board include ensuring that the financial statements and the report of the Company's operations meet the requirements of the law, and the supervisory board carries out this duty, using the powers under the law and the articles of association of the Company. This is yet another level of control exercised by an independent body to ensure the accuracy and reliability of the information presented in the separate and consolidated financial statements.

4. Shareholders who, directly or indirectly, have substantial shareholding, including the number of shares held by them, the percentage share in the share capital, and the number of votes attached to their shares in the overall number of votes at the general meeting

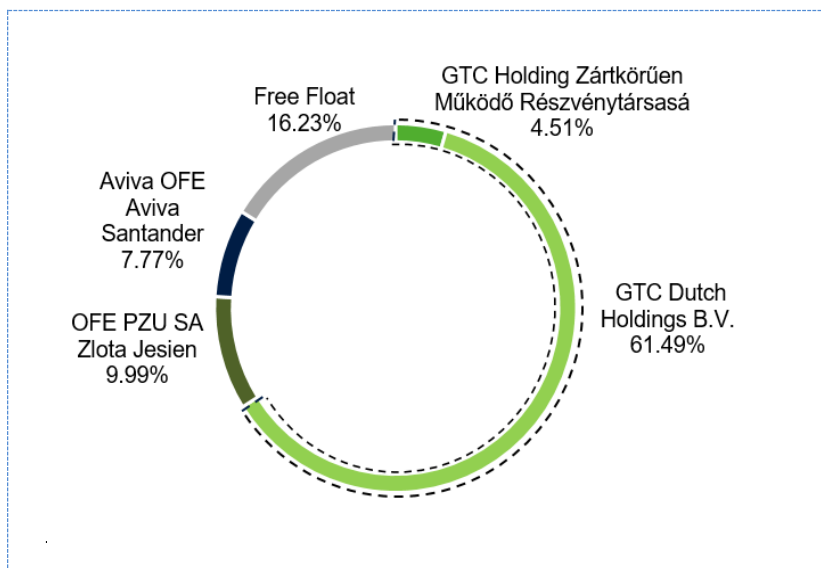
The following table presents the Company's shareholders, who had no less than 5% of votes at the general meeting of GTC S.A. shareholders, as of the date of 31 December 2020.

The table is prepared based on information received directly from the shareholders.

Shareholder	Number of shares and rights to the shares held (not in thousand)	% of share capital	Number of votes (not in thousand)	% of votes	Change in number of shares since 24 November 2020 (not in thousand)
GTC Dutch Holdings B.V.	298,575,091	61.49%	298,575,091	61.49%	No change
GTC Holding Zártkörűen Működő Részvénytársaság ¹	21,891,289	4.51%	21,891,289	4.51%	No change
OFE PZU Złota Jesień ²	48,555,169	10.00%	48,555,169	10.00%	No change
AVIVA OFE Aviva BZ WBK	37,739,793	7.77%	37,739,793	7.77%	No change
Other shareholders	78,793,780	16.23%	78,793,780	16.23%	No change
Total	485,555,122	100.00%	485,555,122	100.00%	

¹ directly holds 21,891,289 shares and indirectly through GTC Dutch Holdings B.V. (100% subsidiary of GTC Holding Zártkörűen Működő Részvénytársaság) holds 298,575,091 shares.

² holds below the 10% of the total number of votes, exactly 9.9999%



In 23 June 2020, the Company received from LSREF III GTC INVESTMENTS B.V. (“LSREF”) and Lone Star Real Estate Partners III, L.P. (“Lone Star”) a notification of a change in the shareholding of the Company issued pursuant to Article 69 section 1 item 2 in conjunction with Article 87 section 5 item 1 of the Act of 29 July 2005 on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies.

As a result of the disposal of the shares held by LSREF III GTC INVESTMENTS B.V. in the share capital of GTC Dutch Holdings B.V. to GTC Holding Zártkörűen Működő Részvénytársaság, the indirect disposal of 298,575,091 shares in the Company constituting 61.49% of the shares in the share capital of the Company, corresponding to 298,575,091 votes at the general meeting of the shareholders of the Company constituting 61.49% of the votes at the general meeting of shareholders of the Company occurred (see current report no 13/2020).

On 27 October 2020, the Company received a notification from GTC Holding Zártkörűen Működő Részvénytársaság with its registered office in Budapest, Hungary (“GTC Holding Zrt”) regarding an increase to 66% in the total number of votes in the Company. The acquisition of the above-mentioned shares in the share capital of the Company took place as a result of the conclusion on 22 October 2020 and settlements on 23 October 2020 (in relation to shares acquired from other than South African shareholders of the Company) and on 27 October 2020 (in relation to shares acquired from South African shareholders of the Company) of transactions of the acquisition of the Company's shares covered by acceptance subscriptions for the sale of shares under the tender offer for the sale of shares in the Company announced by GTC Holding Zrt on 7 September 2020. As a result of the above mentioned acquisition, GTC Holding Zrt holds jointly 320,466,380 shares of the Company, entitling to 320,466,380 votes in the Company, representing 66% of the share capital of the Company and carrying the right to 66% of the total number of votes in the Company, including:

- directly holds 21,891,289 shares of the Company, entitling to 21,891,289 votes in the Company, representing 4.51% of the share capital of the Company and carrying the right to 4.51% of the total number of votes in the Company; and

- indirectly (i.e. through the GTC Dutch Holdings B.V.holds 298,575,091 shares of the Company, entitling to 298,575,091 votes in the Company, representing 61.49% of the share capital of the Company and carrying the right to 61.49% of the total number of votes in the Company (see current report no 28/2020).

5. Holders of any securities that grant special rights of control, including a description of such rights

There are no special rights of control that would be attached to any securities in Globe Trade Centre S.A.

6. Restrictions concerning the exercise of voting rights, such as restriction of the exercise of voting rights by holders of any specific part or number of votes, time restrictions concerning the exercise of voting rights or regulations whereunder, with the co-operation of the Company, the equity rights related to the securities are separate from holding securities

There are no restrictions applicable to the exercise of voting rights such as restriction of the exercise of voting rights by holders of any specific part or number of shares, any time restrictions applicable to the exercise of voting rights or regulations whereunder, with the co-operation of Globe Trade Centre S.A., the equity rights related to securities would be separate from holding securities.

7. Restrictions concerning the transfer of the ownership title to securities in Globe Trade Centre S.A.

There are no limitations of transfer of ownership title to securities, except for those limitations that are resulting from the general provisions of the law, in particular contractual limitations regarding the transfer of the ownership rights to the securities issued by the Company.

8. Rules concerning the appointment and dismissal of management and the rights thereof, specifically the right to make decisions concerning the issuance and redemption of shares.

Pursuant to Art. 10, the Company's statute the management board consists of one to seven members, appointed by the supervisory board for a three-year term.

Additionally, the supervisory board designates the president of the management board and deputy thereof.

The management board of the Company is responsible for the Company's day-to-day management and for its representation in dealing with third parties. All issues related to the Company's operations are in the scope of activities of the management board unless they are specified as the competence of the supervisory board or the general meeting by the provisions of applicable law or the articles of association.

Members of the management board participate, in particular, in general meetings and provide answers to questions asked during general meetings. Moreover, members of the management board invited to a supervisory board meeting by the chairman of the supervisory board participate in such meeting, with a right to voice their opinion on issues on the agenda.

The general meeting takes decisions regarding the issuance or buying back of shares in the Company. The competencies of the management board in the scope are limited to execution of any resolutions adopted by the general meeting.

9. Overview of the procedure of amending the Company's articles of association

A change to the Company's articles of association requires a resolution of the general meeting and an entry into the Court register. The general provisions of law and the articles of association govern the procedure of adopting resolutions regarding changes to the articles of association.

10. The bylaws of the general meeting and its principal rights and description of rights of shareholders and their exercise, in particular the rules resulting from the bylaws of the general meeting, unless information on that scope results directly from the provisions of law

The general meeting acts pursuant to the provisions of the Polish Commercial Companies Code and the articles of association.

The general meeting adopts resolutions regarding, in particular, the following issues:

- a)** discussion and approval of reports of the management board and the financial statements for the previous year,
- b)** decision about allocation of profits or covering of debts,
- c)** signing off for the performance of duties for the supervisory board and the management board,
- d)** determination of the supervisory board remuneration,
- e)** changes to the articles of association of the Company,

- g) increase or decrease in the share capital,
- h) merger or transformation of the Company,
- i) dissolution or liquidation of the Company,
- j) issuance of convertible or priority bonds,
- k) sale or lease of the Company and the establishment of a right of use or sale of the Company's enterprise,
- l) all decisions regarding claims for damages upon the establishment of the Company, or the performance of management or supervision.

A general meeting can be attended by persons who are shareholders of the Company sixteen days before the date of the general meeting (the day of registration for participation in the general meeting).

A shareholder who is a natural person is entitled to participate in general meetings and execute voting rights in person or through a proxy. A shareholder, which is a legal entity, is entitled to participate in general meetings and execute voting rights through a person authorized to forward statements of will on their behalf or through a proxy.

A power of attorney to attend a general meeting and exercise voting rights must be in written or electronic form. For the purposes of identification of the shareholder who granted a power of attorney, a notice on the granting of such power of attorney electronically should contain (as a schedule):

- if the shareholder is an individual, a copy of an identity card, passport or any other official identification document confirming the identity of the shareholder; or
- if the shareholder is not an individual, a copy of an extract from a relevant register or any other document confirming the authorization of the individual(s) to represent the shareholder at the general meeting (e.g., an uninterrupted chain of powers of attorney).

The general meeting may be attended by members of the management board and supervisory board (in a composition which allows for substantive answers to the questions asked during the general meeting) and by the auditor of the Company, if the general meeting is held to discuss financial matters.

At the general meeting each participant is entitled to be elected the chairman of the general meeting, and also nominate one person as a candidate for the position of chairman of the general meeting. Until the election of the chairman, the general meeting may not take any decisions.

The chairman of the general meeting directs proceedings in accordance with the agreed agenda, provisions of law, the articles of association, and, in particular: gives the floor to

speakers, orders votes and announces the results thereof. The chairman ensures efficient proceedings and respecting of the rights and interests of all shareholders.

After the creation and signing of the attendance list, the chairman confirms that the general meeting has been called in the correct manner and is authorized to pass resolutions.

The chairman of the general meeting closes the general meeting upon the exhausting of its agenda.

11. Personnel composition and changes in the previous business year and description of the functioning of the management, supervisory, or administrative bodies of the Company and its committees.

THE MANAGEMENT BOARD

Composition of the management board

Currently, the management board is composed of four members. The following table presents the names, surnames, functions, dates of appointment, and dates of expiry of the current term of the members of the management board as at 31 December 2020:

Name and surname	Function	Year of the first appointment	Year of appointment for the current term	Year of expiry of term
Yovav Carmi ¹	President of the management board	2020	2020	2023
Ariel Ferstman	Member of the management board and CFO	2020	2020	2023
Gyula Nagy	Member of the management board	2020	2020	2023
Robert Snow	Member of the management board	2020	2020	2023

¹ Mr. Yovav Carmi was a member of the management board of the Company between 2011 and 2015.

During 2020, the following changes in the composition of the management board took place:

- on 16 April 2020, the supervisory board of the Company appointed Mr. Yovav Carmi as member of the management board of the Company (see current report no 7/2020);
- on 22 June 2020, the supervisory board of the Company dismissed of Thomas Kurzmann from the position of a member of the management board of the Company and the appointed Robert Snow to the management board of the Company effective as of the moment of receipt by the Company of the notification issued by LSREF III

GTC INVESTMENTS B.V. regarding the indirect disposal of shares in the share capital of the Company resulting from the disposal by LSREF III GTC INVESTMENTS B.V. of all of the shares in the share capital of GTC DUTCH HOLDINGS B.V (see current reports no 11/2020 and 13/2020);

- on 1 July 2020, the supervisory board of the Company appointed Mr. Gyula Nagy as member of the management board of the Company (see current report no 16/2020);
- on 28 July 2020, the Company and Mr. Erez Boniel have mutually agreed to terminate his appointment as a member to the management board of the Company (see current report no 18/2020);
- on 28 July 2020, the supervisory board of the Company appointed Mr. Ariel Alejandro Ferstman as a member of the management board of the Company (see current report no 18/2020);
- on 18 September 2020, the Company's supervisory board appointed Yovav Carmi as the president of the company's management board. Mr. Carmi has been a member of the management board of the Company since 16 April 2020 (see current report no 25/2020).

Description of operations of the management board

The management board runs the Company's business in a transparent and efficient way pursuant to the provisions of applicable law, its internal provisions, and the "Best Practices of WSE Listed Companies". When making decisions related to the Company's business, the members of the management board act within limits of justified business risk.

The two members of the management board acting jointly are entitled to make representations on the Company's behalf.

All issues related to the management of the Company which are not specified by the provisions of applicable law or the articles of association as competencies of the supervisory board or the general meeting are within the scope of competence of the management board.

Members of the management board participate in sessions of the general meeting and provide substantive answers to questions asked during the general meeting. Members of the management board invited to a meeting of the supervisory board by the chairman of the supervisory board participate in such meeting with the right to take the floor regarding issues on the agenda. Members of the management board are required to, within their scope of competence and the scope necessary to settle issues discussed by the supervisory board, submit explanations and information regarding the Company's business to the participants of a meeting of the supervisory board.

The management board makes any decisions considered (by the management board) to be important for the Company by passing resolutions at meetings thereof. Such resolutions are passed by a simple majority.

Moreover, the management board may adopt resolutions in writing or via a manner enabling instantaneous communication between the members of the management board by means of audio-video communication (e.g. teleconferencing, videoconferencing, etc).

