CONSOLIDATED

INTERIM REPORT

OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP
FOR THE SIX-MONTH PERIOD ENDED

30 JUNE 2021

Place and date of publication: Warsaw, 24 August 2021

LIST OF CONTENTS:

MANAGEMENT BOARD'S REPORT

ON THE ACTIVITIES OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP

IN THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

TABLE OF CONTENT

1. Introduction

The GTC Group an experienced, established and fully integrated, real estate company operating in the CEE and SEE region with a primary focus on Poland and capital cities in the CEE and SEE region including Budapest, Bucharest, Belgrade, Zagreb and Sofia, where it directly manages, acquires and develops primarily high-quality office and retail real estate assets in prime locations. The Company is listed on the Warsaw Stock Exchange and listed on the Johannesburg Stock Exchange. The Group operates a fully-integrated asset management platform and is represented by local teams in each of its core markets.

GTC GROUP:

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

As of 30 June 2021, the book value of the Group's real estate portfolio was €2,434,866. The breakdown of the Group's property portfolio is as follows:

- 53 completed commercial buildings, including 47 office buildings and six retail properties with a total combined commercial space of approximately 829 thousand sq m of GLA. occupancy rate at 91% and book value of € 2,173,726 (including assets held for sale) (of which 1% comprised of rights of use under perpetual usufruct) which accounts for 89% of the Group's portfolio;

- 3 office buildings under construction with a total GLA of approximately 54 thousand sq m and book value of € 93,108 which accounts for 4% of the Group's portfolio

- investment landbank intended for future development with the book value of € 157,277 which accounts for 6% of the Group's portfolio; and

- residential landbank, including assets held for sale account for €10,755 which accounts for less than 1%. of the Group's portfolio.

53 completed buildings	829 000 sq m of GLA	3 buildings under construction	landbank for future development

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

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

the Company or GTC	are to Globe Trade Centre S.A.
the Group or the GTC Group	are to Globe Trade Centre S.A. and its consolidated subsidiaries
Shares	are to the shares in Globe Trade Centre S.A., which were introduced to public trading on the Warsaw Stock Exchange in May 2004 and later and are marked under the PLGTC0000037 code and inward listed on Johannesburg Stock Exchange in August 2016 and are marked under the ISIN PLGTC0000037 code
Bonds	are to the bonds issued by Globe Trade Centre S.A. and introduced to alternative trading market and marked with the ISIN codes PLGTC0000276, PLGTC0000292, PLGTC0000318, HU0000360102, HU0000360284 and XS2356039268
the Report	are to the consolidated interim report prepared according 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 the law of a country not being a member state
CEE	are to the Group of countries that are within the region of Central and Eastern Europe (Hungary, Poland)
SEE	are to the Group of countries that are within the region of South-Eastern Europe (Bulgaria, Croatia, Romania, and Serbia)
Net rentable area, NRA", or net leasable area, NLA	are to the metric of the area of a given property as indicated by the property appraisal experts to prepare the relevant property valuations. With respect to commercial properties, the net leasable (rentable) area is all the office or retail leasable area of a property exclusive of non-leasable space, such as hallways, building foyers, and areas devoted to heating and air conditioning installations, elevators, and other utility areas. The specific methods of calculation of NRA may vary among particular properties, which is due to different methodologies and standards applicable in the various geographic markets on which the Group operates
Gross rentable area or gross leasable area, GLA	are to the amount of the office or retail space available to be rented in completed assets multiplied by add-on-factor. Gross leasable area is the area for which tenants pay rent, and thus the area that produces income for the Group;

Commercial properties	are to properties with respect to which GTC Group derives revenue from rent and includes both office and retail properties
Occupancy rate	are to average occupancy of the completed assets based on square meters ("sq m") of gross leasable area;
Funds From Operations, FFO, FFO I	are to profit before tax less tax paid, after adjusting for non-cash transactions (such as fair value or real estate remeasurement, depreciation and amortization share base payment provision and unpaid financial expenses) share of profit/(loss) of associates and joint ventures and one-off items (such as FX differences and residential activity and other non-recurring items);
In-place rent	are to rental income that was in place as of the reporting date. It includes headline rent from premises, income from parking, and other rental income
Net loan to value (LTV); net loan-to-value ratio	are to net debt divided by Gross Asset Value. **Net debt** is calculated as total financial debt net of cash and cash equivalents and deposits and excluding loans from non-controlling interest and deferred debt issuance costs. **Gross Asset Value** is investment properties (excluding right of use under land leases), residential landbank, assets held for sale, building for own use and share on equity investments. Net loan to value provides a general assessment of financial risk undertaken;
Average cost of debt; average interest rate	is calculated as a weighted average interest rate of total debt, as adjusted to reflect the impact of contracted interest rate swaps and cross-currency swaps by the Group;
EUR, € or euro	are to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time
PLN or zloty	are to the lawful currency of Poland
HUF	are to the lawful currency of Hungary
JSE	are to the Johannesburg Stock Exchange

PRESENTATION OF FINANCIAL INFORMATION

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

The Group discloses essential risk factors that could cause its actual results to differ materially from its expectations under Item 5. "Operating and financial review" and 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.

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

Selected financial data presented in PLN is derived from the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2021 presented in accordance with IFRS and prepared in the Polish language and Polish zloty as a presentation currency.

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

	For the six-month period ended 30 June				For the three-month period ended 30 June			
	2021		2020		2021		2020	
(in thousands)	€	PLN	€	PLN	€	PLN	€	PLN
Consolidated Income Statement								
Revenue from rental activity	78,848	358,033	78,690	347,385	41,621	188,676	37,665	170,050
Service costs	(20,024)	(90,925)	(20,055)	(88,535)	(10,263)	(46,519)	(8,897)	(40,303)
Gross margin from operations	58,824	267,108	58,635	258,850	31,358	142,157	28,768	129,747
Selling expenses	(761)	(3,456)	(707)	(3,121)	(397)	(1,800)	(384)	(1,725)
Administrative expenses	(6,259)	(28,421)	(4,554)	(20,104)	(3,279)	(14,864)	(3,133)	(13,962)
Profit/(loss) from revaluation/impairment of assets, net	(1,080)	(5,245)	(67,832)	(303,437)	1,514	6,844	(62,051)	(277,120)
Financial income/(expense), net	(21,464)	(97,464)	(16,878)	(74,510)	(12,974)	(58,841)	(8,235)	(37,150)
Foreign exchange differences gain/(loss), net	(149)	(677)	(3,236)	(14,281)	219	997	2,095	8,763
Net profit / (loss)	21,499	97,368	(33,824)	(153,165)	12,793	57,961	(36,610)	(164,751)
Basic and diluted earnings per share (not in thousands)	0.04	0.20	(0.07)	(0.31)	0.03	0.12	(0.07)	(0.34)
Weighted average number of issued ordinary shares (not in thousands)	485,555,122	485,555,122	485,555,122	485,555,122	485,555,122	485,555,122	485,555,122	485,555,122
Consolidated Cash Flow Statement								
Net cash from operating activities	45,642	207,249	42,274	186,605				
Net cash used in investing activities	(242,043)	(1,099,069)	(38,111)	(168,227)				
Net cash from/(used in) financing activities	177,118	804,258	(37,437)	(165,269)				
Cash and cash equivalents at the end of the period	252,771	1,142,727	141,781	633,194				

	As at			
	30 June 2021		31 December 2020	
	EUR	PLN	EUR	PLN
Consolidated statement of financial position				
Investment property (completed and under construction)	1,978,759	8,945,573	1,942,082	8,962,320
Investment property landbank	136,079	615,186	140,367	647,766
Right of use	38,041	171,976	42,679	196,955
Residential landbank	7,922	35,814	10,094	46,582
Assets held for sale	290,198	1,311,927	1,580	7,291
Cash and cash equivalents	246,064	1,112,406	271,996	1,255,207
Others	70,897	320,511	71,959	332,077
Total assets	2,767,960	12,513,393	2,480,757	11,448,198
Non-current liabilities	1,544,751	6,983,511	1,274,363	5,880,931
Current liabilities	64,483	291,513	232,246	1,071,769
Liabilities related to assets held for sale	167,976	759,386	-	-
Total Equity	990,750	4,478,983	974,148	4,495,498
Share capital	11,007	48,556	11,007	48,556

3. Presentation of the Group

3.1 General information about the Group

The GTC Group an experienced, established and fully integrated, real estate company operating in the CEE and SEE region with a primary focus on Poland and capital cities in the CEE and SEE region including Budapest, Bucharest, Belgrade, Zagreb and Sofia, where it directly manages, acquires and develops primarily high-quality office and retail real estate assets in prime locations. The Company is listed on the Warsaw Stock Exchange and listed on the Johannesburg Stock Exchange. The Group operates a fully-integrated asset management platform and is represented by local teams in each of its core markets.

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- 3 office buildings under construction with a total GLA of approximately 54 thousand sq m, account for €93,108 or 4% of the Group's portfolio;
- investment landbank intended for future development accounts for €157,277 or 6% of the Group's portfolio; and
- residential landbank, including assets held for sale account for €10,755 or less than 1% of the Group's portfolio.

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

3.2 Structure of the Group

The structure of Globe Trade Centre S.A. Capital Group as of 30 June 2021 is presented in the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2021 in Note 4 "*Investment in subsidiaries, associates and joint ventures.*"

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

- the commencement of liquidation of Beaufort Invest S.R.L.,
- liquidation of Fajos S.R.L,
- acquisition of Halsey Investments Sp. z.o.o.,
- acquisition of Winmark Kft.,
- establishment of wholly-owned subsidiary - Office Planet Kft,
- establishment of wholly-owned subsidiary - GTC Origine Investments Pltd
- establishment of wholly-owned subsidiary - GTC HBK Project Kft.,
- establishment of wholly-owned subsidiary - GTC VI188 Property Kft.,

- establishment of wholly-owned subsidiary - GTC FOD Property Kft.,
- establishment of wholly-owned subsidiary - GOC EAD,
- establishment of wholly-owned subsidiary - GTC Aurora Luxembourg S.A.,
- Companies which GTC S.A. holds 100% through Office Planet Kft, a fully owned by GTC S.A. and holding 70% of:
    - GTC BBC d.o.o,
    - Atlas Centar d.o.o. Beograd,
    - Demo Invest d.o.o. Novi Beograd,
    - GTC Business Park d.o.o. Beograd
    - GTC Medj Razvoj Nekretnina d.o.o. Beograd

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.

4. Main events of the six-month period ended 30 June of 2021

The Covid-19 pandemic has triggered a wave of strong negative effects on the global economy. The lockdowns brought a large part of the world's economic activity to an unparalleled standstill: consumers stayed home, companies lost revenue, and terminated employees – which, consequently, led to a rise in unemployment. Rescue packages by national governments and the EU, as well as supporting monetary policies by the European Central Bank have been implemented to moderate the economic impact of the pandemic. However, the scope and duration of the pandemic and possible future containment measures are still impossible to predict. From mid-March 2020, it became apparent that the economic disruptions caused by the Covid-19 virus and the increased market uncertainty combined with increased volatility in the financial markets might lead to a potential decrease in rental revenues, a potential decrease in the Company assets' values, as well as impact on the Company's compliance with financial covenants. While the exact effect of the coronavirus is still to be determined, it is clear that it poses substantial risks (see item 5.2 in this Report and note 18 in the condensed consolidated financial statements for the six-month period ended 30 June 2021).

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

On 5 March 2021, Globe Office Investments Ltd an indirect wholly-owned subsidiary of the Company signed a sale and purchase agreement with a company related to the majority shareholder of the Company for the purpose of acquisition of a Class A office building on Váci corridor (Vaci Green D), Budapest for a consideration of €51,000. On 30 April 2021, Globe Office Investments Ltd closed transaction on acquisition. The transaction was partially financed by a bank facility in the amount of EUR 25.000.

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

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

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

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

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

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

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

In April 2021, the Group commencement of construction of GTC X, office building in Belgrade.

On 1 April 2021, GTC Corius, a wholly-owned subsidiary of the Company, signed a loan agreement prolongation with Berlin Hyp Bank, for additional 5 years.

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

On 7 May 2021, GTC Sterlinga Sp. z o.o., a wholly-owned subsidiary of the Company, signed a prolongation of the loan agreement with Pekao S.A. for additional 5 years.

On 21 May 2021, GTC signed a sale and purchase agreement, concerning the sale of the entire share capital in Serbian subsidiaries: Atlas Centar d.o.o. Beograd (“Atlas Centar”), Demo Invest d.o.o. Novi Beograd (“Demo Invest”), GTC BBC d.o.o. (“BBC”), GTC Business Park d.o.o. Beograd (“Business Park”), GTC Medjunarodni Razvoj Nekretnina d.o.o. Beograd (“GTC MRN”) and Commercial and Residential Ventures d.o.o. Beograd (“CRV”). The purchase price under the Agreement shall be calculated on an enterprise value basis, based on a property value of aggregate €267,600. The closing of the transaction is expected to take place by the end of third quarter of 2021 following the satisfaction of customary conditions precedent, including the completion of acquisition debt financing by the buyer.

On 1 June 2021, GOC EAD, wholly-owned subsidiary of the Company, acquired a land plot in Sofia with area of 2,417 sq m for a total amount of €4,700. The Group plans to develop an office building in Sofia, Bulgaria with a leasable area of 9,200 sq m.

On 8 June 2021, two rating agencies assigned a corporate family rating (“CFR”) to GTC: Moody's Investors Service ("Moody's") – Ba1 and Fitch Ratings (“Fitch”) – BBB-. Outlook for the assigned ratings is positive (Moody's) and stable (Fitch). After the issue of €500,000 fixed-rate, senior unsecured green bonds due 2026, Moody's and Fitch assigned credit ratings for issued bonds on the same level as CFR . Bonds were issued by GTC Aurora Luxembourg S.A., a wholly-owned subsidiary of GTC, and guaranteed by GTC.

On 18 June 2021 Commercial Development d.o.o. Beograd, a whole owned subsidiary of the Company, operating Ada Mall, sent the prepayment notice to Intesa Bank to prepay the entire outstanding Loan in the amount of €29,300 on 30 September 2021.

On 23 June 2021, GTC Aurora Luxembourg S.A., a wholly-owned subsidiary of the Company, issued 5-year unsecured green bonds with the total nominal value of €500,000 denominated in EUR to primarily refinance existing secured debt on its projects whose activities meet the eligibility criteria detailed in the GTC's Green Bond Framework, as well as for general corporate purposes. The bonds are guaranteed by the Company and were issued at a yield of 2.375% with an annual fixed coupon of 2.25%. The bonds are paid at the maturity on 23 June 2026. The bonds are listed on Euronext Dublin Stock Exchange.

On 25 June 2021, GTC Metro Kft., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with CIB bank in amount of €13,000.

On 29 June 2021, Powszechne Towarzystwo Emerytalne PZU SA, with its registered seat in Warsaw, acting on behalf of Otwarty Fundusz Emerytalny PZU “Złota Jesień”, has reappointed Ryszard Wawryniewicz to the Company's Supervisory Board for a new 3-years term, effective 29 June 2021.

On 29 June 2021, the Annual General Meeting adopted a resolution regarding the capital increase of up to 20% of the existing share capital. As per the Annual General Meeting authorization, the Management may conduct the transaction within the next 6 months.

On 30 June 2021, Centrum Światowida Sp. z o.o., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Bank Polska Kasa Opieki S.A. and Commercial Bank of China (Europe) S.A. in total amount of €174,100.

On 30 June 2021, GTC Korona S.A., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Santander Bank Polska S.A. in amount of €41,600.

On 30 June 2021, GTC Matrix d.o.o., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Erste Bank in amount of €23,500.

On 30 June 2021, Advance Business Center EAD, a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with UniCredit bank in amount of €41,100.

On 30 June 2021, City Gate Bucharest S.R.L. and City Gate S.R.L., a wholly-owned subsidiaries of the Company, repaid the full outstanding amount of the loan with Erste Bank in amount of €62,000.

On 30 June 2021, Venus Commercial Center S.R.L., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Alpha bank in amount of €13,800.

