

**ANNUAL REPORT FOR 2017
OF THE SUPERVISORY BOARD OF
GLOBE TRADE CENTRE S.A.**

March 2018

1. Legal basis for the report

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

The purpose of the Report is also to ensure compliance with Rules II.Z.10.1 – II.Z.10.4 of the 2016 Code of Best Practices of WSE Listed Companies.

2. The composition of the Supervisory Board

In 2017, the composition of the Supervisory Board of the Company was as follows:

Name and surname	Position within the Supervisory Board	Period in 2017 during which the given member served on the Supervisory Board
Alexander Hesse	Chairman	1 January 2017 – 31 December 2017
Philippe Couturier	Member	1 January 2017 – 31 December 2017
Jan Düdden	Member	1 January 2017 – 31 December 2017
Mariusz Grendowicz	Member	1 January 2017 – 31 December 2017
Ryszard Koper	Independent Member	1 January 2017 – 31 December 2017
Marcin Murawski	Independent Member	1 January 2017 – 31 December 2017
Katharina Schade	Member	1 January 2017 – 31 December 2017
Tomasz Styczyński	Independent Member	1 January 2017 – 21 September 2017
Ryszard Wawryniewicz	Independent Member	26 September 2017 – 31 December 2017

In February 2018, LSREF III GTC Investments B.V appointed, pursuant to sections 9.1.a), 9.1b) and 9.1c) of the articles of association of the Company, Mr. Olivier Brahini as a member of the supervisory board of the Company, effective 1 March 2018.

3. Activities of the Supervisory Board

The Supervisory Board operates in compliance with the Polish Commercial Companies Code as well as on the basis of the Company’s statute and the by-laws of the Supervisory Board dated 14 April 2005 with the changes introduced by the Shareholders Meeting on 16 May 2017.

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

In 2017, nine Supervisory Board meetings were held. The Supervisory Board adopted numerous resolutions related to the current operations of GTC. The meetings of the Supervisory Board were attended by members of the Company’s management board, invited guests (including, specifically, representatives of E&Y, which was mandated to review the financial statements of the Company and the capital group of the Company (the “**Capital Group**” or “**GTC Group**”). The Supervisory Board was also continuously updated by the management board in respect of the most important events affecting the Company.

In 2017, the most important resolutions adopted by the Supervisory Board related to, among others:

- the issuance of a positive opinion in respect of GTC's financial statements and the consolidated financial statements of GTC's capital group for the 2016 financial year;
- the approval of the Management Board's proposal related to the division of profit for the financial year 2016;
- the approval of acquisition of Belgrade Business Center;
- the approval of amendments to the financing terms of Galeria Północna project;
- the approval of the investment and financing for Green Heart project;
- the approval of the financing for Avenue Mall Zagreb project; and
- the approval of the disposal of the shares in Galeria Burgas AD and Galeria Stara Zagora AD;
- the approval of remuneration of the management board; and
- prolongation of external auditor's appointment.

The Supervisory Board also dealt with the following issues:

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- the evaluation of the financial position and the financial results of the Company and the Capital Group after each quarter of 2017;
- the evaluation of the 2017 budget and its utilisation;
- the assessment of the progress of developed projects and new investments; and

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

4. Evaluation of the work of the Supervisory Board in 2017

The Supervisory Board has a positive opinion of its work in 2017. While performing its duties, the Supervisory Board acted in compliance with the law and, specifically, within the scope of the competencies defined by the Polish Commercial Companies Code, the Statute of the Company and the by laws of the Supervisory Board.

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

5. Evaluation of the work of the committees of the Supervisory Board in 2017

Audit Committee

The objective of the audit committee of the Supervisory Board (the "**Audit Committee**") is to evaluate the administrative financial control, financial reporting, and the external and internal auditing of the Company and the companies within the Capital Group, as well as to provide the Supervisory Board with opinions in that respect.

In 2017, the Audit Committee consisted of the following members of the Supervisory Board: Mariusz Grendowicz, Marcin Murawski and Katharina Schade (until 27 September 2017) and Ryszard Koper (from 27 September 2017 superseding Katharina Schade). The members of the Audit Committee actively participated in the quarterly meetings of the Audit Committee. All of the members of the Audit Committee are qualified in accounting and auditing. According to

their statements presented to the management board, both Marcin Murawski and Ryszard Koper, fulfil the independence criteria.

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

In 2017, five Audit Committee meetings were held (on 17 March, 12 May, 17 August, 19 October and 10 November). The representatives of E&Y (the entity mandated to review the financial statements of the Company and the Capital Group) participated in the relevant meetings of the Audit Committee.

The Audit Committee reviewed all of the financial statements of the Company and the Capital Group prior to their publication and recommended the approval thereof by the Supervisory Board.

The Audit Committee and the Supervisory Board discussed internal control matters, risk management issues and key compliance issues during its meetings in 2017.

On 19 October 2017 the Audit Committee adopted the rules for the selection of an independent auditor according to the Act on Registered Auditors, Audit Firms and Public Supervision dated 11 May 2017.

