

**CONSOLIDATED INTERIM REPORT  
OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

Place and date of publication: Warsaw, 19 August 2020

**MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP  
IN THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

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## Item 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 or sale (iv) assets held for sale and (v) residential landbank.

Since its establishment and as at 30 June 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 570 thousand sq m of gross commercial space in completed commercial properties and approximately 300 thousand sq m of residential space; and (iii) acquired approximately 150 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 Czech Republic.

As of 30 June 2020, the Group's property portfolio comprised the following properties:

- 45 completed commercial buildings, including 40 office buildings and five retail properties with a total combined commercial space of approximately 715 thousand sq m of GLA, of which the Group's proportional interest amounts to approximately 705 thousand sq m of GLA;
- assets held for sale, including one completed office building with a total commercial space of approximately 31 thousand sq m of GLA, of which the Group's proportional interest amounts to approximately 31 thousand sq m of GLA;
- three office buildings under construction with total GLA of approximately 58 thousand sq m, of which the Group's proportional interest amounts to 58 thousand sq m of GLA;
- commercial landbank designated for future development; and
- residential landbank designated for sale.

As of 30 June 2020, the book value of the Group's portfolio amounts to €2,220,755 with: (i) the Group's completed investment properties account for 85% thereof; (ii) investment properties under construction – 4%; (iii) an investment landbank intended for future development – 6%; (iv) right of use of lands under perpetual usufruct – 2% (v) assets held for sale – 3% and (vi) residential landbank account for less than 1%. Based on the Group's assessment approximately 99% of the portfolio is core and remaining 1% is non-core assets, including landplots designated for sale and residential landbank.

The Company's shares are listed on the WSE 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.

In the Management Board's report references to the Company or GTC are to Globe Trade Centre S.A. and all references to the Group or the GTC Group are references to Globe Trade Centre S.A. and its consolidated subsidiaries. Expressions such as: "Shares" relate 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" refers 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 and PLGTC0000318; „the Report” refers to the consolidated interim report prepared pursuant to art. 69 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 law of a country not being a member state; "CEE" refers to the group of countries that are within the region of Central and Eastern Europe (Hungary, Poland); "SEE" refers to the group of countries that are within the region of South-Eastern Europe (Bulgaria, Croatia, Romania and Serbia); "net rentable area", "NRA", or "net leasable area", "NLA" refer to the metric of the area of a given property as indicated by the real property appraisal experts for the purposes of the preparation of the relevant real property valuations. With respect to commercial properties, net leasable (rentable) area is all the 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" refer to the metric of the all the leasable area of a property multiplied by add-on-factor; "Commercial properties" refer to properties with respect to which GTC Group derives revenue from rent and includes both office and retail properties; "FFO", "FFO I" is 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" is total equity less non-controlling interest, less: deferred tax liability related to real estate assets and derivatives at fair value; "EBITDA" is earning before fair value adjustments, interest, tax, depreciation and amortization; "In-place rent" is rental income that was in place as of the reports date. It includes headline rent from premises, income from parking and other rental income; "EUR", "€" or "euro" refers 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" refers to the lawful currency of Poland; "JSE" refers to the Johannesburg Stock Exchange.

### **Presentation of financial information**

Unless indicated otherwise, the financial information presented in this Report was prepared pursuant 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 and expressed in thousands unless indicated otherwise.

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

### **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 the date of this Report.

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 important risk factors that could cause its actual results to differ materially from its expectations under Item 5. "Operating and financial review" and under Item 12. "Key risk factors" as well as 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.

## Item 2. Selected financial data

The following tables present the Group's selected historical financial data for the three and six month periods ended 30 June 2020 and 2019. The historical financial data should be read in conjunction with Item 5. "Operating and Financial Review" and the unaudited interim condensed consolidated financial statements for the six month period ended 30 June 2020 (including the notes thereto). The Group has derived the financial data presented in accordance with IFRS from the unaudited interim condensed consolidated financial statements for the six month period ended 30 June 2020.

Selected financial data presented in PLN is derived from the consolidated financial statements for the six-month period ended 30 June 2020 presented in accordance with IFRS and prepared in the Polish language and in 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.

(in thousands)	For the six-month period ended 30 June				For the three-month period ended 30 June			
	2020		2019		2020		2019	
	€	PLN	€	PLN	€	PLN	€	PLN
<b>Consolidated Income Statement</b>								
Revenue from rental activity	78,690	347,385	81,282	348,968	37,665	170,050	41,822	179,164
Service costs	(20,055)	(88,535)	(20,171)	(86,600)	(8,897)	(40,303)	(10,262)	(43,960)
Gross margin from operations	58,635	258,850	61,111	262,368	28,768	129,747	31,560	135,204
Selling expenses	(707)	(3,121)	(735)	(3,156)	(384)	(1,725)	(367)	(1,572)
Administrative expenses	(4,554)	(20,104)	(8,767)	(37,639)	(3,133)	(13,962)	(4,244)	(18,176)
Profit/(loss) from revaluation/impairment of assets, net	(67,832)	(303,437)	16,482	70,412	(62,051)	(277,120)	9,763	41,512
Financial income/(expense), net	(16,878)	(74,510)	(16,055)	(68,929)	(8,235)	(37,150)	(8,151)	(34,917)
Foreign exchange differences gain/(loss), net	(3,236)	(14,281)	(429)	(1,842)	2,095	8,763	(350)	(1,502)
Net profit / (loss)	(33,824)	(153,165)	42,847	183,662	(36,610)	(164,751)	23,098	98,689
Basic and diluted earnings per share (not in thousands)	(0.07)	(0.31)	0.09	0.38	(0.07)	(0.34)	0.05	0.20
Weighted average number of issued ordinary shares (not in thousands)	485,555,122	485,555,122	483,748,843	483,748,843	485,555,122	485,555,122	483,958,363	483,958,363
<b>Consolidated Cash Flow Statement</b>								
Net cash from operating activities	42,274	186,605	51,904	222,843				
Net cash used in investing activities	(38,111)	(168,227)	(62,122)	(266,660)				
Net cash from/(used in) financing activities	(37,437)	(165,269)	(1,416)	(6,080)				
Cash and cash equivalents at the end of the period	141,781	633,194	69,080	293,728				

	As of 30 June 2020		As of 31 December 2019	
	EUR	PLN	EUR	PLN
<b>Consolidated statement of financial position</b>				
Investment property completed and under construction	1,975,412	8,822,190	2,087,268	8,888,631
Investment property landbank	125,399	560,032	115,277	490,907
Right of use of lands under perpetual usufruct	43,603	194,731	44,485	189,439
Residential landbank	13,060	58,326	13,388	57,013
Assets held for sale	63,281	282,613	-	-
Cash and cash equivalents	141,781	633,194	179,636	764,980
Others	79,805	356,408	82,688	352,127
Total assets	2,442,341	10,907,494	2,522,742	10,743,097
Non-current liabilities	1,079,264	4,819,993	1,192,168	5,076,847
Current liabilities	343,176	1,532,623	271,912	1,157,938
Total Equity	1,019,901	4,554,878	1,058,662	4,508,312
Share capital	11,007	48,556	11,007	48,556

### Item 3. Presentation of the Group

#### Item 3.1. 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.

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The Company's shares are listed on the WSE 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.

### **Item 3.2. Structure of the Group**

The structure of Globe Trade Centre S.A. Capital Group as of 30 June 2020 is presented in the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2020 *in Note 4 "Investment in subsidiaries, associates and joint ventures"*.

The following changes in structure of the Group occurred in the six-month period ended 30 June 2020:

- Julesberg Sp. z o.o. was liquidated
- Jowett Sp. z o.o. was liquidated.

### **Item 3.3. 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.

On 16 April 2020 the Supervisory Board of the Company appointed Mr. Yovav Carmi as member of the Management Board of the Company.

On 22 June 2020 the Supervisory Board of the Company adopted a resolution regarding the dismissal of Mr. Thomas Kurzmann from the position of member of the Management Board of the Company and the appointment of Mr. 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 the Company received from LSREF III GTC INVESTMENTS B.V. and Lone Star Real Estate Partners III, L.P. mentioned above notification of a change in the shareholding of the Company

On 1 July 2020, the Supervisory Board of the Company appointed Mr. Gyula Nagy as member of the Management Board of the Company.

On 28 July 2020, the Supervisory Board of the Company appointed Mr. Ariel Alejandro Ferstman 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.



#### **Item 4. Main events of the first half of 2020**

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

In 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 has completed the construction of office building (Green Heart N3) in Belgrade.

From mid-March 2020 it became apparent that the economic disruptions caused by the COVID-19 virus and the increased market uncertainty combined with an increased volatility in the financial markets might lead to 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 16 in the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2020*).

On 6 April 2020 the Company received notification from LSREF III GTC INVESTMENTS B.V. ("Seller") and OPTIMUM VENTURES MAGÁNTÓKEALAP ("Buyer"), that the Seller and the Buyer entered into a conditional share purchase agreement relating to the acquisition of 100% of the shares in GTC Dutch Holdings B.V., which, according to the notification, holds 298,575,091 shares 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 4/20202).

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 May 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 member of the Management Board of the Company.

On 22 June 2020 the Supervisory Board of the Company adopted a resolution regarding the dismissal of Thomas Kurzmann from the position of member of the Management Board of the Company and the appointment of 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 it 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 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.

According to the notification, on 23 June 2020, as a result of the disposal of the shares held by LSREF in the share capital of GTC Dutch Holdings B.V. (the majority shareholder of the Company) 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.

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.

#### **Events that took place after 30 June 2020:**

On 1 July 2020, the Supervisory Board of the Company appointed Mr. Gyula Nagy as 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 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 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 321,756,000 by the Company and allocate to the reserve/supplementary capital, and thus the Supervisory Board of the Company recommends not to pay dividend out of profits earned by the Company in the financial year ended on 31 December 2019. The final decision regarding the distribution of Company's profit for the year ended 31 December 2019 will be made by the Ordinary General Meeting of the Company.

On 31 July 2020, the Management Board of the Company convened the General Shareholders' Meeting of the Company for 27 August 2020.

In July 2020, the Group signed a letter of intent to sale of Spiral office building in Budapest. Accordingly, as of 30 June 2020, the asset is presented within the assets held for sale, with a total fair value of €62,800.

## **Item 5. Operating and financial review**

### ***Item 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 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 forced to change some of its investment plans. Additionally, the Group may not be able to develop numerous plans 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 six-month period ended 30 June 2020 and for the six-month period ended 30 June 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 six-month period ended 30 June 2020 and for the six-month period ended 30 June 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 fair value of investment property is thereafter recognized as a gain or loss in the income statement.

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

The cash flow arising from operational performance is primarily determined by current gross rental income per 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 premium. In the absence of other changes when capitalization rates increase, market value decreases and vice versa. Small changes in one or some of these factors can have a considerable effect on the fair value of the Group's investment properties and on the results of its operations.

Moreover, the valuation of the Group's landbank additionally depends on among others the building rights and the expected timing of the projects. The value of landbank which is assessed using a comparative method is determined by referring to the market prices applied in transactions relating to similar properties.