On 30 June 2021, GTC HBK Project Ltd, an indirect wholly-owned subsidiary of the Company, acquired from a company related to the majority shareholder of the Company a 6,400 sq m mixed used retail and office asset in Budapest for the total consideration of €21,000. The acquisition was partially financed by a bank facility in the amount €10,800.

On 30 June 2021, GTC VI188 Property Ltd, an indirect wholly-owned subsidiary of the Company acquired from a company related to the majority shareholder of the Company a 15,000 sq m Class A office building in Budapest for a consideration of €31,200. The acquisition was partially financed by a bank facility in the amount €16,200.

EVENTS THAT TOOK PLACE AFTER 30 JUNE 2021:

On 15 July 2021, Cascade building SRL, a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Banca Transilvania S.A. in total amount of €3,590.

On 22 July 2021, GTC FOD Kft, an indirect wholly-owned subsidiary of the Company acquired from a company related to the majority shareholder of the Company a 24,000 sq m Class A Office Building in Debrecen, the second largest city in Hungary, for a consideration of €46,700.

On 20 August 2021 Dorado 1 EOOD, a whole owned subsidiary of the Company, operating Mall of Sofia, sent the prepayment notice to OTP Bank to prepay the entire outstanding Loan in the amount of €53,400 on 31 August 2021.

5. Operating and financial review

5.1 General factors affecting operating and financial results

GENERAL FACTORS AFFECTING OPERATING AND FINANCIAL RESULTS

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

ECONOMIC CONDITIONS IN CEE AND SEE

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

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

REAL ESTATE MARKET IN CEE AND SEE

The Group derives the majority of its revenue from operations from rental activities, including rental and service revenue. For the six-month period ended 30 June 2021 and for the six-month period ended 30 June 2020, the Group derived 76% 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 2021 and for the six-month period ended 30 June 2020, the Group derived 24% 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 indexed to Euro and linked to the consumer price index of the relevant country of the currency.

REAL ESTATE VALUATION

The Group's results of operations depend heavily on the fluctuation of the value of assets on the property markets. The Group revalues its investment properties at least twice per year. Any change in the fair value of investment property is thereafter recognized as a gain or loss in the income statement.

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

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

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

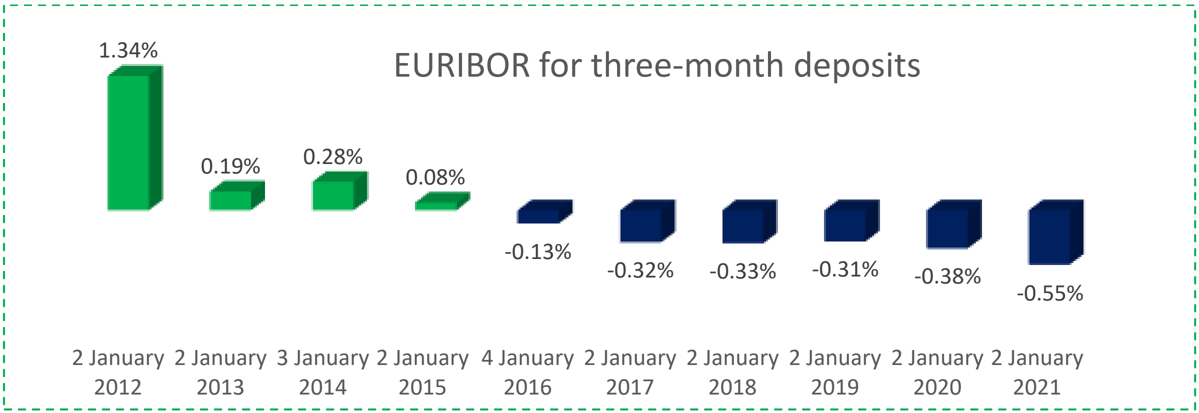
The Group recognized a net loss from revaluation and impairment of assets of €1,080 in the six-month period ended 30 June 2021 and €67,832 net loss from revaluation and impairment of assets in the six-month period ended 30 June 2020.

IMPACT OF INTEREST RATE MOVEMENTS

Substantially all of the loans of the Group have a variable interest rate, mainly connected to EURIBOR. Increases in interest rates generally increase the Group's financing costs. As of 30 June 2021, 95% of the Group's borrowings (by value) were either based on fixed interest rate or hedged against interest rate fluctuations, mostly through interest rate swaps and cap transactions. In addition, in an economic environment in which availability of financing is not scarce, demand for investment properties generally tends to increase when interest rates are low, which can lead to higher valuations of the Group's existing investment portfolio. Conversely, increased interest rates generally adversely affect the valuation of the Group's properties, which can result in recognition of impairment that could negatively affect the Group's income.

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

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



IMPACT OF FOREIGN EXCHANGE RATE MOVEMENTS

For the six-month period ended 30 June 2021 and for six-month period ended 30 June 2020, a vast majority of the Group's revenues and costs were incurred or derived in euro. Nonetheless, the exchange rates against euro of the local currencies of the countries in which the Group operates are an important factor as the credit facilities that are obtained may be denominated in either euro or local currencies.

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

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

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

AVAILABILITY OF FINANCING

In the CEE and SEE markets, real estate development companies, including the companies of the Group, usually finance their real estate projects with proceeds from the issue of the bonds, proceeds from bank loans, loans extended by their holding companies. The availability and cost of procuring financing are of material importance to the implementation of the Group's projects and for the Group's development prospects, as well as its ability to repay existing debt.

Finally, the availability and cost of financing may impact the Group's development dynamics and the Group's net profit.

5.2 Specific factors affecting financial and operating results

COVID-19

The Covid-19 pandemic has triggered a wave of strong negative effects on the global economy. The lockdowns brought a large part of the world's economic activity to an unparalleled standstill: consumers stayed home, companies lost revenue, and terminated employees – which, consequently, led to a rise in unemployment. Rescue packages by national governments and the EU, as well as supporting monetary policies by the European Central Bank have been implemented to moderate the economic impact of the pandemic. However, the scope and duration of the pandemic and possible future containment measures are still impossible to predict. During 2020 and in the six-month period ended 30 June 2021, the economic disruptions caused by the Covid-19 virus and the increased market uncertainty combined with increased volatility in the financial markets led to a decrease in rental revenues, a decrease in the Company assets' values, as well as impacted on the Company's compliance with financial covenants.

CLOSING AND REOPENING OF THE GROUP'S SHOPPING CENTRES

Following the outbreak of the COVID-19 pandemic, the authorities in many of the markets the Group operates in imposed restrictions on the opening of its shopping centres. Except for select "essential" retailers, or those able to offer curb side pickup or fulfil delivery orders from the store. The tenants in the Group's centres were unable to trade between three up to five months during 2020 subject to each country's restriction. and around and average of three months during the first half of 2021. Measures taken by the government affected and will continue to affect our business. In addition, even in those regions in which there were no mandatory shutdowns, or when shopping centres were allowed to reopen, not all retailers continued or restarted operations.

RENT DISCOUNTS AND COLLECTION

In several countries of our operations, governments adopted tenant support packages, such as a rental payments holiday in Poland for the period of lockdown or rent support through subsidizing part of any rental discounts. Upon the re-opening of its shopping centres, the Group engaged tenants in discussions about collecting rent and service charges as well as the terms of any support by the Group. The Group implemented multi-pronged measures to support tenants and encourage consumer spending, such as reducing rent, allowing rent payment in instalments, waiving late payment interest and service charges. The financial impact gross margin related to the COVID-19 amounted to €14,700 in 2020 and during the course of the six-month period ended 30 June 2021 certain countries such as Croatia and Serbia have relaxed their trading restrictions therefore shopping malls operating in those regions have recorded an increase in gross margin from operations in the amount of €500 while Poland and Bulgaria lockdowns continue to negatively impact the operations of the malls resulted in a loss of margin from operations by €1,100 in the six-month period ended 30

June 2021 in comparison with the same period of 2020. The Group collected 98% of the rent originally invoiced and due for the six-month period ended 30 June 2021 (99% for offices and 94% for retail).

The amendment to the Act of 2 March 2020 on special solutions connected with prevention, counteraction and combating of COVID-19 and other infectious diseases and caused by them crisis situations (art. 15ze), which regulates the relations between tenants and landlords regarding settlements for the period of lockdowns (introducing a new settlement between tenants and landlords in which tenants will pay 20% of the rent in the lockdown period and 50% for the three months following the lockdown) came into force in Poland on 23 July 2021. Based on the Management's assessment the impact of the new regulation on prior periods will be immaterial. The new law provides a roadmap for any future lockdowns and as a result could significantly impact the Group's revenue derived from shopping malls located in Poland in case of any potential lockdowns are implemented.

VALUATION OF INVESTMENT PROPERTIES

The increased uncertainty and increased volatility in the financial markets had negatively affected the investment properties of the Group during 2020 and might have an effect in the future asset valuations, as well as impact on the Company's compliance with financial covenants.

Notwithstanding the above, as of 30 June 2021 the Group received valuations from its valuers. The values are not subject to material uncertainty as regarding their value.

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.

LIQUIDITY POSITION

During the COVID-19 pandemic, the Group took immediate steps to preserve its strong liquidity position in light of the uncertain impact of the pandemic. These steps included cost and CAPEX measures, as well as the decision to retain profit for the year ended 31 December 2019 in the Company as well as recommendation to suspend dividend for the year ended 31 December 2020. As of 30 June 2021, the Group holds cash in the amount of €246,064.

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

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

OTHER

In April 2021, the Group commencement of construction of GTC X, office building in Belgrade.

There was a number of events that took place in the six-month period ended 30 June 2021, which had an impact on the financial results of the Group, including entering into new loan agreements totaling €171,000, in particular:

- a loan with Santander Bank Polska in the amount of €19,700 for the refinancing of the loan with PKO BP with the outstanding amount of €19,200 related to Pixel;
- a loan with Santander Bank Polska in the amount of €19,300 for the refinancing of the loan with ING with the outstanding amount of €18,900 related to project Francuska Office Centre;
- a loan with OTP Bank in the amount of €80,000 of which €58,000 is credit obligation related to acquired company and €22,000 is top-up for the financing of Ericsson Headquarter Office Building and the Siemens evosoft Headquarter Office Building
- a loan with Erste Bank in the amount of €25,000 for financing the acquisition of Vaci Green D office building;
- a loan with Erste Bank in the amount of €10,800 for financing the acquisition of Hegyvidék Retail and Office Centre;
- a loan with Erste Bank in the amount of €16,200 for financing the acquisition of.Váci 188.

Additionally the Group issued 10-year green bonds with the total nominal value of €53,800 denominated in HUF and 5-year unsecured green bonds with the total nominal value of €500,000 denominated in EUR. The proceeds from the bonds were used to refinance the existing project loans following the change in the Group's financial policy from secured debt to predominantly unsecured debt. As a result following loans, totaling €398,100, were repaid:

- a loan with Intesa Bank in the amount of €29,000 for Ada Mall project;
- a loan with CIB bank the full outstanding amount of €13,000 for GTC Metro project;
- a loan with Bank Polska Kasa Opieki S.A. and Commercial Bank of China (Europe) S.A. the full outstanding amount of €174,100 for Galeria Północna project;
- a loan with Santander Bank Polska S.A. the full outstanding amount of €41,600 for Korona Office Complex project;
- a loan with UniCredit bank the full outstanding amount of €41,100 for Advance Business Center project;
- a loan with Erste Bank the full outstanding amount of €62,000 for City Gate project;
- a loan with Alpha bank the full outstanding amount of €13,800 for Premium projects and
- a loan with Erste Bank the full outstanding amount of €23,500 for Matrix project.

Additionally, the Group repaid bonds issued under ISIN code PLGTC0000276 with the original nominal value of €20,494 at its maturity and prepaid a loan with Erste Group Bank AG, Raiffeisenlandesbank Niederosterreich-Wien AG in the amount of €5,000 related to Galeria Jurajska.

During the course of the six-month period ended 30 June 2021 the Group heavily invested into the income generating properties as well as landbank for future use. Total investment was €299,726 and included:

- an acquisition of Ericsson Headquarter Office Building and the Siemens evosoft Headquarter Office Building, two Class A office buildings for the consideration of €160,300;
- an acquisition of Váci Greens D office building for the total consideration is €51,000;
- an acquisition of a land plot in Sofia with area of 2,417 sq m for a total amount of €4,657;
- an acquisition of Hegyvidék Retail and Office Centre in Budapest for the total consideration of €21,000.The shopping center shall consist of approx. 6,400 sq. m;
- an acquisition of Váci 188 Office Building in Budapest for the total consideration of €31,200.

The Group also signed a preliminary agreement to sell its office properties in Belgrade, which was reflected in the balance sheet of the Group as reclassification of those assets and related liabilited to “Assets held for sale” line, and “Liabilities related to assets held for sale”, respectively.

For more details please see Item *4. Main events of the six-month period ended 30 June 2021.*

5.3 Presentation of differences between achieved financial results and published forecasts

The Group did not publish forecasts for the first half of 2021 nor the full year 2021.

5.4 Statement of financial position

5.4.1 Key items of the statement of financial position

INVESTMENT PROPERTY

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

RESIDENTIAL LANDBANK

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

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

ASSETS HELD FOR SALE

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

BLOCKED DEPOSITS

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

DERIVATIVES

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

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

ASSETS

Total assets increased by €287,203 to €2,767,960 as of 30 June 2021 from €2,480,757 as of 31 December 2020.

The value of investment property increased by €27,751 (1%) to €2,152,879 as of 30 June 2021 from €2,125,128 as of 31 December 2020, mainly due to an investment of €299,726 mostly into acquisition of new properties in Hungary (4 office buildings and one mixed use retail and office asset in in Hungary) and landbank in Bulgaria partially offset by reclassification of Serbian office buildings in the amount of €270,487 to assets held for sale.

The value of assets held for sale increased to €290,198 as of 30 June 2021 from €1,580 as of 31 December 2020 mainly as a result of reclassification of Serbian entities (incl. real estate assets, cash and deposits and other assets) in the amount of €287,365 and residential land plot in Romania in amount of €2,153 to assets held for sale following signing preliminary sale purchase agreements.

The value of blocked deposits (incl. short-term) decreased by €10,257 (27%) to €28,156 as of 30 June 2021 from €38,413 as of 31 December 2020 mainly as a result of reclassification of blocked deposits of €6,396, related to disposal group in Serbia, to assets held for sale and release of blocked deposits related to bank loans which were fully repaid on 30 June 2021.

The value of cash and cash equivalents decreased by €25,932 (10%) to €246,064 as of 30 June 2021 from €271,996 as of 31 December 2020 mainly as a result of early repayment of loans and final repayment of bonds in the total amount of €437,029, acquisition of assets and investment into assets under construction (net of loans) of €151,000, partially offset by the bond issue with the total value of €551,623.

LIABILITIES

The value of loans and bonds increased by €116,159 (9%) to €1,377,451 as of 30 June 2021 from €1,261,292 as of 31 December 2020. This increase comes mainly from the bonds issue with the total value of €551,623, new loans related to acquisitions in Hungary in amount of €132,000, refinancing of existing loans of €39,000 and drawdown of loans for projects under construction of €19,524 partially offset by repayment of existing loans in the amount of €467,422 combined with repayment of bonds in the amount of €20,494 and the reclassification of loans related to the disposal of office properties in Serbia to liabilities related to assets held for sale in the amount of €146,145.

The value of liabilities held for sale increased to €167,976 as of 30 June 2021 from €0 as of 31 December 2020. This increase comes mainly from the reclassification of liabilities related to the disposal of office properties in Serbia to liabilities related to assets held for sale.

The value of lease liability (incl. current portion of lease liabilities) decreased by €4,701 (11%) to €38,353 as of 30 June 2021 from €43,054 as of 31 December 2020, mainly due to reclassification of lease liabilities related to the disposal of office properties in Serbia to liabilities related to assets held for sale in total value of €3,724.

The value of derivatives decreased by €4,147 (22%) to €15,113 as of 30 June 2021 from €19,260 as of 31 December 2020, mainly due to early settlement of hedge contracts related to loans repaid before maturity date and reclassification of derivatives related to the loans of assets held for sale to liabilities related to assets held for sale.