THE SUPERVISORY BOARD

The composition of the supervisory board

As of 31 December 2020, the supervisory board comprises eight members. The following table presents the names, surnames, functions, dates of appointment, and dates of expiry of the current term of the members of the supervisory board as at 31 December 2020:

Name and surname	Function	Year of the first appointment	Year of appointment for the current term	Year of expiry of term
Zoltán Fekete	Chairman of the supervisory board	2020	2020	2023
János Péter Bartha ¹	Independent member of the supervisory board	2020	2020	2023
Lóránt Dudás	Member of the supervisory board	2020	2020	2023
Balázs Figura	Member of the supervisory board	2020	2020	2023
Mariusz Grendowicz	Member of the supervisory board	2000	2019	2022
Marcin Murawski ¹	Independent member of the supervisory board	2013	2019	2022
Bálint Szécsényi	Member of the supervisory board	2020	2020	2023
Ryszard Wawryniewicz ¹	Independent member of the supervisory board	2017	2018	2021

¹ conforms with the independence criteria listed in the Best Practices of WSE Listed Companies.

During 2020, the following changes in the composition of the supervisory board took place:

- on 9 April 2020, Mr. Alexander Hesse, chairman of the supervisory board, resigned from the supervisory board of the Company, effective 16 April 2020 (see current report no 5/2020);
- on 16 April 2020, the GTC Dutch Holdings B.V appointed Mr. Christian Harlander as a supervisory board member (see current report no 6/2020);

- on 16 April 2020, the supervisory board of the Company chose Mr. Jan-Christoph Düdden as a chairman of the supervisory board;
- on 23 June 2020, the Company received resignations of the following five members of the supervisory board of Globe Trade Centre S.A.: Jan-Christoph Düdden, Olivier Brahini, Patrick Haerle, Christian Harlander and Katharina Schade, such resignations being effective as of the moment of receipt by the Company of the notification issued by LSREF III GTC INVESTMENTS B.V. regarding the indirect disposal of shares in the share capital of the Company resulting from the disposal by LSREF III GTC INVESTMENTS B.V. of all of the shares in the share capital of GTC DUTCH HOLDINGS B.V. (see current reports no 12/2020 and 13/2020);
- on 23 June 2020, the GTC Dutch Holdings B.V appointed Dr. Zoltán Fekete, Mr. Balázs Figura, Dr. János Péter Bartha, Mr. Bálint Szécsényi and Mr. Péter Bozó as members of the supervisory board of the Company, effective immediately (see current report no 14/2020);
- on 1 July 2020, the supervisory board of the Company chose Mr. Zoltán Fekete as a Chairman of the supervisory board;
- on 8 December 2020, GTC Dutch Holdings B.V. dismissed Mr. Péter Bozó and appointed Mr. Lóránt Dudás as a member of the supervisory board of the Company, effective immediately (see current report no 33/2020).

Description of the operations of the supervisory board

The supervisory board acts pursuant to the Polish Commercial Companies Code and also pursuant to the articles of association of the Company and the supervisory board regulations dated 16 May 2017.

Pursuant to the articles of association of the Company, the supervisory board performs constant supervision over activities of the enterprise. Within the scope of its supervisory activities, the supervisory board may demand any information and documents regarding the Company's business from the management board.

Members of the supervisory board are required to take necessary steps to receive regular and full information from the management board regarding material matters concerning the Company's business and risks involved in the business and the strategies of risk management. The supervisory board may (while not infringing the competencies of other bodies of the Company) express their opinion on all the issues related to the Company's business, including forwarding motions and proposals to the management board.

In addition to the matters defined in the Polish Commercial Companies Code the following are the competencies of the supervisory board:

- a) The establishment of remuneration and commissions for the members of the Company's management board and representing the Company when executing agreements with management board members and in any disputes with management board members
- b) Giving consent for the Company or one of its Subsidiaries to execute an agreement or agreements with an Affiliate or with a member of the Company's management board or supervisory board or with a member of the management or supervisory authorities of an Affiliate. Such consent is not be required for transactions with companies in which the Company holds, directly or indirectly, shares entitling it to at least 50% of votes at shareholders' meetings, if such transaction results in obligations of the other shareholders of such companies proportional to their stake in that company, or if the difference between the financial obligations of the Company and the other shareholders does not exceed EUR 5 million. In the articles of association indirect ownership of shares entitling the holder thereof to at least 50% of the votes at a shareholders' meeting means possession of such number of shares that entitles the holder thereof to at least 50% of votes in each of the indirectly held companies in the chain of subsidiaries.
- c) Giving approval to any change of the auditor selected by the Company's management board to audit the Company's financial statements.
- d) Expressing consent for the Company or one of its Subsidiaries to: (i) execute transaction comprising the acquisition or sale of investment assets of any kind the value of which exceeds EUR 30million; (ii) issue a guarantee for an amount exceeding EUR 20 million; or (iii) execute any transaction (in the form of a single legal act or a number of legal acts) other than those set forth in preceding points (i) or (ii) where the value of such transaction exceeds EUR 20 million. For the avoidance of doubt, consent is required for the Company's management board to vote on the Company's behalf at a meeting of the shareholders of a Company's Subsidiary authorizing transactions meeting above criteria.

For the purposes of this competencies and articles of association:

- a) an entity is an "Affiliate", if it is (i) a Dominating Entity with respect to the Company, or (ii) a Subsidiary of the Company; or (iii) a Subsidiary of a Dominating Entity of the Company; or (iv) a Subsidiary of the Company's Dominating Entity other than the Company' Subsidiary; or (v) a Subsidiary of any member of managing or supervisory authorities of the Company or any of the entities designated in (i) through (iii);
- b) an entity is a "Subsidiary" of any other entity (the "Dominating Entity") if the Dominating Entity: (i) has the right to exercise the majority of votes in the governing bodies of the Subsidiary, including on the basis of understandings with other authorised entities, or (ii) is authorised to take decisions regarding financial policies and current commercial

operations of the Subsidiary on the basis of any law, statute or agreement, or (iii) is authorised to appoint or dismiss the majority of members of managing authorities of the Subsidiary, or (iv) more than half of the members of the Subsidiary's management board are also members of the management board or persons performing any management functions at the Dominating Entity or any other Subsidiary.

The supervisory board consists of five to twenty members, including the Chairman of the supervisory board. Each shareholder who holds individually more than 5% of shares in the Company's share capital (the "Initial Threshold") is entitled to appoint one supervisory board member. Shareholders are further entitled to appoint one additional supervisory board member for each block of held shares constituting 5% of the Company's share capital above the Initial Threshold. Supervisory board members are appointed by a written notice of entitled shareholders given to the chairman of the general meeting at the general meeting or outside the general meeting delivered to the management board along with a written statement from the selected person that he/she agrees to be appointed to the supervisory board.

The number of supervisory board members is equal to the number of members appointed by the entitled shareholders, increased by one independent member, provided that in each case such number may not be lower than five.

Under the Company's articles of association, the supervisory board should consist of at least one member meeting the criteria of an independent member of the supervisory board as set out in the corporate governance regulations included in the Best Practices of Warsaw Stock Exchange listed Companies.

The chairman of the supervisory board calls meetings of the supervisory board. The chairman calls meetings of the supervisory board upon the request of a member of the management board or a member of the supervisory board therefore. A meeting of the supervisory board must take place within 14 days of the date of filing a written application therefore with the Chairman.

The supervisory board may convene meetings both within the territory of the Republic of Poland and abroad. Supervisory board meetings may be held via telephone, provided that all the participants thereof are able to communicate simultaneously. All resolutions adopted at such meetings are valid, provided that the attendance register is signed by the supervisory board members who participated in such meeting. The place where the Chairman attends such meeting is considered as the place where the meeting was held.

Unless the articles of association provide otherwise, resolutions of the supervisory board are adopted by absolute majority of votes cast in the presence of at least five supervisory board members. In the event of a tie, the Chairman has a casting vote.

Members of the supervisory board execute their rights and perform their duties in person. Members of the supervisory board may participate in general meetings.

Moreover, within the performance of their duties, the supervisory board is required to:

- a) once a year prepare and present to the general meeting a concise evaluation of the situation of the Company, taking into account the evaluation of the internal control system and the management system of risks that are important for the Company,
- b) once a year prepare and present to the annual general meeting an evaluation of its own performance,
- c) discuss and issue opinions on matters which are to be subject of the resolutions of the general meeting.

COMMITTEES OF THE SUPERVISORY BOARD

The supervisory board may appoint committees to investigate certain issues which are in the competence of the supervisory board or to act as advisory and opinion bodies to the supervisory board.

AUDIT COMMITTEE

The supervisory board has appointed the Audit Committee, whose principal task is to make administrative reviews, to exercise financial control, and to oversee financial reporting as well as internal and external audit procedures at the Company and at the companies in its group.

In 2020, the Audit Committee meet 7 times in total.

The following table presents the details on the Audit Committee members as at 31 December 2020:

Member	Function	Conforms with independence criteria	Knowledge and skills in the field of accounting or auditing of financial statements	Knowledge and skills in the real estate
Mariusz Grendowicz	Member of the audit committee	No	Yes ¹	Yes ¹
Marcin Murawski	Chairman of the audit committee	Yes	Yes ²	No
János Péter Bartha	Member of the audit committee	Yes	Yes ³	No

¹ Mariusz Grendowicz studied at the University of Gdańsk and then graduated with a degree in banking in the United Kingdom. In 2013 - 2014 he was President and Chief Executive Officer of Polish Investments for Development SA. In 2008-2010, he was president of the management board and Chief Executive Officer of BRE Bank SA, and earlier, in 2001- 2006 was a Vice President of Bank BPH SA, responsible for Corporate Banking and Real Estate Division. During his career, he was also President and Deputy President of ABN AMRO in Poland (1997-2001), Deputy President of ING Bank in Hungary (1995-1997) and headed division of structured finance and capital markets in ING Bank in Warsaw (1992-1995). In 1983-1992 Mariusz Grendowicz worked in banks in London, including Australia and New Zealand Banking Group and Citibank.

² Marcin Murawski graduated from the Faculty of Management of Warsaw University in 1997. He has also the following certificates: ACCA, ACCA Practicing Certificate, KIBR entitlement, CIA. Since 2012 he has been a member of the supervisory board of CCC S.A. Between 2005 and 2012 Mr Murawski was a director of the internal audit and inspection department at WARTA Group and secretary of the audit committee at TUIR WARTA S.A. and TUNŻ WARTA S.A. Between 1997 and 2005 he worked at PricewaterhouseCoopers Sp. z o.o., as manager of the audit department (2002-2005), senior assistant in the audit department (1999-2001), assistant in the audit department (1997-1999).

³ János Péter Bartha is a seasoned investment banker with 18-year experience in private equity investments, especially extensive experience in privatisation, management of IPOs and M&A. Mr. Bartha started his banking carrier at the National Bank of Hungary in 1986, became CEO of Credit Suisse First Boston in 1990, and Head of Credit Suisse First Boston in Central and Eastern Europe in 1994.

REMUNERATION COMMITTEE

The supervisory board has appointed the Remuneration Committee of the supervisory board, which has no decision-making authority and which is responsible for making recommendations to the supervisory board with respect to the remuneration of the members of the management board and the policies for setting such remuneration.

In 2020, the Remuneration Committee meet 6 times in total.

The following table presents the details on the Remuneration Committee members as at 31 December 2020:

Member	Function	Conforms with independence criteria	Knowledge and skills in the field of accounting or auditing of financial statements	Knowledge and skills in the real estate
Zoltán Fekete	Chairman of the remuneration committee	No	Yes ¹	Yes ¹
Mariusz Grendowicz	Member of the remuneration committee	No	Yes	Yes
Marcin Murawski	Chairman of the remuneration committee	Yes	Yes	No

¹ Zoltán Fekete graduated from the Faculty of Law of Eötvös Lorand University in 1990, and in 1993 earned an MBA degree in Banking at the University of Exeter, UK. Mr. Fekete has 30 years of international investment banking and private equity experience. As an investment banker he worked for HSBC London, Credit Suisse First Boston in Budapest, London, and Israel. During his career, Mr. Fekete has dealt with a large number of IPOs, M&A transactions and private equity investments in the field of real estate, technology, and life sciences. Since November 2015, he has been the Chairman and CEO of Optima Investment Ltd.

12. Audit partner

The recommendation to select the audit firm to audit the financial statements met all the bidding legal conditions required in the procedure for selection of the audit firm to audit the financial statements.

The audit firm selected to audit financial statements did not provide any other services for the Company in 2020.

RULES FOR SELECTION OF AN INDEPENDENT AUDITOR WITHIN AN AUDIT FIRM TO AUDIT GTC S.A.'S FINANCIAL STATEMENTS, AS WELL AS THE RULES FOR CONDUCTING AUTHORISED NON-AUDIT SERVICES BY THE AUDIT FIRM.

On 20 October 2017, the supervisory board of GTC approved the rules for the selection of an independent auditor according to the Act on Registered Auditors, Audit Firms and Public Supervision dated 11th May 2017 which were adopted by the Audit Committee of the Company on 19 October 2017.

The selection of an audit firm to audit and review the financial statements of the Company is the responsibility of the supervisory board. Decisions are taken in the form of an official resolution of the supervisory board, taking into account the prior recommendations of the Audit Committee.

The Audit Committee assesses the independence of the statutory auditor and consents to the provision of authorised non-audit services to the Company. The consent referred to in the preceding sentence can be expressed after the assessment of the independence of the statutory auditor and after obtaining from the statutory auditor a confirmation that the provision of authorised non-audit services will be carried out in accordance with the independence requirements laid down for such services in the rules of professional ethics and standards of performing such services.

Main assumptions of the policy for selecting an audit firm for the purpose of conducting an audit:

- a) the Company's supervisory board selects an audit firm to audit the financial statements. based on the prior recommendation of the Audit Committee of the supervisory board. The selection decision is taken in the form of a resolution of the supervisory board.
- b) the Audit Committee, in its recommendation, shall:
 - recommend a preferred audit firm along with a justification of the preference of the Audit Committee;
 - state that the recommendation is free from third-party influence;
 - state that the Company has not entered into any agreements containing clauses that restrict the ability of the supervisory board to select an audit firm for the purposes of the audit of the Company's financial statements to certain categories or lists of audit firms; and
 - indicate the proposed remuneration for conducting the audit.
- c) in the event that the selection conducted by the Audit Committee does not refer to the prolongation of the agreement for the purpose of the audit of the Company's financial statements, the recommendation of the Audit Committee must contain at least two options for the selection of an audit firm, along with justifications for each option as well as an explanation of the reasons of the Audit Committee's preferred option.
- d) the Audit Committee shall cooperate with the Company's management board in obtaining, analysing and evaluating the audit offers, and will be assisted by the management board in drafting the respective recommendation.
- e) in the course of the selection procedure, the supervisory board and the Audit Committee shall consider:

- the principles of impartiality and independence of the audit firm. This shall include an analysis of other work carried out by the audit firm in the Company that extends beyond the scope of the auditing of the financial statements in order to avoid any conflict of interest;
- the experience and track record of the audit team in auditing financial statements of similar companies, its competencies and financial criteria;
- the maximum allowed duration of continuous engagements of statutory audits carried out by the same audit firm under any applicable law;
- the proposed remuneration for the audit; and
- the assessment of the relation between the criteria specified in points 2 and 3 above.