The Group recognized net loss from revaluation and impairment of assets of €67,832 in the six-month period ended 30 June 2020 and €16,482 gain in six-month period ended 30 June 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. At 30 June 2020, 93% 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 0.280% as of 3 January 2014, 0.076% as of 2 January 2015 and – 0.1320% as of 4 January 2016, -0.3180% as of 2 January 2017, -0.328% as of 2 January 2018, as -0.3100% as of 2 January 2019 and -0.379 % as 2 January 2020 (EURIBOR for three-month deposits).

#### ***Impact of foreign exchange rate movements***

For the six-month period ended 30 June 2020 and for the six -month period ended 30 June 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 reports 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 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 cunas, 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 and (ii) the interest on the loan taken by the Group in Hungarian forints. The exchange rates between local currencies and euro have historically fluctuated.

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.

### **Item 5.2. Specific factors affecting financial and operating results**

#### **COVID-19**

Since mid-March 2020 until mid-May 2020, local governments in the six countries of our operations have implemented rigorous measures to contain the spread of the COVID-19, including, among others, the closure of all stores except those selling essential goods (such as groceries, other food stores and pharmacies). Such measures were prompt and efficient, leading to a low rate of the COVID-19 infections and fatalities in the CEE.

Starting from mid-May 2020 gradual easing of restrictions has commenced. Governments are adopting different plans for ending the lockdowns, mostly focused on a phased approach.

Governments across the Group's CEE region have adopted laws implementing measures to assist tenants, ranging from allowing the ability to defer rental payments for businesses impacted by the COVID-19, to providing state financial aid covering part of their costs for the duration of the restrictions.

The Group, just as many other landlords in the market, has an ongoing active dialogue with its tenants regarding their business performance and ability to pay.

As of the balance sheet date, the loss of rent and service income related to the COVID-19 amounted to €8,100.

The asset management team is committed to working together with tenants to maintain sustainable, long-term relationships. Any discounts will be agreed on case-by-case basis, based on a thorough analysis of the tenants' financial situation, occupancy cost ratio and other factors, and will be focused on maintaining a functioning retail environment for the long term.

The Group is committed to its prudent financial policy, focused on a conservative gearing ratio of (45.8% as at 30 June 2020) and robust liquidity. In response to the recent events, the Company actively implemented various measures focused on optimizing the costs, including:

- reducing non-critical operating expenses, especially for the period in which most of the retailers in the shopping centres were not trading and allocating capital;
- deferring non-committed development projects;
- deferring non-essential capital expenditure;
- retaining all the profits earned by the Company in 2019, and proposed not to distribute dividend for 2019.

The Group plans to be complaint with debt-service obligation. As of 30 June 2020 the Group holds cash in the amount of €141,800.

## *Valuations*

Notwithstanding the above, as of 30 June 2020, the Group received valuations from its valuers. The values subject to material uncertainty-as regarding their value. The loss from revaluation related mostly to the shopping centres assets.

The increased uncertainty and increased volatility in the financial markets might have an effect in the future asset valuations, as well as impact on the Group'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.

The Group run stress tests which indicated that the going concern assumption remains valid for at least 12 months from the financial statement publication date.

In its financing agreements with banks, the Company 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.

With respect to a €187,400 loan from Bank Pekao SA granted to a subsidiary of GTC operating the Galeria Pólnocna project, the LtV (loan-to-value) and DSCR (debt service coverage ratio) covenants were not met as of 30 June 2020. Accordingly, the loan was reclassified as a current liability due to the non-compliance with the respective loan covenants. In parallel, the Company has initiated negotiations with the financing bank in order to obtain a waiver in respect to such covenants or to reach a common understanding to relax the present financial covenants.

With respect to a €60,000 loan from Banka Intesa ad Beograd, Vseobecna Uverova Banka a.s. and Privredna Banka Zagreb d.d. granted to a subsidiary of GTC operating the Ada Mall project, the DSCR covenant which would not have been met was waived by the banks as of 30 June 2020 until the end of June 2021.

With respect to a €127,600 loan from Erste Group Bank AG and Raiffeisenlandesbank Niederosterreich-Wien AG granted to a subsidiary (Galeria Jurajska), the DSCR covenant was waived as of 30 June 2020 until the end of June 2021.

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***

In 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 July 2020, the Group signed a letter of intent to sale of Spiral office building in Budapest. Accordingly, as of 30 June 2020, the asset is presented within the assets held for sale, with a total fair value of €62,800.

## **Item 5.3.Presentation of differences between achieved financial results and published forecasts**

The Group did not present forecasts for the first half of 2020 nor the full year 2020.

## **Item 5. 4. Statement of financial position**

### **Item 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 mitigate the risk of interest and currency rates 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 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.

### **Item 5.4.2. Financial position as of 30 June 2020 compared to 31 December 2019**

#### **Assets**

Total assets decreased by €80,401 (3%) to €2,442,341 as of 30 June 2020 from €2,522,742 as of 31 December 2019. The decrease was mainly due to devaluation of investment property resulting from the impact of the COVID-19 outbreak and a decrease in cash and cash equivalents as a result of repayment of bonds and investment mainly in assets under construction Green Heart, Advance Business Center II, Matrix B and Pillar.

The value of investment property and investment property landbank decreased by €102,616 (5%) to €2,144,414 as of 30 June 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 €67,832 and reclassification of Spiral office building (Budapest, Hungary and non-core land plot in Bulgaria (with the value of €63,281) to asset held for sale following an offer to sell the building. The decrease was partially offset by an investment of €32,729 mostly into assets under construction: Green Heart, Advance Business Center II, Matrix B and Pillar.

The value of assets held for sale increased to €63,281 as of 30 June 2020 from €0 as of 31 December 2019 mainly as a result of reclassification Spiral building (Budapest, Hungary) to asset held for sale following signing a letter of intent to sell the property.

The value of short-term blocked deposits decreased by €4,256 (13%) to €28,775 as of 30 June 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 decreased by €37,855 (21%) to €141,781 as of 30 June 2020 from 179,636 as of 31 December 2019 mainly as a result of repayment of bonds in the amount of € 58,496 and investment (net of loans received) in planned projects and projects under construction of approximately €29,160, partially offset by refinancing of loan related to Galeria Jurajska with the top-up of €46,000.

## **Liabilities**

The value of loans and bonds decreased by €22,965 (2%) to €1,183,257 as of 30 June 2020 from €1,206,222 as of 31 December 2019. This decrease comes mainly from repayment of bonds in the amount of €58,496 and standard amortization of existing loans in the amount of €21,049, partially offset by refinancing of loans (net) related to Galeria Jurajska with the top-up of €46,000 and drawdown of loans for projects under construction of €10,115. With respect to a €187,400 loan from Bank Pekao SA granted to a subsidiary of GTC operating the Galeria Pólnocna project, the LTV (loan-to-value) and DSCR (debt service coverage ratio) covenants were not met as of 30 June 2020. Accordingly, the loan was reclassified as a current liability due to the non-compliance with the respective loan covenants. In parallel, the Company has initiated negotiations with the financing bank in order to obtain a waiver in respect to such covenants or to reach a common understanding to relax the present financial covenants.

The value of lease liability (incl. current portion of lease liabilities) decreased by €1,904 (4%) to €44,526 as of 30 June 2020 from €46,430 as of 31 December 2019, mainly due to foreign exchange gain, resulted from devaluation of local currencies.

The value of provision for deferred tax liability decreased by €4,367 (3%) to €142,865 as of 30 June 2020 from €147,232 as of 31 December 2019, mainly due to loss on revaluation partially offset by a devaluation on the local currencies on the statutory asset tax base

The value of derivatives increased by €4,364 (69%) to €10,714 as of 30 June 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 €2,400 (this loss offset a foreign exchange differences profit in an amount of €2,400 on bonds nominated in PLN), and a loss in the amount of €2,229 relates to hedge of interest rate.

## **Equity**

The amount of accumulated profit decreased by €33,619 to €496,623 as of 30 June 2020 from €530,242 as of 31 December 2019, following recognition of loss for the period in the amount €33,824.



The value of foreign currency translation decreased by €3,007 to €2,064 loss as of 30 June 2020 from €943 gain as of 31 December 2019, mainly due to devaluation of local currencies.

Equity decreased by €38,761 to €1,019,901 as of 30 June 2020 from €1,058,662 as of 31 December 2019 mainly due to a decrease in accumulated profit in the amount of €33,619, following recognition of loss during the period.

## ***Item 5.5. Consolidated income statement***

### **Item 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 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 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 is generally subject to real estate transfer tax and/or VAT.

**Item 5.5.2. Comparison of financial results for the six-month period ended 30 June 2020 with the result for the corresponding period of 2019**

**Revenues from rental activity**

Rental and service revenues decreased by €2,592 to €78,690 in the six-month period ended 30 June 2020. The decrease mainly resulted from a decrease in income of approximately €8,100 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 on rental revenues following the sale of GTC White House in the third quarter of 2019 and Neptun Office Center in the fourth quarter of 2019 of €2,819. The decrease was partially offset by an increase on the rental revenues due to completion of Ada Mall, Green Heart, ABC I and Matrix A.

**Cost of rental activity**

Service cost decreased by €116 to €20,055 in six-month period ended 30 June 2020 mainly as a result of decrease of service costs and implemented savings in our shopping malls due to the COVID-19 outbreak combined with a

decrease in the service costs due to the sale of GTC White House in the third quarter of 2019 and Neptun Office Center in the fourth quarter of 2019 of €881. The decrease was partially offset by an increase on service costs due to completion of Ada Mall, Green Heart, ABC I and Matrix A.

### **Gross margin from operations**

Gross margin (profit) from operations decreased by €2,476 to €58,635 in the six-month period ended 30 June 2020 from €61,111 in the six-month period ended 30 June 2019 mostly resulting from a lost on rent and service revenues in our shopping malls across the portfolio due to the COVID-19 outbreak partially offset by newly completed and acquired properties net of sale of assets.

Gross margin on rental activities in the six-month period ended 30 June 2020 was 75% compared to 75% in the six-month period ended 30 June 2019.

### **Administrative expenses**

Administrative expenses (before provision for share based program) decreased by €533 to €5,615 in the six-month period ended 30 June 2020 mainly due to decrease in legal costs. Mark-to-market of share based program resulted in recognition of decrease in provision for share based payment to €1,061 in the six-month period ended 30 June 2020 compared to an expenses arising from share based payment of €2,619 recognized in the six-month period ended 30 June 2019. The combined result was that expenses decreased by €4,213 to €4,554 in the six-month period ended 30 June 2020 from €8,767 in the six-month period ended 30 June 2019.

### **Profit/(loss) from the revaluation/impairment of assets**

Net loss from the revaluation/impairment of the investment properties amounted to €67,832 in the six-month period ended 30 June 2020, as compared to a net profit of €16,482 in the six-month period ended 30 June 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 on retail activity of the Group. The loss was offset by an increase in value in the amount of €9,783 on Spiral office building due to a signed letter of intent to sell the building.

### **Other expense, net**

Other expenses (net of other income) mainly related to cost of non-recoverable VAT amounted to €494 in the six-month period ended 30 June 2020 as compared to an expense of €298 in the six-month period ended 30 June 2019.

### **Foreign exchange differences gain (loss)**

Foreign exchange differences loss amounted to €3,236 in the six-month period ended 30 June 2020, as compared to a foreign exchange loss of €429 in the six-month period ended 30 June 2019. An increase is mainly due to significant devaluation of local currencies following the COVID-19 outbreak.