Provision for deferred tax liability decreased by €4,473 (3%) to €128,757 as of 30 June 2021 from €133,230 as of 31 December 2020 mainly due to the reclassification of deferred tax liabilities related to the disposal of office properties in Serbia of €10,772 to liabilities related to assets held for sale partially offset by recognition of deferred tax liabilities in new acquisitions in Hungary.

Trade payables and provisions increased by €2,307 (8%) to €29,606 as of 30 June 2021 from €27,299 as of 31 December 2020 mainly due to payables related to new acquisitions in Hungary of €4,500 and liabilities related to investment activity in Poland of €2,900 (fitout and capex), partially offset by reclassification of liabilities related to assets held for sale of €2,100 and settlement of payables related to investment activity in Bulgaria of €3,700.

EQUITY

The amount of accumulated profit increased by €20,960 (5%) to €481,013 as of 30 June 2021 from €460,053 as of 31 December 2020, following recognition of profit for the period in the amount €21,499.

The value of hedge reserve increased by €4,878 (41%) to €16,808 as of 30 June 2021 from €11,930 as of 31 December 2020, mainly due to the new cross-currency swap for bonds in HUF.

Equity increased by €16,602 to €990,750 as of 30 June 2021 from €974,148 as of 31 December 2020 mainly due to an increase in accumulated profit by €20,960, following recognition of profit during the period, partially offset by increased in value of hedge reserve by €4,878.

5.5 Consolidated income statement

5.5.1 Key items of the consolidated income statement

REVENUES FROM OPERATIONS

Revenues from operations consist of:

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

- service income, which comprises fees paid by the tenants of the Group's investment properties to cover the costs of the services provided by the Group in relation to their leases.

COST OF OPERATIONS

Costs of operations consist of:

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

GROSS MARGIN FROM OPERATIONS

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

SELLING EXPENSES

Selling expenses include:

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

ADMINISTRATIVE EXPENSES

Administration expenses include:

- payroll, management fees, and other expenses that include the salaries of all employees that are not directly involved in sales or rental activities;
- provisions made to account for the share-based incentive program that was granted to key personnel;
- costs related to the sale of investment properties;
- costs of an audit, legal and other advisors;
- office expenses;
- depreciation and amortization expenses include depreciation and amortization of the Group's property, plant, and equipment; and
- others.

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

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

FINANCIAL INCOME / (EXPENSE), NET

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

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

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

TAXATION

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

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

REVENUES FROM RENTAL ACTIVITY

Rental and service revenues remained virtually unchanged at €78,848 in the six-month period ended 30 June 2021 as compare to €78,690 in the six-month period ended 30 June 2020.
The Group recognized an increase in rental revenues due to the completion of Green Heart, Advance Business Center, Matrix of €1,600 and rental from acquired properties of €1,900. The increase was partially offset by decrease in rental revenues of shopping centers in amount of €500 and decrease in rental revenues following the sale of Spiral in the fourth quarter of 2020 of €2,000.

COST OF RENTAL ACTIVITY

Service cost remained virtually unchanged at €20,024 in the six-month period ended 30 June 2021 as compare to €20,055 in the six-month period ended 30 June 2020. The Group recognized a decrease in the service costs due to the sale of Spiral in fourth quarter of 2020 of €450 combined with a decrease in service costs in our shopping malls of €300 due to Covid-19 related closures. The decrease was partially offset by an increase in service costs due to the completion of Green Heart, Advance Business Center, Matrix of €500 and acquisition of new properties of €630.

GROSS MARGIN FROM OPERATIONS

Gross margin (profit) from operations remained virtually unchanged at €58,824 in the six-month period ended 30 June 2021 as compare to €58,635 in the six-month period ended 30 June 2020, mostly resulted from an increase in the rental revenues due to acquisitions and completion of new properties, partially offset by a loss in rental and service revenues due to sale of Spiral and Covid_19 related lockdowns in our shopping malls.

Gross margin on rental activities in the six-month period ended 30 June 2021 was 75% compared to 75% in the six-month period ended 30 June 2020.

ADMINISTRATION EXPENSES

Administration expenses (before provision for share based program) increased by €352 (6%) to €5,967 in the six-month period ended 30 June 2021 from €5,615 in the six-month period ended 30 June 2020. Mark-to-market of share based program resulted in share based payment of €292 in the six-month period ended 30 June 2021 compared to a reversal of the provision of €1,061 recognized in the six-month period ended 30 June 2020. The above factors resulted in increase of administration expenses of €1,705 to €6,259 in the six-month period ended 30 June 2021 from €4,554 in the six-month period ended 30 June 2020.

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

Net loss from the revaluation/impairment of the assets amounted to €1,080 in the six-month period ended 30 June 2021, as compared to a net loss of €67,832 in the six-month period ended 30 June 2020. Net loss from the revaluation of the investment properties reflects mainly capital expenditure invested on the existing investment properties, partially offset by profit from the revaluation of the acquired assets in Hungary.

OTHER INCOME / (EXPENSES), NET

Other expenses (net of other income) amounted to €103 in the six-month period ended 30 June 2021 as compared to expenses of €494 expenses in the six-month period ended 30 June 2020.

FOREIGN EXCHANGE DIFFERENCES GAIN (LOSS)

Foreign exchange differences loss amounted to €149 in the six-month period ended 30 June 2021, as compared to a foreign exchange loss of €3,236 in the six-month period ended 30 June 2020. The significant foreign exchange difference loss in the six-month period ended 30 June 2020 releated to the siginificant devaluation of local currencies to Euro following the Covid-19 outburst.

FINANCIAL INCOME

Financial income amounted to €150 in the six-month period ended 30 June 2021 as compared to €173 in the six-month period ended 30 June 2020.

FINANCIAL COST

Financial cost increased by €4,563 to €21,614 in the six-month period ended 30 June 2021 as compared to €17,051 in the six-month period ended 30 June 2020 mainly due to the one-off costs related to early repayments of loans of €2,536 (cash payments) and release of corresponding deferred issuance debt expenses of €1,600 (non-cash)**.** The average interest cost as of 30 June 2021 was 2.18%.

PROFIT / (LOSS) BEFORE TAX

Profit before tax was €29,008 in the six-month period ended 30 June 2021, as compared to loss before tax of €35,066 in the six-month period ended 30 June 2020. This mostly resulted from recognition of €1,080 loss from revaluation/impairment of assets (€67,832 loss in the six-month period ended 30 June 2020) combined with a lower by €3,087 foreign exchange difference loss, partially offset by increase in finance cost by €4,563.

TAXATION

Tax amounted to €7,509 in the six-month period ended 30 June 2021. Taxation consists mainly of €2,806 of current tax expenses and €4,703 of deferred tax.

NET PROFIT / (LOSS)

Net profit amounted to €21,499 in the six-month period ended 30 June 2021, as compared to a net loss of €33,824 in the six-month period ended 30 June 2020. This mostly resulted a strong operating performance partially combined with recognition of €1,080 loss from revaluation/impairment of assets (€67,832 loss in the six-month period ended 30 June 2020) and lower foreign exchange difference loss, partially offset by increase in finance cost by €4,563 and recognition of tax expense of €7,509 (€1,242 tax benefit in the six-month period ended 30 June 2020).

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

REVENUES FROM RENTAL ACTIVITY

Rental and service revenues increased by €3,956 (11%) to €41,621 in the three-month period ended 30 June 2021 from €37,665 in the three-month period ended 30 June 2020. The increase mainly resulted from an increase in the rental revenues due to the completion of Green Heart, Advance Business Center, Matrix of €700 and rental from acquired properties of €1,900. The increase is also resulting from the fact that the lockdown in the three-month period ended 30 June 2021 compared to the previous year was shorter and allowed to recognize higher revenues from the retail activity by €2,350. The increase was partially offset by a decrease in rental revenues following the sale of Spiral in the fourth quarter of 2020 of €800.

COST OF RENTAL ACTIVITY

Service cost increased by €1,366 (15%) to €10,263 in the three-month period ended 30 June 2021 from €8,897 in the three-month period ended 30 June 2020 mainly as a result of an increase in service costs due to the completion of Green Heart, Advance Business Center and Matrix of €440 as well as acquisitions of new properties of €630.

GROSS MARGIN FROM OPERATIONS

Gross margin (profit) from operations increased by €2,590 (9%) to €31,358 in the three-month period ended 30 June 2021 from €28,768 in the three-month period ended 30 June 2020 mostly resulting from an increase due to completion of Green Heart, Advance Business Center and Matrix as well as acquisitions of new properties and an improvement in shopping centers resulting from shorter lockdown of shopping malls due to the COVID-19 outbreak in three-month period ended 30 June 2021 as compared to the comparable period of 2020. The increase was partially offset by the sale of Spiral in fourth quarter of 2020.

Gross margin on rental activities in the three-month period ended 30 June 2021 was 75% compared to 76% in the three-month period ended 30 June 2020.

ADMINISTRATION EXPENSES

Administration expenses (before provision for share based program) increased by €161 (5%) to €3,237 in the three-month period ended 30 June 2021 from €3,076 in the three-month period ended 30 June 2020. Mark-to-market of share based program resulted in a share based payment of €42 in the three-month period ended 30 June 2021 compared to a share based payment of €57 recognized in the three-month period ended 30 June 2020. The above factors resulted in increase of administration expenses of €146 to €3,279 in the three-month period ended 30 June 2021 from €3,133 in the three-month period ended 30 June 2020.

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

Net profit from the revaluation/impairment of the assets amounted to €1,514 in the three-month period ended 30 June 2021, as compared to a net loss of €62,051 in the three-month period ended 30 June 2020. Net profit from the revaluation of the investment properties reflects mainly profit from the revaluation of the newly acquired assets in Hungary, partially offset by capital expenditure invested on the existing investment properties.

OTHER INCOME / (EXPENSES), NET

Other expenses (net of other income) amounted to €42 in the three-month period ended 30 June 2021 as compared to expenses of €220 expenses in the three-month period ended 30 June 2020.

FOREIGN EXCHANGE DIFFERENCES GAIN (LOSS)

Foreign exchange differences gain amounted to €219 in the three-month period ended 30 June 2021, as compared to a foreign exchange gain of €2,095 in the three-month period ended 30 June 2020.

FINANCIAL INCOME

Financial income amounted to €76 in the three-month period ended 30 June 2021 as compared to €83 in the three-month period ended 30 June 2020.

FINANCIAL COST

Financial cost increased by €4,732 to €13,050 in the three-month period ended 30 June 2021 as compared to €8,318 in the three-month period ended 30 June 2020 due to recognition of one-off costs related to early repayments of loans and release of corresponding deferred issuance debt expenses**.** The average interest cost as of 30 June 2021 was 2.18%.

PROFIT / (LOSS) BEFORE TAX

Profit before tax was €16,399 in the three-month period ended 30 June 2021, as compared to loss before tax of €43,160 in the three-month period ended 30 June 2020. This mostly resulted from recognition of €1,514 profit from revaluation/impairment of assets (€62,051 loss in Q2 2020), partially offset by increase in financial cost by €4,732 combined with a lower by €1,876 foreign exchange difference gain.

TAXATION

Tax amounted to €3,606 in the three-month period ended 30 June 2021. Taxation consists mainly of €1,889 of current tax expenses and €1,717 of deferred tax expense.

NET PROFIT / (LOSS)

Net profit amounted to €12,793 in the three-month period ended 30 June 2021, as compared to a net loss of €36,610 in the three-month period ended 30 June 2020. This mostly resulted from strong operation results, recognition of €1,514 profit from revaluation/impairment of assets (€62,051 loss in the three-month period ended 30 June 2020), partially offset by an increase in financial cost by €4,732 and recognition of tax expense of €3,606 (€6,550 tax benefit in the three-month period ended 30 June 2020) combined with a lower foreign exchange difference gain.

5.6 Consolidated cash flow statement

5.6.1 Key items from consolidated cash flow statement

NET CASH FROM (USED IN) OPERATING ACTIVITIES

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

NET CASH USED IN INVESTING ACTIVITIES

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

NET CASH FROM (USED IN) FINANCING ACTIVITIES

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

CASH AND CASH EQUIVALENTS

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

5.6.2 Cash flow analysis

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

	6-month period ended 30 June	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	**45,642**	**42,274**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investment property and property, plant and equipment	(40,431)	(45,305)
Purchase of completed assets and land	(204,256)	-
Decrease in short term deposits designated for investment	1,005	6,030
Advances received for assets held for sale	1,080	-
VAT/tax on purchase/sale of investment property	546	1,132
Interest received	13	32
Net cash used in investing activities	**(242,043)**	**(38,111)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	689,238	144,898
Repayment of long-term borrowings	(487,916)	(163,680)
Interest paid and other financing breaking fees	(20,535)	(15,955)
Repayment of lease liability	(516)	(90)
Loans origination payment	(6,009)	(953)
Decrease/(Increase) in short term deposits	2,856	(1,657)
Net cash from /(used) in financing activities	**177,118**	**(37,437)**
Net foreign exchange difference	58	(4,581)
Net increase/ (Decrease) in cash and cash equivalents	(19,225)	(37,855)
Cash and cash equivalents at the beginning of the period	**271,996**	**179,636**
Cash and cash equivalents at the end of the period	**252,771**	**141,781**

Net cash flow from operating activities increased to €45,642 in the six-month period ended 30 June 2021 from €42,274 the six-month period ended 30 June 2020. The increase resulted from the fact that the lockdown in the three-month period ended 30 June 2021 compared to the previous year was shorter and allowed to recognize higher funds from operation from the retail activity combined with funds from operation from newly acquired properties in Hungary.

Net cash flow used in investing activities amounted to €242,043 in the six-month period ended 30 June 2021 compared to €38,111 used in the six-month period ended 30 June 2020. Cash flow used in investing activities mainly composed of (i) expenditure on investment properties, completed assets and land of €244,687 related to acquisition of new assets and investment in asset under construction (Pillar, GTC X and Sofia Tower 2), (ii) advances from assets held for sale of investment property of €1,080 and (iii) decrease in short term deposits designated for investment of €1,005.

Net cash flow from financing activities amounted to €177,118 in the six-month period ended 30 June 2021, compared to €37,437 of cash flow used in financing activities in the six-month period ended 30 June 2020. Cash flow from financing activities mainly composed of (i) proceeds from long-term borrowings in the amount of €689,238 that are related mainly to the bond issue with the total value of €551,623, loans related to assets under construction in the amount of €19,524 and new loans related to acquisitions in Hungary, (ii) repayment of long-term borrowings in the amount of €487,916 related mainly to early repayment of loans in amount of €416,535, settlement of maturing bonds in amount of €20,494, as well as amortization of existing loans in the amount of €12,000 and (iii) interest paid and other financing breaking fees in the amount of €20,535.

Cash and cash equivalents (including assets held for sale related to the disposal of office properties in Serbia) as of 30 June 2021 amounted to €252,771 compared to €141,781 as of 30 June 2020. The Group keeps its cash in the form of current accounts and bank deposits.

5.7 Future liquidity and capital resources

As of 30 June 2021, 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 2021, the Group's non-current liabilities amounted to €1,544,751 compared to €1,274,363 as of 31 December 2020.

The Group's total debt from long and short-term loans and borrowings as of 30 June 2021 amounted to €1,523,049, including loans related to assets held for sale in the amount of €145,598 (net of deferred issuance debt expenses) as compared to €1,261,292 as of 31 December 2020.

The Group's liabilities held for sale amounted to €167,976 as of 30 June 2021 as compared to €0 as of 31 December 2020.

The Group's loans and borrowings are mainly denominated in Euro. Debt in other currencies includes bonds (series mature in 2022-2023) in PLN, bonds issued by Hungarian subsidiary in HUF (series mature in 2030 and 2031).

The Group's net loan-to-value ratio amounted to 51.6% as of 30 June 2021, as compared to 45% as of 31 December 2020. The increase is a result of the significant acquisitions of cash generating assets performed during the six-month peiod ended 30 June 2021. The Group's net loan-to-value is expected to decrease as a result of the disposal in Serbia (see *Item 4. Main events of the six-month period ended 30 June 2021*) and the planned capital increased approved by the Annual Shareholders Meeting on 29 June 2021 (see *Item 4. Main events of the six-month period ended 30 June 2021*) . The Group's long term strategy is to keep its loan-to-value ratio at a level of 40% however in case of acquisitions the Company may deviate temporarily.