The Audit Committee evaluated and confirmed the prolongation of the engagement of E&Y as external auditor.

The Audit Committee continuously monitored the financial reporting process and the statutory auditing process in the Company and reported regularly to the Supervisory Board the results of these monitoring activities.

Remuneration Committee

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

In 2017, the Remuneration Committee consisted of the following members of the Supervisory Board: Alexander Hesse, Marcin Murawski and Mariusz Grendowicz. According to his statement presented to the management board, Marcin Murawski fulfils the independence criteria.

In 2017, three Remuneration Committee meeting were held. The first one dated 17 March 2017 during which the Remuneration Committee recommended to the Supervisory Board the annual bonuses for the management board members, the second one dated 12 May 2017 during which the Remuneration Committee gave its recommendation to the Supervisory Board in respect of re-appointment of Thomas Kurzmann to the position of the President of the Management Board of the Company for a subsequent term of office and the third one dated 10 November 2017 regarding the recommendation to the Supervisory Board to approve the conclusion of the amended and restated management contract with the Management Board member and recommended to the Supervisory Board his re-appointment to the position of the Management Board. All the above recommendations were accepted by the Supervisory Board.

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

In the opinion of the Supervisory Board, in 2017 the Company fulfilled all the disclosure obligations concerning the application of the corporate governance rules specified in the WSE Rules and the provisions governing current and interim information disclosed by issuers of securities.

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

The Group actively pursue the policies adopted by them which envisage supporting local communities that reside within or in close proximity of the areas where the Group's investments are situated. 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.
- Sponsoring local initiatives. The Group participates in and supports local initiatives (such as the "Bieg przez Most" run, organized children's choirs concerts, science picnic, volleyball tournament- Jurajska Open 40+, WWF foundation's education stand).
- Charity. GTC made a donation to various social education and healthcare organizations.
- Embracing environmental certification. Out of concern for the environment, the investments of the Company and the Group are fully compliant with LEED guidelines.

The Supervisory Board positively assesses the rationale behind and the implementation of the above-described policies of the Company and of the Group.

8. Overview of the operations of the Company

Key developments and factors affecting the financial and operating results of the Capital Group in 2017

Following a review of the operations of the Capital Group, the Supervisory Board is of the opinion that the operations of GTC that were of key importance in 2017 included the following.

Completion of three of the Group's assets

In March 2017, the Group completed the third building of the FortyOne office complex in Belgrade.

In September 2017, the Group completed Galeria Północna, shopping mall in Warsaw, Poland.

In December 2017, the Group has completed Artico office building in Warsaw.

Commencement of construction of five of the Group's assets

In the first quarter of 2017, the Group started Green Heart office project in Belgrade. Complex will include two existing buildings (GTC Square) which will have massive renovation. Three new building will offer 25,500 sq. m of premium office space. The total leasable area of complex will be 46,000 sq. m.

In March 2017, the Group started Ada Mall project. The shopping mall will comprise of 34,400 sq m of retail space and will be located in Belgrade.

In the first quarter of 2017, the Group commenced construction of GTC White House office building located in Budapest. The total leasable area of the building will be 21,500 sq. m.

In the fourth quarter of 2017, the Group commenced construction of Matrix office building in Zagreb and Advance Business Center in Sofia. Matrix will offer 10,400 sq m of office space while Advance Business Center will offer 15,600 sq m of office space.

Acquisitions and the refinancing of the Group's assets

In May 2017, the Group acquired a subsidiary, which holds a land plot in Budapest, Hungary (Kompakt), for a total amount of €12,500,000. The Group intends to build an office building on the plot.

In June 2017, the Group acquired a land plot in Bucharest, Romania (Rose Garden Park), for a total amount of €10,525,000. The Group intends to build an office building on the plot.

In July 2017, the group acquired Cascade Office Building, an office building in Bucharest, Romania, for a total amount of €3,300,000 (net of liabilities). The building offers 4,200 sq. m of premium office space.

In August 2017, the Group acquired a land plot in Sofia, Bulgaria (Advance Business Park II), for a total amount of €6,200,000. The Group intends to build an office building on the plot.

In September 2017, the group acquired Belgrade Business Center in Serbia for a total amount of €36,800,000. The amount of €34,800,000 has been paid. The remaining €2,000,000 will be paid subject to the seller fulfilling certain conditions.

In December 2017, the Group refinanced Avenue Mall shopping centre. The total loan amounts to €50,000,000. The proceeds from refinance received in January 2018.

In December 2017, the Group refinanced Galeria Północna shopping centre. The total loan amounts to €200,000,000.

In December 2017, the Group acquired a land plot in Zagreb, Croatia (Matrix future phases) for a total amount of €12,300,000. The Group intends to build office buildings on the plot.

Disposal of the Group's assets

On 4 May 2017, the Group sold Galleria Burgas and Galleria Stara Zagora in Bulgaria in line with its strategy to focus its investment on Poland and three capital cities in CEE and SEE region.

