

ANNUAL REPORT FOR 2019 OF THE SUPERVISORY BOARD OF GLOBE TRADE CENTRE S.A.

March 2020



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 2019, the composition of the Supervisory Board of the Company was as follows:

Name and surname	Position within the Supervisory Board	Periods in 2019 during which the given member served on the Supervisory Board
Alexander Hesse	Chairman	1 January – 31 December
Olivier Brahın	Member	1 January – 31 December
Jan Düdden	Member	1 January – 31 December
Mariusz Grendowicz	Member	1 January – 31 December
Patrick Haerle	Member	1 January – 31 December
Ryszard Koper	Independent Member	1 January – 20 December
Marcin Murawski	Independent Member	1 January – 31 December
Katharina Schade	Member	1 January – 31 December
Ryszard Wawryniewicz	Member	1 January – 31 December

During 2019, the following changes in the composition of the supervisory board took place:

1. On 8 May 2019, the AVIVA Otwarty Fundusz Emerytalny Aviva Santander appointed Mr. Marcin Murawski as a Supervisory Board member, effective 14 May 2019 (see current report no 6/2019);
2. On 14 May 2019, The Annual Shareholders Meeting approved Mr. Mariusz Grendowicz as an Independent Supervisory Board member (see current report no 10/2019);
3. On 14 May 2019, the Otwarty Fundusz Emerytalny PZU „Złota Jesień” appointed Mr. Ryszard Koper as a Supervisory Board member (see current report no 10/2019);
4. On 20 December 2019, the mandate of Mr. Ryszard Koper as a Supervisory Board expired pursuant to Article 9 point 2 of the Company’s Articles of Association (see current report no 18/2019);

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 also reviewed the financial position of the Group and evaluated its debt situation and sources of financing, including review of the Polish bonds market as one of the sources for finance.

The Supervisory Board of GTC exercised supervision over and evaluated the operations of the Company and its financial statements. The Supervisory Board reviewed issues related to the 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 2019, four 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**") and Polska Grupa Audytorska sp. z o.o. (Internal Auditor). The Supervisory Board was also constantly updated by the Management Board in respect of the most important events affecting the Company.

In 2019, 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 2018 financial year;
- the approval of the Management Board's proposal related to the division of profit for the financial year 2018;
- the approval for the re-financing of Duna Tower and Center Point in Budapest;
- the approval of refinancing of FortyOne Office Complex in Belgrade;
- the approval of refinancing of University Business Park in Łódź;
- the approval of the construction, completion and financing of Pillar in Budapest;
- the approval of disposal of White House in Budapest;
- the approval of disposal of Neptun Office Center in Gdańsk;
- the approval of the Internal Audit plan for 2020.

The Supervisory Board also dealt with the following issues:

- the evaluation of the financial position and the financial results of the Company and the Capital Group after each quarter of 2019;
- the evaluation of the 2019 budget and its utilisation;
- the assessment of the progress of developed projects and new investments;

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 2019

The Supervisory Board has a positive opinion of its work in 2019. 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 2019

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 2019, the Audit Committee consisted of the following members of the Supervisory Board: Marcin Murawski, Mariusz Grendowicz and Ryszard Koper (until 20 December 2019). 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, fulfilled the independence criteria.

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

In 2019, four Audit Committee meetings were held. 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 2019.

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 2019, 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 2019, one Remuneration Committee meeting was held during which the Remuneration Committee recommended to the Supervisory Board the annual bonuses for the management board members.

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 2019 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 north bridge run ("Bieg przez Most"); Mayor's Office - Voting for a participatory budget point;; beach volleyball tournament - Cup of Silesia; Cadet Championship in beach volleyball; foundations education stands: WWF, DKMS, organizations collecting 1% tax in

Poland, advisory point how to settle yearly PIT statement; mobile blood donation station, host of local WOSP teams). Additionally, in cooperation with Fundacja Zacztyani, Galeria Jurajska created 10 hospital libraries in the region to ease the stay in the hospital for the youngest. Galeria Jurajska not only helped collecting books but also as part of the project, as many as 80 volunteers took part in free fairy tale therapy workshops. As a result, fabulous therapists will appear in pediatric wards to conduct special activities with children based, among others on reading stories. Galeria Jurajska also sponsors the local volleyball team.

- "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 2019, approximately 88% of our properties holds a green certificate, which proves the sustainability of the properties that GTC develop and manage.

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 2019

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 2019 included the following.

Completion of investments

In April 2019, GTC Group has completed the construction of office building (Green Heart N2) in Belgrade.

In May 2019, GTC Group has completed the construction of shopping centre (Ada Mall) in Belgrade.

In June 2019, GTC Group has completed the construction of office building (ABC I) in Sofia.

In July 2019, GTC Group has completed the construction of office building (Matrix I) in Zagreb.

In July 2019, GTC Group has completed the construction of office building (Green Heart N1) in Belgrade.

Issuance of bonds and refinance

In December 2018, the Group repaid the loan for Artico office building in the amount of Euro 12.9 million and signed new loan agreement for the refinancing Artico office building in the amount of Euro 14.6 million with PKO BP. The loan was drawn in January 2019.

In March 2019, the Group and UniCredit signed a new loan agreement in the amount of Euro 20 million (including Euro 3.5 million top up after completion, subject to agreed conditions), for the construction of ABC II.

In March 2019, the Group refinanced Fortytwo offices in Belgrade. The total loan amounted to Euro 40 million.

In April 2019, the Company issued new bonds denominated in Euro with a total amount of Euro 9.4 million to be repaid in April 2022.