As of 30 June 2021, 95% of the Group's loans (by value) were hedged against interest fluctuations, mostly through interest rate swaps and cap transactions.

AVAILABILITY OF FINANCING

In the CEE and SEE markets, real estate development companies, including the companies of the Group, usually finance their real estate projects with proceeds from the issue of the bonds, proceeds from bank loans, loans extended by their holding companies. 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 projects, proceeds from bonds issued by the Company, and proceeds from asset disposals.

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

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

Company’s activities, but the expected impact may be significant. Accordingly, Management conclusions will be updated and may change from time to time.

More information regarding the impact of the COVID-19 outbreak is presented in the interim condensed consolidated financial statements for the six-month period ended 30 June 2021 in Note 18 COVID-19.

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

As of 30 June 2021, the Group does not have any long-term loans granted to its associates or joint ventures.

7. Information on guarantees granted to related entities

In March 2021, the Company guaranteed bonds issued by GTC Real Estate Development Hungary Zrt with the total nominal value of €53,800 nominated in HUF.

In June 2021, the Company guaranteed bonds issued by GTC Aurora Luxembourg S.A., with the total nominal value of €500,000 denominated in EUR.

During the six-month period ended 30 June 2021, 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 2021, the guarantees granted are inmaterial.

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

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 general meeting of GTC S.A. shareholders, as of the date of 30 June 2021. The table is prepared based on information received directly from the shareholders.

Shareholder	Number of shares and rights to the shares held (not in thousand)	% of share capital	Number of votes (not in thousand)	% of votes	Change in number of shares since 13 May 2021 (not in thousand)
GTC Dutch Holdings B.V.	298,575,091	61.49%	298,575,091	61.49%	No change
GTC Holding Zártkörüen Müködö Részvénytársaság[1]	21,891,289	4.51%	21,891,289	4.51%	No change
OFE PZU Złota Jesień[2]	42,014,802	8.65%	42,014,802	8.65%	Decrease by 6,540,367
AVIVA OFE Aviva BZ WBK	37,739,793	7.77%	37,739,793	7.77%	No change
Other shareholders	85,334,147	17.58%	85,334,147	17.58%	Increase by 6,540,367
Total	**485,555,122**	**100.00%**	**485,555,122**	**100.00%**	

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

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

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 of the date of publication of this interim report, and changes in their holdings since the date of publication of the Group's last financial report (quartely report for the three-month period ended 31 March 2021) on of 13 May 2021.

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

Management board member	Balance as of 23 August 2021 (not in thousand)	The nominal value of shares in PLN (not in thousand)	Change since 13 May 2021 (not in thousand)
Yovav Carmi	13,659	1,366	Increase by 13,659
Ariel Ferstman	5,240	524	No change
Gyula Nagy	0	0	No change
Robert Snow	0	0	No change
Total	**18,899**	**1,890**	

SHARES OF GTC HELD BY MEMBERS OF THE SUPERVISORY BOARD

The following table presents shares owned directly or indirectly by members of the Company's supervisory board of the date of publication of this interim report, and changes in their holdings since the date of publication of the Group's last financial report (quarterly report for the three-month period ended 31 March 2021) on of 13 May 2021.

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

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

10. 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

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.

12. Key risk factors

RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY

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

The Group is subject to risks related to the spread of the SARS-CoV-2 ("**COVID-19**") virus and the COVID-19 pandemic. The impact of the SARS-CoV-2 virus and the COVID-19 pandemic is largely dependent on factors over which the Group has no control. The COVID-19 pandemic, together with measures aimed at mitigating its further spread (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), has significantly impacted the Group's business, and may have a further adverse effect on the operations of the Group. Such developments could have a number of effects on the Group’s business, including the following:

- some tenants in the Group’s properties could find it increasingly difficult to pay rent, thereby leading to an increase in late payments and a consequential reduction of the Group's cash flow;
- other tenants in the Group’s properties may go bankrupt and/or may no longer be able to afford to pay rent at all and be forced to move out, thereby further reducing the Group's revenue streams. As a result, the Group may be confronted with having lower occupancy levels or having to lower rental prices at its properties;
- reduced demand for both office and retail space as a result of different and changing 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 person);
- delays in signing agreements relating to the sale of real estate projects or leases;
- delays in obtaining administrative decisions and approvals of key importance to real project development processes;
- delays in obtaining (or a failure to obtain) financing for current and planned real estate projects;
- delays in completing projects as a result of reduced access to building materials (as a result of disrupted supply chains) and a shortage of personnel, including subcontractors; and
- enforced quarantines or having to shut down its headquarters or other office buildings if any of the Group's employees (or individuals with whom the Group's employees may have come into contact) contract or test positive for COVID-19 (particularly, if a significant number of the Group's employees are affected).

As of the date of this Report, all of the Group's total property portfolio, including retail properties, were open and operating normally. Retail properties constitute approximately 36% of the Group's property portfolio by value and 25% by GLA and include shopping centres located in Poland, Belgrade, Zagreb and Sofia. Closed units primarily relate to units in the Group's shopping centres which were deemed "non-essential" by local governments. Although the Group has not experienced any significant delays or variations in rental collections from offices and retail units, the Group is working closely with tenants, many of whom are expected to take advantage of government measures which may support rental payments, even if on a delayed basis. In some cases, the Group has collected security deposits in lieu of rents. The Group has agreed to rental holidays or discounts in certain cases which together with levied rental rate payment in Poland during the lockdown of shopping centres had a negative impact of €14,700 on the Groups' operating margin in the year ended 31 December 2020 and during the course of the six-month period ended 30 June 2021 certain countries such as Croatia and Serbia have relaxed their trading restrictions therefore shopping malls operating in those regions have recorded an increase in gross margin from operations in the amount of €500 while Poland and Bulgaria lockdowns continue to negatively impact the operations of the malls resulted in a loss of margin from operations by €1,100 in the six-month period ended 30 June 2021 in comparison with the same period of 2020.

The extent of the impact of the COVID-19 pandemic on the Group is highly uncertain at this time and depends on a number of factors, such as the duration and scope of the pandemic, and the suitability and effectiveness of measures adopted by authorities in response to the pandemic. The continued spread of the COVID-19 pandemic and the occurrence or escalation of one or more of the above developments may significantly negatively impact the Group's business, financial condition, prospects and results of operations.

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

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

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

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

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

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

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

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

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

The success of the Group's strategy relies, in part, on various assumptions and contingencies, including assumptions with respect to the level of profitability of any acquisition targets to be completed in the future and investment criteria that have been developed by the Group to achieve an expected level of returns on acquired properties. Such assumptions may prove to be partially or wholly incorrect and/or inaccurate.

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

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

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

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

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

There can be no assurance that the valuations of the Group's properties (undeveloped, in progress and completed) will reflect the actual sale prices or that the estimated yield and annual rental revenue of any property will be attained, or that such valuations will not be subject to be challenged by, among others, the regulatory authorities. Increased uncertainty and volatility in financial markets in the context of the COVID-19 pandemic has negatively affected the Group's investment properties and might have an effect on their future asset valuations (the valuation of the Group's investment properties in the year ended 31 December 2020 decreased by €142,700 (6% of total portfolio value)). Forecasts may prove inaccurate as a result of the limited amount and quality of publicly available data and research regarding Poland and the other markets in which the Group operates, compared to mature markets. Moreover, a recent lack of comparable transactions during periods of lockdowns has forced valuation agents to rely on yields derived from theoretical models and estimates rather than actual market yields.

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

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

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

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

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

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

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

A core part of the Group's operations is the active management of its assets, which includes the management of vacancy rates and rent levels and the terms of executed lease agreements in the case of commercial properties, as well as achieving a desired tenant mix in the case of retail properties.

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

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

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

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

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

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

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

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

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

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

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

In particular, due to increased competition and pressure on rents, amidst the general economic uncertainty arising from the COVID-19 pandemic, there can be no assurance that tenants will renew their leases on terms favourable to the Group at the end of their current tenancies or, if they do not, that new tenants of equivalent standing (or any new tenants) will be found to take-up replacement leases. Moreover, the Group’s property portfolio includes 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. For the year ended 31 December 2020, 2.2% of the Group's rental revenues came from properties on which the rents were tied to the turnover of the tenants. In addition, the Group has no influence 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 reorganising its property portfolio and intends to acquire appreciating and value-added properties and to sell its non-core assets. The Group intends to integrate any newly acquired properties with the existing portfolio and rent them out in order to generate rental income for the Group. If these properties are not fully rented and/or the rental rates are agreed below the estimated rental values, the Group may not be able to realise its expected rates of return on the new acquisitions. Subdued or negative rental return and profits could have a material adverse effect on the Group’s business, financial condition and results of operations.

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

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

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

- perceptions regarding the safety, convenience and attractiveness of the property.

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

Any failure of the Group to sustain an adequate occupancy level would result in lower rental income from the management of the existing portfolio and in a lower valuation of the Group's properties and overall portfolio. Expected vacancies are reflected in the valuation reports as at 31 December 2020. If a significant portion of the Group's property portfolio remains vacant for a prolonged period of time, the fixed costs for maintaining such vacant spaces and the lack of rental income generated by such spaces could have a material adverse effect on the Group's business, financial condition and results of operations. Further, the relevant Group member would continue to face fixed costs (subject to certain exceptions) to cover service charge contributions in respect of any vacant units, which would reduce the funds from operations.

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

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

However, the Group is not able to pass on all such costs to the tenants, especially in a very competitive environment, where the Group has to offer attractive conditions and terms to be able to compete with other office buildings or has to improve conditions offered to attract new tenants to its retail projects. Deteriorating market conditions, increased competition and tenants' requirements may further limit the Group's ability to transfer such costs, in full or in part, to its tenants. The service charges of the Group's properties may increase due to a number of factors, including an increase in electricity costs or maintenance costs. Moreover, if vacancy rates increase, the Group must cover the portion of the service charge that is related to the vacant space. Some lease agreements provide for the maximum value combined rental rate and service charged to be paid by the tenant. In such cases, if the maintenance charges increase, the Group would be unable to pass on such increases to the tenants.

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

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

The presence of reputable tenants, especially anchor tenants, in the Group's retail projects is important for its commercial success. Such tenants play an important role in generating customer traffic and attracting other tenants. The Group targets anchor tenants of varying sizes. A suitable anchor tenant typically depends on the size of the relevant shopping centre and the relative size, in GLA terms, of the anchor tenant unit in a given shopping centre. 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 lockdowns, anchor tenants were among the first to demand renegotiations of their lease agreements. In order to maintain such tenants, the Group was required to implement several 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. The financial impact gross margin related to the COVID-19 amounted to €14,700 in 2020 and during the course of the six-month period ended 30 June 2021 certain countries such as Croatia and Serbia have relaxed their trading restrictions therefore shopping malls operating in those regions have recorded an increase in gross margin from operations in the amount of €500 while Poland and Bulgaria lockdowns continue to negatively impact the operations of the malls resulted in a loss of margin from operations by €1,100 in the six-month period ended 30 June 2021 in comparison with the same period of 2020. Overall, the Group collected 98% of the rent originally invoiced and due for the six-month period ended 30 June 2021 (99% for offices and 94% for retail). Depending on the severity and length of the COVID-19 pandemic, the Group may have to extend further assistance to its tenants across the portfolio.

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

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

The Group has faced and continues to face increased competition from other owners, local and international real estate managers and developers of commercial real estate. Such competition may affect the Group's ability to attract and retain tenants and may reduce the rents that the Group is able to charge. Such competing properties may have vacancy rates that are higher than the vacancy rates of the Group's properties, which could result in their owners being willing to rent their properties at lower rental rates than the Group would normally be prepared to offer but which the Group may have to match. Competition in the real estate market may also lead to increased marketing and development costs.

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

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

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

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

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

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

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

The Group’s properties may constitute collateral established in 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 flow as needed through the timely sale of its projects at favourable prices or to vary its property portfolio in response to economic or other conditions impacting the property value. It may be particularly difficult to sell real estate properties in an uncertain market environment caused by the COVID-19 pandemic. If the Group cannot sell a particular project within a reasonable time, it may not be able to generate the cash flow it may require to service ongoing operations or invest in new projects, or it may be unable to take advantage of 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 and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- additional construction costs for a development project being incurred in excess of the amount originally agreed with the general contractor;
- liability to subcontractors related with bankruptcy of the general contractor;

- changes in existing legislation or the interpretation or application thereof (e.g. an increase of the rate of the goods and services tax, which impacts the demand for housing);
- actions of governmental and local authorities resulting in unforeseen changes in urban planning, zoning and architectural requirements;
- potential defects or restrictions in the legal title to plots of land or buildings acquired by the Group, or defects, qualifications or conditions related to approvals or other authorizations relating to plots of land held by the Group;
- the Group's potential inability to obtain financing on 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;
- obligations relating to the preservation and protection of the environment and the historic and cultural heritage of jurisdictions in which the Group conducts its operations, as well as other social obligations;
- Covid-19 pandemic associated development costs.

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

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

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

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

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

The Group relies on a skilled team of professionals, including its key management and project managers, mid-level managers, accountants and other financial professionals, in the development of its projects. The Group has in the past experienced delays in the completion of certain projects as a result of shortages of qualified employees and skilled professionals and, if the Group is unable to hire the necessary employees, staffing shortages may adversely affect its ability to adequately manage the completion of its projects and efficiently manage its assets or force it to pay increased salaries to attract skilled professionals or the necessary employees. Furthermore, the future success of the Group depends on its ability to hire senior personnel such as managers with extensive experience in the identification, acquisition, financing, construction, marketing and management of development projects and investment properties. The failure by the Group to recruit and retain appropriate personnel may have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

LEGAL AND REGULATORY RISKS

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

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

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

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

GOVERNMENTS IN JURISDICTIONS IN WHICH THE GROUP OPERATES MIGHT INTRODUCE CHANGES IN LAWS (INCLUDING LAWS GOVERNING RENT COLLECTION, DEBT COLLECTION AND INSOLVENCY) IN RESPONSE TO THE COVID-19 PANDEMIC.

In light of the expected payment difficulties of companies and private individuals as a result of the COVID-19 pandemic, a number of jurisdictions in which the Group operates have enacted legislative amendments and adopted tenant support packages. For example, in Poland, the government introduced a payment holiday for the period of the lockdown in exchange for an extension to the term of a lease contract by the period of the lockdown and an additional six months. See " The interim condensed consolidated financial statements for the six-month period ended 30 June 2021 in Note 18 COVID-19.". The Group adopted a number of measures to support tenants in response and, while the Group was able to collect 98%. of the rent originally due for the six moth period ended 30 June 2021, there can be no assurance that the governments in the jurisdictions in which the Group operates may not, in the future, introduce additional measures which could negatively impact the ability of the Group to collect its rental payments. Income from, and the market value of, the Group's portfolio would be adversely affected if, as a result of governmental measures, rental payments could not be collected.

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, labour laws, and land use restrictions. If the Group's projects and properties do not comply with these requirements, the Group may incur regulatory fines or damages.

Moreover, there can be no assurance that if perpetual usufruct fees 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 Central and Eastern Europe ("**CEE**") and South Eastern Europe ("**SEE**") could result in substantial costs and liabilities for the Group and could subject the properties that the Group owns or operates (or those formerly owned or operated by the Group) to more rigorous scrutiny than is currently applied. Consequently, compliance with these laws could result in substantial costs resulting from any required removal, investigation or remediation, and the presence of such substances on the Group's properties may restrict its ability to sell the property or use the property as collateral.

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

THE GROUP MAY BE SUBJECT TO LEGAL DISPUTES AND RISKS.

The Group's business involves the acquisition, rental, sale and administration of properties, including under cooperation agreements that, as a matter of ordinary course of business, expose the Group to a certain degree of small-scale litigation and other legal proceedings. Legal disputes which, taken individually, are relatively immaterial, may be joined with disputes based on similar facts such that the aggregate exposure of the Group might become material to its business. Furthermore, the Group may face claims and may be held liable in connection with incidents occurring on its construction sites such as accidents, injuries or fatalities of its employees, employees of its contractors or other visitors on the sites.