### **Financial income**

Financial income amounted to €173 in the six-month period ended 30 June 2020 as compared to €181 in the six-month period ended 30 June 2019.

## **Financial cost**

Financial cost increased by €815 to €17,051 in the six-month period ended 30 June 2020 as compared to €16,236 in the six-month period ended 30 June 2019, mainly due to an increase debt balance following completion of new projects. Average interest cost at 2.6%.

## **Profit/(loss) before tax**

Loss before tax was €35,066 in the six-month period ended 30 June 2020, as compared to profit before tax of €51,309 in the six-month period ended 30 June 2019. A decrease is mainly due to a recognition of loss from revaluation/impairment of assets in the amount of €67,832 combined with higher foreign exchange differences loss by €2,807 and a decrease in gross margin from operations resulting from COVID-19 outbreak.

## **Taxation**

Tax benefit amounted to €1,242 in the six-month period ended 30 June 2020. Taxation consist mainly of €2,855 of current tax expenses and €4,097 of deferred tax benefit.

## **Net profit/ (loss)**

Net loss amounted to €33,824 in the six-month period ended 30 June 2020, as compared to a net profit of €42,847 in six-month period ended 30 June 2019. This mostly resulted from recognition of loss from revaluation/impairment of assets in the amount of €67,832 combined with higher foreign exchange differences loss by €2,807 and a decrease in gross margin from operations resulting from COVID-19 outbreak, partially offset by recognition of tax benefit of €1,242.

### **Item 5.5.3. Comparison of financial results for the three-month period ended 30 June 2020 with the result for the corresponding period of 2019**

#### **Revenues from rental activity**

Rental and service charge revenues decreased by €4,157 to €37,665 in the three-month period ended 30 June 2020. The decrease mainly resulted from a decrease in income of approximately €5,200 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 of the COVID-19 outbreak combined with a decrease on rental revenues following the sale of GTC White House in the third quarter of 2019 and Neptun Office Center in the fourth quarter of 2019 of €1,337. The decrease was partially offset by an increase on the rental revenues due to completion of Ada Mall, Green Heart, ABC I and Matrix A.

#### **Cost of rental activity**

Service cost decreased by €1,365 to €8,897 in three-month period ended 30 June 2020 mainly as a result of decrease of service costs and implemented savings in our shopping malls due to the COVID-19 outbreak combined with a decrease in the service costs due to the sale of GTC White House in the third quarter of 2019 and Neptun Office Center in the fourth quarter of 2019 of €434. The decrease was partially offset by an increase on service costs due to completion of Ada Mall, Green Heart, ABC I and Matrix A.

#### **Gross margin from operations**

Gross margin (profit) from operations decreased by €2,792 to €28,768 in the three-month period ended 30 June 2020 from €31,560 in the three-month period ended 30 June 2019 mostly resulting a lost on rent and service revenues in our shopping malls across the portfolio due to the COVID-19 outbreak partially offset by newly completed and acquired properties partially net of sale of assets.

Gross margin on rental activities in the three-month period ended 30 June 2020 was 76% compared to 75% in the three-month period ended 30 June 2019.

### **Administrative expenses**

Administrative expenses (before provision for share based program) increased by €60 to €3,076 in the three-month period ended 30 June 2020. Mark-to-market of share based program resulted in recognition of decrease in expense arising from share based payment to €57 in the three-month period ended 30 June 2020 compared to an expense arising from share based payment of €1,228 recognized in the three-month period ended 30 June 2019. The combined result was that expenses decreased by €1,111 to €3,133 in the three-month period ended 30 June 2020 from €4,244 in the three-month period ended 30 June 2019.

### **Profit/(loss) from the revaluation/impairment of assets**

Net loss from the revaluation/impairment of the investment properties amounted to €62,051 in the three-month period ended 30 June 2020, as compared to a net profit of €9,763 in the three-month period ended 30 June 2019. Net loss from the revaluation of the investment properties reflects mainly devaluation of our shopping malls across the portfolio as a result of the impact of the COVID-19 outbreak. The loss was offset by an increase in value in the amount of €9,779 on Spiral office building due to a signed letter of intent to sell the building.

### **Other expense, net**

Other expenses (net of other income) mainly related to cost of non-recoverable VAT amounted to €220 in the three-month period ended 30 June 2020 as compared to an expense of €190 in the three-month period ended 30 June 2019.

### **Foreign exchange differences gain (loss)**

Foreign exchange differences gain amounted to €2,095 in the three-month period ended 30 June 2020, as compared to a foreign exchange loss of €350 in the three-month period ended 30 June 2019. An increase is mainly due to appreciation of local currencies from end of March to June, following the significant devaluation of currencies in the first quarter resulting from the COVID-19 outbreak.

### **Financial income**

Financial income amounted to €83 in the three-month period ended 30 June 2020 as compared to €99 in the three-month period ended 30 June 2019.

### **Financial cost**

Financial cost increased by €68 to €8,318 in the three-month period ended 30 June 2020 as compared to €8,250 in the three-month period ended 30 June 2019.

### **Profit/ (loss) before tax**

Loss before tax decreased amounted to €43,160 in the three-month period ended 30 June 2020, as compared to profit before tax of €28,021 in the three-month period ended 30 June 2019. A decrease is mainly due to a recognition of loss from revaluation/impairment of assets in the amount of €62,051 combined a decrease in gross margin from operations resulting from COVID-19 outbreak partially offset by foreign exchange differences gain of €2,095.

## **Taxation**

Tax benefit amounted to €6,550 in the three-month period ended 30 June 2020 due to a decrease in deferred tax liabilities as a result of loss from revaluation. Taxation consist mainly of €1,126 of current tax expenses and €7,676 of deferred tax benefit.

## **Net profit/ (loss)**

Net loss amounted to €36,610 in the three-month period ended 30 June 2020, as compared to a net profit of €23,098 in three-month period ended 30 June 2019. This mostly resulted from recognition of loss from revaluation/impairment of assets in the amount of €62,051 combined with a decrease in gross margin from operations resulting from COVID-19 outbreak, partially offset by foreign exchange differences gain of €2,095 and tax benefit of €6,550.

## ***Item 5. 6. Consolidated cash flow statement***

### **Item 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 bond 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.

## Item 5.6.2. Cash flow analysis

The table below presents an extract of the cash flow for the period of six months ended on 30 June 2020 and 2019:

	<u>Six-month period ended 30 June 2020</u>	<u>Six-month period ended 30 June 2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Net cash from operating activities</b>	<b>42,274</b>	<b>51,904</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Expenditure on investment property under construction	(45,305)	(71,215)
Decrease in blocked deposits	6,030	2,157
Proceeds related to expropriation of land and sale of investment property		7,547
VAT/tax on purchase/sale of investment property	1,132	(660)
Interest received	32	49
<b>Net cash used in investing activities</b>	<b>(38,111)</b>	<b>(62,122)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	144,898	125,951
Repayment of long-term borrowings	(163,680)	(60,995)
Repayment of lease liability	(90)	(1,660)
Dividends paid		(37,927)
Interest paid	(15,955)	(13,993)
Loans origination cost	(953)	(775)
Dividend paid to non-controlling interest		(429)
Decrease/(increase) in short term deposits	(1,657)	(11,588)
<b>Net cash from (used in) financing activities</b>	<b>(37,437)</b>	<b>(1,416)</b>
Net foreign exchange difference	(4,581)	258
Net increase/(decrease) in cash and cash equivalents	(37,855)	(11,376)
<b>Cash and cash equivalents, at the beginning of the year</b>	<b>179,636</b>	<b>80,456</b>
<b>Cash and cash equivalents, at the end of the period</b>	<b>141,781</b>	<b>69,080</b>

Net cash flow from operating activities decreased to €42,274 in the six-month period ended 30 June 2020 compared to €51,904 in the six-month period ended 30 June 2019, following the decrease in income due to the rent relief imposed by governments during lockdown of shopping malls and rent concessions and discounts provided by the Group across the portfolio due to the COVID-19 outbreak combined with a decrease on rental and services revenues following the sale of GTC White House in the third quarter of 2019 and Neptun Office Center in the fourth quarter of 2019.

Net cash flow used in investing activities amounted to €38,111 in the six-month period ended 30 June 2020 compared to €62,122 used in the six-month period ended 30 June 2019. Cash flow used in investing activities mainly composed of (i) expenditure on investment properties under construction of €45,305 related to: Green Heart, Advance Business Center, Matrix and Pillar and (ii) a decrease in blocked deposits of €6,030.

Net cash flow used in financing activities amounted to €37,437 in the six-month period ended 30 June 2020, compared to €1,416 of cash flow used in financing activities in the six-month period ended 30 June 2019. Cash flow used in financing activities mainly composed of (i) repayment of long-term borrowings in the amount of €163,680 mainly loan repayment of €84,000 related to Galeria Jurajska, settlement of maturing bonds in amount of €58,496, as well as amortization of existing loans in amount of €21,049; (ii) proceeds from long-term borrowings for the six-month period ended 30 June 2020 in the amount of €144,898 that are related mainly to loans related to

assets under construction in the amount of €10,115, refinancing of loans related to Galeria Jurajska in amount of €130,000; and (iii) interest paid in the amount of €15,955.

Cash and cash equivalents as 30 June 2020 amounted to €141,781 compared to €69,080 as of 30 June 2019. The Group keeps its cash in the form of bank deposits.

#### **Item 5.7. Future liquidity and capital resources**

As of 30 June 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 30 June 2020, the Group's non-current liabilities amounted to €1,079,264 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 30 June 2020 amounted to €1,183,257 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 include bonds (series matures in 2022-2023) in PLN and investment loan of Spiral in HUF.

The Group's loan-to-value ratio amounted to 46% as of 30 June 2020, as compared to 44% as of 31 December 2019. The Group's strategy is to keep its loan-to-value ratio at the level not exceeding 50%.

During the first quarter of 2020, the Group signed 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 Group plans a number of refinancing transactions which will defer the amortization profile of its debt.

As of 30 June 2020, 93% 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 analysed 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 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 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 impact of the COVID-19 outbreak is presented in the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2020 in Note 16 COVID 19.

#### **Item 6. Information on loans granted with a particular emphasis on related entities**

During the six-month period ended 30 June 2020 the Group did not grant loans of with the total value is material.

#### **Item 7. Information on granted and received guarantees with a particular emphasis on guarantees granted to related entities**

During the six-month period ended 30 June 2020 the Group did not grant guarantees of with the total value is material.

GTC gives guarantees to third parties in the normal course of its business activities. As of 30 June 2020 the guarantees granted amounted to €2,000.

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

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

#### **Item 8. Shareholders who, directly or indirectly, have substantial shareholding**

The following table presents the Company's shareholders, who had no less than 5% of votes at the Ordinary Shareholders Meeting of GTC S.A., as of the date of publication of this Report. The table is prepared based on information received directly from the shareholders.

<b>Shareholder</b>	<b>Number of shares and rights to the shares held (not in thousand)</b>	<b>% of share capital</b>	<b>Number of votes (not in thousand)</b>	<b>% of votes</b>	<b>Change in number of shares since 29 July 2020 (not in thousand)</b>
GTC Dutch Holdings B.V. <sup>1</sup>	298,575,091	61.49%	298,575,091	61.49%	No change
OFE PZU Złota Jesień	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	100,685,069	20.74%	100,685,069	20.74%	No change
<b>Total</b>	<b>485,555,122</b>	<b>100.00%</b>	<b>485,555,122</b>	<b>100.00%</b>	

<sup>1</sup> GTC Dutch Holdings B.V. is 100% subsidiary of GTC Holding Zártkörűen Működő Részvénytársaság.

