CONSOLIDATED
INTERIM REPORT

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

30 JUNE 2022

Place and date of publication: Warsaw, 24 August 2022

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 2022

TABLE OF CONTENT

1. Introduction

The GTC Group is an experienced, established, and fully integrated, real estate company operating in the SEE region with a primary focus on Poland and Budapest and capital cities in the CEE and SEE region including 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 inward 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,
Hungary,
Belgrade,
Bucharest,
Sofia
and Zagreb

As of 30 June 2022, the book value of the Group's total property portfolio was €2,380,901. The breakdown of the Group's property portfolio was as follows:

- 45 completed commercial buildings (including 4 office buildings held for sale), including 39 office buildings and 6 retail properties with a total combined commercial space of approximately 762 thousand sq m of GLA, an occupancy rate at 88% and a book value of €2,063,461 which accounts for 87% of the Group's total property portfolio;

- four office buildings under construction with a total GLA of approximately 51 thousand sq m and a book value of €75,674, which accounts for 3% of the Group's total property portfolio;

- investment landbank intended for future development with the book value of €171,690 (including part of land in Poland held for sale in the amount €6,523), which accounts for 7% of the Group's total property portfolio;

- residential landbank which accounts for €26,980 (including part of land in Romania held for sale in the amount of €680), which accounts for 1% of the Group's total property portfolio; and

- right of use of land under perpetual usufruct with value of €43,096 (including right of use of land held for sale) which accounts for 2% of the Group's total property portfolio.

45 completed buildings	762 000 sq m of GLA	4 buildings under construction	landbank for future development

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

TERMS AND ABBREVIATIONS

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	is 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;
Bonds	is to the bonds issued by Globe Trade Centre S.A. and introduced to alternative trading market and marked with the ISIN codes PLGTC0000292, PLGTC0000318, HU0000360102, HU0000360284 and XS2356039268;
the Report	is to the consolidated quarterly 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	is to the Group of countries that are within the region of Central and Eastern Europe (Poland, Hungary);
SEE	is 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. The gross leasable area is the area for which tenants pay rent, and thus the area that produces income for the Group;
Total property portfolio	is to book value of the Group's property portfolio, including: investment properties (completed, under construction and landbank), residential landbank, assets held for sale, and the rights of use of lands under perpetual usufruct;
Commercial properties	is to properties with respect to which GTC Group derives revenue from rent and includes both office and retail properties;
Occupancy rate	is to average occupancy of the completed assets based on square meters ("sq m") of the 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), the 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);
EPRA NTA	is a net asset value measure under the assumption that the entities buy and sell assets, thereby crystallizing certain levels of deferred tax liability. It is computed as the total equity less non-controlling interest, excluding the derivatives at fair value as well as deferred taxation on property (unless such item is related to assets held for sale);
In-place rent	is 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 the 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;
The 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	is to the lawful currency of Hungary;
JSE	is 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 under Item 12. "Key risk factors" as well as under 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 2022 and 30 June 2021. 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 2022 (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 2022.

Selected financial data presented in PLN is derived from the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2022 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			
	2022		2021		2022		2021	
(in thousands)	€	PLN	€	PLN	€	PLN	€	PLN
Consolidated Income Statement								
Revenue from rental activity	84,279	390,760	78,848	358,033	42,514	197,584	41,621	188,676
Cost of operations	(22.655)	(105,040)	(20,024)	(90,925)	(11,184)	(51,983)	(10,263)	(46,519)
Gross margin from operations	61,624	285,720	58,824	267,108	31,330	145,601	31,358	142,157
Selling expenses	(760)	(3,524)	(761)	(3,456)	(368)	(1,711)	(397)	(1,800)
Administrative expenses	(6,430)	(29,813)	(6,259)	(28,421)	(3,209)	(14,915)	(3,279)	(14,864)
Profit/(loss) from revaluation/impairment of assets, net	16,286	76,059	(1,080)	(5,245)	13,223	61,892	1,514	6,844
Financial income/(expense), net	(16,393)	(76,007)	(21,464)	(97,464)	(8,347)	(38,791)	(12,974)	(58,841)
Net profit / (loss)	40,709	189,177	21,499	97,368	25,485	118,762	12,793	57,961
Basic and diluted earnings per share (not in thousands)	0.07	0.32	0.04	0.20	0.04	0.20	0.03	0.12
Weighted average number of issued ordinary shares (not in thousands)	574,255,122	574,255,122	485,555,122	485,555,122	574,255,122	574,255,122	485,555,122	485,555,122