It is standard practice in real estate transactions for the seller to make representations and warranties in the purchase agreement concerning certain features of the property. Typically, the assurances the seller gives regarding the property in the purchase agreement do not cover all of the risks or potential problems that can arise for the Group in connection with the purchase of property by the Group. The Group's possible rights of recourse towards the sellers of properties could fail for a variety of reasons, including due to the inability to establish that the persons in question knew or should have known about the defects, due to the expiration of the statute of limitations, due to the insolvency of the parties opposing the claim, or for other reasons. If this were to occur, the Group may suffer a financial loss.

The Group provides different types of guarantees when it leases real estate, especially with regard to legal title and the absence of defects in quality, as well as existing levels of hazardous contamination and the portfolio of leases. The same applies to the sale of real estate. Claims could be brought against the Group for breach of such guarantees and/or for the existence of defects of which the Group was not aware, but of which it should have been aware, when it concluded the transaction. The occurrence of one or several of the aforementioned risks could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

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

THE GROUP'S INSURANCE MAY BE INADEQUATE.

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

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

RISKS RELATING TO THE GROUP'S FINANCIAL CONDITION

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

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

- increasing vulnerability to and simultaneously reducing flexibility to respond to downturns in the Group's business or general adverse economic and industry conditions, including adverse economic conditions in the jurisdictions in which the Group operates;

- limiting the Group's ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings;

- forcing the Group to dispose of its properties in order to enable it to meet its financing obligations, including compliance with certain covenants under loan agreements;
- requiring the dedication of a substantial portion of the Group's cash flows from operations to the payment of the principal of and interest on its indebtedness, meaning that these cash flows will not be available to fund its operations, capital expenditures, acquisitions or other corporate purposes;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the real estate market; and
- placing the Group at a competitive disadvantage compared to its competitors that are not as highly leveraged.

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

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

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

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

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

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

The Group's financial statements are expressed in Euro and the Group's functional currency is the Euro. Moreover, the majority of the Group's revenues, specifically rent revenues, are expressed in Euro. However, certain of the Group's costs, such as certain construction costs, labour costs and remuneration for certain general contractors, are incurred in the currencies of the geographical markets in which the Group operates, including Polish zloty, Bulgarian leva, Croatian kuna, Hungarian forint, Romanian lei or Serbian dinar.

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

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

THE GROUP IS SUBJECT TO INTEREST RATE RISK.

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

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

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

Risks relating to the markets in which the Group operates

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

As at 30 June 2021, all of the Group's revenues were sourced from its operations in CEE and SEE countries, particularly Poland (38%), Serbia (21%), Hungary (15%) Romania (11%), Croatia (8%) and Bulgaria (7%) These markets are subject to greater risk than more developed markets. CEE and SEE countries still present various risks to investors, such as instability or changes in national or local government authorities, land expropriation, changes in taxation legislation or regulation, changes to business practices or customs, changes to laws and regulations relating to currency repatriation and limitations on the level of foreign investment or development. In particular, the Group is affected by rules and regulations regarding foreign ownership of real estate and personal property. Such rules may change quickly and significantly and, as a result, impact the Group's ownership and may cause it to lose property or assets without legal recourse.

Furthermore, some countries in which the Group operates (such as Serbia) may regulate or require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is a deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on foreign capital remittances abroad. Any such restrictions may adversely affect the Group's ability to repatriate investment loans or to remit dividends. Some CEE and SEE countries, have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on the economies and securities markets of certain emerging countries.

In addition, adverse political or economic developments in the countries in which the Group operates and/or neighbouring 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. For example, the armed conflict in the territory of Ukraine and uncertainties regarding the relationship of the CEE and SEE countries with Russia may affect the attitude of investors towards the regional real estate market and their willingness to invest in the countries neighbouring with Ukraine and Russia, where the Group operates.

Additionally, the governments of the developing countries in the CEE and SEE region may not have sufficient resources necessary to provide fiscal stimuli in response to the economic downturn caused by the outbreak of the COVID-19 pandemic on par with the levels implemented in more mature economies, which may delay or hinder any economic recovery following the impact of the COVID-19 pandemic.

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

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

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

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

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

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

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

THE GROUP'S CLAIMS TO THE TITLES TO INVESTMENT AND DEVELOPMENT PROPERTIES MAY BE SUBJECT TO CHALLENGE IN CERTAIN CASES, AND PERMITS

IN RELATION TO SUCH PROPERTIES MAY HAVE BEEN OBTAINED IN BREACH OF APPLICABLE LAWS.

It may be difficult or, in certain cases, impossible for the Group to establish with certainty that title to a property has been vested in a relevant Group company due to the fact that real estate laws in 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 and results of operations.

RISKS RELATING TO THE STRUCTURE OF THE GROUP

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

As of 30 June 2021, GTC Dutch Holdings B.V. ("**GTC Dutch**"), which is fully owned by GTC Holding Zártkörüen Müködö Részvénytársaság, is GTC S.A.'s majority shareholder. GTC Holding Zártkörüen Müködö Részvénytársaság, is fully owned by Optimum Ventures Private Equity Funds which are managed by Optima Investment Fund Management Zrt ("**Optima**").

As at the date of this Report, Optima representatives 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 for the Group. Accordingly, in considering any investment, business and operational matters of the Group and the most appropriate uses for the Group's available cash, the interests of Optima may not be aligned with the interests of the Group or of its other stakeholders.

Moreover, Optima operates 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 and results of operations.

Furthermore, as in the case of any significant shareholder, all of the shares of the Group 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.

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

The Group has carried out transactions with related parties. When concluding and performing related party transactions, the Group seeks to ensure that such transactions (i) comply with the applicable transfer pricing regulations and (ii) are completed following the issue of a fairness opinion. 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 condition and results of operations of the Group companies.

MANAGEMENT BOARD'S REPRESENTATIONS

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

Yovav Carmi, President of the Management Board

Ariel Alejandro Ferstman, Member of the Management Board

Gyula Nagy, Member of the Management Board

Robert Snow, Member of the Management Board

hereby represents that:

- to the best of its knowledge the condensed financial statements for six months ended 30 June 2021 and the comparable data were prepared in accordance with the prevailing accounting principles, and they truly, reliably, and clearly reflect the asset and financial standing of the Group and its financial result in all material respects;

-to the best of its knowledge the condensed consolidated financial statements for six months ended 30 June 2021 and the comparable data were prepared in accordance with the prevailing accounting principles, and they truly, reliably, and clearly reflect the asset and financial standing of the Group and its financial result in all material respects, and the semi-annual Management Board's activity report contains a true image of the Group's development and achievements and its standing, including the description of basic risks and threats;

Warsaw, 23 August 2021

Yovav Carmi President of the Board	Ariel Alejandro Ferstman Member of the Board
Gyula Nagy Member of the Board	Robert Snow Member of the Board

GLOBE TRADE CENTRE S.A.

UNAUDITED INTERIM CONDENSED

CONSOLIDATED

FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD

ENDED **30 JUNE 2021**

TOGETHER WITH INDEPENDENT AUDITORS` REVIEW REPORT

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Financial Position
as of 30 June 2021
(in thousands of Euro)

	Note	30 June 2021 (unaudited)	31 December 2020 (audited)
ASSETS			
Non-current assets			
Investment property	8	2,152,879	2,125,128
Residential landbank	16	7,922	10,094
Property, plant and equipment		7,342	7,785
Blocked deposits	10	11,233	10,979
Deferred tax asset		2,242	616
Other non-current assets		178	159
		2,181,796	**2,154,761**
Loan granted to non-controlling interest partner	9	11,389	11,252
Total non-current assets		**2,193,185**	**2,166,013**
Current assets			
Accounts receivables		8,360	5,873
Accrued income		1,133	878
VAT and other tax receivable	12	1,797	2,343
Income tax receivable		565	1,036
Prepayments and deferred expenses	17	9,735	3,604
Short-term blocked deposits	10	16,923	27,434
Cash and cash equivalents		246,064	271,996
		284,577	**313,164**
Assets held for sale	16	**290,198**	**1,580**
TOTAL ASSETS		**2,767,960**	**2,480,757**

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Financial Position
as of 30 June 2021
(in thousands of Euro)

	Note	30 June 2021 (unaudited)	31 December 2020 (audited)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	21	11,007	11,007
Share premium		550,522	550,522
Capital reserve		(49,489)	(49,489)
Hedge reserve		(16,808)	(11,930)
Foreign currency translation		(2,572)	(2,553)
Accumulated profit		481,013	460,053
		973,673	**957,610**
Non-controlling interest	9	17,077	16,538
Total Equity		**990,750**	**974,148**
Non-current liabilities			
Long-term portion of long-term borrowing	14	1,349,514	1,067,867
Deposits from tenants		11,233	10,979
Long term payable		2,569	2,524
Provision for share based payment		1,269	977
Lease liability	15	38,161	42,891
Derivatives	11	13,248	15,895
Provision for deferred tax liability		128,757	133,230
		1,544,751	**1,274,363**
Current liabilities			
Trade payables and provisions	13	29,606	27,299
Deposits from tenants		1,144	1,790
Current portion of long-term borrowing	14	27,937	193,425
VAT and other taxes payable		2,059	1,551
Income tax payable		873	4,220
Derivatives	11	1,865	3,365
Current portion of lease liabilities	15	192	163
Advances received		807	433
		64,483	**232,246**
Liabilities related to assets held for sale	16	**167,976**	**-**
TOTAL EQUITY AND LIABILITIES		**2,767,960**	**2,480,757**

Globe Trade Centre S.A.
Interim Condensed Consolidated Income Statement
for the six-month period ended 30 June 2021
(in thousands of Euro)

	Note	Six-month period ended 30 June 2021 (unaudited)	Six-month period ended 30 June 2020 (unaudited)	Three-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2020 (unaudited)
Rental revenue	5	59,783	59,038	31,799	28,040
Service charge revenue	5	19,065	19,652	9,822	9,625
Service charge costs	5	(20,024)	(20,055)	(10,263)	(8,897)
Gross margin from operations		**58,824**	**58,635**	**31,358**	**28,768**
Selling expenses		(761)	(707)	(397)	(384)
Administration expenses	6	(6,259)	(4,554)	(3,279)	(3,133)
Profit/(loss) from revaluation / impairment of assets	8	(1,080)	(67,832)	1,514	(62,051)
Other income		241	55	123	41
Other expenses		(344)	(549)	(165)	(261)
Profit/(loss) from continuing operations before tax and finance income / expense		**50,621**	**(14,952)**	**29,154**	**(37,020)**
Foreign exchange differences gain / (loss), net		(149)	(3,236)	219	2,095
Finance income		150	173	76	83
Finance cost	7	(21,614)	(17,051)	(13,050)	(8,318)
Profit/(loss) before tax		**29,008**	**(35,066)**	**16,399**	**(43,160)**
Taxation	19	(7,509)	1,242	(3,606)	6,550
Profit /(loss) for the period		**21,499**	**(33,824)**	**12,793**	**(36,610)**
Attributable to:					
Equity holders of the Company		20,960	(33,619)	12,498	(36,196)
Non-controlling interest	9	539	(205)	295	(414)
Basic earnings per share (in Euro)	22	0.04	(0.07)	0.03	(0.07)

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Comprehensive Income
for the six-month period ended 30 June 2021
(In thousands of Euro)

	Six-month period ended 30 June 2021 (unaudited)	Six-month period ended 30 June 2020 (unaudited)	Three-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2020 (unaudited)
Profit /(loss) for the period	**21,499**	**(33,824)**	**12,793**	**(36,610)**
Gain/(Loss) on hedge transactions	(5,088)	(2,229)	4,030	(1,911)
Income tax	210	299	(416)	304
Net gain/(loss) on hedge transactions	**(4,878)**	**(1,930)**	**3,614**	**(1,607)**
Foreign currency translation	(19)	(3,007)	58	182
Net other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods	**(4,897)**	**(4,937)**	**3,672**	**(1,425)**
Total comprehensive income/(loss) for the period, net of tax	**16,602**	**(38,761)**	**16,465**	**(38,035)**
Attributable to:				
Equity holders of the Company	16,063	(38,556)	16,170	(37,621)
Non-controlling interest	539	(205)	295	(414)

(In thousands of Euro)

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2021 (audited)	**11,007**	**550,522**	**(49,489)**	**(11,930)**	**(2,553)**	**460,053**	**957,610**	**16,538**	**974,148**
Other comprehensive income/(loss)	-	-	-	(4,878)	(19)	-	(4,897)	-	(4,897)
Profit for the period ended 30 June 2021	-	-	-	-	-	20,960	20,960	539	21,499
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(4,878)**	**(19)**	**20,960**	**16,063**	**539**	**16,602**
Balance as of 30 June 2021 (unaudited)	**11,007**	**550,522**	**(49,489)**	**(16,808)**	**(2,572)**	**481,013**	**973,673**	**17,077**	**990,750**

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2020 (audited)	**11,007**	**550,522**	**(43,098)**	**(4,994)**	**943**	**530,242**	**1,044,622**	**14,040**	**1,058,662**
Other comprehensive income/(loss)	-	-	-	(1,930)	(3,007)	-	(4,937)	-	**(4,937)**
Profit /(Loss) for the period ended 30 June 2020	-	-	-	-	-	(33,619)	(33,619)	(205)	**(33,824)**
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(1,930)**	**(3,007)**	**(33,619)**	**(38,556)**	**(205)**	**(38,761)**
Balance as of 30 June 2020 (unaudited)	**11,007**	**550,522**	**(43,098)**	**(6,924)**	**(2,064)**	**496,623**	**1,006,066**	**13,835**	**1,019,901**

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Cash Flows
for the six-month period ended 30 June 2021
(In thousands of Euro)

	Note	Six-month period ended 30 June 2021 (unaudited)	Six-month period ended 30 June 2020 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/ (loss) before tax		29,008	(35,066)
Adjustments for:			
Loss/(profit) from revaluation/impairment of assets and residential projects	8	1,080	67,832
Foreign exchange differences loss/(gain), net		149	3,235
Finance income		(150)	(169)
Finance cost	7	21,614	17,051
Provision for share based payment loss/(profit)		292	(1,061)
Depreciation		337	328
Operating cash before working capital changes		**52,330**	**52,150**
Decrease (increase) in accounts receivables and prepayments and other current assets		(5,396)	(5,340)
Decrease (increase) in advances received		374	933
Increase (decrease) in deposits from tenants		2,705	82
Increase (decrease) in trade and other payables		2,015	(2,420)
Cash generated from operations		**52,028**	**45,405**
Tax paid in the period		(6,386)	(3,131)
Net cash from operating activities		**45,642**	**42,274**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property and property, plant and equipment	8	(40,431)	(45,305)
Purchase of completed assets and land	8	(204,256)	-
Decrease in short term deposits designated for investment		1,005	6,030
Advances received for assets held for sale	16	1,080	-
VAT/tax on purchase/sale of investment property		546	1,132
Interest received		13	32
Net cash used in investing activities		**(242,043)**	**(38,111)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term borrowings	14	689,238	144,898
Repayment of long-term borrowings	14	(487,916)	(163,680)
Interest paid and other financing breaking fees		(20,535)	(15,955)
Repayment of lease liability		(516)	(90)
Loans origination payment		(6,009)	(953)
Decrease/(Increase) in short term deposits		2,856	(1,657)
Net cash from /(used) in financing activities		**177,118**	**(37,437)**
Net foreign exchange difference		**58**	**(4,581)**
Net increase/ (Decrease) in cash and cash equivalents		**(19,225)**	**(37,855)**
Cash and cash equivalents at the beginning of the period	20	**271,996**	**179,636**
Cash and cash equivalents at the end of the period	20	**252,771**	**141,781**

1. Principal activities

Globe Trade Centre S.A. (the "Company" or "GTC") with its subsidiaries ("GTC Group" or "the Group") is an international real estate developer and investor. The Company was registered in Warsaw on 19 December 1996. The Company's registered office is in Warsaw, Poland at Komitetu Obrony Robotników 45a Street. The Company owns, through its subsidiaries, commercial and residential real estate companies with a focus on Poland, Budapest, Bucharest, Belgrade, Zagreb and Sofia. There is no seasonality in the business of the Group companies.