On 6 April 2020 the Company received notification from LSREF III GTC INVESTMENTS B.V. (“Seller”) and OPTIMUM VENTURES MAGÁNTŐKEALAP (“Buyer”), that the Seller and the Buyer entered into a conditional share purchase agreement relating to the acquisition of 100% of the shares in GTC Dutch Holdings B.V., which, according to the notification, holds 298,575,091 shares 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 4/2020).

On 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.

On 23 June 2020, 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).

## **Item 9. 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 as of 19 August 2020, the date of publication of this interim report, and changes in their holdings since the date of publication of Group’s last financial report (quarterly report for the three-month period ended 31 March 2020) on 29 July 2020.

The information included in the table is based on information received from members of the Management Board.

Management Board Member	Balance as of 19 August 2020 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 29 July 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
<b>Total</b>	<b>5,240</b>	<b>524</b>	

### ***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 as of 19 August 2020, the date of publication of this interim report, and changes in their holdings since the date of publication of Group’s last financial report (quarterly report for the three-month period ended 31 March 2020) on 29 July 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 19 August 2020 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 29 July 2020
Zoltán Fekete	0	0	No change
János Péter Bartha	0	0	No change
Péter Bozó	0	0	No change
Balázs Figura	0	0	No change
Mariusz Grendowicz	10,158	1,016	No change
Marcin Murawski	0	0	No change
Bálint Szécsényi	0	0	No change
Ryszard Wawryniewicz	0	0	No change
<b>Total</b>	<b>10,158</b>	<b>1,016</b>	

#### **Item 10. Material transactions with related parties concluded on terms other than market terms**

The Group did not conduct any material transactions with the related parties that are not based on arm's length basis.

#### **Item 11. 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.

#### **Item 12. 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 disease. The impact of the SARS-CoV-2 virus and the COVID-19 disease 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 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 works - in the form of possible delays in such works related to limited access to building materials (disrupted supply chains) and insufficient personnel, if any, of subcontractors, thus having a direct impact on the timeliness of completion of the investments; and
- any case of employees of the Group or individuals cooperating therewith testing positive for the COVID-19 disease, 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 disease will not cause the precautionary restrictions introduced in countries in which the Group operates to be re-imposed or that new, more strict measures will not be introduced, which could have an adverse negative impact on the business operations or financial liquidity of the Group's tenants or other business partners and on the general behaviour of the public, and thus, intensify the negative impact of the COVID-19 disease and its consequences on the Group's business, financial condition and results of operations or increase the likelihood of the materialisation of risks connected therewith.

**The Group'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 the willingness and ability of customers 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, as a result of the outbreak of the COVID-19 disease or otherwise, may also lead to a drop in the market value of the Group's properties. The crisis on the financial markets 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 is in the process of implementing its growth strategy 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 maximise 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 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, however, prepare valuations for 31 March and 30 September of each year. Such valuations are reviewed internally and, if necessary, verified by the Company'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 disease, 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 as well as subjective assessments and is based on various assumptions. It is possible that the Group or its service providers will misjudge individual aspects of a given project when making acquisition decisions or that assessments on which the Group bases its decision are inaccurate or based on assumptions that turn out to be incorrect. Such judgment errors may lead to an inaccurate analysis and valuation of the properties by the Group in connection with investment decisions that may only become apparent at a later stage and force 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, that 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.



A 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 declining demand for office or retail space caused by the outbreak of the COVID-19 disease. 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 2019. 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 allow to pass 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 that is related to the vacant space. Some lease agreements provide for the maximum value combined rental rate and service charged paid by the tenant. In such cases, if the maintenance charges increase, the Group is unable to pass on such costs to the tenants. For example, in the case of Galleria Arad and Avenue Mall Osijek, due to the worsening macroeconomic conditions and strong competition, the Group was unable to pass on all the maintenance costs to the tenants in the period running from their completion to their sale, and had to lease out those commercial properties at a loss.

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

spending, such as reducing rent, allowing rent payment in instalments, and waiving late payment interest and service charges. Depending on the extent and length of the COVID-19 pandemic, the Group may have to extend further assistance to its tenants across the portfolio.

The failure of such tenants to abide by their lease agreements, or their bankruptcy or economic decline, which may have become more likely as a result of the COVID-19 disease, 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 normally be prepared to offer but which the Group may have to match. Competition in the real estate market may also lead to increased marketing and development costs.

Given that the successful growth and profitability of the Group 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 and therefore the Group may not be able to compete successfully for investments or developments.

In addition, new acquisitions of existing properties at yields that the 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 a number of 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 intends to sell its non-core assets. 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 favour 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 favourable prices or to vary its portfolio in response to economic or other conditions impacting the property value. It may be particularly difficult to sell real estate properties in an uncertain market environment caused by the COVID-19 pandemic. If the Group cannot sell a particular project within a reasonable time, it may not be able to generate the cash flow it may require to service ongoing operations or invest in new projects, or it may be unable to take advantage of favourable economic conditions or mitigate the impact of unfavourable 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 from external influences (e.g., earthquakes, floods, landslides or mining damage). In addition to the significant health risks and related costs, the Group could also be required to pay for the removal and disposal of hazardous substances, as well as the related maintenance and restoration work, without the ability to pass those costs onto third parties. The occurrence of any such risk could have a material adverse effect on the Group's business, financial condition, 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 condition, 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 a required permission cannot be guaranteed, and the Group has encountered difficulties in the past in that respect.

If the Group cannot obtain the required approvals and permits in a timely manner or at all, its projects may be delayed or cancelled, which could have a material adverse effect on the Group's business, financial condition, 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 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, in particular from Ukraine. 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 contracting arrangements with quality general contractors or subcontractors on commercially reasonable terms, or their performance is substandard, this could have a material adverse effect on the Group's business, financial condition, 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 cancelled, 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 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 favourable terms or at all for individual projects or in the context of multiple projects being developed at the same time;
- potential liabilities relating to acquired land, properties or entities owning properties with respect to which the Group may have limited or no recourse;
- tenants' unwillingness to vacate a development site;
- obligations regarding the development of adjacent properties;
- inability to receive required zoning permissions for intended use;
- discrepancies between the planned area and the post-construction area of developments; and
- obligations relating to the preservation and protection of the environment and the historic and cultural heritage of Poland and other jurisdictions in which the Group conducts its operations, as well as other social obligations.

These factors, including factors over which the Group has little or no control, may increase costs, give rise to liabilities or otherwise create difficulties or obstacles to the development of the Group's projects. The inability to complete the construction of a property on schedule or at all for any of the above reasons may result in increased costs or cause the projects to be delayed or cancelled, which may have a material adverse effect on the Group's business, financial condition, results of operations.

**Without sufficient local infrastructure and utilities, the construction of the Group's projects may be delayed or cancelled, or it may be unable to 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 may be non-existent, obsolete or experience failures. To be sufficient, the existing local infrastructure and utilities may need to be improved, upgraded or replaced. As a consequence of this lack of maintenance, for example, the Group may from time to time experience shortages in the availability of energy and other utilities. There can be no assurance that improvements to the infrastructure in and around the Group's projects, or the infrastructure integrated into its projects, will be completed prior to the completion of the 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 certain features of the property. Typically, the assurances the seller gives regarding the property in the purchase agreement do not cover all of the risks or potential problems that can arise for the Group in connection with the purchase of property by the Group. 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 may 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 pose 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 capital invested in the affected developments as well as anticipated future revenues from such project. 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 disease, 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 disease what might result in such persons being subjected to isolation/hospitalisation 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.

### **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 the delivery of this Report the Group is substantially leveraged and have 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 which may be beyond the control of the Group. These may include requirements to meet certain loan-to-value ratio, debt service coverage and working capital requirements. A breach of such covenants by the Group could result in the

forfeiture of its mortgaged assets, the acceleration of its payment obligations, the acceleration of payment guarantees, trigger cross-default clauses or make future borrowing difficult or impossible. In these circumstances, the Group could also be forced in the long term to sell some of its assets to meet its loan obligations or the completion of its affected projects could be delayed or curtailed.

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

**The Group might be unable to renew or refinance loans as they mature, or might be able to renew or refinance such loans only on less favourable terms**

All of the Group's real estate developments have been financed through loans, which have been provided for a limited term. The Group might not be able to renew or refinance the remaining obligations in part or at all or might have to accept less favourable 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, labour costs and remuneration for certain general contractors, are incurred in the currencies of the respective geographical markets, including Polish zloty, Bulgarian leva, Czech korunas, Croatian kunas, Hungarian forints, Romanian lei or Serbian dinars.

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 favourable 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 favourable 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 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 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 with 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 disease on par with the levels implemented in developed countries.

The Group may not be able to realise 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 characterised 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 realise 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 materialisation 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 disease 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 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 disease, 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 materialisation 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 favourable 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 appeal**

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

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

### **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 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 with complying with the changed or new regulations.

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

Moreover, in relation to the cross-border nature of the Group's business, the international agreements, including the double tax treaties, to which 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 endeavour to take special care to ensure that such transactions comply with the applicable transfer pricing regulations. However, due to the specific nature of related-party transactions, the complexity and ambiguity of legal regulations governing the methods of examining the prices applied, as well as the difficulties in identifying comparable transactions for reference purposes, no assurance can be given that specific Group Companies will not be subject to inspections or other investigative activities undertaken by tax authorities or fiscal control authorities. Should the methods of determining arm's-length terms for the purpose of the above transactions be challenged, this may have a material adverse effect on the business, financial standing, growth prospects, results of the Group Companies.

#### **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 the delivery 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, authorisations, re-zoning approvals or other similar decisions may have been obtained in breach of applicable laws or regulations. Such matters would be susceptible to subsequent challenge. Similar issues may arise in the context of compliance with privatisation procedures and auctions related to the acquisition of land leases and development rights. It may be difficult, or impossible, to monitor, assess or verify these concerns. If any of these permits, authorisations, re-zoning approvals or other similar requirements were to be challenged, this may have a material adverse effect on the Group's business, financial condition, results of operations.

### **Risk Factors Relating to the Shareholding Structure of the Company and Corporate Governance**

#### **There may be potential conflicts of interest between the Group and the Group's controlling shareholder**

GTC Dutch Holdings B.V. ("GTC Dutch"), which is fully controlled by GTC Holding Zártkörűen Működő Részvénytársaság, is the Group's controlling 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.