13. Diversity policy in terms of the management, supervisory, or administrative bodies of the Company.

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

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

MANAGEMENT BOARD'S REPRESENTATIONS

Pursuant to the requirements of the Regulation of the Council of Ministers of 29 March 2018 on ongoing and periodical information reported by issuers of securities and conditions of recognizing as equivalent information required by the law of a country not being a member state the Management Board of Globe Trade Centre S.A. represented by:

Yovav Carmi, President of the Management Board

Ariel Alejandro Ferstman, Member of the Management Board

Gyula Nagy, Member of the Management Board

Robert Snow, Member of the Management Board

hereby represents that:

- to the best of its knowledge the consolidated financial statements for twelve months ended 31 December 2020 and the comparable data were prepared in accordance with the prevailing accounting principles, and they truly, reliably, and clearly reflect the asset and financial standing of the Group and its financial result in all material respects, and the annual Management Board's activity report contains a true image of the Group's development and achievements and its standing, including the description of basic risks and threats;

- the entity authorized to audit the financial statements, which has audited the consolidated financial statements, was selected in accordance with the regulations of law. That entity as well as the auditor who has carried out the audit fulfilled the conditions for expressing an unbiased and independent opinion about the audit pursuant to relevant provisions of the national law and industry norms.

Warsaw, 22 March 2021

Yovav Carmi
President of the Board

Ariel Alejandro Ferstman
Member of the Board

Gyula Nagy
President of the Board

Robert Snow
Member of the Board

**INFORMATION OF THE GLOBE TRADE CENTRE S.A. PREPARED ON THE BASIS OF
THE SUPERVISORY BOARD'S STATEMENT ON APPOINTMENT OF THE AUDIT
COMPANY FOR THE AUDIT OF THE YEARLY FINANCIAL STATEMENTS**

(pursuant with § 70 section 1 item 7 and § 71 section 1 item 7 of the Regulation of the Ministry of Finance dated 29th March 2018 in respect of the current and periodical information given by the securities issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union)

The Management Board of the Globe Trade Centre S.A. („Company”), on the basis of statement of the Supervisory Board of the Company on appointment of the audit company for audit of the yearly financial statements dated 29 April 2020 hereby informs that the selection of an auditor to audit yearly consolidated and standalone financial statements for the year 2020 was performed due to the binding laws and within the relevant internal regulations of Globe Trade Centre S.A. related to the selection policy of the audit company.

The Management Board informs that:

- audit company and members of the audit team performing audit of yearly consolidated and standalone financial statements for the financial year ended 31 December 2020 have met the criteria to prepare impartial and independent report on the yearly financial statements assessment due to the binding laws, standards of profession and professional ethics;
- the Company conforms with the rules of binding law regarding rotation of the audit company and key chartered auditor and obligatory grace periods;
- the Company has the policy for selecting an audit company for the purpose of conducting an audit and the policy for conducting authorised non-audit services for the benefit of the security issues by the audit company, entity connected with this audit company or member of its affiliate conducting non-audit services including services conditionally dismissed from the prohibition of performing services by the audit company.

Warsaw, 22 March 2021

Yovav Carmi
President of the Board

Ariel Alejandro Ferstman
Member of the Board

Gyula Nagy
President of the Board

Robert Snow
Member of the Board

**STATEMENT OF THE SUPERVISORY BOARD OF GLOBE TRADE CENTRE S.A. IN THE
MATTER OF APPOINTMENT, COMPOSITION AND FUNCTIONING
OF AUDIT COMMITTEE**

(pursuant with the § 70 section 1 item 8 and § 71 section 1 item 8 of the Regulation of the Ministry of Finance dated 29th March 2018 in respect of the current and periodical information given by the securities issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union)

The Supervisory Board states that within Globe Trade Centre S.A.:

- a) the rules on appointment, composition and functioning of audit committee are fulfilled, including meeting criteria of independence by its members and standards of having sufficient knowledge and skills in area of industry of operations of the issuer and accounting standards and the rules for audit of financial statements,
- b) audit committee has acted in accordance with the binding provisions of law reserved for audit committee.

Warsaw 22 March 2021

Zoltán Fekete
President of the Supervisory Board

**STATEMENT OF THE SUPERVISORY BOARD
OF GLOBE TRADE CENTRE S.A. IN THE MATTER OF ASSESSMENT OF THE REPORT
ON ACTIVITIES OF THE ISSUER AND FINANCIAL STATEMENTS AND ITS
COMPLIANCE WITH THE BOOKS, DOCUMENTS AND STATE OF FACTS**

(pursuant with the § 70 section 1 item 14 and § 71 section 1 item 12 of the Regulation of the Ministry of Finance dated 29th March 2018 in respect of the current and periodical information given by the securities issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union)

The Supervisory Board, as the supervising body of Globe Trade Centre S.A. ("**Company**" or "**GTC**") has made assessment of the report on activities of the issuer and financial statements of the issuer in the aspect of its compliance with the books, documents and state of facts. In particular the Supervisory Board has verified:

- report on issuer's activity for year 2020,
- standalone financial statements of the issues for year 2020,
- consolidated financial statements of the capital group of the issuer for the year 2020.

The Supervisory Board in the effect of the performed assessment has stated that report on the Company's activities and report on activities of the Company's capital group for the year 2020 remains compliant in all material aspects with article 49 and 55 section 2a of Accounting Act and in the Regulation of the Ministry of Finance dated 29th March 2018 in respect of the current and periodical information given by the securities issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union and the information contained therein remains in compliance with the audited by certified auditor standalone and consolidated financial statements of the Company and the Company's capital group for the year 2020.

The Supervisory Board assesses that the presented by the Management Board of the Company standalone and consolidated financial statements of the Company and the Company's capital group for the year 2020 and report on activities of the Company and the Company's capital group for the year 2020 illustrates genuinely and clearly all the information inevitable and significant for the assessment of the financial standing of the Company and the Company's capital group prepared as at 31 December 2020, as well as it remains in compliance with the books, documents and state of facts.

The Supervisory Board has made a positive assessment of the standalone financial statements for the financial year 2020 and the report on activities of the Company and the Company's capital group for the year 2020 based on:

- content of the above statements, submitted by the Company's Management Board;
- report of the independent certified auditor i.e. BDO sp. z o.o. sp. k. with its registered office in Warsaw made upon audit of the standalone financial statements of the Company and consolidated financial statements of the Company's capital group prepared as at 31st December 2020 as well as an additional report prepared for Audit Committee on the basis of article 11 Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities,

derogating the EU Commission Decision no. 2005/909 and according to the rules of Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision;

- meetings with the audit firm representatives, including the key certified auditor;
- information from Audit Committee regarding the process, effects and meaning of an audit for the clarity of financial reporting in the Company and also the role of the Committee in the process of audit of financial statements;
- results of other verifying activities in selected operational and financial areas.

Warsaw, 22 March 2021

Zoltán Fekete
President of the Supervisory Board



GLOBE TRADE CENTRE S.A.

IFRS CONSOLIDATED

FINANCIAL STATEMENTS FOR THE YEAR

ENDED 31 DECEMBER 2020

WITH THE INDEPENDENT AUDITOR'S REPORT

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2020
(in thousands of Euro)

	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Investment property	17	2,125,128	2,247,030
Residential landbank	18	10,094	13,388
Property, plant and equipment	16	7,785	8,159
Blocked deposits	21	10,979	11,137
Deferred tax asset	15	616	-
Derivatives		-	265
Other non-current assets		159	109
		2,154,761	2,280,088
Loan granted to non-controlling interest partner	27	11,252	10,976
Total non-current assets		2,166,013	2,291,064
Assets held for sale	17,18	1,580	-
Current assets			
Accounts receivables		5,873	10,269
Accrued income		878	2,180
VAT receivable	26	2,343	3,296
Income tax receivable		1,036	1,079
Prepayments and deferred expenses		3,604	2,187
Short-term blocked deposits	21	27,434	33,031
Cash and cash equivalents	22	271,996	179,636
		313,164	231,678
TOTAL ASSETS		2,480,757	2,522,742

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2020
(in thousands of Euro)

	Note	31 December 2020	31 December 2019
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	30	11,007	11,007
Share premium		550,522	550,522
Capital reserve	30,27	(49,489)	(43,098)
Hedge reserve		(11,930)	(4,994)
Foreign currency translation		(2,553)	943
Accumulated profit		460,053	530,242
		957,610	1,044,622
Non-controlling interest	27	16,538	14,040
Total Equity		974,148	1,058,662
Non-current liabilities			
Long-term portion of long-term borrowing	28	1,067,867	980,872
Deposits from tenants	24	10,979	11,137
Long term payable	25	2,524	2,648
Provision for share based payment	31	977	1,446
Lease liability	29	42,891	46,222
Derivatives	19	15,895	2,611
Provision for deferred tax liability	15	133,230	147,232
		1,274,363	1,192,168
Current liabilities			
Investment and trade payables and provisions	20	27,299	37,290
Deposits from tenants	24	1,790	1,605
Current portion of long-term borrowing	28	193,425	225,350
VAT and other taxes payable		1,551	1,817
Income tax payable		4,220	1,542
Derivatives	19	3,365	3,739
Current portion of lease liabilities	29	163	208
Advances received		433	361
		232,246	271,912
TOTAL EQUITY AND LIABILITIES		2,480,757	2,522,742

Globe Trade Centre S.A.
Consolidated Income Statement
for the year ended 31 December 2020
(in thousands of Euro)

		Year ended Note 31 December 2020	Year ended 31 December 2019
Rental revenue	10,14	120,652	127,811
Service charge revenue	10,14	39,469	41,951
Service charge costs	14	(41,527)	(41,876)
Gross margin from operations		118,594	127,886
Selling expenses	11	(1,307)	(2,017)
Administration expenses	12	(11,712)	(14,410)
Profit from revaluation / impairment of assets	17	(142,721)	16,190
Other income		776	1,160
Other expenses	23	(1,622)	(1,932)
Profit/(loss) from continuing operations before tax and finance income / expense		(37,992)	126,877
Foreign exchange differences gain / (loss), net		(2,951)	(437)
Finance income	13	331	380
Finance cost	13	(35,244)	(34,634)
Profit/(loss) before tax		(75,856)	92,186
Taxation	15	4,995	(16,765)
Profit/(loss) for the year		(70,861)	75,421
Attributable to:			
Equity holders of the Company		(70,189)	74,825
Non-controlling interest	27	(672)	596
Basic earnings per share (in Euro)	32	(0.14)	0.15

Globe Trade Centre S.A.
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020
(In thousands of Euro)

	Year ended 31 December 2020	Year ended 31 December 2019
Profit/(loss) for the period	(70,861)	74,825
<i>Net other comprehensive income for the period, net of tax not to be reclassified to profit or loss in subsequent periods</i>		
Gain (loss) on hedge transactions	(7,748)	(462)
Income tax	812	10
Net gain on hedge transactions	(6,936)	(452)
Foreign currency translation	(3,496)	(737)
<i>Net other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods</i>	<i>(10,432)</i>	<i>(1,189)</i>
Total comprehensive income/(loss) for the period, net of tax	(81,293)	73,636
Attributable to:		
Equity holders of the Company	(80,621)	73,040
Non-controlling interest	(672)	596

Globe Trade Centre S.A.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2020
(In thousands of Euro)

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

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2019	10,960	546,711	(36,054)	(4,542)	1,680	496,996	1,015,751	5,044	1,020,795
Other comprehensive income	-	-	-	(452)	(737)	-	(1,189)	-	(1,189)
Profit / (loss) for the year ended 31 December 2019	-	-	-	-	-	74,825	74,825	596	75,421
Total comprehensive income / (loss) for the period	-	-	-	(452)	(737)	74,825	73,636	596	74,232
Acquisition of non-controlling interest	-	-	(7,044)	-	-	-	(7,044)	8,829	1,785
Dividend distribution of non-controlling interest	-	-	-	-	-	-	-	(429)	(429)
Distribution of dividend	47	3,811	-	-	-	(41,579)	(37,721)	-	(37,721)
Balance as of 31 December 2019	11,007	550,522	(43,098)	(4,994)	943	530,242	1,044,622	14,040	1,058,662

Globe Trade Centre S.A.
Consolidated Statement of Cash Flow
for the year ended 31 December 2020
(In thousands of Euro)

		Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) before tax		(75,856)	92,186
Adjustments for:			
Loss/(profit) from revaluation/impairment of assets and residential projects		142,721	(16,190)
Foreign exchange differences loss/(gain), net		2,951	437
Finance income	13	(331)	(380)
Finance cost	13	35,244	34,634
Provision for share based payment loss/(profit)	12	(469)	(3,087)
Depreciation	16	654	660
Operating cash before working capital changes		104,914	108,260
Decrease (increase) in accounts receivables and prepayments and other current assets		2,469	(3,364)
Decrease (increase) in advances received		72	(910)
Increase (decrease) in deposits from tenants		27	2,812
Increase (decrease) in trade payables		(800)	842
Cash generated from operations		106,682	107,640
Tax paid in the period		(6,357)	(6,233)
Net cash from operating activities		100,325	101,407
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property and property, plant and equipment	17	(78,528)	(144,688)
Purchase of completed assets and land		(21,468)	-
Decrease in short term deposits designated for investment		5,923	5,579
Sale of investment property		64,569	80,504
Proceeds related to expropriation of land		-	4,917
VAT/tax on purchase/sale of investment property		953	857
Sale of subsidiary		-	42,834
Purchase of minority		(1,802)	-
Interest received		55	115
Net cash used in investing activities		(30,298)	(9,882)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution of dividend		-	(37,992)
Proceeds from long-term borrowings	28	286,807	292,962
Repayment of long-term borrowings	28	(224,293)	(200,918)
Interest paid		(32,068)	(30,430)
Repayment of lease liability		(162)	(1,739)
Loans origination payment		(1,983)	(2,390)
Dividend granted to non-controlling interest		(420)	(429)
Loans granted to non-controlling interest		-	(429)
Decrease/(Increase) in short term deposits		(168)	(11,086)
Net cash from / (used) in financing activities		27,713	7,549
Net foreign exchange difference		(5,380)	106
Net increase/ (Decrease) in cash and cash equivalents		92,360	99,180
Cash and cash equivalents at the beginning of the period		179,636	80,456
Cash and cash equivalents at the end of the period		271,996	179,636

1. Principal activities

Globe Trade Centre S.A. (the “Company” or “GTC”) with its subsidiaries (“GTC Group” or “the Group”) is an international real estate developer and investor. The Company was registered in Warsaw on 19 December 1996. The Company’s registered office is in Warsaw, Poland at Komitetu Obrony Robotników 45a Street. The Company owns, through its subsidiaries, commercial and residential real estate companies with a focus on Poland, Budapest, Bucharest, Belgrade, Zagreb and Sofia.