As of 30 June 2021, the majority shareholder of the Company is GTC Holding Zrt., which holds directly and indirectly 320,466,380 shares of GTC S.A., entitling to 320,466,380 votes in the Company, representing 66% of the share capital of GTC S.A. and carrying the right to 66% of the total number of votes in GTC S.A.. GTC Holding Zrt. holds directly 21,891,289 shares of the Company, entitling to 21,891,289 votes in GTC S.A., representing 4.51% of the share capital of the Issuer and carrying the right to 4.51% of the total number of votes in GTC S.A. and indirectly (i.e. through GTC Dutch Holdings B.V.) holds 298,575,091 shares in the Company, entitling to 298,575,091 votes GTC S.A., representing 61.49% of the share capital of the Company and carrying the right to 61.49% of the total number of votes in the Company.

Events in the period

On 8 January 2021, GTC Pixel and GTC Francuska signed a loan agreement with Santander Bank Polska, which refinanced the existing loans. GTC Pixel repaid the loan in PKO BP in amount of EUR 19.2 million and obtained the new loan in Santander Bank Polska in amount of EUR 19.7 million. GTC Francuska repaid the loan in ING in amount of EUR 18.9 million and obtained the new loan in Santander Bank Polska in amount of EUR 19.3 million.

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

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

1. Principal activities (continued)

On 11 March 2021, GTC Real Estate Development Hungary Zrt, a wholly-owned subsidiary of the Company signed a sale purchase agreement to acquire a Napred company, Belgrade, holding a land plot of 19,537 sqm for a consideration of EUR 33.8 million from Groton Global Corp. The site has potential office development of cca 79,000 sqm. The transaction is expected to be finalized during 2021 upon certain conditions precedents are fulfilled.

On 17 March 2021, GTC Real Estate Development Hungary Zrt., a wholly-owned subsidiary of the Company issued 10-year green bonds with the total nominal value of EUR 53.8 million denominated in HUF to finance real estate acquisitions, redevelopment and constructions of eligible projects. The bonds are fully and irrevocable guaranteed by the Company and were issued at a yield of 2.68% with an annual fixed coupon of 2.6%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 17 March 2031.

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

On 18 March 2021, Erste Group Bank AG, Raiffeisenlandesbank Niederosterreich-Wien AG and GTC CTWA Sp. z o.o., a wholly-owned subsidiary of the Company, operating Galeria Jurajska shopping mall, signed a waiver letter, according to which the DSCR covenant was waived until the end of September 2022 and a prepayment of EUR 5 million was done at the end of March 2021.

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

On 19 March 2021, Commercial Development d.o.o. Beograd, a wholly-owned subsidiary of the Company, operating Ada Mall, and Intesa Bank signed a restated loan agreement whereby the existing loan in the amount of EUR 58.3 million was early prepaid by 31 March 2021 in the amount of EUR 29 million and margin reduced from 3.15% to 2.9%. Following the prepayment, the outstanding loan amount shall be payable in full at maturity in 2029.

On 1 April 2021, GTC Corius wholly-owned subsidiary of the Company signed a loan agreement prolongation with Berlin Hyp Bank, for additional 5 years.

1. Principal activities (continued)

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

On 7 May 2021, GTC Sterlinga Sp. z o.o. wholly-owned subsidiary of the Company signed a prolongation of the loan agreement with Pekao S.A. for additional 5 years.

On 12 May 2021, GTC Real Estate Development Hungary Zrt., a wholly owned subsidiary of the Company, acquired 100% holding of Winmark Ingatlanfejlesztő Kft ("Winmark"), which owns the Ericsson Headquarter Office Building and the Siemens Evosoft Headquarter Office Building two class A office buildings in Budapest from WING Real Estate Group for a consideration of EUR 160.3 million, which was financed partially by a bank facility in the amount of EUR 80 million.

On 21 May 2021, GTC signed a sale and purchase agreement, concerning the sale of the entire share capital of Serbian subsidiaries: Atlas Centar d.o.o. Beograd ("Atlas Centar"), Demo Invest d.o.o. Novi Beograd ("Demo Invest"), GTC BBC d.o.o. ("BBC"), GTC Business Park d.o.o. Beograd ("Business Park"), GTC Medjunarodni Razvoj Nekretnina d.o.o. Beograd ("GTC MRN") and Commercial and Residential Ventures d.o.o. Beograd ("CRV"). The purchase price under the Agreement shall be calculated on an enterprise value basis, based on a property value of aggregate EUR 267.6 million. The closing of the transaction is expected to take place by the end of the third quarter of 2021 following the satisfaction of customary conditions precedent, including the completion of acquisition debt financing by the Buyer.

On 1 June 2021, GOC EAD, wholly owned subsidiary of the Company, acquired a land plot in Sofia with area of 2,417 sqm for a total amount of EUR 4.7 million. The Group plans to develop an office building in Sofia, Bulgaria with a leasable area of 9,200 sqm.

On 8 June 2021, two rating agencies assigned a corporate family rating ("CFR") to GTC: Moody's Investors Service ("Moody's") – Ba1 and Fitch Ratings ("Fitch") – BBB-. Outlook for the assigned ratings is positive (Moody's) and stable (Fitch). After the issue of EUR 500 million fixed-rate, senior unsecured green bonds due 2026, Moody's and Fitch assigned credit ratings for issued bonds on the same level as CFR. Bonds were issued by GTC Aurora Luxembourg S.A., a wholly-owned subsidiary of GTC, and guaranteed by GTC.

1. Principal activities (continued)

On 18 June 2021 Commercial Development d.o.o. Beograd, a whole owned subsidiary of the Company, operating Ada Mall, sent the prepayment notice to Intesa Bank to prepay the entire outstanding Loan in the amount of EUR 29.3 million on 30 September 2021.

On 23 June 2021, GTC Aurora Luxembourg S.A., a wholly-owned subsidiary of the Company, issued 5-year unsecured green bonds with the total nominal value of EUR 500 million denominated in EUR to primarily refinance existing secured debt on its projects whose activities meet the eligibility criteria detailed in the GTC's Green Bond Framework, as well as for general corporate purposes. The bonds are guaranteed by the Company and were issued at a yield of 2.375% with an annual fixed coupon of 2.25%. The bonds are paid at the maturity on 23 June 2026.

On 25 June 2021, GTC Metro Kft., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with CIB bank in amount of EUR 13 million.

On 29 June 2021, the Annual General Meeting adopted a resolution regarding the capital increase of up to 20% of the existing share capital. As per the Annual General Meeting authorization, the Management may conduct the transaction within the next 6 months.

On 30 June 2021, Centrum Światowida Sp. z o.o., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Bank Polska Kasa Opieki S.A. and Commercial Bank of China (Europe) S.A. in total amount of EUR 174.1 million.

On 30 June 2021, GTC Korona S.A., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Santander Bank Polska S.A. in amount of EUR 41.6 million.

On 30 June 2021, GTC Matrix d.o.o., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Erste bank in amount of EUR 23.5 million.

On 30 June 2021, Advance Business Center EAD, a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with UniCredit bank in amount of EUR 41.1 million.

On 30 June 2021, City Gate Bucharest S.R.L. and City Gate S.R.L., a wholly-owned subsidiaries of the Company, repaid the full outstanding amount of the loan with Erste bank in amount of EUR 62 million.

1. Principal activities (continued)

On 30 June 2021, Venus Commercial Center S.R.L., a wholly-owned subsidiary of the Company, repaid the full outstanding amount of the loan with Alpha bank in amount of EUR 13.8 million.

On 30 June 2021, GTC HBK Project Ltd, an indirect wholly-owned subsidiary of the Company, acquired from a company related to the majority shareholder of the Company a 6,400 sqm mixed used retail and office asset in Budapest for the total consideration of EUR 21 million. The acquisition was partially financed by a bank facility in the amount EUR 10.8 million.

On 30 June 2021, GTC VI188 Property Ltd, an indirect wholly-owned subsidiary of the Company acquired from a company related to the majority shareholder of the Company a 15,000 sqm Class A office building in Budapest for a consideration of EUR 31.2 million. The acquisition was partially financed by a bank facility in the amount EUR 16.2 million.

2. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2021 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 significant difference between International Financial Reporting Standards applying to these consolidated financial statements and International Financial Reporting Standards endorsed by the European Union. The new standards which have been issued but are not effective yet in the financial year beginning on 1 January 2021 have been presented in the Group’s consolidated financial statements for the year ended 31 December 2020 (note 6). Also there is no significant changes in accounting estimates used by the Group. For valuation of Serbian offices and newly acquired VI188 and HBK projects, transaction approach was used. Asset deal approach was used for Winmark transaction (please refer to note 1), as it is qualified in accordance with IFRS 3.

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 2020, which were authorized for issue on 22 March 2021. The interim financial results are not necessarily indicative of the full year results.

2. Basis of preparation (continued)

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 affecting earnings for the period.

As of 30 June 2021, the Group's net working capital (defined as current assets less current liabilities) amounted to EUR 220.1 million.

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 interim condensed 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.

Covid- 19 Outbreak

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. (for further information please see note 18).

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 2020 (see Note 7 to the consolidated financial statements for 2020) except for changes in the standards which became effective 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020). These amendments complement those made in 2019 ('IBOR – phase 1') and focus on the effects on entities when an existing interest rate benchmark is replaced with a new benchmark rate as a result of the reform.

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020)

Those amendments to the standards have no significant effect on the Group's consolidated financial statements.

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.

(in thousands of Euro)

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, and voting rights proportion as at the end of each period (the table presents the effective stake):

Subsidiaries

Name	Holding Company	Country of incorporation	30 June 2021	31 December 2020
GTC Konstancja Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Korona S.A.	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o.	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Sterlinga Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Karkonoska Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
GTC Ortal Sp. z o.o.	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Pixel Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Handlowe Wilanow Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Management Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Corius Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Światowida Sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine Investments Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
Glorine Investments Sp. z o.o. s.k.a.(1)	GTC S.A.	Poland	100%	100%
GTC Galeria CTWA Sp. z o.o.	GTC S.A.	Poland	100%	100%
Artico Sp. z o.o	GTC S.A.	Poland	100%	100%
GTC Hungary Real Estate Development Company Ltd. (“GTC Hungary”)	GTC S.A.	Hungary	100%	100%
GTC Duna Kft.	GTC Hungary	Hungary	100%	100%
Vaci Ut 81-85 Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartmanok Kft. (“Riverside”) (1)	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft. (“Centre Point I”)	Vaci Ut 81-85 Kft.	Hungary	100%	100%
Centre Point II. Kft.	Vaci Ut 81-85 Kft.	Hungary	100%	100%
Spiral I.Kft.	GTC Hungary	Hungary	100%	100%

(1) Under liquidation

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	30 June 2021	31 December 2020
Albertfalva Üzletközpont Kft.	GTC Hungary	Hungary	100%	100%
GTC Metro Kft.	GTC Hungary	Hungary	100%	100%
Kompakt Land Kft.	GTC Hungary	Hungary	100%	100%
GTC White House Kft.	GTC Hungary	Hungary	100%	100%
VRK Tower Kft.	GTC Hungary	Hungary	100%	100%
GTC Future Kft.	GTC Hungary	Hungary	100%	100%
Globe Office Investments Kft.	GTC Hungary	Hungary	100%	100%
Office Planet Kft. (3)	GTC Hungary	Hungary	100%	-
Halsey Investments Sp. z.o.o. (4)	GTC Hungary	Poland	100%	-
Winmark Kft. (4)	GTC Hungary	Hungary	100%	-
GTC Origine Investments Pltd (“GTC Origine”) (3)	GTC S.A.	Hungary	100%	-
GTC HBK Project Kft. (3)	GTC Origine	Hungary	100%	-
GTC VI188 Property Kft. (3)	GTC Origine	Hungary	100%	-
GTC FOD Property Kft. (3)	GTC Origine	Hungary	100%	-
GTC Nekretnine Zagreb d.o.o.	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	100%	100%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o	Croatia	100%	100%
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. (1)	GTC S.A.	Romania	100%	100%
Fajos S.R.L. (2)	GTC S.A.	Romania	-	100%
City Gate S.R.L.	GTC S.A.	Romania	100%	100%
City Rose Park S.R.L.	GTC S.A.	Romania	100%	100%
Deco Intermed S.R.L.	GTC S.A.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L.	GTC S.A.	Romania	66.7%	66.7%

(1) Under liquidation

(2) Liquidated

(3) Newly established wholly owned subsidiary

(4) Acquired

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	30 June 2021	31 December 2020
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%
GOC EAD (3)	GTC S.A.	Bulgaria	100%	-
GTC Medj Razvoj Nekretnina d.o.o. Beograd (5)	GTC S.A.	Serbia	100%	100%
GTC Business Park d.o.o. Beograd (5)	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 (5)	GTC S.A.	Serbia	100%	100%
Atlas Centar d.o.o. Beograd (5)	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. (5)	GTC S.A.	Serbia	100%	100%
GTC Aurora Luxembourg S.A. (3)	GTC S.A.	Luxembourg	100%	-
Europort Investment (Cyprus) 1 Limited	GTC S.A.	Cyprus	100%	100%
Europort Ukraine Holdings 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Ukraine LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Project Ukraine 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%

(3) Newly established wholly owned subsidiary

(5) GTC S.A. holds 100% shares through a fully-owned subsidiary Office Planet Kft, which has 70% of shares and remaining 30% is held directly by GTC S.A.

(in thousands of Euro)

5. Segmental analysis

Rental income divided by sectors is presented below:

	Six-month period ended 30 June 2021 (unaudited)	Six-month period ended 30 June 2020 (unaudited)	Three-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2020 (unaudited)
Rental income from office sector	55,210	54,142	28,753	27,223
Rental income from retail sector	23,638	24,548	12,868	10,442
TOTAL	**78,848**	**78,690**	**41,621**	**37,665**

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

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

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

Segment analysis of rental income and costs for the six-month period ended 30 June 2021 and 30 June 2020 is presented below:

	2021			2020		
Portfolio	**Revenues**	**Costs**	**Gross margin**	**Revenues**	**Costs**	**Gross margin**
Poland	29,978	(8,317)	21,661	31,776	(9,357)	22,419
Belgrade	16,512	(4,050)	12,462	16,569	(4,122)	12,447
Budapest	11,905	(2,765)	9,140	11,126	(2,504)	8,622
Bucharest	8,468	(1,448)	7,020	8,405	(1,389)	7,016
Zagreb	6,270	(2,048)	4,222	5,324	(1,689)	3,635
Sofia	5,715	(1,396)	4,319	5,490	(994)	4,496
Total	**78,848**	**(20,024)**	**58,824**	**78,690**	**(20,055)**	**58,635**

(in thousands of Euro)

5. Segmental analysis (continued)

Segment analysis of rental income and costs for the three-month period ended 30 June 2021 and 30 June 2020 is presented below:

	2021			2020		
Portfolio	Revenues	Costs	Gross margin	Revenues	Costs	Gross margin
Poland	15,620	(4,226)	11,394	14,982	(4,064)	10,918
Belgrade	8,443	(1,958)	6,485	8,048	(1,863)	6,185
Budapest	6,951	(1,555)	5,396	5,526	(1,151)	4,375
Bucharest	4,125	(763)	3,362	4,144	(622)	3,522
Zagreb	3,241	(1,022)	2,219	2,480	(733)	1,747
Sofia	3,241	(739)	2,502	2,485	(464)	2,021
Total	**41,621**	**(10,263)**	**31,358**	**37,665**	**(8,897)**	**28,768**

Segment analysis of assets and liabilities as of 30 June 2021 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans, bonds and leases	Deferred tax liability	Other	Total liabilities
Poland	905,413	37,062	4,413	**946,888**	304,588	60,518	15,437	**380,543**
Belgrade	374,060	15,608	5,558	**395,226**	179,125	10,772	9,332	**199,229**
Budapest	608,031	189,598	12,496	**810,125**	421,386	14,758	22,683	**458,827**
Bucharest	194,988	14,038	1,766	**210,792**	18,380	12,651	3,369	**34,400**
Zagreb	161,014	6,112	12,389	**179,515**	44,183	16,812	4,030	**65,025**
Sofia	186,637	6,400	2,171	**195,208**	53,474	8,570	3,350	**65,394**
Other	11,055	10	2	**11,067**	-	-	1,179	**1,179**
Non allocated	-	18,495	644	**19,139**	555,888	15,448	1,277	**572,613**
Total	**2,441,198**	**287,323**	**39,439**	**2,767,960**	**1,577,024**	**139,529**	**60,657**	**1,777,210**

(in thousands of Euro)

5. Segmental analysis (continued)

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

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

6. Administration expenses

Administration expenses for the period of six-months ended 30 June 2021 and 30 June 2020 comprises the following amounts:

	Six-month period ended 30 June 2021 (unaudited)	Six-month period ended 30 June 2020 (unaudited)	Three-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2020 (unaudited)
Administration expenses	5,967	5,615	3,237	3,076
Share based payment	292	(1,061)	42	57
Total	**6,259**	**4,554**	**3,279**	**3,133**

(in thousands of Euro)

7. Finance costs

Finance costs for the period of six-months ended 30 June 2021 and 30 June 2020 comprises the following amounts:

	Six-month period ended 30 June 2021 (unaudited)	Six-month period ended 30 June 2020 (unaudited)	Three-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2020 (unaudited)
Interest expenses (on financial liabilities that are not fair valued through profit or loss) and other charges	15,658	15,216	8,046	7,449
Early prepayment costs	2,536	-	2,536	-
Finance costs related to lease liability	975	974	488	458
Amortization of long-term borrowings raising costs	2,445	861	1,980	411
Total	**21,614**	**17,051**	**13,050**	**8,318**

The average interest rate (including hedges) on the Group's loans as of 30 June 2021 was 2.18% p.a. (2.3% p.a. as of 31 December 2020).