In July 2019, the Group and OTP signed a loan agreement, which refinanced the existing loan of Duna Tower and Center Point in Budapest with a top-up of Euro 27 million, to a total of Euro 93 million.

In August 2019, the Group and Erste signed a new loan agreement to finance the construction of Matrix II, in the amount of Euro 11.7 million construction that was increased by Euro 2.8 million in 2020.

In September 2019, the Group and Santander signed a loan agreement, which refinanced the existing loan of Globis Poznan with a top-up of Euro 3 million, to a total of Euro 17.7 million.

In November 2019, the Group and Berlin Hyp signed a loan agreement, which refinanced the existing loan of University Business Park with a top-up of Euro 17.1 million, to a total of Euro 43.5 million.

In October 2019, the Group and Erste signed a loan agreement, which refinanced the existing loan of GTC House with a top-up of Euro 4 million, to a total of Euro 15.6 million.

In November 2019, the Company issued new bonds denominated in PLN with a total amount of PLN 220 million to be repaid in three equal tranches from November 2022 to November 2023. The Company hedged the bonds. The liability was swapped into Euro with a fixed interest rate.

Sale of Assets

In September 2019, the Group sold GTC White House office building in Budapest for a total amount of Euro 70.7 million and the bank loan related to this investment was fully repaid.

In November 2019, the Company signed agreement for the sale of the company that holds Neptun Office Center, Gdansk (see note 17). The value of the building for the purpose of transaction was Euro 44.2 million. The bank loan in the amount of Euro 19.9 million was fully repaid before the sale.

Distribution of dividend

In May 2019, the Company's shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 178.9 million (Euro 41.6 million). In June 2019, the Company issued 2,018,126 series N Shares to the Company's shareholders who elected to receive the dividend in shares (Euro 4 million), and paid dividend in cash in the amount of Euro 37.7 million to the remaining shareholders.

Selected financial data

Below is the most important data concerning the consolidated results achieved by the Capital Group in 2019.

- The revenues from the operations of the Capital Group amounted to EUR 169,762 thousand, compared to EUR 153,961 thousand in 2018.
- The profit for the year of the Capital Group amounted to EUR 75,421 thousand, compared to EUR 92,020 thousand in 2018.
- The total investment property of the Capital Group amounted to EUR 2,247,030 thousand, compared to EUR 2,113,068 thousand in 2018.
- The total equity of the Capital Group amounted to EUR 1,058,662 thousand, compared to EUR 1,020,795 thousand in 2018.
- The Capital Group's loan-to-value ratio amounted to 44% as at 31 December 2019 in comparison to 45% as at 31 December 2018, 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

During 2019, the Audit Committee participated in the development and implementation of an internal control system, risk management and internal audits as outlined below.

Internal Control System

The Management Board is responsible for the Company's internal control system and for ensuring its effectiveness. The Management Board regularly reports on the internal control system to the Audit Committee and the Supervisory Board. During the reference period, the following items were covered during Audit Committee and/or Supervisory Board meetings:

- a) the Internal Control universe presented by an external Internal Auditor for the purpose of audit planning during the Audit Committee meetings;
- b) the presentation of the Internal Audit work performed during 2019;
- c) financial reports (at each of the Audit Committee and Supervisory Board meetings); and
- d) the review and approval of the audited financial statements (in respect of the audited financial statements for the financial year ended 31 December 2019).

Risk Management

The function of Risk Management is not established in the Company as a separate function, but it is performed by the Management Board with the substantial involvement of the Management Board

member responsible for financial matters (the Chief Financial Officer). On a quarterly basis, in its periodic quarterly reports to the Supervisory Board, the Management Board reports to the Audit Committee and to the Supervisory Board on risk-related issues, including:

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

The above-referenced reports were provided for each quarter of the reference period and are included in the minutes of the respective Audit Committee and Supervisory Board meetings.

Internal Audit

The Audit Committee, the Management Board of the Company and the independent Internal Audit firm all have distinct roles with respect to the Internal Audit function of the Company.

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

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

Audit Committee and Supervisory Board monitored and assessed the effectiveness of the Internal Audit company and in effect of this monitoring the Internal Audit company was changed during 2019.

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 2019 financial year, the financial statements of the Company for the 2019 financial year and the proposal of the management board concerning the division of profit generated by the Company in the 2019 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 2019;
- the income statement for the year ended 31 December 2019;
- the statement of comprehensive income for the year ended 31 December 2019;
- the statement of changes in equity for the year ended 31 December 2019;
- the statement of cash flows for the year ended 31 December 2019; and
- the notes to the stand-alone financial statements for the year ended 31 December 2019,

as well as the consolidated financial statements of the Capital Group for the year ended 31 December 2019, which included:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year ended 31 December 2019;
- the consolidated statement of changes in equity for the year ended 31 December 2019;
- the consolidated statement of cash flows for the year ended 31 December 2019; and

- the notes to the consolidated financial statements for the year ended 31 December 2019, 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 2019 and the management board report on the activities of the Capital Group for 2019.

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 2019 as well as their respective financial positions as at 31 December 2019; 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 18 March 2020 on the financial statements for 2019 and on the consolidated financial statements for 2019, the Supervisory Board recommends that the General Meeting approves:

- the stand-alone financial statements of the Company for 2019;
- the consolidated financial statements of the Capital Group for 2019;
- the report of the management board on the Company's operations in 2019;
- the report of the management board on the operations of the Capital Group in 2019; and
- the proposal of the management board regarding the allocation of profit generated by the Company in 2019.

Furthermore, the Supervisory Board, due to very fragile and challenging market situation decided to postpone the decision on distribution on profits.

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 2019 financial year.