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

As of 31 December 2020 and 2019, the number of full time equivalent working employees in the Group companies was 209 and 197, respectively.

There is no seasonality in the business of the Group companies.

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

As of 31 December 2020, the majority shareholder of the Company is GTC Holding Zrt., which holds directly and indirectly 320,466,380 shares of GTC S.A., entitling to 320,466,380 votes in the Company, representing 66% of the share capital of GTC S.A. and carrying the right to 66% of the total number of votes in GTC S.A.. GTC Holding Zrt. holds directly 21,891,289 shares of the Company, entitling to 21,891,289 votes in GTC S.A., representing 4.51% of the share capital of the Issuer and carrying the right to 4.51% of the total number of votes in GTC S.A. and indirectly (i.e. through GTC Dutch Holdings B.V.) holds 298,575,091 shares in the Company, entitling to 298,575,091 votes GTC S.A., representing 61.49% of the share capital of the Company and carrying the right to 61.49% of the total number of votes in the Company.

2. Functional and presentation currencies

The functional currency of GTC S.A. and most of its subsidiaries is Euro. The functional currency of some of GTC’s subsidiaries is other than Euro (Europort/Ukraine/USD).

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

3. Basis of preparation and statement of compliance

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

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

4. Going concern

The Group's policies and processes are aimed at managing the Group's capital, financial and liquidity risks on a sound basis. The Group meets its day to day working capital requirements through the generation of operating cash-flows from rental income. Further details of liquidity risks and capital management processes are described in note 35.

As of 31 December 2020, the Group's net working capital (defined as current assets less current liabilities) was positive and amounted to Euro 80,918.

The management has analysed the timing, nature and scale of potential financing needs of particular subsidiaries and believes that there are not risks for paying current financial liabilities and cash on hand, as well as, expected operating cash-flows will be sufficient to fund the Group's anticipated cash requirements for working capital purposes, for at least the next twelve months from the balance sheet date. Consequently, the consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least 12 months from the balance sheet date.

With reference to the Covid-19 outbreak, the management has prepared and analysed the cash flow budget based on certain hypothetical defensive assumptions to assess the reasonableness of the going concern assumption in view of the current developments on the market. This analysis assumed certain loans repayment acceleration, negative impact on net operating income ("NOI") as well as other offsetting measures, which the management may take to mitigate the risks, including deferring the development activity and retention of profit by the Company and allocate it to the reserve/supplementary capital.

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

Please refer to note 36 for further information on Covid-19 effects and the management's considerations and judgements.

5. Accounting policies

The accounting policies adopted in the preparation of the attached consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019 except for the new standards, which are effective as at 1 January 2020 (see note 6).

6. New standards and interpretations that have been issued

STANDARDS ISSUED AND EFFECTIVE FOR FINANCIAL YEARS BEGINNING ON OR AFTER 1 JANUARY 2020:

- Amendments to IAS 1 and IAS8: Disclosure Initiative – Definition of Material (issued on 31 October 2018) – effective for the financial years beginning on or after 1 January 2020;
- Amendments to IFRS 3: Definition of Business (issued on 22 October 2018) - effective for financial years beginning on or after 1 January 2020;
- Amendments to References to the Conceptual Framework for Financial Reporting (issued on 29 March 2018) – effective for financial years beginning on or after 1 January 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – IBOR 'phase 1' (issued on 26 September 2019) - effective for financial years beginning on or after 1 January 2020;
- Amendments to IFRS 16, COVID-19-Related Rent Concessions (issued on 28 May 2020). Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:
 - (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and

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

- (c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

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

STANDARDS ISSUED BUT NOT YET EFFECTIVE:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – IBOR 'phase 2' (issued on 27 August 2020) - effective for financial years beginning on or after 1 January 2021;
- Amendments to IAS 37: Onerous contracts – Cost of fulfilling a Contract (issued on 14 May 2020) — effective for financial years beginning on or after 1 January 2022;
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before intended Use (issued on 14 May 2020) – effective for financial years beginning on or after 1 January 2022;
- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual improvements to IFRS Standards 2018-2020 ((issued on 14 May 2020) — effective for financial years beginning on or after 1 January 2022;
- Amendments to IFRS 3: Business Combinations (issued on 14 May 2020) — effective for financial years beginning on or after 1 January 2022;
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) – the IASB issued amendments to IFRS 17 - effective (after deferral) for financial years beginning on or after 1 January 2023;
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020 and amended 15 July 2020) – effective for financial years beginning on or after 1 January 2023;
 - The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of liability exists;

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

- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant;
- The amendments clarify the situations that are considered the settlement of liability.
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies and amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) – effective for financial years beginning on or after 1 January 2023;

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

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

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

7. Summary of significant accounting policies

(a) BASIS OF ACCOUNTING

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

(b) PROPERTY, PLANT AND EQUIPMENT

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

7. Summary of significant accounting policies (continued)

The following depreciation rates have been applied:

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

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

(c) INVESTMENT PROPERTIES

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

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

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

(i) Completed Investment properties

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

Completed investment properties were externally valued by independent appraisers as of 31 December 2020 and 2019 based on open market values (RICS Standards). Completed properties are either valued on the basis of discounted cash flow (DCF) or - as deemed appropriate – on the basis of the Income capitalisation or yield method. The applied method is defined by the valuer.

7. Summary of significant accounting policies (continued)

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

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

(ii) Investment property under construction ("IPUC")

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

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

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

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

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

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

7. Summary of significant accounting policies (continued)

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

(d) HIERARCHY OF INVESTMENT PROPERTY

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

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

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

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

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

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

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

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

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

(e) INVESTMENT IN ASSOCIATES

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

(f) INVESTMENT IN JOINT VENTURES

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

7. Summary of significant accounting policies (continued)

(g) LEASE ORIGATION COSTS

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

(h) NON-CURRENT ASSETS HELD FOR SALE

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

(i) ADVANCES RECEIVED

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

(j) RENTAL REVENUE

Rental revenues result from operating leases and are recognised as income over the lease term on a straight-line basis.

(k) INTEREST AND DIVIDEND INCOME

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

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

7. Summary of significant accounting policies (continued)

(I) CONTRACT REVENUE AND COSTS RECOGNITION

Group has the following revenue streams:

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

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

Rental income revenue under IFRS 15.

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

- **Acting as a principal.** The Group bills the tenants on a monthly basis, based on rent fee rate agreed in the contract.

Service charge revenue under IFRS 15.

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

Group recognizes two kinds of performance obligations in the Group:

- **Acting as an agent.** Some tenants install counters for electricity. In this case, the invoices for electricity are billed through GTC entities and addressed to the tenants directly. The Group recognizes cost and corresponding income at the same amount. For financial statement purposes such income and expenses are disclosed on a net basis, as GTC acts as an agent.

7. Summary of significant accounting policies (continued)

- **Acting as a principal.** In the other cases, all service charges are billed to GTC entities on a monthly basis. The Group bills the tenants based on the rates in the contract on a monthly basis. By the end of the year, the Group does reconciliation of actual service charges costs vs. billed one, and then bill for deficit or return the overpayment to the tenant if it is required. For financial statement purposes such expenses are disclosed on a gross basis, as GTC acts as a principal.

(m) BORROWING COSTS

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

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

(n) SHARE ISSUANCE EXPENSES

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

(o) INCOME TAXES & OTHER TAXES

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

7. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

7. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

7. Summary of significant accounting policies (continued)

(p) FOREIGN EXCHANGE DIFFERENCES

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

	31 December 2020	31 December 2019
PLN/EUR	4.6148	4.2585
USD/EUR	1.2279	1.1112
HUF/EUR	365.13	330.50

(q) INTEREST BEARING LOANS AND BORROWINGS AND DEBT SECURITIES

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

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

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

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

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

7. Summary of significant accounting policies (continued)

(r) FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

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

Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

7. Summary of significant accounting policies (continued)

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

The Group does not have such debt instruments.

7. Summary of significant accounting policies (continued)

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

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

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

The Group does not have such equity instruments.

Financial assets at fair value through profit or loss

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

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates or significantly reduces an accounting mismatch.

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

The Group does not have such instruments.

7. Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

7. Summary of significant accounting policies (continued)

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

This category applies to interest-bearing loans and borrowings.

Offsetting of financial instruments

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

The table below presents the categorisation of financial assets and liabilities: Item, Category, and Measurement.

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

7. Summary of significant accounting policies (continued)

(s) CASH AND CASH EQUIVALENTS

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

(t) ACCOUNTS RECEIVABLES

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

(u) IMPAIRMENT OF NON-CURRENT ASSETS

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

(v) PURCHASE OF SHARES OF NON-CONTROLLING INTEREST

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

(w) DERIVATIVES FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

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

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

7. Summary of significant accounting policies (continued)

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

Before 1 January 2018, the documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Since 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

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

There is 'an economic relationship' between the hedged item and the hedging instrument.

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

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

Cash flow hedges

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

7. Summary of significant accounting policies (continued)

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

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

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

(x) ACCOUNTING ESTIMATES

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

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

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

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

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

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

7. Summary of significant accounting policies (continued)

(y) SIGNIFICANT ACCOUNTING JUDGEMENTS

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

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

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

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

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

On the basis of the assessment made, the Group has reclassified part of inventory from current assets to residential landbank in non-current assets.

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

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

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

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

(z) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of GTC and the financial statements of its subsidiaries for the year ended 31 December 2020.

7. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

(aa) PROVISIONS

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

(ab) SHARE-BASED PAYMENT TRANSACTIONS

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

7. Summary of significant accounting policies (continued)

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

(ac) EARNINGS PER SHARE

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

(ad) SHORT TERM DEPOSITS

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

(ae) DEPOSITS FROM TENANTS

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

(af) RESIDENTIAL INVENTORY AND RESIDENTIAL LANDBANK

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

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

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

7. Summary of significant accounting policies (continued)

(ag) LEASES

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

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

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

For this leasing activity, GTC Group acts as a Lessor. A lessor accounting under IFRS 16 is substantially unchanged, therefore it has no influence on the Group.

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

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

Due to the fact that perpetual usage payments, by substance, are treated as lease payments, payments are to be considered under IFRS 16.

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

- a) Right of use of lands under perpetual usufruct is presented
 - as part of the Investment Property, with separate disclosure in a separate note;
 - as part of the residential landbank.
- b) Lease Liabilities are presented separately, as part of the Short-term and Long-term Liabilities, with a separate disclosure.

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

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

7. Summary of significant accounting policies (continued)

The Group entered into several other leases (low value, short term), which are not treated in accordance with IFRS 16. Additionally, the Group has decided not to apply the new guidelines to leases whose term will end within twelve months of the date of initial application. In such cases, the lease is accounted as short-term lease.

- Amendments to IFRS 16, COVID-19-Related Rent Concessions (issued on 28 May 2020). Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Group's assessment is that the new amendment has no material impact.