8. Investment Property

Investment properties that are owned by the Group are office and commercial space, including property under construction:

Investment property can be split up as follows:

	30 June 2021	31 December 2020
Completed investment property	1,885,651	1,879,173
Investment property under construction	93,108	62,909
Investment property landbank at cost	136,079	140,367
Right of use of lands under perpetual usufruct	38,041	42,679
Total	**2,152,879**	**2,125,128**

(in thousands of Euro)

8. Investment Property (continued)

The movement in investment property for the periods ended 30 June 2021 and 31 December 2020 was as follows:

	Right of Use of land	Level 2	Level 3 at fair value	Level 3 at Cost	Total
Carrying amount as of 1 January 2020	**44,485**	**1,346,097**	**741,172**	**115,276**	**2,247,030**
Reclassification	-	(7,799)	-	7,799	-
Capitalised subsequent expenditure	-	11,446	48,184	8,065	67,695
Purchase of completed assets and land	-	5,600	-	16,502	22,102
Adjustment to fair value / (impairment)	-	(84,904)	(52,844)	(3,165)	(140,913)
Amortization of right of use of lands under perpetual usufruct	(440)	-	-	-	(440)
Increase	96	-	-	-	96
Reclassified to assets held for sale	-	-	-	(900)	(900)
Disposals	-	(62,649)	-	(500)	(63,149)
Foreign exchange differences	(1,462)	(4,830)	-	(101)	(6,393)
Carrying amount as of 31 December 2020	**42,679**	**1,202,961**	**736,512**	**142,976**	**2,125,128**
Capitalised subsequent expenditure	-	6,392	19,333	5,417	31,142
Purchase of completed assets and land	-	263,927	-	4,657	268,584
Adjustment to fair value / (impairment)	-	(399)	89	(564)	(874)
Prepaid right of use of lands under perpetual usufruct	(444)	-	-	-	(444)
Amortization of right of use of lands under perpetual usufruct	(211)	-	-	-	(211)
Reclassified to assets held for sale	(3,724)	-	(266,763)	900	(269,587)
Classified to assets for own use, net	-	(600)	-	-	(600)
Decrease	(745)	-	-	-	(745)
Foreign exchange differences	486	-	-	-	486
Carrying amount as of 30 June 2021	**38,041**	**1,472,281**	**489,171**	**153,386**	**2,152,879**

(in thousands of Euro)

8. Investment Property (continued)

Fair value and impairment adjustment consists of the following:

	Six-month period ended 30 June 2021 (unaudited)	Six-month period ended 30 June 2020 (unaudited)	Three-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2020 (unaudited)
Adjustment to fair value of completed investment properties	(1,037)	(62,204)	2,120	(56,490)
Adjustment to the fair value of investment properties under construction	537	(4,080)	(249)	(4,221)
Reversal of impairment/(Impairment) adjustment	(374)	(915)	(323)	(915)
Total adjustment to fair value / (impairment) of investment property	**(874)**	**(67,199)**	**1,548**	**(61,626)**
Reversal of impairment/(Impairment) of assets held for sale	25	(94)	25	(10)
Amortization of right of use of lands under perpetual usufruct (including on residential landbank)	(231)	(232)	(59)	(118)
Impairment of residential landbank	-	(307)	-	(297)
Total recognised in profit or loss	**(1,080)**	**(67,832)**	**1,514**	**(62,051)**

Reconciliation between capitalized subsequent expenditure and paid subsequent expenditure is presented below:

	Six-month period ended 30 June 2021 (unaudited)	Six-month period ended 30 June 2020 (unaudited)
Capitalized subsequent expenditure	**299,726**	**32,939**
Change in trade payables and provisions	(2,814)	14,444
Change in trade receivables	5,621	(2,355)
Loan related to Winmark acquisition (note 1)	(58,000)	-
Purchase of property, plant, and equipment	154	277
Paid subsequent expenditure	**244,687**	**45,305**

(in thousands of Euro)

8. Investment Property (continued)

Assumptions used in the fair value valuations of completed assets as of 30 June 2021 are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV*	Fair Value Hierarchy Level	Average Yield
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m		%
Poland retail	443,000	113	93%	20.9	20.8	2	6.2%
Poland office	381,239	196	86%	14.6	14.2	2	8.2%
Belgrade office**	-	-	-	-	-	3	8.6%
Belgrade retail	90,700	35	96%	21.2	21.3	3	8.5%
Budapest office	454,366	167	98%	15.1	15.5	2	6.9%
Budapest retail	21,591	6	83%	18.9	19.2	2	6.8%
Bucharest office	172,085	67	81%	18.6	17.7	2	7.7%
Zagreb retail***	85,300	28	99%	21.5	21.8	3	8.0%
Zagreb office***	60,570	28	90%	14.3	14.7	3	7.6%
Sofia office***	96,100	44	84%	14.5	14.6	3	7.8%
Sofia retail***	80,700	23	96%	20.9	23.6	3	7.8%
Total	**1,885,651**	**707**	**91%**	**17.0**	**16.9**		**7.4%**

(*) ERV- Estimated Rent Value (the open market rent value that a property can be reasonably expected to attain based on characteristics such as a condition of the property, amenities, location, and local market conditions)
(**) Reclassified to assets held for sale. There are no significant changes in valuation assumptions used (please refer to note 2).
(***) As of June 30, 2021 office part of shopping malls in Croatia and Bulgaria was separated for presentation purpose.

Assumptions used in the fair value valuations of completed assets as of 31 December 2020 are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Fair Value Hierarchy Level	Average Yield
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m		%
Poland retail	443,000	113	93%	20.9	20.8	2	6.2%
Poland office	381,738	196	88%	14.6	14.3	2	8.2%
Belgrade office	264,781	122	93%	16.7	16.2	3	8.6%
Belgrade retail	90,700	35	97%	22.0	19.6	3	8.5%
Budapest office	206,138	97	95%	14.2	13.8	2	7.5%
Bucharest office	172,085	67	93%	20.5	17.7	2	7.7%
Zagreb retail	99,512	35	97%	20.2	20.6	3	7.9%
Zagreb office	44,719	21	76%	14.3	14.6	3	7.6%
Sofia office	75,800	34	79%	14.6	14.6	3	7.8%
Sofia retail	100,700	33	98%	18.8	20.8	3	7.8%
Total	**1,879,173**	**753**	**91%**	**17.2**	**16.7**		**7.8%**

(in thousands of Euro)

8. Investment Property (continued)

Information regarding investment properties under construction as of 30 June 2021 is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Budapest (Pillar)	75,800	29
Sofia (Sofia Tower 2)	5,180	8
Belgrade (GTC X)	12,128	17
Total	**93,108**	**54**

Information regarding investment properties under construction as of 31 December 2020 is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Budapest (Pillar)	60,300	29
Sofia (Sofia Tower 2)	2,609	8
Total	**62,909**	**37**

Information regarding book value of investment property landbank for construction as of 30 June 2021 and 31 December 2020 is presented below:

	30 June 2021	31 December 2020
Poland	38,177	37,961
Serbia	-	10,164
Hungary	50,237	49,895
Romania	15,500	15,500
Croatia	14,700	14,638
Bulgaria	4,657	-
Total	**123,271**	**128,158**

(in thousands of Euro)

8. Investment Property (continued)

Information regarding book value of investment property landbank (long term pipeline – with no current plan for construction) as of 30 June 2021 and 31 December 2020 is presented below:

	30 June 2021	31 December 2020
Poland	9,158	8,859
Hungary	3,350	3,350
Other	300	-
Total	**12,808**	**12,209**
GRAND TOTAL	**136,079**	**140,367**

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 2021 (unaudited) is presented below:

	Avenue Mall	Non-core projects	Total
NCI share in equity	24,462	(7,385)	17,077
Loans received from NCI	-	8,645	8,645
Loans granted to NCI	(11,389)	-	(11,389)
Total as of 30 June 2021	**13,073**	**1,260**	**14,333**
NCI share in profit / (loss)	**658**	**(119)**	**539**

(in thousands of Euro)

10. Blocked deposits

Blocked deposits include deposits related to loan agreements and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements.

Blocked deposits related to contractual commitments include mostly tenants' deposit account, security account, capex accounts, and deposits in order to settle contractual commitments related to the construction of this project.

11. Derivatives

The Group holds instruments (IRS, CAP, currency SWAP and cross-currency interest rate SWAP) that hedge the risk involved in fluctuations of interest rate and currencies rates. The instruments hedge interest on loans for a period of 2-5 years.

The movement in derivatives for the periods ended 30 June 2021 and 31 December 2020 was as follows:

	30 June 2021	31 December 2020
Fair value as of the beginning of the period	**(19,260)**	**(6,085)**
Charged to other comprehensive income (*)	(5,087)	(7,748)
Charged to income statements (**)	7,879	(5,427)
Reclassified to assets held for sale	1,355	-
Fair value as of the end of the period	**(15,113)**	**(19,260)**

(*) Increase is mainly attributable to the new cross-currency swap for bonds in HUF.

(**) This gain mainly offset a foreign exchange differences loss on bonds nominated in PLN and HUF.

Derivatives are measured at fair value at each reporting date. Valuations of hedges are considered as level 2 fair value measurements.

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. Trade payables and provisions

The balance of trade payables and provisions increased from EUR 27,299 to EUR 29,606 in the period ended 30 June 2021. The majority of the payables relates to development activity.

(in thousands of Euro)

14. Long-term loans and bonds

	30 June 2021	31 December 2020
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	49,027	48,117
Green bonds mature in 2027-2030 (HU0000360102)	113,143	108,614
Green bonds mature in 2028-2031 (HU0000360284)	56,410	-
Green bonds mature in 2026 (XS2356039268)	497,344	-
Bonds 0321 (PLGTC0000276)	-	20,737
Bonds 0422 (PLGTC0000292)	9,517	9,515
Loan from Santander (Globis Poznan)	16,636	16,951
Loan from Santander (Korona Business Park)	-	41,966
Loan from Santander (Pixel)	19,356	-
Loan from PKO BP (Pixel)	-	19,224
Loan from Santander (Globis Wroclaw)	21,021	21,368
Loan from Berlin Hyp (Corius)	9,506	10,036
Loan from Pekao (Sterlinga)	14,875	15,138
Loan from Pekao (Galeria Polnocna)	-	175,404
Loan from PKO BP (Artico)	13,593	13,848
Loan from Erste and Raiffeisen (Galeria Jurajska)	117,688	125,125
Loan from Berlin Hyp (UBP)	41,978	42,413
Loan from Santander (Francuska)	18,963	-
Loan from ING (Francuska)	-	18,929
Loan from OTP (Centre Point)	48,765	49,669
Loan from CIB (Metro)	-	13,277
Loan from UniCredit Bank (Pillar)	33,242	13,718
Loan from OTP (Duna)	37,817	38,518
Loan from Erste (HBK)	10,775	-
Loan from Erste (Váci Greens D)	24,991	-
Loan from OTP (Ericsson/Universum)	80,000	-
Loan from Erste (VI188)	16,225	-
Loan from Erste (GTC House)*	-	14,820
Loan from Erste (19 Avenue) *	-	21,510
Loan from OTP (BBC)*	-	20,985
Loan from Intesa Bank (Green Heart)*	-	55,907
Loan from Raiffeisen Bank (Forty one)*	-	36,295
Loan from Intesa Bank (Ada)	29,256	58,256
Loan from Erste (City Gate)	-	71,951
Loan from Banca Transilvania (Cascade)	3,589	3,797
Loan from Alpha Bank (Premium)	-	14,486
Loan from OTP (Mall of Sofia)	53,440	54,668
Loan from UniCredit (ABC I)	-	18,816
Loan from UniCredit (ABC II)	-	19,622
Loan from Erste (Matrix)	-	21,921
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	43,000	44,000
Loans from NCI	8,645	8,529
Deferred issuance debt expenses	(11,351)	(6,838)
Total	**1,377,451**	**1,261,292**

*Reclassified to liabilities related to assets held for sale.

(in thousands of Euro)

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 2021	31 December 2020
Current portion of long term loans and bonds:		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	364	442
Green bonds mature in 2027-2030 (HU0000360102)	611	-
Green bonds mature in 2028-2031 (HU0000360284)	144	-
Green bonds mature in 2026 (XS2356039268)	243	-
Bonds 0321 (PLGTC0000276)	-	20,737
Bonds 0422 (PLGTC0000292)	9,517	75
Loan from Santander (Globis Poznan)	629	629
Loan from Santander (Korona Business Park)	-	1,395
Loan from Santander (Pixel)	690	-
Loan from PKO BP (Pixel)	-	19,224
Loan from Berlin Hyp (UBP)	870	870
Loan from Erste and Raiffeisen (Galeria Jurajska)	4,875	4,875
Loan from Santander (Globis Wroclaw)	693	693
Loan from Berlin Hyp (Corius)	6	10,036
Loan from Pekao (Sterlinga)	525	15,138
Loan from PKO BP (Artico)	510	510
Loan from Pekao (Galeria Polnocna)	-	5,000
Loan from Santander (Francuska)	676	-
Loan from ING (Francuska)	-	18,929
Loan from OTP (Centre Point)	1,807	1,807
Loan from OTP (Duna)	1,401	1,401
Loan from Erste (Váci Greens D)	928	-
Loan from CIB (Metro)	-	1,172
Loan from Erste (GTC House)*	-	624
Loan from Erste (19 Avenue)*	-	994
Loan from Intesa Bank (Green Heart)*	-	2,873
Loan from OTP (BBC)*	-	805
Loan from Raiffeisen Bank (Forty one)*	-	1,853
Loan from Intesa Bank (Ada)	-	3,473
Loan from OTP (Mall of Sofia)	2,457	2,457
Loan from UniCredit (ABC I)	-	816
Loan from UniCredit (ABC II)	-	801
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	2,000	2,000
Loan from Erste (Matrix)	-	580
Loan from Alpha Bank (Premium)	-	1,025
Loan from Banca Transilvania (Cascade)	240	240
Loan from Erste (City Gate)	-	71,951
Deferred issuance debt expenses	(1,249)	-
Total	**27,937**	**193,425**

*Reclassified to liabilities related to assets held for sale.