**GLOBE TRADE CENTRE S.A.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD  
ENDED 30 JUNE 2020  
TOGETHER WITH INDEPENDENT AUDITORS' REVIEW  
REPORT**

**Globe Trade Centre S.A.**  
**Interim Condensed Consolidated Statement of Financial Position**  
**as of 30 June 2020**  
**(in thousands of Euro)**

	Note	30 June 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	8	2,144,414	2,247,030
Residential landbank		13,060	13,388
Property, plant and equipment		7,907	8,159
Blocked deposits	10	11,020	11,137
Derivatives		-	265
Other non-current assets		121	109
		<b>2,176,522</b>	<b>2,280,088</b>
Loan granted to non-controlling interest partner	9	11,113	10,976
<b>Total non-current assets</b>		<b>2,187,635</b>	<b>2,291,064</b>
<b>Assets held for sale</b>	8	<b>63,281</b>	<b>-</b>
<b>Current assets</b>			
Accounts receivables		12,004	10,269
Accrued income		1,557	2,180
VAT receivable	12	2,164	3,296
Income tax receivable	12	846	1,079
Prepayments and deferred expenses		4,298	2,187
Short-term blocked deposits	10	28,775	33,031
Cash and cash equivalents		141,781	179,636
		<b>191,425</b>	<b>231,678</b>
<b>TOTAL ASSETS</b>		<b>2,442,341</b>	<b>2,522,742</b>

**Globe Trade Centre S.A.**  
**Interim Condensed Consolidated Statement of Financial Position**  
**as of 30 June 2020**  
**(in thousands of Euro)**

	Note	30 June 2020	31 December 2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	18	11,007	11,007
Share premium		550,522	550,522
Capital reserve		(43,098)	(43,098)
Hedge reserve		(6,924)	(4,994)
Foreign currency translation		(2,064)	943
Accumulated profit		496,623	530,242
		<b>1,006,066</b>	<b>1,044,622</b>
Non-controlling interest	9	13,835	14,040
<b>Total Equity</b>		<b>1,019,901</b>	<b>1,058,662</b>
<b>Non-current liabilities</b>			
Long-term portion of long-term borrowing	14	871,083	980,872
Deposits from tenants		11,020	11,137
Long term payable		2,630	2,648
Provision for share based payment		385	1,446
Lease liability	15	44,225	46,222
Derivatives	11	7,056	2,611
Provision for deferred tax liability		142,865	147,232
		<b>1,079,264</b>	<b>1,192,168</b>
<b>Current liabilities</b>			
Investment and trade payables and provisions	13	20,822	37,290
Deposits from tenants		1,804	1,605
Current portion of long-term borrowing	14	312,174	225,350
VAT and other taxes payable		1,950	1,817
Income tax payable		1,173	1,542
Derivatives	11	3,658	3,739
Current portion of lease liabilities	15	301	208
Advances received		1,294	361
		<b>343,176</b>	<b>271,912</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,442,341</b>	<b>2,522,742</b>

**Globe Trade Centre S.A.**  
**Interim Condensed Consolidated Income Statement**  
**for the six-month period ended 30 June 2020**  
**(in thousands of Euro)**

	Note	Six-month period ended 30 June 2020 (unaudited)	Six-month period ended 30 June 2019 (unaudited)	Three-month period ended 30 June 2020 (unaudited)	Three-month period ended 30 June 2019 (unaudited)
Rental revenue		59,038	60,963	28,040	31,689
Service revenue		19,652	20,319	9,625	10,133
Residential revenue			-		-
Service costs		(20,055)	(20,171)	(8,897)	(10,262)
Residential costs			-		-
<b>Gross margin from operations</b>		<b>58,635</b>	<b>61,111</b>	<b>28,768</b>	<b>31,560</b>
Selling expenses		(707)	(735)	(384)	(367)
Administration expenses	6	(4,554)	(8,767)	(3,133)	(4,244)
Profit from revaluation/impairment of assets	8	(67,832)	16,482	(62,051)	9,763
Other income		55	287	41	4
Other expenses		(549)	(585)	(261)	(194)
<b>Profit (loss) from continuing operations before tax and finance income / (expense)</b>		<b>(14,952)</b>	<b>67,793</b>	<b>(37,020)</b>	<b>36,522</b>
Foreign exchange differences gain/ (loss), net		(3,236)	(429)	2,095	(350)
Finance income		173	181	83	99
Finance cost	7	(17,051)	(16,236)	(8,318)	(8,250)
<b>Profit before tax</b>		<b>(35,066)</b>	<b>51,309</b>	<b>(43,160)</b>	<b>28,021</b>
Taxation	17	1,242	(8,462)	6,550	(4,923)
<b>Profit (loss) for the period</b>		<b>(33,824)</b>	<b>42,847</b>	<b>(36,610)</b>	<b>23,098</b>
<b>Attributable to:</b>					
Equity holders of the Company		(33,619)	42,682	(36,196)	23,099
Non-controlling interest		(205)	165	(414)	(1)
Basic earnings per share (in Euro)	19	(0.07)	0.09	(0.07)	0.05

**Globe Trade Centre S.A.**  
**Interim Condensed Consolidated Statement of Comprehensive Income**  
**for the six-month period ended 30 June 2020**  
**(in thousands of Euro)**

	Six-month period ended 30 June 2020 (unaudited)	Six-month period ended 30 June 2019 (unaudited)	Three-month period ended 30 June 2020 (unaudited)	Three-month period ended 30 June 2019 (unaudited)
<b>Profit (loss) for the period</b>	<b>(33,824)</b>	<b>42,847</b>	<b>(36,610)</b>	<b>23,098</b>
Gain (loss) on hedge transactions	(2,229)	(2,999)	(1,911)	(1,887)
Income tax	299	401	304	263
Net gain (loss) on hedge transactions	(1,930)	(2,598)	(1,607)	(1,624)
Foreign currency translation	(3,007)	(240)	182	(351)
<i>Net other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods</i>	<b>(4,937)</b>	<b>(2,838)</b>	<b>(1,425)</b>	<b>(1,975)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>(38,761)</b>	<b>40,009</b>	<b>(38,035)</b>	<b>21,123</b>
<b>Attributable to:</b>				
Equity holders of the Company	(38,556)	39,844	(37,621)	21,124
Non-controlling interest	(205)	165	(414)	(1)

**Globe Trade Centre S.A.**  
**Interim Condensed Consolidated Statement of Changes in Equity**  
**for the six-month period ended 30 June 2020**  
**(in thousands of Euro)**

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
<b>Balance as of 1 January 2020</b>	<b>11,007</b>	<b>550,522</b>	<b>(43,098)</b>	<b>(4,994)</b>	<b>943</b>	<b>530,242</b>	<b>1,044,622</b>	<b>14,040</b>	<b>1,058,662</b>
Other comprehensive income	-	-	-	(1,930)	(3,007)	-	(4,937)	-	(4,937)
Profit / (loss) for the period ended 30 June 2020	-	-	-	-	-	(33,619)	(33,619)	(205)	(33,824)
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,930)</b>	<b>(3,007)</b>	<b>(33,619)</b>	<b>(38,556)</b>	<b>(205)</b>	<b>(38,761)</b>
<b>Balance as of 30 June 2020</b>	<b>11,007</b>	<b>550,522</b>	<b>(43,098)</b>	<b>(6,924)</b>	<b>(2,064)</b>	<b>496,623</b>	<b>1,006,066</b>	<b>13,835</b>	<b>1,019,901</b>
	<b>Share Capital</b>	<b>Share premium</b>	<b>Capital reserve</b>	<b>Hedge reserve</b>	<b>Foreign currency translation reserve</b>	<b>Accumulated profit</b>	<b>Total</b>	<b>Non-controlling interest</b>	<b>Total</b>
<b>Balance as of 1 January 2019</b>	<b>10,960</b>	<b>546,711</b>	<b>(36,054)</b>	<b>(4,542)</b>	<b>1,680</b>	<b>496,996</b>	<b>1,015,751</b>	<b>5,044</b>	<b>1,020,795</b>
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
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(452)</b>	<b>(737)</b>	<b>74,825</b>	<b>73,636</b>	<b>596</b>	<b>74,232</b>
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	3811	-	-	-	(41,579)	(37,721)	-	(37,721)
<b>Balance as of 31 December 2019</b>	<b>11,007</b>	<b>550,522</b>	<b>(43,098)</b>	<b>(4,994)</b>	<b>943</b>	<b>530,242</b>	<b>1,044,622</b>	<b>14,040</b>	<b>1,058,662</b>



**Globe Trade Centre S.A.**  
**Interim Condensed Consolidated Statement of Cash Flows**  
**for the six-month period ended 30 June 2020**  
**(in thousands of Euro)**

		Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
		(unaudited)	(unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	Note		
Profit before tax		(35,066)	51,309
<b>Adjustments for:</b>			
Loss/(profit) from revaluation/impairment of assets		67,832	(16,482)
Profit on disposal of assets			
Foreign exchange differences loss/(gain), net		3,235	429
Finance income		(169)	(181)
Finance cost		17,051	16,236
Share based payment (income) / expenses		(1,061)	2,619
Depreciation and amortization		328	302
<b>Operating cash before working capital changes</b>		<b>52,150</b>	<b>54,232</b>
Increase in trade receivables, prepayments and other current assets		(5,340)	(1,551)
Increase/(decrease) in advances received		933	(620)
Increase in deposits from tenants		82	1,985
Increase/(decrease) in trade and other payables		(2,420)	1,020
<b>Cash generated from operations</b>		<b>45,405</b>	<b>55,066</b>
Tax paid in the period		(3,131)	(3,162)
<b>Net cash flows from operating activities</b>		<b>42,274</b>	<b>51,904</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Expenditure on investment property		(45,305)	(71,215)
Decrease in short term deposits		6,030	2,157
Proceeds related to expropriation of land	17		4,917
Sale of investment property	11		2,630
VAT on purchase/sale of investment property		1,132	(660)
Interest received		32	49
<b>Net cash flows from/(used in) investing activities</b>		<b>(38,111)</b>	<b>(62,122)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term borrowings	14	144,898	125,951
Repayment of long-term borrowings	14	(163,680)	(60,995)
Repayment of lease liabilities		(90)	(1,660)
Dividends paid		-	(37,927)
Dividends paid to non-controlling interest		-	(429)
Interest paid		(15,955)	(13,993)
Loans origination cost		(953)	(775)
Decrease/(increase) in blocked deposits	10	(1,657)	(11,588)
<b>Net cash from/(used in) financing activities</b>		<b>(37,437)</b>	<b>(1,416)</b>
<b>Effect of foreign currency translation</b>		<b>(4,581)</b>	<b>258</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(37,855)</b>	<b>(11,376)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>179,636</b>	<b>80,456</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>141,781</b>	<b>69,080</b>

**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2020**  
**(in thousands of Euro)**

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## **1. Principal activities**

Globe Trade Centre S.A. (the “Company” or “GTC”) and its subsidiaries (“GTC Group” or “the Group”) are an international real-estate corporation. 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 subsidiaries commercial and residential real estate companies with a focus on Poland, Budapest, Bucharest, Belgrade, Zagreb and Sofia. There is no seasonality in the business of the Group companies.

The major shareholder of the Company is GTC Dutch Holdings B.V. (“LSREF III”), controlled by GTC Holding Zmr, an Hungarian firm controlled by the Hungarian national bank, which held 298,575,091 shares 61.49% of total share as of 30 June 2020.

### *Events in the period*

In 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.

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

On 16 April 2020, Mr. Yovav Carmi was appointed as member of the Management Board of the Company.

On June 23 2020 the Company received a notification from GTC HOLDING ZÁRTKÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG (“GTC Holding Zmr”) registered in Budapest, Hungary, and LSREF III GTC INVESTMENTS B.V. with its registered office in Amsterdam, the Netherlands of 100% of shares of GTC Dutch Holdings B.V. (the “Majority Shareholder”) whereby the Majority Shareholder has sold all its shares, 298,575,091, representing 61.49% of the shares in the share capital of the Company to GTC Holding Zmr. After the abovementioned acquisition, GTC Holding Zmr (i.e. through the Majority Shareholder) holds indirectly 298,575,091 shares of the Company, representing 61.49% of the shares.