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8. Investment in Subsidiaries, Associates, and Joint Ventures

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

Subsidiaries

Name	Holding Company	Country of incorporation	31 December 2020	31 December 2019
GTC Konstancja Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Korona S.A.	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o.	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Sterlinga Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Karkonoska Sp. z o.o.(1)	GTC S.A.	Poland	100%	100%
GTC Ortal Sp. z o.o.	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Pixel Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Handlowe Wilanow Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Management Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Corius Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Światowida Sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
Glorine investments Sp. z o.o. s.k.a. (1)	GTC S.A.	Poland	100%	100%
GTC Galeria CTWA Sp. z o.o.	GTC S.A.	Poland	100%	100%
Artico Sp. z o.o	GTC S.A.	Poland	100%	100%
Julesberg Sp. z o.o. (2)	GTC S.A.	Poland	-	100%
Jowett Sp. z o.o. (2)	GTC S.A.	Poland	-	100%
GTC Hungary Real Estate Development Company Ltd. ("GTC Hungary")	GTC S.A.	Hungary	100%	100%
GTC Duna Kft.	GTC Hungary	Hungary	100%	100%
Vaci Ut 81-85 Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartmanok Kft. ("Riverside") (1)	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft. ("Centre Point I")	GTC Hungary	Hungary	100%	100%
Centre Point II. Kft.	GTC Hungary	Hungary	100%	100%
Spiral I.Kft.	GTC Hungary	Hungary	100%	100%
SASAD Resort Kft. ("Sasad") (3)	GTC Hungary	Hungary	-	100%

(1) Under liquidation

(2) Liquidated

(3) Merged to GTC Hungary Ltd. as of 30 September 2020

The accompanying notes are an integral part of this Consolidated Financial Statements

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8. Investment in Subsidiaries, Associates and Joint Ventures (continued)

Name	Holding Company	Country of incorporation	31 December 2020	31 December 2019
Albertfalva Üzletközpont Kft.	GTC Hungary	Hungary	100%	100%
GTC Metro Kft.	GTC Hungary	Hungary	100%	100%
Kompakt Land Kft	GTC Hungary	Hungary	100%	100%
GTC White House Kft.	GTC Hungary	Hungary	100%	100%
VRK Tower Kft	GTC Hungary	Hungary	100%	100%
Amarantan Ltd. (4)	GTC Hungary	Hungary	-	100%
GTC Future Kft (5)	GTC Hungary	Hungary	100%	-
Globe Office Investments Kft (5)	GTC Hungary	Hungary	100%	
GTC Nekretnine Zagreb d.o.o. ("GTC Zagreb")	GTC S.A.	Croatia	100%	100%
Euro Structor d.o.o.	GTC S.A.	Croatia	70%	70%
Marlera Golf LD d.o.o. (6)	GTC S.A.	Croatia	100%	80%
Nova Istra Idaeus d.o.o. (6)	Marlera Golf LD d.o.o	Croatia	100%	80%
GTC Matrix d.o.o.	GTC S.A.	Croatia	100%	100%
GTC Seven Gardens d.o.o.	GTC S.A.	Croatia	100%	100%
Towers International Property S.R.L.	GTC S.A.	Romania	100%	100%
Green Dream S.R.L.	GTC S.A.	Romania	100%	100%
Aurora Business Complex S.R.L	GTC S.A.	Romania	100%	100%
Cascade Building S.R.L	GTC S.A.	Romania	100%	100%
City Gate Bucharest S.R.L.	GTC S.A.	Romania	100%	100%
Venus Commercial Center S.R.L.	GTC S.A.	Romania	100%	100%
Beaufort Invest S.R.L.	GTC S.A.	Romania	100%	100%
Fajos S.R.L. (1)	GTC S.A.	Romania	100%	100%
City Gate S.R.L.	GTC S.A.	Romania	100%	100%
City Rose Park SRL	GTC S.A.	Romania	100%	100%
Deco Intermed S.R.L.	GTC S.A.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L.	GTC S.A.	Romania	66.7%	66.7%

(1) Under liquidation

(2) Liquidated

(3) Merged to GTC Hungary Ltd. as of 30 September 2020

(4) Merged to Center Point I. Kft. as of 30 September 2020

(5) Newly established wholly owned subsidiary

(6) NCI share was aquired

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8. Investment in Subsidiaries, Associates and Joint Ventures (continued)

Name	Holding Company	Country of incorporation	31 December 2020	31 December 2019
NRL EAD	GTC S.A.	Bulgaria	100%	100%
Advance Business Center EAD	GTC S.A.	Bulgaria	100%	100%
GTC Yuzhen Park EAD ("GTC Yuzhen")	GTC S.A.	Bulgaria	100%	100%
Dorado 1 EOOD	GTC S.A.	Bulgaria	100%	100%
GTC Medj Razvoj Nekretnina d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
GTC Business Park d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial and Residential Ventures d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Demo Invest d.o.o. Novi Beograd	GTC S.A.	Serbia	100%	100%
Atlas Centar d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial Development d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Glamp d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
GTC BBC d.o.o	GTC S.A.	Serbia	100%	100%
Europort Investment (Cyprus) 1 Limited	GTC S.A.	Cyprus	100%	100%
Europort Ukraine Holdings 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Ukraine LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Project Ukraine 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%

9. Events in the period

OWNERSHIP CHANGES / MANAGEMENT BOARD CHANGES

On 16 April 2020, Mr. Yovav Carmi was appointed as member of the Management Board of the Company.

On 23 June 2020, GTC HOLDING ZÁRTKÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG ("GTC Holding Zrt") registered in Budapest, Hungary, bought 100% of shares of GTC Dutch Holdings B.V. (the "Majority Shareholder") from LSREF III GTC INVESTMENTS B.V. registered in Amsterdam, the Netherlands. GTC Dutch Holdings BV owns 298,575,091 shares of the Company, representing 61.49% of the shares in the share capital of the Company. After the abovementioned acquisition, GTC Holding Zrt (i.e. through the Majority Shareholder) holds indirectly 298,575,091 shares of the Company, representing 61.49% votes in the Company.

On 23 June 2020, Mr. Robert Snow was appointed as member of the Management Board of the Company.

On 23 June 2020, Mr. Thomas Kurzmann was dismissed from the Management Board of the Company.

On 1 July 2020, Mr. Gyula Nagy was appointed as member of the Management Board of the Company.

On 28 July 2020, Mr. Ariel Alejandro Ferstman was appointed as member of the Management Board of the Company.

On 28 July 2020, the Company and Mr. Erez Boniel have mutually agreed to terminate his appointment as a member to the Management Board of the Company.

On 18 September 2020, Mr. Yovav Carmi was appointed as the President of the Management Board of the Company.

On 27 October 2020, GTC Holding Zrt increased the total number of votes in the Company, as a result of acquisitions conducted on 22 October 2020, by 21,891,289 shares of the Company, entitling to 21,891,289 votes in the Company, representing 4.51% of the share capital of the Company and carrying the right to 4.51% of the total number of votes in the Company. After the abovementioned acquisitions, GTC Holding Zrt holds directly and indirectly 320,466,380 shares of the Company, representing 66.00% votes in the Company.

9. Events in the period (continued)

COMPLETION OF INVESTMENTS / ACQUISITION

During 2020, GTC Group has completed the construction of the following properties:

- Green Heart N3 in Belgrade - 5 thousand sqm office building (March 2020);
- Matrix B in Zagreb -11 thousand sqm office building (November 2020);
- ABC 2 in Sofia 18 thousand sqm office building (October 2020).

In September 2020, the Group acquired the remaining 20% in Marlera Golf LD d.o.o. for a consideration of Euro 2.8 million, Euro 1.8 million of which was paid in September 2020 (the remaining part of Euro 1 million will be paid upon completion of certain conditions). Following the transaction, GTC remained the sole owner of the subsidiary. As a result of the transaction, the NCI increased by Euro 3.6 million, and the capital reserve decreased by Euro 6.4 million. Consequently, the total equity decreased by Euro 2.8 million.

On 13 November 2020 GTC Future Kft, a newly established wholly owned subsidiary acquired a land plot from a subsidiary related to the majority shareholder with an existing old office and industrial buildings in Vaci Corridor in Budapest for a total amount of Euro 21.35 million. The buildings have total leasable area of 12,000 sqm (GLA 8,200 sqm). The Company plans to demolish the buildings and develop office buildings in phases with a total leasable area of 64,000 sqm.

COMMENCEMENT OF CONSTRUCTION OF NEW PROJECTS

In July 2020, Dorado 1 EOOD, a whole owned subsidiary of the Company, commenced the construction of a new office Building (Sofia Tower 2) in Sofia. The Project shall consist of 8.3 thousand sqm of leasable area.

DISPOSAL OF ASSETS

On 20 October 2020, Spiral I Kft., an indirect wholly owned subsidiary of the Company, signed a sale and purchase agreement for the sale of Spiral office building for a consideration of Euro 62.7 million. On 5 November 2020, all conditions precedents for the sale were concluded and the purchase price was paid in full. In parallel with the Closing Spiral I kft repaid the full outstanding amount of the loan with Erste Bank.

ISSUANCE OF BONDS AND REFINANCE

On 13 February 2020, GTC CTWA signed with Erste Group Bank AG and Raiffeisenlandesbank Niederösterreich-Wien AG a loan agreement, which refinanced the existing loan of Galeria Jurajska with a top-up of Euro 46 million, to a total of Euro 130 million.

9. Events in the period (continued)

On 12 November 2020, Scope Ratings assigned a first-time issuer rating of BBB-/Stable investment grade to the Company and its whole owned subsidiary GTC Real Estate Development Hungary Zrt. for the purpose of issuing green bonds within the framework of the Bond Funding for Growth Program in Hungary. The potential unsecured debt has also been rated BBB-.

On 7 December 2020, GTC Real Estate Development Hungary Zrt. issued 10-year green bonds with the total nominal value of 110 million euro denominated in HUF to finance real estate projects and upstream the funds with refinancing purpose. The bonds are fully and irrevocable guaranteed by the Company and were issued at a yield of 2.33% with an annual fixed coupon of 2.25%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 7 December 2030.

On 8 December 2020, GTC Real Estate Development Hungary Zrt. entered into cross-currency interest swap agreements with three 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 annual interest fixed rate of 0.99%.

COVID- 19 OUTBREAK

The Covid-19 pandemic has triggered a wave of strong negative effects on the global economy, which include a pronounced recession. 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. From mid-March 2020, it became apparent that the economic disruptions caused by the Covid-19 virus and the increased market uncertainty combined with increased volatility in the financial markets might lead to a potential decrease in rental revenues, a potential decrease in the Company assets' values, as well as impact on the Company's compliance with financial covenants. While the exact effect of the coronavirus is still to be determined, it is clear that it poses substantial risks (for further information, please see note 36).

10. Revenue from operations

Rental income includes variable rental revenue based on tenants' turnover for the year ended 31 December 2020 of Euro 2,657 (2019: Euro 2,450). The remaining revenue is based on fixed contractual rental fees.

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

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

	31 December 2020	31 December 2019
Within 1 year	121	130
Within 2 year	100	112
Within 3 year	74	79
Within 4 year	52	52
Within 5 year	33	34
Within 6 year	22	17
More than 6 years	37	22
	439	446

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

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

11. Selling expenses

Selling expenses comprise of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Advertising and marketing	140	606
Payroll and related expenses	1,167	1,411
	1,307	2,017

12. Administration expenses

Administration expenses comprise of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Remuneration and fees (*)	8,396	12,701
Audit and valuations	852	819
Legal and tax advisers	905	1,633
Office and insurance expenses	669	731
Travel expenses	285	448
Supervisory board remuneration fees	137	105
Depreciation	654	660
Investors relations and other expenses	283	400
Total before share based payment	12,181	17,497
Share based payment (*)	(469)	(3,087)
Total	11,712	14,410

(*) Phantom shares in an amount of Euro 5,900 were exercised during 2019 year.

13. Financial income and financial expense

Financial income comprises of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Interest on deposits and other	55	115
Interest on loan granted to non-controlling interest	276	265
	331	380

13. Financial income and financial expense (continued)

Financial expense comprises of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Interest expenses (on financial liabilities that are not fair valued through profit or loss) and other charges	(31,321)	(30,541)
Finance costs related to lease liability	(2,010)	(2,100)
Amortization of loan raising costs	(1,913)	(1,993)
	(35,244)	(34,634)

The average interest rate (including hedges) on the Group's loans as of 31 December 2020 was 2.3% p.a. (2.6% p.a. as of 31 December 2019).

14. Segmental analysis

The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets, and other factors. GTC operates in six core markets: Poland, Budapest, Bucharest, Belgrade, Sofia, and Zagreb.

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

- a. Poland
- b. Belgrade
- c. Budapest
- d. Bucharest
- e. Zagreb
- f. Sofia
- g. Other

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14. Segmental analysis (continued)

Segment analysis of rental income and costs for the year ended 31 December 2020 and 31 December 2019 is presented below:

Portfolio	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenues	Costs	Gross margin	Revenues	Costs	Gross margin
Poland	65,227	(19,218)	46,009	75,793	(20,499)	55,294
Belgrade	33,806	(8,485)	25,321	29,542	(6,658)	22,884
Budapest	21,926	(4,900)	17,026	24,195	(5,792)	18,403
Bucharest	17,229	(2,969)	14,260	17,497	(3,103)	14,394
Zagreb	11,004	(3,684)	7,320	11,624	(3,893)	7,731
Sofia	10,929	(2,271)	8,658	11,111	(1,931)	9,180
Total	160,121	(41,527)	118,594	169,762	(41,876)	127,886

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

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

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14. Segmental analysis (continued)

Segment analysis of assets and liabilities as of 31 December 2019 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans, bonds and leases	Deferred tax liability	Other	Total liabilities
Poland	978,398	38,399	5,062	1,021,859	516,539	70,600	10,506	597,645
Belgrade	404,219	18,427	5,625	428,271	216,805	13,570	19,545	249,920
Budapest	326,832	20,364	4,705	351,901	126,524	14,090	5,756	146,370
Bucharest	219,271	10,578	1,941	231,790	110,272	12,844	4,793	127,909
Zagreb	160,366	4,305	12,326	176,997	58,710	17,538	7,161	83,409
Sofia	166,070	8,825	1,733	176,628	79,321	8,940	5,360	93,621
Other	12,029	20	15	12,064	-	-	1,184	1,184
Non allocated		122,886	346	123,232	151,249	9,650	3,123	164,022
Total	2,267,185	223,804	31,753	2,522,742	1,259,420	147,232	57,428	1,464,080

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15. Taxation

The major components of tax expense are as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Current corporate and capital gain tax expense	8,811	7,132
Deferred tax expense / (income)	(13,806)	9,633
	(4,995)	16,765

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

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

	Year ended 31 December 2020	Year ended 31 December 2019
Accounting profit / (loss) before tax	(75,856)	92,186
Taxable expenses at the applicable tax rate in each country of activity	(14,818)	11,778
Tax effect of expenses that are not deductible in determining taxable profit	772	1,738
Commercial property tax	(416)	764
Tax effect of foreign currency differences	5,975	(1,633)
Withholding tax	604	190
Unrecognised deferred tax asset on losses in current year	2,888	3,928
Tax expense / (income)	(4,995)	16,765

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15. Taxation (continued)

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

	As of 1 January 2019	Credit / (charge) to income statement	As of 31 December 2019	Credit / (charge) to income statement	As of 31 December 2020
Financial instruments (*)	4,302	998	5,300	9,085	14,385
Tax loss carried forwards	13,656	(3,459)	10,197	(3,515)	6,682
Basis differences in non-current assets	140	884	1,024	(59)	965
Accruals	710	79	789	257	1,046
Netting (**)	(18,756)	1,446	(17,310)	(5,152)	(22,462)
Net deferred tax assets	52	(52)	-	616	616

Net deferred tax liability comprises of the following:

	As of 1 January 2019	Disposal of subsidiary	Credit / (charge) to income statement	Credit / (charge) to equity	As of 31 December 2019	Credit / (charge) to income statement	Credit / (charge) to equity	As of 31 December 2020
Financial instruments (*)	(9,439)	(416)	(4,930)	10	(14,775)	(5,523)	812	(19,486)
Basis differences in non-current assets	(148,436)	1,875	(3,187)	-	(149,748)	13,542	-	(136,206)
Other	(1)	-	(18)	-	(19)	19	-	-
Netting (**)	18,756	-	(1,446)	-	17,310	5,152	-	22,462
Net deferred tax liability	(139,120)	1,459	(9,581)	10	(147,232)	13,190	812	(133,230)

(*) Mostly, unrealized interest and foreign exchange differences,

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

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15. Taxation (continued)

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

Tax rate	Year ended 31 December 2020	Year ended 31 December 2019
Poland	19%	19%
Hungary	9%	9%
Ukraine	18%	18%
Bulgaria	10%	10%
Serbia	15%	15%
Croatia	18%	18%
Romania	16%	16%
Cyprus	12.5%	12.5%

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

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

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

The GAAR clause should be applied to the transactions performed after the clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realized or continue to be realised. The implementation of the above provisions will enable Polish tax authority to challenge such arrangements realized by tax remitters as restructuring or reorganization.