(in thousands of Euro)

14. Long-term loans and bonds (continued)

	30 June 2021	31 December 2020
Long term portion of long term loans and bonds:		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	48,663	47,675
Bonds 0422 (PLGTC0000292)	-	9,440
Green bonds mature in 2027-2030 (HU0000360102)	112,532	108,614
Green bonds mature in 2028-2031 (HU0000360284)	56,266	-
Green bonds mature in 2026 (XS2356039268)	497,101	-
Loan from Santander (Globis Poznan)	16,007	16,322
Loan from Santander (Korona Business Park)	-	40,571
Loan from Santander (Pixel)	18,666	-
Loan from Santander (Globis Wroclaw)	20,328	20,675
Loan from Berlin Hyp (Corius)	9,500	-
Loan from Pekao (Sterlinga)	14,350	-
Loan from Pekao (Galeria Polnocna)	-	170,404
Loan from PKO BP (Artico)	13,083	13,338
Loan from Erste and Raiffeisen (Galeria Jurajska)	112,813	120,250
Loan from Berlin Hyp (UBP)	41,108	41,543
Loan from Santander (Francuska)	18,287	-
Loan from OTP (Centre Point)	46,958	47,862
Loan from CIB (Metro)	-	12,105
Loan from OTP (Duna)	36,416	37,117
Loan from Erste (HBK)	10,775	-
Loan from Erste (Váci Greens D)	24,063	-
Loan from OTP (Ericsson/Universum)	80,000	-
Loan from Erste (VI188)	16,225	-
Loan from UniCredit Bank (Pillar)	33,242	13,718
Loan from Erste (GTC House)*	-	14,196
Loan from Erste (19 Avenue)*	-	20,516
Loan from Intesa Bank (Green Heart)*	-	53,034
Loan from Intesa Bank (Ada)	29,256	54,783
Loan from OTP (BBC)*	-	20,180
Loan from Raiffeisen Bank (Forty one)*	-	34,442
Loan from Banca Transilvania (Cascade)	3,349	3,557
Loan from Alpha Bank (Premium)	-	13,461
Loan from OTP (Mall of Sofia)	50,983	52,211
Loan from UniCredit (ABC I)	-	18,000
Loan from UniCredit (ABC II)	-	18,821
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	41,000	42,000
Loan from Erste (Matrix)	-	21,341
Loans from NCI	8,645	8,529
Deferred issuance debt expenses	(10,102)	(6,838)
Total	**1,349,514**	**1,067,867**

*Reclassified to liabilities related to assets held for sale.

(in thousands of Euro)

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.

Bonds (series matures in 2022-2023) are denominated in PLN. Green Bonds (series matures in 2027-2030) and green bonds (series matures in 2028-2031) are denominated in HUF.
All other bank loans and bonds are denominated in Euro.

As at 30 June 2021, the Group continues to comply with the financial covenants set out in their loan agreements and bonds terms (including new bonds mentioned in note 1).

The movement in long term loans and bonds for the periods ended 30 June 2021 and 31 December 2020 was as follows:

	30 June 2021	31 December 2020
Balance as of the beginning of the period (excluding deferred debt expenses)	**1,268,130**	**1,212,990**
Drawdowns*	689,238	286,807
Repayments	(487,916)	(224,293)
Reclassified to liabilities related to assets held for sale	(146,145)	-
Loan on acquisition of Winmark (note 1)	58,000	-
Change in accrued interest	104	(73)
Foreign exchange differences	7,391	(7,301)
Balance as of end of the period (excluding deferred debt expenses)	**1,388,802**	**1,268,130**

(*) Includes bonds issued by GTC Aurora Luxembourg S.A. in amount of EUR 497 million (for more detail please refer to note 1).

(in thousands of Euro)

14. Long-term loans and bonds (continued)

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

	30 June 2021 (unaudited)	31 December 2020 (audited)
First year	59	218
Second year	164	211
Third year	89	204
Fourth year	156	272
Fifth year	758	155
Thereafter	279	292
	1,505	**1,352**

15. Lease liability and Right of Use of land

Lease liabilities include mostly lease payments for land subject to perpetual usufruct payments and classified as land under investment property (completed, under construction, and landbank) and residential landbank.

The balance of Right of Use as of 30 June 2021 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
Poland	10,697	21,198	-	-	31,895
Romania	6,146	-	-	-	6,146
Serbia*	-	-	-	-	-
Croatia	-	-	1,122	-	1,122
Bulgaria	-	-	-	38	38
Hungary	-	-	-	28	28
Balance as of 30 June 2021	**16,843**	**21,198**	**1,122**	**66**	**39,229**

(*) Reclassified to assets held for sale

(in thousands of Euro)

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

The balance of Right of Use as of 31 December 2020 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
Poland	10,722	22,021	-	-	32,743
Romania	6,211	-	-	-	6,211
Serbia	3,725	-	-	-	3,725
Croatia	-	-	1,140	-	1,140
Bulgaria	-	-	-	131	131
Hungary	-	-	-	74	74
Balance as of 31 December 2020	**20,658**	**22,021**	**1,140**	**205**	**44,024**

The balance of lease liability as of 30 June 2021 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total	Discount rate
Poland	10,697	20,275	-	-	30,972	4.2%
Romania	6,146	-	-	-	6,146	5.7%
Serbia*	-	-	-	-	-	7.6%
Croatia	-	-	1,183	-	1,183	4.4%
Bulgaria	-	-	-	34	34	4.5%
Hungary	-	-	-	18	18	3.9%
Balance as of 30 June 2021	**16,843**	**20,275**	**1,183**	**52**	**38,353**	

(*) Reclassified to liabilities related to assets held for sale

(in thousands of Euro)

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

The balance of lease liability as of 31 December 2020 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total	Discount rate
Poland	10,722	21,003	-	-	31,725	4.2%
Romania	6,211	-	-	-	6,211	5.7%
Serbia	3,724	-	-	-	3,724	7.6%
Croatia	-	-	1,222	-	1,222	4.4%
Bulgaria				106	106	4.5%
Hungary	-	-	-	66	66	3.9%
Balance as of 31 December 2020	**20,657**	**21,003**	**1,222**	**172**	**43,054**	

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

The movement in Right of Use of land for the periods ended 30 June 2021 and 31 December 2020 was as follows:

	2021	2020
Balance as of beginning of period	**44,024**	**45,931**
Recognition / (derecognition) of Right of Use asset for lands under perpetual usufruct	(745)	96
Amortization of right of use	(270)	(556)
Prepaid right of use of lands under perpetual usufruct	(444)	-
Reclassification to assets held for sale	(3,724)	-
Foreign exchange differences	388	(1,447)
Balance as of end of period	**39,229**	**44,024**

(in thousands of Euro)

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

The movement in lease liability for the periods ended 30 June 2021 and 31 December 2020 was as follows:

	2021	2020
Balance as of beginning of period	**43,054**	**46,430**
Recognition / (derecognition) of lease liability for lands under perpetual usufruct	(745)	96
Payments of leases	(516)	(162)
Change in provision	964	(1,350)
Change in accrued interest	(1,470)	1,336
Reclassification to liabilities related to assets held for sale	(3,724)	-
Foreign exchange differences	790	(3,296)
Balance as of end of period	**38,353**	**43,054**

16. Assets held for sale and liabilities related to assets held for sale

The balance of assets held for sale increased significantly due to the disposal of Serbian entities (for details please refer to note 1) and reclassification of residential land in Romania in amount of EUR 2,153 (Advance for this land in amount of EUR 1,080 was received on 23 March 2021 and was reclassified as liabilities related to assets held for sale as of June 30, 2021).

The balance of assets held for sale (disposal group of Serbian entities) as of 30 June 2021 was as follows:

Company	Real estate	Cash and deposits	Other assets	Total
Atlas Centar	106,924	4,204	730	111,858
Demo Invest	62,052	2,522	720	65,294
GTC BBC	38,714	1,685	822	41,221
GTC Business Park	37,860	2,177	159	40,196
GTC MRN	25,682	2,312	210	28,204
CRV	-	203	389	592
Balance as of 30 June 2021	**271,232**	**13,103**	**3,030**	**287,365**

The balance of assets held for sale as of June 30, 2021 includes Serbian assets of EUR 287,365 and residential landbank in Romania of EUR 2,833, including EUR 680, which were reclassified on Dec 31, 2020.

(in thousands of Euro)

16. Assets held for sale and liabilities related to assets held for sale (continued)

The balance of liabilities related to assets held for sale (disposal group of Serbian entities) as of 30 June 2021 was as follows:

Company	Lease liability	Loans	Deferred tax liability	Other liabilities	Total
Atlas Centar	924	54,471	3,292	2,677	61,364
Demo Invest	1,126	35,369	2,192	1,097	39,784
GTC BBC	714	20,784	173	1,159	22,830
GTC Business Park	960	21,013	2,797	758	25,528
GTC MRN	-	14,508	2,318	371	17,197
CRV	-	-	-	193	193
Balance as of 30 June 2021	**3,724**	**146,145**	**10,772**	**6,255**	**166,896**

17. Prepayment and deferred expenses

The balance of prepayment and deferred expenses increased from EUR 3,604 to EUR 9,735 in the period ended 30 June 2021.

The majority of the increase relates to development activity in Pillar project.

18. COVID-19

The Covid-19 pandemic has triggered a wave of strong negative effects on the global economy. The lockdowns brought a large part of the world's economic activity to an unparalleled standstill: consumers stayed home, companies lost revenue, and terminated employees – which, consequently, led to a rise in unemployment. Rescue packages by national governments and the EU, as well as supporting monetary policies by the European Central Bank have been implemented to moderate the economic impact of the pandemic. However, the scope and duration of the pandemic and possible future containment measures are still impossible to predict. During 2020 and in the six-month period ended 30 June 2021, the economic disruptions caused by the Covid-19 virus and the increased market uncertainty combined with increased volatility in the financial markets led to a decrease in rental revenues, a decrease in the Company assets' values, as well as impacted on the Company's compliance with financial covenants.

18. COVID-19 (continued)

CLOSING AND REOPENING OF THE GROUP'S SHOPPING CENTRES

Following the outbreak of the COVID-19 pandemic, the authorities in many of the markets the Group operates in, imposed restrictions on the opening of its shopping centres. Except for select "essential" retailers, or those able to offer curb side pickup or fulfil delivery orders from the store. The tenants in the Group's centres were unable to trade between three up to five months during 2020 subject to each country's restriction and around and average of three months during the first half of 2021. Measures taken by the government affected and will continue to affect our business. In addition, even in those regions in which there were no mandatory shutdowns, or when shopping centres were allowed to reopen, not all retailers continued or restarted operations.

RENT DISCOUNTS AND COLLECTION

In several countries of our operations, governments adopted tenant support packages, such as a rental payments holiday in Poland for the period of lockdown or rent support through subsidizing part of any rental discounts. Upon the re-opening of its shopping centres, the Group engaged tenants in discussions about collecting rent and service charges as well as the terms of any support by the Group. The Group implemented multi-pronged measures to support tenants and encourage consumer spending, such as reducing rent, allowing rent payment in instalments, waiving late payment interest and service charges.

The financial impact gross margin related to the COVID-19 amounted to €14,700 in 2020 and during the course of the six-month period ended 30 June 2021 certain countries such as Croatia and Serbia have relaxed their trading restrictions therefore shopping malls operating in those regions have recorded an increase in gross margin from operations in the amount of €500 while Poland and Bulgaria lockdowns continue to negatively impact the operations of the malls resulted in a loss of margin from operations by €1,100 in the six-month period ended 30 June 2021 in comparison with the same period of 2020.

The amendment to the Act on special solutions connected with prevention, counteraction and combating of COVID-19 and other infectious diseases and caused by them crisis situations (art. 15ze), which regulates the relations between tenants and landlords regarding settlements for the period of lockdowns (introducing a new settlement between tenants and landlords in which tenants will pay 20% of the rent in the lockdown period and 50% for the three months following the lockdown) came into force in Poland on 23 July 2021. Based on the Management's assessment the impact of the new regulation on prior periods will be immaterial. The new law provides a roadmap for any future lockdowns and as a result could significantly impact the Group's revenue derived from shopping malls located in Poland in case of any potential lockdowns are implemented.

18. COVID-19 (continued)

VALUATION OF INVESTMENT PROPERTIES

The increased uncertainty and increased volatility in the financial markets had negatively affected the investment properties of the Group during 2020 and might have an effect in the future asset valuations, as well as impact on the Company's compliance with financial covenants.

Notwithstanding the above, as of 30 June 2021 the Group received valuations from its valuers. The values are not subject to material uncertainty as regarding their value.

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.

LIQUIDITY POSITION

During the COVID-19 pandemic, the Group took immediate steps to preserve its strong liquidity position in light of the uncertain impact of the pandemic. These steps included cost and CAPEX measures, as well as the decision to retain profit for the year ended 31 December 2019 in the Company as well as recommendation to suspend dividend for the year ended 31 December 2020. As of 30 June 2021, the Group holds cash in the amount of EUR 246,064. The Group runs stress tests, which indicated that the going concern assumption remains valid for at least 12 months from the financial statement publication date.

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

(in thousands of Euro)

19. 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-Avoidance Rule (GAAR) provisions. The new regulation will require significantly more judgement in assessment of the tax consequences of particular transactions.

20. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June 2021 and 30 June 2020:

	30 June 2021 (unaudited)	30 June 2020 (unaudited)
Cash at banks and on hand	246,064	141,781
Cash at banks related to assets held for sale	6,707	-
Cash and cash equivalents at the end of the period	**252,771**	**141,781**

(in thousands of Euro)

21. Capital and Reserves

Shareholders who as at 30 June 2021, 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 Group is entitled to specific cash payments resulting from phantom shares in the Group (the "Phantom Shares"). The company uses binomial model to evaluate the fair value of the phantom shares. The input data includes date of valuation, strike price, and expiry date.

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

As at 30 June 2021, phantom shares issued were as follows:

Strike (PLN)	Blocked	Vested	Total
6.11	-	851,200	851,200
6.31	2,600,000	1,320,000	3,920,000
Total	**2,600,000**	**2,171,200**	**4,771,200**

The Phantom shares (as presented in above 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.

Last year of exercise date	Number of phantom shares
2021	150,000
2023	4,621,200
Total	**4,771,200**

(in thousands of Euro)

22. Earnings per share

Basic earnings per share were calculated as follows:

	Six-month period ended 30 June 2021 (unaudited)	Six-month period ended 30 June 2020 (unaudited)	Three-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2020 (unaudited)
Profit / (loss) for the period attributable to equity holders (Euro)	20,960,000	(33,619,000)	12,498,000	(36,196,000)
Weighted average number of shares for calculating basic earnings per share	485,555,122	485,555,122	485,555,122	485,555,122
Basic earnings per share (Euro)	0.04	(0.07)	0.03	(0.07)

There have been no potentially dilutive instruments as at 30 June 2021 and 30 June 2020.

23. Changes in commitments, contingent assets and liabilities

There were no significant changes in commitments and contingent liabilities, except for certain contingent assets in a way of rental guarantees and warranties provided by Sellers, in connection with the purchase of new assets in Hungary.

24. Subsequent events

On 15 July 2021 Cascade Building SRL, a whole owned subsidiary of the Company, repaid the full outstanding amount of the loan with Banca Transilvania S.A. in total amount of EUR 3.59 million.

On 22 July 2021 GTC FOD Kft, an indirect wholly owned subsidiary of the Company acquired from a company related to the majority shareholder of the Company a 24,000 sqm Class A Office Building in Debrecen, the second largest city in Hungary, for a consideration of EUR 46.7 million.

On 20 August 2021 Dorado 1 EOOD, a whole owned subsidiary of the Company, operating Mall of Sofia, sent the prepayment notice to OTP Bank to prepay the entire outstanding Loan in the amount of EUR 53.4 million on 31 August 2021.

25. Approval of the financial statements

The interim condensed consolidated financial statements were authorised for the issue by the Management Board on 23 August 2021.

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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 2021, 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 2021 to 30 June 2021, 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.

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.

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

Signed by /
Podpisano przez:
Krzysztof
Maksymik
Date / Data:
2021-08-23 17:48

Signed by /
Podpisano przez:
André Helin
Date / Data:
2021-08-23
19:24

Krzysztof Maksymik
Certified Auditor No. 11380

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

Warsaw, 23 August 2021