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.

### **Covid- 19 Panademia**

From mid-March 2020 it became apparent that the economic disruptions caused by the Covid-19 virus and the increased market uncertainty combined with an increased volatility in the financial markets might lead to 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 16).

The accompanying notes are an integral part of these Consolidated Financial Statements

**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2020**  
**(in thousands of Euro)**

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## **2. Basis of preparation**

The Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by EU.

At the date of authorisation of these consolidated financial statements, taking into account the EU's ongoing process of IFRS endorsement and the nature of the Group's activities, there is no difference between International Financial Reporting Standards applying to these consolidated financial statements and International Financial Reporting Standards endorsed by the European Union.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements and the notes thereto for the year ended 31 December 2019, which were authorized for issue on 18 March 2020. The interim financial results are not necessarily indicative of the full year results.

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

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

As of 30 June 2020, the Group's net working capital (defined as current assets less current liabilities) was negative and amounted to Euro 151.8 million, as a loan amounted to Euro 187.4 million was in breach of covenants and presented within current liabilities (see note 16).

The management has analysed the timing, nature and scale of potential financing needs of particular subsidiaries and believes that 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.

## **3. Significant accounting policies and new standards, interpretations amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019 (see Note 7 to the consolidated financial statements for 2019). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. No changes to comparative data or error corrections were made.

The accompanying notes are an integral part of these Consolidated Financial Statements

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#### 4. Investment in Subsidiaries, Associates and Joint Ventures

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

##### *Subsidiaries*

Name	Holding Company	Country of incorporation	30 June 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.(2)	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.	GTC S.A.	Poland	100%	100%
Glorine investments Sp. z o.o. s.k.a.	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. (1)	GTC S.A.	Poland	-	100%
Jowett Sp. z o.o. (1)	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") (2)	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")	GTC Hungary	Hungary	100%	100%
Albertfalva Üzletközpont Kft. ("formerly Szeremi Gate")	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. ("formerly GTC Renaissance Plaza Kft.")	GTC Hungary	Hungary	100%	100%
VRK Tower Kft	GTC Hungary	Hungary	100%	100%
Amarantan Ltd.	GTC Hungary	Hungary	100%	100%

(1) Liquidated

(2) Under liquidation

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**4. Investment in Subsidiaries, Associates and Joint Ventures (continued)**

Name	Holding Company	Country of incorporation	30 June 2020	31 December 2019
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.	GTC S.A.	Croatia	80%	80%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o	Croatia	80%	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.	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%
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			
	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Ukraine LLC	Europort Investment (Cyprus) 1 Limited			
	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Project Ukraine 1 LLC	Europort Investment (Cyprus) 1 Limited			

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## 5. 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 four core markets: Poland, Budapest, Bucharest and Belgrade. Additionally, GTC operates in Zagreb and starting from September 2017 its operation in Bulgaria is solely in Sofia.

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

Segment analysis of rental income and costs for the six month period ended 30 June 2020 and 30 June 2019 is presented below:

Portfolio	2020			2019		
	Revenues	Costs	Gross margin	Revenues	Costs	Gross margin
Poland	31,776	(9,357)	22,419	38,223	(10,116)	28,107
Belgrade	16,569	(4,122)	12,447	11,705	(2,720)	8,985
Budapest	11,126	(2,504)	8,622	12,398	(3,046)	9,352
Bucharest	8,405	(1,389)	7,016	8,580	(1,586)	6,994
Zagreb	5,324	(1,689)	3,635	5,369	(1,846)	3,523
Sofia	5,490	(994)	4,496	5,007	(857)	4,150
<b>Total</b>	<b>78,690</b>	<b>(20,055)</b>	<b>58,635</b>	<b>81,282</b>	<b>(20,171)</b>	<b>61,111</b>

Segment analysis of rental income and costs for the three month period ended 30 June 2020 and 30 June 2019 is presented below:

Portfolio	2020			2019		
	Revenues	Costs	Gross margin	Revenues	Costs	Gross margin
Poland	14,982	(4,064)	10,918	19,253	(5,187)	14,066
Belgrade	8,048	(1,863)	6,185	6,799	(1,436)	5,363
Budapest	5,526	(1,151)	4,375	6,211	(1,527)	4,684
Bucharest	4,144	(622)	3,522	4,330	(783)	3,547
Zagreb	2,480	(733)	1,747	2,731	(949)	1,782
Sofia	2,485	(464)	2,021	2,498	(380)	2,118
<b>Total</b>	<b>37,665</b>	<b>(8,897)</b>	<b>28,768</b>	<b>41,822</b>	<b>(10,262)</b>	<b>31,560</b>

The accompanying notes are an integral part of these Consolidated Financial Statements

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**5. Segmental analysis (continued)**

Segment analysis of assets and liabilities for the years ended 30 June 2020 is presented below:

	<b>Real estate</b>	<b>Cash and deposits</b>	<b>Other</b>	<b>Total assets</b>	<b>Loans, bonds and lease liability</b>	<b>Deferred tax liability</b>	<b>Other</b>	<b>Total liabilities</b>
Poland	941,928	41,307	9,067	<b>992,302</b>	552,818	64,807	10,959	<b>628,584</b>
Belgrade	395,000	17,574	5,417	<b>417,991</b>	216,809	11,846	10,550	<b>239,205</b>
Budapest	283,343	15,184	64,862	<b>363,389</b>	122,161	15,832	4,782	<b>142,775</b>
Bucharest	212,338	11,599	1,031	<b>224,968</b>	107,529	12,746	3,662	<b>123,937</b>
Zagreb	160,005	5,442	12,882	<b>178,329</b>	60,382	17,236	4,656	<b>82,274</b>
Sofia	159,611	7,862	3,080	<b>170,553</b>	84,880	7,666	5,237	<b>97,783</b>
Other	11,876	16	19	<b>11,911</b>	-	-	1,184	<b>1,184</b>
Non allocated	-	82,592	306	<b>82,898</b>	90,024	12,732	3,942	<b>106,698</b>
	<b>2,164,101</b>	<b>181,576</b>	<b>96,664</b>	<b>2,442,341</b>	<b>1,234,603</b>	<b>142,865</b>	<b>44,972</b>	<b>1,422,440</b>

Segment analysis of assets and liabilities for the years ended 31 December 2019 is presented below:

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

The accompanying notes are an integral part of these Consolidated Financial Statements

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**6. Administrative expenses**

Administrative expenses for the period of six-months ended 30 June 2020 and 30 June 2019 comprises the following amounts:

	<b>Six-month period ended 30 June 2020</b>	<b>Six-month period ended 30 June 2019</b>	<b>Three-month period ended 30 June 2020</b>	<b>Three-month period ended 30 June 2019</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Administration expenses	5,615	6,148	3,076	3,016
Expenses /(income) arising from share based payments (*)	(1,061)	2,619	57	1,228
	<b><u>4,554</u></b>	<b><u>8,767</u></b>	<b><u>3,133</u></b>	<b><u>4,244</u></b>

(\*) Non-cash fair value adjustment, influenced by the change of share price

**7. Finance costs**

Finance costs for the period of six-months ended 30 June 2020 and 30 June 2019 comprises the following amounts:

	<b>Six-month period ended 30 June 2020</b>	<b>Six-month period ended 30 June 2019</b>	<b>Three-month period ended 30 June 2020</b>	<b>Three-month period ended 30 June 2019</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Finance costs related to loans and bonds	16,077	15,181	7,860	7,724
Finance costs related to lease liability	974	1,055	458	526
	<b><u>17,051</u></b>	<b><u>16,236</u></b>	<b><u>8,318</u></b>	<b><u>8,250</u></b>

The accompanying notes are an integral part of these Consolidated Financial Statements



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## **8. Investment Property**

The investment properties that are owned by the Group are office and shopping centre space, including property under construction. (Please refer to note 16 regarding the uncertainty related to the assets' values due to Covid-19 impact):

Investment property can be split up as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
	(unaudited)	(audited)
Completed investment property	1,887,682	2,003,188
Investment property under construction	87,730	84,080
Investment property landbank at cost	125,399	115,277
Right of use of lands under perpetual usufruct	43,603	44,485
<b>Total</b>	<b>2,144,414</b>	<b>2,247,030</b>

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## 8. Investment Property (continued)

The movement in investment property for the periods ended 30 June 2020 (unaudited) and 31 December 2019 (audited) was as follows:

	Right of Use of land	Level 2	Level 3	Total
<b>Carrying amount as of 1 January 2019</b>	-	<b>1,377,317</b>	<b>735,751</b>	<b>2,113,068</b>
Capitalised subsequent expenditure	-	13,745	113,445	127,190
Recognition of right of use of lands under perpetual usufruct	45,362	-	-	45,362
Adjustment to fair value / (impairment)	-	1,246	14,559	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)
<b>Carrying amount as of 31 December 2019</b>	<b>44,485</b>	<b>1,346,097</b>	<b>856,448</b>	<b>2,247,030</b>
Reclassification	-	(6,799)	6,799	-
Capitalised subsequent expenditure	-	4,465	28,504	32,969
Adjustment to fair value / (impairment)	-	(32,959)	(34,240)	(67,199)
Prepaid right of use of lands under perpetual usufruct	(250)	-	-	(250)
Amortization of right of use of lands under perpetual usufruct	(212)	-	-	(212)
Increase	96	-	-	96
Reclassified to assets held for sale (*)	-	(62,781)	(500)	(63,281)
Foreign exchange differences	(516)	(4,232)	9	(4,739)
<b>Carrying amount as of 30 June 2020</b>	<b>43,603</b>	<b>1,243,791</b>	<b>857,020</b>	<b>2,144,414</b>

(\*) Amount includes Spiral office building in Hungary (Euro 62.8 million), and Russe land in Bulgaria (Euro 0.5 million).