15. Taxation (continued)

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

The Group companies have tax losses carried forward as of 31 December 2020 available in the amount of Euro 260 million. The expiry dates of these tax losses as of 31 December 2020 are as follows: within one year - Euro 14 million, between 2-5 years - Euro 142 million, afterwards – Euro 104 million. As of 31 December 2020, the Group has not recognized deferred tax assets for tax losses carried forward in amount of Euro 212 million, as the Group believes that these losses will not be utilized within claim period.

16. Property, Plant, and Equipment

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

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

16. Property, Plant, and Equipment

The movement in property, plant, and equipment for the periods ended 31 December 2019 was as follows:

	Buildings and related improvements	Right of use	Equipment and software	Vehicles	Total
Gross carrying amount					
As of 1 January 2019	6,212	-	1,531	976	8,719
Additions	-	286	354	251	891
Transfer from investment property	2,347	-	-	-	2,347
Transfer to investment property	(1,008)	-	-	-	(1,008)
Disposals, impairments, and other decreases	-	-	(84)	(293)	(377)
As of 31 December 2019	7,551	286	1,801	934	10,572
Accumulated Depreciation					
As of 1 January 2019	555	-	1,091	361	2,007
Charge for the period	274	37	129	220	660
Transfer to investment property	(43)	-	-	-	(43)
Disposals, impairments, and other decreases	-	-	(12)	(199)	(211)
As of 31 December 2019	786	37	1,208	382	2,413
Net book value as of 31 December 2019	6,765	249	593	552	8,159

17. Investment Property

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

Investment property can be split up as follows:

	31 December 2020	31 December 2019
Completed investment property	1,879,173	2,003,188
Investment property under construction	62,909	84,080
Investment property landbank at cost	140,367	115,277
Right of use of lands under perpetual usufruct	42,679	44,485
Total	2,125,128	2,247,030

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17. Investment Property (continued)

The movement in investment property for the periods ended 31 December 2020 and 31 December 2019 was as follows:

	Right of Use of land	Level 2	Level 3 at fair value	Level 3 at Cost	Total
Carrying amount as of 1 January 2019	-	1,377,317	616,779	118,972	2,113,068
Capitalised subsequent expenditure	-	13,745	110,985	2,460	127,190
Recognition of right of use of lands under perpetual usufruct	45,362	-	-	-	45,362
Adjustment to fair value / (impairment)	-	1,246	13,709	850	15,805
Amortization of right of use of lands under perpetual usufruct	(441)	-	-	-	(441)
Classified to assets for own use, net	-	(899)	(301)	-	(1,200)
Disposals	(712)	(43,973)	-	(7,050)	(51,735)
Foreign exchange differences	276	(1,339)	-	44	(1,019)
Carrying amount as of 31 December 2019	44,485	1,346,097	741,172	115,276	2,247,030
Reclassification (*)	-	(7,799)	-	7,799	-
Capitalised subsequent expenditure	-	11,446	48,184	8,065	67,695
Purchase of completed assets and land	-	5,600	-	16,502	22,102
Adjustment to fair value / (impairment)	-	(84,904)	(52,844)	(3,165)	(140,913)
Amortization of right of use of lands under perpetual usufruct	(440)	-	-	-	(440)
Increase	96	-	-	-	96
Reclassified to assets held for sale (**)	-	-	-	(900)	(900)
Disposals (***)	-	(62,649)	-	(500)	(63,149)
Foreign exchange differences	(1,462)	(4,830)	-	(101)	(6,393)
Carrying amount as of 31 December 2020	42,679	1,202,961	736,512	142,976	2,125,128

(*) Mainly Center Point 3 building, which was demolished and reclassified to cost of land;

(**) Land in Ukraine (Euro 0.9 million);

(***) Sale of Spiral office building in Hungary (Euro 62.6 million) and sale of Russe land in Bulgaria (Euro 0.5 million).

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17. Investment Property (continued)

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

	Year ended 31 December 2020	Year ended 31 December 2019
Capitalized subsequent expenditure	67,695	127,190
Change in trade payables and provisions	12,347	14,148
Change in trade receivables	(1,762)	4,555
Purchase of property, plant, and equipment	248	-
Accrued interest on long term loans	-	(1,205)
Paid subsequent expenditure	78,528	144,688

Fair value and impairment adjustment consists of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Adjustment to fair value of completed investment properties (*)	(144,126)	(1,697)
Adjustment to the fair value of investment properties under construction	6,378	16,652
Reversal of impairment/(Impairment) adjustment	(3,165)	850
Total adjustment to fair value / (impairment) of investment property	(140,913)	15,805
Reversal of impairment/(Impairment) of assets held for sale	(172)	1,437
Amortization of right of use of lands under perpetual usufruct (including on residential landbank)	(478)	(471)
Impairment of residential landbank	(1,158)	(581)
Total recognised in profit or loss	(142,721)	16,190

(*) During the financial year end 31 December 2020, the Covid-19 pandemic has triggered a wave of strong negative effects on the markets that the Group operates. As a result of this, the valuations prepared by independent appraisers over the completed investment properties has been negatively affected primarily driven by the group retail assets. For further information on the COVID-19 pandemic impact over the business of the Group please see note 36.

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17. Investment Property (continued)

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

	Year ended 31 December 2020	Year ended 31 December 2019
Poland	(77,153)	(18,326)
Belgrade	(42,818)	(15,368)
Budapest	12,610	19,928
Bucharest	(19,362)	(356)
Zagreb	(6,353)	1,513
Sofia	(11,050)	10,912
Total adjustment to fair value of completed assets	(144,126)	(1,697)

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

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Fair Value Hierarchy Level	Average Yield
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m		%
Poland retail	443,000	113	93%	20.9	20.8	2	6.2%
Poland office	381,738	196	88%	14.6	14.3	2	8.2%
Belgrade office	264,781	122	93%	16.7	16.2	3	8.6%
Belgrade retail	90,700	35	97%	22.0	19.6	3	8.5%
Budapest office	206,138	97	95%	14.2	13.8	2	7.5%
Bucharest office	172,085	67	93%	20.5	17.7	2	7.7%
Zagreb retail	99,512	35	97%	20.2	20.6	3	7.9%
Zagreb office	44,719	21	76%	14.3	14.6	3	7.6%
Sofia office	75,800	34	79%	14.6	14.6	3	7.8%
Sofia retail	100,700	33	98%	18.8	20.8	3	7.8%
Total	1,879,173	753	91%	17.2	16.7		7.8%

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17. Investment Property (continued)

Assumptions used in the fair value valuations of completed assets as of 31 December 2019 are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Fair Value Hierarchy Level	Average Yield
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m		%
Poland retail	497,370	113	94%	21.7	21.7	2	5.6%
Poland office	398,888	196	92%	14.4	14.1	2	7.4%
Belgrade office	263,081	117	98%	16.9	16.6	3	8.1%
Belgrade retail	119,300	35	97%	20.8	21.5	3	7.1%
Budapest office	259,419	125	97%	12.9	13.9	2	7.3%
Bucharest office	190,418	67	96%	19.0	19.4	2	7.4%
Zagreb retail	104,812	35	99%	20.7	20.1	3	6.7%
Zagreb office	24,500	11	89%	13.3	14.6	3	7.5%
Sofia office	36,800	16	99%	14.0	14.1	3	7.3%
Sofia retail	108,600	33	98%	21.3	20.8	3	7.6%
Total	2,003,188	748	95%	17.0	17.0		7.0%

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

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

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

Information regarding investment properties under construction as of 31 December 2019 is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Belgrade (Green Heart N3)	10,310	5
Sofia (ABC II)	20,670	18
Budapest (Pillar)	36,600	29
Zagreb (Matrix II)	16,500	11
Total	84,080	63

17. Investment Property (continued)

Information regarding book value of investment property landbank for construction as of 31 December 2020 and 31 December 2019 is presented below:

	31 December 2020	31 December 2019
Poland	37,961	38,148
Serbia	10,164	7,052
Hungary	49,895	25,398
Romania	15,500	15,256
Croatia	14,638	14,097
Total	128,158	99,951

Information regarding book value of investment property landbank (long term pipeline – with no current plan for construction) as of 31 December 2020 and 31 December 2019 is presented below:

	31 December 2020	31 December 2019
Poland	8,859	7,969
Hungary	3,350	3,400
Bulgaria	-	1,900
Ukraine	-	2,057
Total	12,209	15,326
GRAND TOTAL	140,367	115,277

18. Residential landbank

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

	Residential landbank	Total
Carrying amount as of 1 January 2019	12,698	12,698
Recognition of right of use	1,219	1,219
Amortization of right of use of lands under perpetual usufruct	(29)	(29)
Capitalised subsequent expenditure	81	81
Impairment of residential landbank	(581)	(581)
Carrying amount as of 31 December 2019	13,388	13,388
Amortization of right of use of lands under perpetual usufruct	(36)	(36)
Disposal	(1,420)	(1,420)
Reclassified to assets held for sale	(680)	(680)
Impairment of residential landbank	(1,158)	(1,158)
Carrying amount as of 31 December 2020	10,094	10,094

The carrying amount of residential landbank as of 31 December 2020 refers to two non-core land plots designated for residential development, in Marlera (Croatia) and Bucharest (Romania).

19. Derivatives

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

The movement in derivatives for the years ended 31 December 2020 and 31 December 2019 was as follows:

	31 December 2020	31 December 2019
Fair value as of the beginning of the year	(6,085)	(5,623)
Charged to other comprehensive income (*)	(7,748)	(462)
Charged to income statements (**)	(5,427)	-
Fair value as of the end of the year	(19,260)	(6,085)

(*) Increase is mainly attributable to the new cross-currency swap established as per note 9.

(**) This loss offset a foreign exchange differences profit in an amount of Euro 5,427 on bonds nominated in PLN and HUF.

For more information regarding derivatives, see note 35.

20. Trade and other payables

The balance of trade and other payables decreased from Euro 37,290 to Euro 27,299 in the year ended 31 December 2020.

The majority of the payables relate to development activity payables in Green Heart, ABC, and Pillar. The amount is planned to be financed mostly by long term loans.

21. Blocked deposits

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

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

22. Cash and cash equivalents

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

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

23. Other expenses

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

24. Deposits from tenants

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

25. Long term payables

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

26. VAT and other tax receivable

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

27. Non-controlling interest

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

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

In September 2020, the Group acquired the remaining 20% in Marlera Golf LD d.o.o. for a consideration of Euro 2.8 million.

Summarised financial information of the material non-controlling interest as of 31 December 2019 is presented below:

	Avenue Mall	Non-core projects	Total
Non-current assets	142,740	13,388	156,128
Current assets	3,268	92	3,360
Total assets	146,008	13,480	159,488
Equity	81,034	(37,992)	43,042
Non-current liabilities	61,711	51,225	112,936
Current liabilities	3,263	247	3,510
Total equity and liabilities	146,008	13,480	159,488
Revenue	10,953	-	10,953
Profit /(loss) for the year	4,546	(2,934)	1,612
NCI share in equity	24,310	(10,270)	14,040
Loan granted to NCI	(10,976)	-	(10,976)
NCI share in profit / (loss)	1,364	(768)	596

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28. Long-term loans and bonds

	31 December 2020	31 December 2019
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	48,117	52,140
Green bonds mature in 2027-2030 (HU0000360102GTC)	108,614	-
Bonds 0320 (PLGTC0000235)	-	18,671
Bonds 0620 (PLGTC0000243)	-	40,070
Bonds 1220 (PLGTC0000268)	-	10,117
Bonds 0321 (PLGTC0000276)	20,737	20,737
Bonds 0422 (PLGTC0000292)	9,515	9,515
Loan from Santander (Globis Poznan)	16,951	17,579
Loan from Santander (Korona Business Park)	41,966	43,361
Loan from PKO BP (Pixel)	19,224	19,901
Loan from Santander (Globis Wroclaw)	21,368	22,061
Loan from Berlin Hyp (Corius)	10,036	10,378
Loan from Pekao (Sterlinga)	15,138	15,663
Loan from Pekao (Galeria Polnocna)	175,404	189,904
Loan from PKO BP (Artico)	13,848	14,359
Loan from Erste and Raiffeisen (Galeria Jurajska)	125,125	-
Loan from Pekao (Galeria Jurajska)	-	84,136
Loan from Berlin Hyp (UBP)	42,413	43,283
Loan from ING (Francuska)	18,929	21,577
Loan from OTP (Centre Point)	49,669	51,476
Loan from CIB (Metro)	13,277	14,437
Loan from Erste (Spiral)	-	20,593
Loan from UniCredit Bank (Kompakt)	13,718	-
Loan from OTP (Duna)	38,518	39,919
Loan from Erste (GTC House)	14,820	15,444
Loan from Erste (19 Avenue)	21,510	22,504
Loan from OTP (BBC)	20,985	21,790
Loan from Intesa Bank (Green Heart)	55,907	53,642
Loan from Raiffeisen Bank (Forty one)	36,295	38,148
Loan from Intesa Bank (Ada)	58,256	61,571
Loan from Erste (City Gate)	71,951	75,113
Loan from Banca Transilvania (Cascade)	3,797	4,118
Loan from Alpha Bank (Premium)	14,486	15,873
Loan from OTP (Mall of Sofia)	54,668	57,125
Loan from UniCredit (ABC I)	18,816	19,800
Loan from UniCredit (ABC II)	19,622	2,217
Loan from Erste (Matrix)	21,921	11,485
Loan from Zagrebacka Banka (Avenue Mall Zagreb)	44,000	46,000
Loans from NCI	8,529	8,283
Deferred issuance debt expenses	(6,838)	(6,768)
	1,261,292	1,206,222