Issuing new bonds and corporate loans

In 2017, the Company issued 3-year Euro denominated bonds, listed on WSE and three year Schuldschein loan in the total amount of €78,604,000.

Selected financial data

Below is the most important data concerning the consolidated results achieved by the Capital Group in 2017.

- The revenues from the operations of the Capital Group amounted to EUR 128,737 thousand, compared to EUR 120,301 thousand in 2016.

- The profit for the year of the Capital Group amounted to EUR 156,598 thousand, compared to EUR 159,575 thousand in 2016.
- The total investment property of the Capital Group amounted to EUR 1,936,841 thousand, compared to EUR 1,604,675 thousand in 2016.
- The total equity of the Capital Group amounted to EUR 941,262 thousand, compared to EUR 790,323 thousand in 2016.
- The Capital Group's loan-to-value ratio amounted to 42.4% as at 31 December 2017 in comparison to 43.3% as at 31 December 2016, whereas the Group's strategy is to keep its loan-to-value ratio at the level of approximately 50%.

9. Evaluation of the internal control, internal audit, compliance and risk management systems

In 2017, the Supervisory Board and the Audit Committee met with the internal auditor of the company from which they received information and a review report regarding the internal control systems used by the Company, as well as a professional risk assessment thereof. The objective of the internal control systems used by the Company and the Capital Group is to control the Company's operating procedures and, consequently, to limit the Company's material risks.

In March 2017, the Audit Committee was presented by Grant Thornton (an independent qualified international audit firm) with an internal audit plan to be implemented during 2017. The internal auditor has conducted the following audits:

- Project Management - Fortyone Project (Phase 3) and Ada Mall;
- Procurement and investment in Advance Business Center;
- Asset Management - DunaTower;
- Project Management – White House;
- Project Management -City Gate, Premium Plaza;
- Asset Management -GaleriaPółnocna;
- Project Management – Osiedle Konstancja;
- Leasing Activity in Hungary (*);
- Leasing Activity in Romania (*);
- Leasing Activity in Poland (*);
- Leasing Activity in Serbia (*).

(*) these reports have not been submitted yet

Based on information received and reviewed by the Audit Committee and Supervisory Board members, in the opinion of the Supervisory Board, the internal control and risk management systems material to the Company are maintained at appropriate levels.

10. Review of the report of the management board on the activities of the Company in the 2017 financial year, the financial statements of the Company for the 2017 financial year and the proposal of the management board concerning the division of profit generated by the Company in the 2017 financial year

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

- the statement of financial position as at 31 December 2017;
- the income statement for the year ended 31 December 2017;
- the statement of comprehensive income for the year ended 31 December 2017;

- the statement of changes in equity for the year ended 31 December 2017;
- the statement of cash flows for the year ended 31 December 2017; and
- the notes to the stand-alone financial statements for the year ended 31 December 2017,

as well as the consolidated financial statements of the Capital Group for the year ended 31 December 2017, which included:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year ended 31 December 2017;
- the consolidated statement of changes in equity for the year ended 31 December 2017;
- the consolidated statement of cash flows for the year ended 31 December 2017; and
- the notes to the consolidated financial statements for the year ended 31 December 2017,

and reviewed the opinion and the report on the audit of such statements conducted by independent statutory auditor E&Y Audit sp. z o.o., with its registered seat in Warsaw.

The Supervisory Board also reviewed the management board report on the activities of the Company for 2017 and the management board report on the activities of the Capital Group for 2017.

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

- in such a way that they truly and fairly reflect the results of the respective economic activities of the Capital Group and of the Company in 2017 as well as their respective financial positions as at 31 December 2017; and
- in accordance with the legal regulations governing the preparation of financial statements in respect of form and content, as well as in accordance with the International Financial Reporting Standards as adopted by the European Union.

Based on the results of this review and on the positive opinion issued by E & Y Audit Sp. z o.o. on 20 March 2018 on the financial statements for 2017 and on the consolidated financial statements for 2017, the Supervisory Board recommends that the General Meeting approves:

- the stand-alone financial statements of the Company for 2017;
- the consolidated financial statements of the Capital Group for 2017;
- the report of the management board on the Company's operations in 2017;
- the report of the management board on the operations of the Capital Group in 2017; and
- the proposal of the management board regarding the allocation of profit generated by the Company in 2017.

Furthermore, the Supervisory Board, after having reviewed the recommendation of the management board regarding the allocation of profit of PLN 663,195 thousand generated by the Company in 2017 including a potential dividend (subject to General Meeting resolution) as well as offering the shareholders the possibility to elect to receive new shares in GTC in lieu of dividend, wishes to issue a positive opinion in respect thereof and recommend that the General Meeting adopts a relevant resolution regarding the division of such profit in the manner presented above.

In submitting this report, the Supervisory Board requests that all of its current and former members be acknowledged as having properly performed their duties in the 2017 financial year.