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## 8. Investment Property (continued)

Fair value and impairment adjustments consist of the following:

	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019	Three-month period ended 30 June 2020	Three-month period ended 30 June 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Adjustment to fair value of completed investment properties	(62,204)	6,966	(56,490)	5,593
Adjustment to fair value of Investment properties under construction	(4,080)	8,675	(4,221)	4,355
Reversal of impairment/(Impairment) adjustment	(915)	439	(915)	439
<b>Total adjustment to fair value / (impairment) of investment property</b>	<b>(67,199)</b>	<b>16,079</b>	<b>(61,626)</b>	<b>10,386</b>
Impairment of residential landbank	(307)	(541)	(297)	(541)
Adjustment of assets held for sale (*)	(94)	1,145	(10)	-
Amortization of right of use of lands under perpetual usufruct (including on residential landbank)	(232)	(202)	(118)	(83)
<b>Total</b>	<b>(67,832)</b>	<b>16,482</b>	<b>(62,051)</b>	<b>9,763</b>

Assumptions used in the valuations of completed assets as of 30 June 2020 (unaudited) are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Fair Value Hierarchy Level
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m	
Poland retail	465,600	113	90%	21.4	21.2	2
Poland office	394,139	196	92%	14.5	14.3	2
Belgrade office	276,678	122	98%	16.7	16.7	3
Belgrade retail	103,800	35	90%	20.7	21.2	3
Budapest office	200,238	88	97%	13.8	13.8	2
Bucharest office	183,815	67	94%	19.3	17.5	2
Zagreb retail	102,612	35	98%	20.6	20.0	3
Zagreb office	24,500	11	92%	13.4	14.9	3
Sofia office	34,000	16	100%	14.1	14.1	3
Sofia retail	102,300	33	96%	21.7	20.8	3
<b>Total</b>	<b>1,887,682</b>	<b>716</b>	<b>94%</b>	<b>17.1</b>	<b>16.9</b>	

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## 8. Investment Property (continued)

Assumptions used in the valuations of completed assets as of 31 December 2019 (audited) are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Fair Value Hierarchy Level
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m	
Poland retail	497,370	113	94%	21.7	21.7	2
Poland office	398,888	196	92%	14.4	14.1	2
Belgrade office	263,081	117	98%	16.9	16.6	3
Belgrade retail	119,300	35	97%	20.8	21.5	3
Budapest office	259,419	125	97%	12.9	13.9	2
Bucharest office	190,418	67	96%	19.0	19.4	2
Zagreb retail	104,812	35	99%	20.7	20.1	3
Zagreb office	24,500	11	89%	13.3	14.6	3
Sofia office	36,800	16	99%	14.0	14.1	3
Sofia retail	108,600	33	98%	21.3	20.8	3
<b>Total</b>	<b>2,003,188</b>	<b>748</b>	<b>95%</b>	<b>17.0</b>	<b>17.0</b>	

Information regarding investment properties under construction as of 30 June 2020 (unaudited) is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Sofia (ABC II)	24,600	18
Budapest (Pillar)	45,200	29
Zagreb (Matrix II)	17,930	11
<b>Total</b>	<b>87,730</b>	<b>58</b>

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
<b>Total</b>	<b>84,080</b>	<b>63</b>

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**8. Investment Property (continued)**

Information regarding book value of investment property landbank for construction as of 30 June 2020 and 31 December 2019 is presented below:

	<b>30 June 2020</b>	<b>31 December 2019</b> (audited)
Poland	37,892	38,148
Serbia	10,032	7,052
Hungary	32,511	25,398
Romania	15,459	15,256
Croatia	14,611	14,097
Bulgaria	610	-
<b>Total</b>	<b>111,115</b>	<b>99,951</b>

Information regarding book value of investment property landbank (long term pipeline) as of 30 June 2020 and 31 December 2019 is presented below:

	<b>30 June 2020</b>	<b>31 December 2019</b> (audited)
Poland	8,969	7,969
Hungary	3,400	3,400
Bulgaria (*)	-	1,900
Ukraine	1,915	2,057
<b>Total</b>	<b>14,284</b>	<b>15,326</b>
<b>Grand Total</b>	<b>125,399</b>	<b>115,277</b>

(\*) Reclassified to assets held for sale.

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**9. Non-controlling interest**

The Company's subsidiary that holds Avenue Mall (Euro Structor d.o.o.) has granted in year 2018 its shareholders a loan, pro-rata to their stake in the subsidiary. The loan principle and interest shall be repaid by 30 November 2022. In the event that Euro Structor renders a resolution for the distribution of dividend, Euro Structor has the right to set-off the dividend against the loan. In case a shareholder will sell its stake in Euro Structor, the loan shall be due for repayment upon the sale.

Summarised financial information of the material non-controlling interest as of 30 June 2020 (unaudited) is presented below:

	Avenue Mall	Non-core projects	Total
NCI share in equity	24,355	(10,520)	13,835
Loans received from NCI	-	8,411	8,411
Loans granted to NCI	(11,113)	-	(11,113)
<b>Total as of 30 June 2020</b>	<b>13,242</b>	<b>(2,109)</b>	<b>11,133</b>
<b>NCI share in profit / (loss)</b>	<b>45</b>	<b>(250)</b>	<b>(205)</b>

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**10. Short term deposits**

Short-term deposits include deposits related to loan agreements, derivatives, and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements.

**11. Derivatives**

The Group holds instruments (IRS, Cap and currency forward, SWAP currency) 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 30 June 2020 and 31 December 2019 was as follows:

	30 June 2020	31 December 2019
<b>Fair value as of beginning of the year</b>	<b>(6,085)</b>	<b>(5,623)</b>
Charged to other comprehensive income	(2,229)	(462)
Charged to income statements (*)	(2,400)	-
<b>Fair value as of end of the year</b>	<b>(10,714)</b>	<b>(6,085)</b>

(\*) This loss offset a foreign exchange differences profit in an amount of Euro 2.4 million on bonds nominated in PLN.

**12. VAT and other tax receivable**

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

**13. Investment and trade and other payables**

The balance of trade and other payables decrease from Euro 37.3 million to Euro 20.8 million in the period ended 30 June 2020.

The majority of the payables relates to development activity payables in Ada Mall, Green Heart, ABC, Pillar and Matrix. Amount is planned to be financed mostly by long term loans.

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## 14. Long-term loans and bonds

	30 June 2020	31 December 2019
Bonds mature in 2022-2023	49,718	52,140
Bonds 0320	-	18,671
Bonds 0620	-	40,070
Bonds 1220	10,116	10,117
Bonds 0321	20,737	20,737
Bonds 0422	9,452	9,515
Loan from Santander (Globis Poznan)	17,265	17,579
Loan from Santander (Korona Business Park)	42,664	43,361
Loan from PKO BP (Pixel)	19,562	19,901
Loan from Santander (Globis Wroclaw)	21,714	22,061
Loan from Berlin Hyp (Corius)	10,207	10,378
Loan from Pekao (Sterlinga)	15,400	15,663
Loan from Pekao (Galeria Polnocna)	187,404	189,904
Loan from PKO BP (Artico)	14,104	14,359
Loan from Erste and Raiffeisen (Galeria Jurajska)	127,563	-
Loan from Pekao (Galeria Jurajska)	-	84,136
Loan from Berlin Hyp (UBP)	42,848	43,283
Loan from ING (Francuska)	21,307	21,577
Loan from OTP (Centre Point)	50,573	51,476
Loan from CIB (Metro)	13,863	14,437
Loan from Erste (Spiral)	18,427	20,593
Loan from OTP (Duna)	39,218	39,919
Loan from Erste (GTC House)	15,132	15,444
Loan from Erste (19 Avenue)	22,007	22,504
Loan from OTP (BBC)	21,388	21,790
Loan from Intesa Bank (Green Heart)	57,344	53,642
Loan from Raiffeisen Bank (Forty one)	37,221	38,148
Loan from Intesa Bank (Ada)	59,992	61,571
Loan from Erste (City Gate)	73,537	75,113
Loan from Banca Transilvania (Cascade)	3,957	4,118
Loan from Alpha Bank (Premium)	14,999	15,873
Loan from OTP (Mall of Sofia)	55,898	57,125
Loan from UniCredit (ABC I)	19,309	19,800
Loan from UniCredit (ABC II)	9,530	2,217
Loan from Erste (Matrix)	14,210	11,485
Loan from Zagrebacka Banka (Avenue Mall Zagreb)	45,000	46,000
Loans from NCI	8,411	8,283
Deferred issuance debt expenses	(6,820)	(6,768)
	<b>1,183,257</b>	<b>1,206,222</b>

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## 14. 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:

	30 June 2020	31 December 2019
<b>Current portion of long term loans and bonds:</b>		
Bonds mature in 2022-2023	457	479
Bonds 0320	-	18,671
Bonds 0620	-	40,070
Bonds 1220	10,116	10,117
Bonds 0321	20,737	243
Bonds 0422	12	75
Loan from Santander (Globis Poznan)	629	449
Loan from Santander (Korona Business Park)	1,395	1,395
Loan from PKO BP (Pixel)	19,562	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)	342	342
Loan from Pekao (Sterlinga)	15,400	525
Loan from PKO BP (Artico)	510	510
Loan from Pekao (Galeria Polnocna)	187,404	5,000
Loan from ING (Francuska)	21,307	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)	1,374	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)	2,458	2,457
Loan from UniCredit (ABC I)	909	1,000
Loan from UniCredit (ABC II)	1,055	58
Loan from Zagabecka 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)	3,222	3,168
	<b>312,174</b>	<b>225,350</b>

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

	30 June 2020	31 December 2019
<b>Long term portion of long term loans and bonds:</b>		
Bonds mature in 2022-2023	49,261	51,661
Bonds 0422	9,440	9,440
Bonds 0321	-	20,494
Loan from Santander (Globis Poznan)	16,636	17,130
Loan from Santander (Korona Business Park)	41,269	41,966
Loan from PKO BP (Pixel)	-	19,224
Loan from Santander (Globis Wroclaw)	21,021	21,368
Loan from Berlin Hyp (Corius)	9,865	10,036
Loan from Pekao (Sterlinga)	-	15,138
Loan from Pekao (Galeria Polnocna)	-	184,904
Loan from PKO BP (Artico)	13,594	13,849
Loan from Erste and Raiffeisen (Galeria Jurajska)	122,688	-
Loan from Berlin Hyp (UBP)	41,978	42,413
Loan from OTP (Centre Point)	48,766	49,669
Loan from CIB (Metro)	12,691	-
Loan from OTP (Duna)	37,817	38,518
Loan from Erste (Spiral)	17,053	19,147
Loan from Erste (GTC House)	14,508	14,820
Loan from Erste (19 Avenue)	21,013	21,510
Loan from Intesa Bank (Green Heart)	54,471	51,275
Loan from Intesa Bank (Ada)	56,519	58,256
Loan from OTP (BBC)	20,583	20,985
Loan from Raiffeisen Bank (Forty one)	35,368	36,295
Loan from Erste (City Gate)	70,315	71,945
Loan from Banca Transilvania (Cascade)	3,717	3,878
Loan from Alpha Bank (Premium)	13,974	14,848
Loan from OTP (Mall of Sofia)	53,440	54,668
Loan from UniCredit (ABC I)	18,400	18,800
Loan from UniCredit (ABC II)	8,475	2,159
Loan from Zagrebacka Banka (Avenue Mall Zagreb)	43,000	44,000
Loan from Erste (Matrix)	13,630	10,961
Loans from NCI	8,411	8,283
Deferred issuance debt expenses	(6,820)	(6,768)
	<b>871,083</b>	<b>980,872</b>

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#### 14. 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.

Loan received by Spiral is nominated in Hungarian Forint (HUF).

Bonds (series matures in 2022-2023) are nominated in PLN. All other bank loans and bonds are denominated in Euro.

For information regarding breach of loans as of 30 June 2020, please see note 16.

The movement in long term loans and bonds for the years ended 30 June 2020 and 31 December 2019 was as follows:

	30 June 2020	31 December 2019
<b>Balance as of the beginning of the year (excluding deferred debt expenses)</b>	<b>1,212,990</b>	<b>1,121,718</b>
Drawdowns	144,898	264,520
Repayments	(163,680)	(152,561)
Transactions with of non-controlling interest	-	(1,785)
Change in accrued interest	(226)	394
Deconsolidation of Neptune	-	(19,915)
Capitalization of interest	-	1,205
Foreign exchange differences	(3,905)	(586)
<b>Balance as of end of the year (excluding deferred debt expenses)</b>	<b>1,190,077</b>	<b>1,212,990</b>

Repayments of long-term debt and interest are scheduled as follows (Euro million):

	30 June 2020	31 December 2019
	(unaudited)	(audited)
First year	334	251
Second year	142	189
Third year	271	199
Fourth year	140	198
Fifth year	194	270
Thereafter	185	196
	<b>1,266</b>	<b>1,303</b>

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**15. Lease liability and Right of Use of land**

Lease liabilities includes lease payments for land under perpetual usufruct for land under investment property and residential landbank.