The accompanying notes are an integral part of this Consolidated Financial Statements

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28. Long-term loans and bonds (continued)

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

	31 December 2020	31 December 2019
Current portion of long term loans and bonds:		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	442	479
Bonds 0320 (PLGTC0000235)	-	18,671
Bonds 0620 (PLGTC0000243)	-	40,070
Bonds 1220 (PLGTC0000268)	-	10,117
Bonds 0321 (PLGTC0000276)	20,737	243
Bonds 0422 (PLGTC0000292)	75	75
Loan from Santander (Globis Poznan)	629	449
Loan from Santander (Korona Business Park)	1,395	1,395
Loan from PKO BP (Pixel)	19,224	677
Loan from Berlin Hyp (UBP)	870	870
Loan from Erste and Raiffeisen (Galeria Jurajska)	4,875	
Loan from Pekao (Galeria Jurajska)	-	84,136
Loan from Santander (Globis Wroclaw)	693	693
Loan from Berlin Hyp (Corius)	10,036	342
Loan from Pekao (Sterlinga)	15,138	525
Loan from PKO BP (Artico)	510	510
Loan from Pekao (Galeria Polnocna)	5,000	5,000
Loan from ING (Francuska)	18,929	21,577
Loan from OTP (Centre Point)	1,807	1,807
Loan from OTP (Duna)	1,401	1,401
Loan from CIB (Metro)	1,172	14,437
Loan from Erste (Spiral)	-	1,446
Loan from Erste (GTC House)	624	624
Loan from Erste (19 Avenue)	994	994
Loan from Intesa Bank (Green Heart)	2,873	2,367
Loan from OTP (BBC)	805	805
Loan from Raiffeisen Bank (Forty one)	1,853	1,853
Loan from Intesa Bank (Ada)	3,473	3,315
Loan from OTP (Mall of Sofia)	2,457	2,457
Loan from UniCredit (ABC I)	816	1,000
Loan from UniCredit (ABC II)	801	58
Loan from Zagrebacka Banka (Avenue Mall Zagreb)	2,000	2,000
Loan from Erste (Matrix)	580	524
Loan from Alpha Bank (Premium)	1,025	1,025
Loan from Banca Transilvania (Cascade)	240	240
Loan from Erste (City Gate)	71,951	3,168
	193,425	225,350

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28. Long-term loans and bonds (continued)

	31 December 2020	31 December 2019
Long term portion of long term loans and bonds:		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	47,675	51,661
Bonds 0422 (PLGTC0000292)	9,440	9,440
Green bonds mature in 2027-2030 (HU0000360102GTC)	108,614	-
Bonds 0321 (PLGTC0000276)	-	20,494
Loan from Santander (Globis Poznan)	16,322	17,130
Loan from Santander (Korona Business Park)	40,571	41,966
Loan from PKO BP (Pixel)	-	19,224
Loan from Santander (Globis Wroclaw)	20,675	21,368
Loan from Berlin Hyp (Corius)	-	10,036
Loan from Pekao (Sterlinga)	-	15,138
Loan from Pekao (Galeria Polnocna)	170,404	184,904
Loan from PKO BP (Artico)	13,338	13,849
Loan from Erste and Raiffeisen (Galeria Jurajska)	120,250	-
Loan from Berlin Hyp (UBP)	41,543	42,413
Loan from OTP (Centre Point)	47,862	49,669
Loan from CIB (Metro)	12,105	-
Loan from OTP (Duna)	37,117	38,518
Loan from Erste (Spiral)	-	19,147
Loan from UniCredit Bank (Kompakt)	13,718	-
Loan from Erste (GTC House)	14,196	14,820
Loan from Erste (19 Avenue)	20,516	21,510
Loan from Intesa Bank (Green Heart)	53,034	51,275
Loan from Intesa Bank (Ada)	54,783	58,256
Loan from OTP (BBC)	20,180	20,985
Loan from Raiffeisen Bank (Forty one)	34,442	36,295
Loan from Erste (City Gate)	-	71,945
Loan from Banca Transilvania (Cascade)	3,557	3,878
Loan from Alpha Bank (Premium)	13,461	14,848
Loan from OTP (Mall of Sofia)	52,211	54,668
Loan from UniCredit (ABC I)	18,000	18,800
Loan from UniCredit (ABC II)	18,821	2,159
Loan from Zagrebacka Banka (Avenue Mall Zagreb)	42,000	44,000
Loan from Erste (Matrix)	21,341	10,961
Loans from NCI	8,529	8,283
Deferred issuance debt expenses	(6,838)	(6,768)
	1,067,867	980,872

28. Long-term loans and bonds (continued)

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

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

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

Bonds (series matures in 2022-2023) are nominated in PLN. Green Bonds (series matures in 2027-2030) are denominated in HUF. All other bank loans and bonds are denominated in Euro.

In its financing agreements with banks, the Company undertakes to comply with certain financial covenants that are listed in those agreement. The main covenants are: maintaining a Loan-to-Value and Debt Service Coverage ratios in the company that holds the project. With respect to a Euro 175,404 loan from Bank Pekao SA on 17 September 2020, a whole owned subsidiary of the Company, operating the Galeria Pólnocna project, entered into an annex to a loan agreement with the bank in order to relax the DSCR (debt service coverage ratio) covenant and to cure the LTV (loan-to-value) covenant breach. According to the annex, the subsidiary repaid in advance a part of outstanding loan in the amount of EUR 9,500 and agreed to repay additionally up to €3,000 within 12 months of the date of the Annex. As of the date of these financial statements the financial covenants are cured.

With respect to a Euro 58.2 million loan from Banka Intesa ad Beograd, Vseobecna Uverova Banka a.s. and Privredna Banka Zagreb d.d. granted to a whole owned subsidiary of the Company, operating the Ada Shopping Mall, the DSCR covenant was waived by the banks until the end of June 2021. In addition the LTV (loan-to-value) covenant was waived by the banks until the end of December 2021.

With respect to a Euro 125.1 million loan from Erste Group Bank AG and Raiffeisenlandesbank Niederösterreich-Wien AG granted to a whole owned subsidiary of the Company, operating Galeria Jurajska Shopping Mall, the DSCR covenant was waived until the end of June 2021.

As at 31 December 2020, the Group continue to comply with the financial covenants set out in their loan agreements.

28. Long-term loans and bonds (continued)

The movement in long term loans and bonds for the years ended 31 December 2020 and 31 December 2019 was as follows:

	31 December 2020	31 December 2019
Balance as of the beginning of the year (excluding deferred debt expenses)	1,212,990	1,121,718
Drawdowns	286,807	264,520
Repayments	(224,293)	(152,561)
Transactions with of non-controlling interest	-	(1,785)
Change in accrued interest	(73)	394
Deconsolidation of Neptune	-	(19,915)
Capitalization of interest	-	1,205
Foreign exchange differences	(7,301)	(586)
Balance as of end of the year (excluding deferred debt expenses)	1,268,130	1,212,990

29. Lease liability and Right of Use of land

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

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

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

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

The balance of Right of Use as of 31 December 2019 was as follows:

Country	Completed investment property	Investment property under construction	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
Poland	11,648	-	22,247	-	-	33,895
Romania	6,884	-	-	-	-	6,884
Serbia	3,606	100	-	-	-	3,706
Croatia	-	-	-	1,197	-	1,197
Bulgaria	-	-	-	-	179	179
Hungary	-	-	-	-	70	70
Balance as of 31 Dec. 2019	22,138	100	22,247	1,197	249	45,931

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

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

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

The balance of lease liability as of 31 December 2019 was as follows:

Country	Completed investment property	Investment property under construction	Investment property landbank at cost	Residential landbank	Property, plant and equipment t	Total	Discount rate
Poland	11,648	-	22,726	-	-	34,374	4.2%
Romania	6,884	-	-	-	-	6,884	5.7%
Serbia	3,606	100	-	-	-	3,706	7.6%
Croatia	-	-	-	1,225	-	1,225	4.4%
Bulgaria	-	-	-	-	179	179	4.5%
Hungary	-	-	-	-	62	62	3.9%
Balance as of 31 Dec. 2019	22,138	100	22,726	1,225	241	46,430	

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

The movement in Right of Use of land for the year ended 31 December 2020 and 31 December 2019 was as follows:

	2020	2019
Balance as of 1 January	45,931	-
Recognition of Right of Use asset for lands under perpetual usufruct	96	46,580
Recognition of Right of Use for property plant and equipment during the year	-	273
Amortization of right of use	(556)	(498)
Disposals	-	(712)
Foreign exchange differences	(1,447)	288
Balance as of 31 December	44,024	45,931

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

The movement in lease liability for the year ended 31 December 2020 and 31 December 2019 was as follows:

	2020	2019
Balance as of 1 January	46,430	-
Recognition of lease liability for lands under perpetual usufruct	96	46,580
Recognition of Right of Use for property plant and equipment during the year	-	273
Payments of leases	(162)	(1,739)
Change in provision for disputable amounts of perpetual usufruct	(1,350)	(352)
Change in accrued interest	1,336	1,817
Disposals	-	(712)
Foreign exchange differences	(3,296)	563
Balance as of 31 December	43,054	46,430

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

30. Capital and Reserves

SHARE CAPITAL

As at 31 December 2020, the shares structure was as follows:

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

30. Capital and Reserves (continued)

All shares are entitled to the same rights.

Shareholders who as at 31 December 2020, held above 5% of the Company shares were as follows:

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

CAPITAL RESERVE

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

RETAINED EARNING

On 27 August 2020, the Company held an ordinary shareholders meeting. It was decided that the profit for the year 2019 presented in the financial statements of Globe Trade Centre S.A. prepared in accordance with the International Financial Reporting Standards in the amount of PLN 321.8 million will remain within retained earnings.

31. Provision for share based payments

PHANTOM SHARES

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

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

Strike (PLN)	Blocked	Vested	Total
6.11	100,000	751,200	851,200
6.31	4,275,000	20,000	4,295,000
Total	4,375,000	771,200	5,146,200

31. Provision for share based payments (continued)

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

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

As at 31 December 2019, phantom shares issued were as follows:

Last year of exercise date	Number of phantom shares
2020	50,000
2021	1,837,400
2022	330,000
Total	2,217,400

The number of phantom shares were changed as follows:

Number of phantom shares as of 1 January 2020	2,217,400
Granted during the period	4,275,000
Exercised during the year	(1,346,200)
Number of phantom shares as of 31 December 2020	5,146,200

32. Earnings per share

Basic earnings per share were calculated as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Profit/(loss) for the period attributable to equity holders (Euro)	(70,189,000)	74,825,000
Weighted average number of shares for calculating basic earnings per share	485,555,122	484,659,406
Basic earnings per share (Euro)	(0.14)	0.15

There have been no potentially dilutive instruments as at 31 December 2020 and 31 December 2019.

33. Related party transactions

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

The transactions and balances with related parties are presented below:

	Year ended 31 December 2020	Year ended 31 December 2019
Transaction		
Asset management services	-	21
Financial arrangement fee	88	-

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

Management and Supervisory Board GTC S.A. remuneration for the year ended 31 December 2019 amounted to EUR 1.3 million, and 800,000 phantom shares were vested.

On 13 November 2020, GTC Future Kft, a newly established wholly owned subsidiary acquired a land plot from a subsidiary owned by the Company's majority shareholder with an existing old office and industrial buildings in Vaci Corridor in Budapest for a total amount of Euro 21.35 million. The buildings have a leasable area of 12,000 sqm. The Company plans to demolish the buildings and develop office buildings in phases with a total leasable area of 64,000 sqm.

34. Commitments, contingent liabilities and Guarantees

COMMITMENTS

As of 31 December 2020 (and as at 31 December 2019), the Group had commitments contracted for in relation to future building construction without specified date, amounting to Euro 40 million (Euro 77 million). These commitments are expected to be financed from available cash and current financing facilities, other external financing, or future instalments under already contracted sale agreements and yet to be contracted sale agreements.

GUARANTEES

GTC gave guarantees to third parties. As of 31 December 2020 and as at 31 December 2019, the guarantees granted amounted to 0.

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

34. Commitments, contingent liabilities and Guarantees (continued)

CROATIA

In relation to the Marlera Golf project in Croatia, part of the land is held on a lease basis from the State. There is furthermore a Consortium agreement with the Ministry of Tourism of Croatia (Ministry) which includes a deadline for the completion of a golf course that has expired in 2014. If the deadline is not met, then the Ministry has the right to terminate the Consortium agreement which might automatically trigger the termination of the Land Acquisition Agreements, as well as collateral activation and damages claims. Prior to 2014, the Company has taken active steps to achieve an extension of the period for completing the project. In February 2014, the Company received a draft amendment from the Ministry expressing its good faith and intentions to prolong the abovementioned timeline however, the amendment was not formalized since then. Since formalization of the amendment is not at the sole discretion of the Group, the Management has decided to revalue the freehold asset in assuming no development of the golf course project. Furthermore, as a prudential measure, the Management has also written off the related collateral in the amount of Euro 1 million provided to the Ministry as a guarantee for completing the golf course. As of 31 December 2020 the book value of the investment in Marlera Golf project was assessed by an independent valuer at €6.8 million.

35. Financial instruments and risk management

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

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

INTEREST RATE RISK

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

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

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

35. Financial instruments and risk management (continued)

As at 31 December 2020, 95% of the Group's borrowings are hedged (As at 31 December 2019 – 95%).

A 50bp increase in EURIBOR rate would lead to Euro 2,022 change in loss before tax.

FOREIGN CURRENCY RISK

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

Exchange rates as of 31 December 2020 and 2019 were as following:

	31 December 2020	31 December 2019
PLN/EURO	4.6148	4.2585

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

	2020 PLN/Euro					2019 PLN/Euro		
Rate/Percentage of change	5.0763 (+10%)	4.8455 (+5%)	4.3841 (-5%)	4.1533 (-10%)	4.6844 (+10%)	4.4714 (+5%)	4.0456 (-5%)	3.8327 (-10%)
Cash and blocked deposits	(4,303)	(2,151)	2,151	4,303	(8,105)	(4,053)	4,053	8,105
Trade and other receivables	(353)	(176)	176	353	(519)	(259)	259	519
Trade and other payables	1,052	526	(526)	(1,052)	818	409	(409)	(818)
Land leases	3,172	1,586	(1,586)	(3,172)	3,486	1,743	(1,743)	(3,486)

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

CREDIT RISK

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

35. Financial instruments and risk management (continued)

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

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

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

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

LIQUIDITY RISK

As at 31 December 2020, the Group holds Cash and Cash Equivalent (as defined in IFRS) in the amount of approximately EUR 272 million. As described above, the Group attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) debt servicing of its existing assets portfolio; (ii) capex; and (iii) development of commercial properties. Such funding will be sourced through available cash, operating income, sales of assets, and refinancing. The Management Board believes that based on its current assumptions, the Group will be able to settle all its liabilities for at least the next twelve months.

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

	31 December 2020	31 December 2019
First year	218	251
Second year	211	189
Third year	204	199
Fourth year	272	198
Fifth year	155	270
Thereafter	292	196
	1,352	1,303

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

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35. Financial instruments and risk management (continued)

All derivative instruments mature within 1-5 years from the balance sheet date.

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

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

Some of loans, classified as current liabilities, were refinanced post balance sheet date (for details please refer to note 37).

Maturity dates of current financial liabilities as of 31 December 2019 were as following:

	Total	Overdue	Up to a month	From a month to three months	From three months to one year
Investment and trade payables and provisions	37,289		6,674	14,374	16,241
Current portion of long-term borrowing	225,350		1,965	111,172	112,213
VAT and other taxes payable	1,817		1,817	-	-
Deposits from tenants	1,605		117	433	1,055
Lease liabilities	208		-	52	156
Income tax payable	1,542		410	-	1,132
Derivatives	3,739		66	868	2,805
	271,550	-	11,049	126,899	133,602

35. Financial instruments and risk management (continued)

FAIR VALUE

As of 31 December 2020 and 2019, all bank loans bear floating interest rate (however, as of 31 December 2020 and 2019, 95% of loans are hedged). The fair value of the loans which is related to the floating component of the interest equals to the market rate.

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

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

FAIR VALUE HIERARCHY

As at 31 December 2020 and 2019, the Group held several hedge instruments carried at fair value on the statement of financial position.

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

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

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

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

Valuations of hedges are considered as level 2 fair value measurements. During the year ended 31 December 2020 and 31 December 2019, there were no transfers among Level 1 and Level 3 fair value measurements.

PRICE RISK

The Group is exposed to fluctuations of in the real estate markets in which it operates. These can have an effect on the Group's results (due to changes in the market rent rates and in occupancy of the leased properties). Further risks are detailed in the Management Report as of 31 December 2020.

CAPITAL MANAGEMENT

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

35. Financial instruments and risk management (continued)

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

No changes were made in the objectives, policies, or processes during the years ended 31 December 2020 and 31 December 2019.

The Group monitors its gearing ratio, which is Gross Project and Corporate Debt less Cash & Deposits, (as defined in IFRS) divided by its real estate investment value. The Group's policy is to maintain the loan-to-value ("LTV") ratio at the level not higher than 50%.

	31 December 2020	31 December 2019
(1) Loans, net of cash and deposits (*)	949,192	980,903
(2) Investment properties (exc. land leases), residential landbank, assets held for sale and building for own use	2,099,300	2,220,994
LTV [(1)/(2)]	45.2%	44.2%

(*) Excluding loans from non-controlling interest and deferred issuance debt expenses.

36. 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. From mid-March 2020, it became apparent that the economic disruptions caused by the Covid-19 virus and the increased market uncertainty combined with increased volatility in the financial markets might lead to a potential decrease in rental revenues, a potential decrease in the Company assets' values, as well as impact on the Company's compliance with financial covenants. While the exact effect of the coronavirus is still to be determined, it is clear that it poses substantial risks.

36. COVID-19 (continued)

CLOSING AND REOPENING OF THE GROUP'S SHOPPING CENTRES

The COVID-19 pandemic has significantly impacted the Company's business. Following the outbreak of the COVID-19 pandemic, the authorities in many of the markets the Group operates in imposed restrictions on the opening of its shopping centres. Except for select "essential" retailers, or those able to offer curbside pickup or fulfill delivery orders from the store. The tenants in the Group's centres were unable to trade for a period beginning mid-March and ending between beginning-May and end-May depending on the country, and later in the period between beginning-November and ending end-December and end-January. In addition, even in those regions in which there were no mandatory shutdowns, or when shopping centres were allowed to reopen, not all retailers continued or restarted operations. As at 31 December 2020, shopping centres in Poland and Bulgaria were closed. These centres contributed 69% of total retail rental revenue for 2020.

RENT DISCOUNTS AND COLLECTION

In several countries of our operations, governments adopted tenant support packages, such as a rental payments holiday in Poland for the period of lockdown or rent support through subsidizing part of any rental discounts. Upon the re-opening of its shopping centres, the Group engaged tenants in discussions about collecting rent and service charges as well as the terms of any support by the Group. The Group implemented multi-pronged measures to support tenants and encourage consumer spendings, such as reducing rent, allowing rent payment in instalments, waiving late payment interest and service charges. The financial impact of this in terms of loss of rent and service income related to the COVID-19 amounted to Euro 14,700. Overall, we have collected 99% of the rent originally due for the year ended 31 December 2020 (99% for offices and 97% for retail).

VALUATION OF INVESTMENT PROPERTIES

As for each year end, investment properties have been valued by external independent appraisers as described in the Note 17 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 have negatively affected the investment properties of the Group and might have an effect in the future asset valuations, as well as impact on the Company's compliance with financial covenants. 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.

36. COVID-19 (continued)

During the financial year end 31 December 2020, the valuation of the investment properties decreased by EUR 142,721 (for details please refer to note 17).

LIQUIDITY POSITION

During the COVID-19 pandemic, the Group took immediate steps to preserve its strong liquidity position in light of the uncertain impact of the pandemic. These steps included cost and CAPEX measures, as well as the decision to retain profit for the year ended 31 December 2019 in the Company. As of 31 December 2020, the Group holds cash in the amount of EUR 271,996.

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.

37. Subsequent events

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

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, 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 is expected to be close during Q2 2021 upon certain conditions precedents are fulfilled.

On 5 March 2021, GTC SA repaid all bonds issued under ISIN code PLGTC0000276 (full redemption). The original nominal value was EUR 20,494.

37. Subsequent events (continued)

On 11 March 2021 GTC Real Estate Development Hungary Zrt, a wholly-owned subsidiary of the Company and Groton Global Corp signed a sale and purchase agreement for the purpose of acquisition of the Napred company from Belgrade holding a land plot of 19,537 sqm for a consideration of EUR 33.8 million. The site has potential office development of cca 79,000 sqm. The transaction is expected to be finalized during Q2 2021 upon certain conditions precedents are fulfilled.

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

On 17 March 2021, GTC Real Estate Development Hungary Zrt. a wholly-owned subsidiary of the Company entered into cross-currency interest swap agreements with two different banks to hedge the total green bonds liability against foreign exchange fluctuations. The green bonds were fixed to the Euro, and the fixed annual coupon was swapped for an average annual interest fixed rate of 0.93%.

As of 17 March 2021, the Polish government has announced a lockdown from 20 March 2021 till 9 April 2021 and implemented rigorous measures to contain the spread of COVID-19, including, among others, the closure of shops in shopping malls, except those selling essential goods (such as groceries, other food stores and pharmacies). Measures taken by the government will affect our business. The currently known impact is a decline in revenues of shopping malls. The magnitude of the impact is not yet fully known and will depend between the others, on the length of the closure.

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

On 19 March 2021 City Gate SRL and City Gate Bucharest SRL wholly-owned subsidiaries of the Company signed on loan agreement prolongation with Erste Group Bank AG, for additional 5 years.

37. Subsequent events (continued)

On 19 March 2021, Commercial Development d.o.o. Beograd, a wholly-owned subsidiary of the Company, operating Ada Mall, and Intesa Bank signed a restated loan agreement whereby the existing loan in the amount of EUR 58.3 million shall be early prepaid by 31 March 2021 in the amount of EUR 29 million and margin reduced from 3.15% to 2.9%. Following the prepayment, the outstanding loan amount shall be payable in full at maturity in 2029.

38. Approval of the financial statements

The financial statements were authorised for issue by the Management Board on 22 March 2021.



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

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

Opinion

We have audited the annual consolidated financial statements of the group, where the parent company is Globe Trade Centre S.A. located in Warsaw at Komitetu Obrony Robotników 45A ("the Company") ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as notes to the consolidated financial statements including a description of accounting methods and other explanations ("the consolidated financial statements").

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the Group's consolidated financial position as at 31 December 2020, as well as of its consolidated financial result and consolidated cash flows for the year then ended, in accordance with the applicable International Financial Reporting Standards endorsed by the European Union, as well as the adopted accounting methods (policies);
- are consistent, in content and in form, with the applicable laws and regulations and with the Company's Statute.

The present opinion is consistent with the additional report to the Audit Committee, which we issued on 22 March 2021.

Basis for Opinion

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

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

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

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Key Audit Matters

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

1 Valuation of investment property

Investment property amounts to 2,125,128 thousand euro and constitutes more than 85% of total assets of the Group as at 31 December 2020 (31 December 2019: over 89%). It comprises mainly of two categories: completed investment property, which are measured at fair value and investment property under construction, measured either at cost or at fair value, if certain criteria specified in the Group's accounting policies are met.

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

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

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

Disclosures in the Financial Statements

The disclosures and accounting policies relating to the valuation of investment property, incl. assumptions made, are presented in notes 7c, 7d, 17 and 36 of the consolidated financial statements.

Audit Procedures Performed in Response to the Risk

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

Our audit procedures included, among others, the following:

- understanding of the process and control systems related to valuation of both investment property and investment property under construction;
 - evaluation of the objectivity and expertise of the external appraisers;
 - analysis of the properties selected on a sample basis, including assets that are of the highest value or those showing significant changes in carrying value;
 - review of the valuation reports and applied valuation models for selected properties and assessment of valuation approach used for determining the carrying value;
 - substantive audit procedures to evaluate the accuracy of the property information provided to the appraisers by the Management, as well as verification of mathematical accuracy of the valuation models;
 - evaluation of the appropriateness of the property related data for selected properties, including estimates as used by the external appraisers, in particular, comparison of the applied investment
-

yields to an expected estimated range, including reference to published benchmarks;

- assessment of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rent Value, void rates and periods. Where assumptions were outside the expected range or otherwise unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the external appraisers and the Management;
- analytical review, including the reasonableness of fair value movements in comparison with expectations built on the knowledge gained during the audit process;
- assessment of the appropriateness and completeness of the disclosures relating to the investment property valuation presented in notes of the consolidated financial statements.

2 Financing and debt covenants

The outstanding bonds, loans and borrowings amount to 1,261,292 thousand euro and constitute 50.8% of total assets of the Group as at 31 December 2020 (31 December 2019: 47.8%). For the majority of loans and bonds, the entities of the Group have to meet certain covenants specified in the loan and bond agreements.

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

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

Disclosures in the Financial Statements

The disclosures regarding the covenants, loan and bond agreements and amendments are presented in notes 9, 28 and 37 of the consolidated financial statements. In the notes 4 and 36 the Group presented its assessment of the going concern assumption, including Covid-19 effects on the Group's operations, financial position and performance.

Audit Procedures Performed in Response to the Risk

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

Our audit procedures, among others, included:

- analysis of debt covenants' requirements resulting from the loan and bond agreements, including the covenant ratios and potential events of default;
- analysis of the Group's assessment of debt covenants' compliance and going concern assumption;
- assessment of compliance - estimated by the Group's Management - with applicable financial covenants' requirements by performing recalculation of these covenants as at 31 December 2020 on a sample basis of covenants;
- consideration of the events after the reporting date, including potential impact of the Covid-19 pandemic (i.a. decrease in shopping malls turnover on the future investment property valuations, which are subject to financing collaterals), on the uncertainty of meeting debt covenants and the Group liquidity in the foreseeable future and, consequently, the impact of this events on the going concern assumption assessment;

- analysis of the Group's stress tests - the cash flow projections based on certain hypothetical defensive assumptions to assess the reasonableness of the going concern assumption in view of the current developments on the market;
- assessment of the appropriateness and completeness of the disclosures relating to the covenants, loan and bond agreements as well as going concern assumption in notes of the consolidated financial statements.

Other matter

The Group's financial statements for the year ended 31 December 2019 were audited by an auditor acting on behalf of another audit firm, who expressed an unqualified opinion on those financial statements on 18 March 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Information, Including Report on Activities

Other information comprises the Report on the Activities of the Group for the financial year ended 31 December 2020 ("the Report on Activities") along with the representation on the application of corporate governance, as well as the Annual Report for the financial year ended 31 December 2020 ("Annual Report") (together "Other Information").

Responsibilities of the Company's Management and Supervisory Board

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

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

Responsibilities of the Auditor

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

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

Opinion on the Report on Activities

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

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

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

Opinion on the corporate governance application representation

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

Report on Other Legal and Regulatory Requirements

Declaration on the Provision of Non-audit Services

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

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

Appointment of the Auditor

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

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

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

represented by the auditor in charge

Signed with a qualified electronic signature

Krzysztof Maksymik
Certified Auditor No. 11380

Warsaw, 22 March 2021

Podpisano kwalifikowanym podpisem elektronicznym

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