The balance of Right of Use of land as of 30 June 2020 was as follows:

	Completed investment property	Investment property landbank at cost	Residential landbank	Fixed assets	Total
<b>Country</b>					
Poland	11,077	22,173	-	-	33,250
Romania	6,625	-	-	-	6,625
Serbia	3,728	-	-	-	3,728
Croatia	-	-	1,161	-	1,161
Bulgaria	-	-	-	143	143
Hungary	-	-	-	54	54
<b>Balance as of 30 June 2020</b>	<b>21,430</b>	<b>22,173</b>	<b>1,161</b>	<b>197</b>	<b>44,961</b>

The balance of Right of Use as of 31 December 2019 was as follows:

	Completed investment property	Investment property under construction	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
<b>Country</b>						
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
<b>Balance as of 31 December 2019</b>	<b>22,138</b>	<b>100</b>	<b>22,247</b>	<b>1,197</b>	<b>249</b>	<b>45,931</b>

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

The balance of lease liability as of 30 June 2020 was as follows:

	<b>Completed investment property</b>	<b>Investment property landbank at cost</b>	<b>Residential landbank</b>	<b>Fixed assets</b>	<b>Total</b>	<b>Discount rate</b>
<b>Country</b>						
Poland	11,077	21,730	-	-	32,807	4.2%
Romania	6,625	-	-	-	6,625	5.7%
Serbia	3,728	-	-	-	3,728	7.6%
Croatia	-	-	1,192	-	1,192	4.4%
Bulgaria	-	-	-	124	124	4.5%
Hungary	-	-	-	50	50	3.9%
<b>Balance as of 30 June 2020</b>	<b>21,430</b>	<b>21,730</b>	<b>1,192</b>	<b>175</b>	<b>44,526</b>	

The balance of lease liability as of 31 December 2019 was as follows:

	<b>Completed investment property</b>	<b>Investment property under construction</b>	<b>Investment property landbank at cost</b>	<b>Residential landbank</b>	<b>Property, plant and equipment</b>	<b>Total</b>	<b>Discount rate</b>
<b>Country</b>							
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%
<b>Balance as of 31 December 2019</b>	<b>22,138</b>	<b>100</b>	<b>22,726</b>	<b>1,225</b>	<b>241</b>	<b>46,430</b>	

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

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

The movement in Right of Use of land for the years ended 30 June 2020 and 31 December 2019 was as follows:

	30 June 2020	31 December 2019
<b>Balance as of beginning of the year</b>	<b>45,931</b>	-
Recognition of Right of Use asset for lands under perpetual usufruct	96	46,580
Recognition of Right of Use during the year	-	273
Amortization of right of use	(291)	(498)
Prepaid right of use of lands under perpetual usufruct	(250)	-
Disposals	-	(712)
Foreign exchange differences	(525)	288
<b>Balance as of the end of the period</b>	<b>44,961</b>	<b>45,931</b>

The movement in lease liability for the years ended 30 June 2020 and 31 December 2019 was as follows:

	30 June 2020	31 December 2019
<b>Balance as of beginning of the year</b>	<b>46,430</b>	-
Recognition of lease liability for lands under perpetual usufruct	96	46,580
Recognition of Right of Use during the year	-	273
Payments of leases	(136)	(1,739)
Change in provision for disputable amounts of perpetual usufruct	(680)	(352)
Change in accrued interest	421	1,817
Disposals	-	(712)
Foreign exchange differences	(1,605)	563
<b>Balance as of the end of the period</b>	<b>44,526</b>	<b>46,430</b>

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## **16. Covid-19**

Since mid-March 2020 until mid-May 2020, local governments in the six countries of our operations have implemented rigorous measures to contain the spread of COVID-19, including, among others, the closure of all stores except those selling essential goods (such as groceries, other food stores and pharmacies). Such measures were prompt and efficient, leading to a low rate of COVID-19 infections and fatalities in the CEE.

Starting from mid-May 2020 gradual easing of restrictions has commenced. Governments are adopting different plans for ending the lockdowns, mostly focused on a phased approach.

Governments across the Group's CEE region have adopted laws implementing measures to assist tenants, ranging from allowing the ability to defer rental payments for businesses impacted by COVID-19, to providing state financial aid covering part of their costs for the duration of the restrictions.

The Company, just as many other landlords in the market, has an ongoing active dialogue with its tenants regarding their business performance and ability to pay.

As of the balance sheet date, the loss of rent and service income related to the COVID-19 amounted to Euro 8 million.

The asset management team is committed to working together with tenants to maintain sustainable, long-term relationships. Any discounts will be agreed on case-by-case basis, based on a thorough analysis of the tenants' financial situation, occupancy cost ratio and other factors, and will be focused on maintaining a functioning retail environment for the long term.

The Group is committed to its prudent financial policy, focused on a conservative gearing ratio of (45.8% as at 30 June 2020) and robust liquidity. In response to the recent events, the Company actively implemented various measures focused on optimizing the costs, including:

- reducing non-critical operating expenses, especially for the period in which most of the retailers in the shopping centres were not trading and allocating capital;
- deferring non-committed development projects;
- deferring non-essential capital expenditure;
- retaining all the profits earned by the Company in 2019, and proposed not to distribute dividend for 2019

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## **16. Covid-19 (continued)**

The Group plans to be compliant with debt-service obligation. As of 30 June 2020 the Company holds cash in the amount of Euro 141.8 million.

### Valuations

Notwithstanding the above, as of 30 June 2020 the Company received valuations from its valuers. The values are subject to material uncertainty as regarding their value. The loss from revaluation related mostly to the shopping centres assets.

The increased uncertainty and increased volatility in the financial markets 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.

The Company run stress tests which indicated that the going concern assumption remains valid for at least 12 months from the financial statement publication date.

In its financing agreements with banks, the Company 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.

With respect to a EUR 187.4 million loan from Bank Pekao SA granted to a subsidiary of GTC operating the Galeria Pólnocna project, the LtV (loan-to-value) and DSCR (debt service coverage ratio) covenants were not met as of 30 June 2020. Accordingly, the loan was reclassified as a current liability due to the non-compliance with the respective loan covenants. In parallel, the Company has initiated negotiations with the financing bank in order to obtain a waiver in respect to such covenants or to reach a common understanding to relax the present financial covenants.

With respect to a EUR 60.0 million loan from Banka Intesa ad Beograd, Vseobecna Uverova Banka a.s. and Privredna Banka Zagreb d.d. granted to a subsidiary of GTC operating the Ada Mall project, the DSCR covenant which would not have been met was waived by the banks as of 30 June 2020 until the end of June 2021.

With respect to a EUR 127.6 million loan from Erste Group Bank AG and Raiffeisenlandesbank Niederosterreich-Wien AG granted to a subsidiary (Galeria Jurajska), the DSCR covenant was waived as of 30 June 2020 until the end of June 2021.

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



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## **17. Taxation**

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. The above circumstances mean that tax exposure is greater in Group's countries than in countries that have a more established taxation system.

Effective 15 July 2016, the Polish Tax Code was amended for the General Anti-Abuse Rule (GAAR) provisions. The new regulation will require significantly more judgement in assessment of the tax consequences of particular transactions.

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## 18. Capital and Reserves

Shareholders who as at 30 June 2020 held above 5% of the Company shares were as follows:

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

### Phantom shares

Certain key management personnel of the Company are entitled to specific payments resulting from phantom shares in the Company (the "Phantom Shares").

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

As at 30 June 2020, phantom shares issued were as follows:

<b>Strike (PLN)</b>	<b>Blocked</b>	<b>Vested</b>	<b>Total</b>
6.11	450,000	1,101,200	1,551,200
8.96	10,000	20,000	30,000
<b>Total</b>	<b>460,000</b>	<b>1,121,200</b>	<b>1,581,200</b>

The Phantom shares (as presented in above mentioned table) have been provided for assuming cash payments will be materialized, as the Company assesses that it is more likely to be settled in cash.

<b>Last year of exercise date</b>	<b>Number of phantom shares</b>
2020	600,000
2021	551,200
2022	330,000
2023	100,000
<b>Total</b>	<b>1,581,200</b>

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**19. Earnings per share**

Basic and diluted earnings per share were calculated as follows:

	<b>Six-month period ended 30 June 2020</b>	<b>Six-month period ended 30 June 2019</b>	<b>Three-month period ended 30 June 2020</b>	<b>Three-month period ended 30 June 2019</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period attributable to equity holders (euro)	(33,619,000)	42,682,000	(36,196,000)	23,099,000
Weighted average number of shares for calculating basic earnings per share	485,555,122	483,748,843	485,555,122	483,958,363
Basic earnings per share (euro)	(0.07)	0.09	(0.07)	0.05

There have been no potentially dilutive instruments as at 30 June 2020, 30 June 2019.

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**20. Subsequent events**

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.

In July 2020, the Group signed a letter of intent to sale of Spiral office building in Budapest. Accordingly, as of 30 June 2020, the asset is presented within the assets held for sale, with a total fair value of Euro 62.8 million.

**21. Release date**

The interim condensed consolidated financial statements were authorised for the issue by the Management Board on 18 August 2020.

The accompanying notes are an integral part of these Consolidated Financial Statements



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## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### TO THE SHAREHOLDERS AND SUPERVISORY BOARD OF GLOBE TRADE CENTRE S.A.

#### Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of the Globe Trade Centre S.A. Group ("the Group"), where the parent company is Globe Trade Centre S.A. with its registered office in Warsaw at Komitetu Obrony Robotników 45A ("the Company", "the Parent Company"), comprising the consolidated statement of financial position prepared as at 30 June 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 period from 1 January 2020 to 30 June 2020, as well as notes and explanatory information ("interim condensed consolidated financial statements").

The Parent Company's Management is responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting*, announced in the form of European Commission regulations.

Our responsibility is to form a conclusion on the interim condensed consolidated financial statements based on our review.

#### Scope of Review

We performed the review in accordance with National Standard on Review Engagements 2410 in the wording of International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, adopted in a resolution passed by the National Council of Certified Auditors.

A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing in the wording of International Standards on Auditing. As a result, a review is not sufficient to obtain assurance that all significant matters that might be identified in an audit, have been identified. Accordingly, we do not express an audit opinion on the accompanying interim condensed consolidated financial statements.

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## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting*, announced in the form of European Commission regulations.

### **Explanatory Paragraph - significant uncertainty relating to the valuation of investment property**

We draw your attention to Note 16 “Covid-19” to the interim condensed consolidated financial statements, in which the Company presents among others the uncertainties related to the valuation of Group’s investment property. In particular, the Company received the valuations of investment property as of 30 June 2020 that in accordance with the external valuers are subject to material uncertainty. Our conclusion has not been modified in this respect.

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

**on behalf of which the review  
of financial statements was performed by**

**Krzysztof Maksymik**  
Certified Auditor No. 11380

**Dr. André Helin**  
President of the General Partner’s  
Management Board  
Certified Auditor No. 90004

Warsaw, 18 August 2020