	For the six-month period ended 30 June			
	2022		2021	
(in thousands)	€	PLN	€	PLN
Consolidated Cash Flow Statement				
Net cash from operating activities	41,092	190,524	45,642	207,249
Net cash from/(used in) investing activities	35,299	162,487	(242,043)	(1,099,069)
Net cash from financing activities	77,788	359,315	177,118	804,258
Cash and cash equivalents at the end of the period (includes cash related to AHFS)	250,132	1,170,768	252,771	1,142,727

	As at			
	30 June 2022		31 December 2021	
(in thousands)	€	PLN	€	PLN
Consolidated statement of financial position				
Investment property (completed and under construction)	2,032,635	9,513,952	2,062,389	9,485,752
Investment property landbank	165,167	773,081	139,843	643,194
Right of use (investment property)	39,115	183,081	38,428	176,746
Residential landbank	27,383	128,169	27,002	124,193
Assets held for sale	118,904	556,542	292,001	1,343,029
Cash and cash equivalents	248,645	1,163,808	87,468	402,300
Receivables from shareholders	-	-	123,425	567,681
Others	86,633	405,495	73,193	336,643
Total assets	2,718,482	12,724,128	2,843,749	13,079,538
Non-current liabilities	1,452,715	6,799,578	1,487,683	6,842,449
Current liabilities including liabilities related to assets held for sale	97,551	456,599	239,077	1,099,610
Total Equity	1,168,216	5,467,951	1,116,989	5,137,479
Share capital	12,920	57,426	11,007	48,556

3. Presentation of the Group

3.1 General information about the Group

The GTC Group is an experienced, established, and fully integrated real estate company operating in the CEE and SEE region with a primary focus on Poland and Budapest and capital cities in the SEE region, including 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.

As of 30 June 2022, the book value of the Group's total property portfolio was €2,380,901. The breakdown of the Group's property portfolio was as follows:

- 45 completed commercial buildings (including 4 office buildings held for sale), including 39 office buildings and 6 retail properties with a total combined commercial space of approximately 762 thousand sq m of GLA, an occupancy rate at 88% and a book value of €2,063,461 which accounts for 87% of the Group's total property portfolio;
- four office buildings under construction with a total GLA of approximately 51 thousand sq m and a book value of €75,674, which accounts for 3% of the Group's total property portfolio;
- investment landbank intended for future development with the book value of €171.690 (including part of land in Poland held for sale in the amount €6.523), which accounts for 7% of the Group's total property portfolio;
- residential landbank which accounts for €26,980 (including part of land in Romania held for sale in the amount of €680), which accounts for 1% of the Group's total property portfolio; and
- right of use of lands under perpetual usufruct with value of €43,096 (including right of use of land held for sale) which accounts for 2% of the Group's total property 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 2022 is presented in the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2022 in Note 4 "*Investment in subsidiaries.*"

The following changes in the structure of the Group occurred in the six-month period ended 30 June 2022:

- acquisition of GTC PSZTSZR Projekt Kft,
- acquisition of GTC DBRNT Projekt Kft,
- acquisition of GTC B41 d.o.o.,
- sale of Office Planet Kft.,
- sale of Commercial and Residential Ventures d.o.o. Beograd,
- sale of GTC BBC d.o.o.,
- sale of Atlas Centar d.o.o. Beograd,
- sale of Demo Invest d.o.o. Novi Beograd,
- sale of GTC Business Park d.o.o. Beograd,
- sale of GTC Medj Razvoj Nekretnina d.o.o. Beograd,
- establishment of wholly-owned subsidiary - GTC Flex EAD,
- change in Glamp d.o.o. Beograd shareholder structure: now GTC S.A. holds directly 30% of shares and remaining 70% shares through a wholly-owned subsidiary GTC Hungary.

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 first half of 2022

On 4 January 2022, National Court Register registered the amendment to the Company's articles of association regarding the increase of the Company's share capital through the issuance of ordinary series O bearer shares. On 10-11 January 2022, the Group recorded proceeds from issue of share capital (net of issuance costs) in amount of €120,386

On 10 January 2022, the Company received notifications from GTC Holding Zrt and GTC Dutch Holdings B.V regarding a change in the total number of votes in the Company resulting from issue of 88,700,000 ordinary O series shares and registration of the increase in the Company's share capital. Before the abovementioned change, GTC Holding Zrt held directly and indirectly 320,466,380 shares in the Company, entitling to 320,466,380 votes in the Company, representing 66% of the share capital of the Company and carried the right to 66% of the total number of votes in the Company. After the abovementioned change, GTC Holding Zrt holds directly and indirectly 359,528,880 shares in the Company, entitling to 359,528,880 votes in the Company, representing 62.61% of the share capital of the Company and carrying the right to 62.61% of the total number of votes in the Company.

On 12 January 2022, the Group finalized 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"), following the satisfaction of customary conditions precedent.

On 21 January 2022, the management board of the Warsaw Stock Exchange (WSE) adopted resolution regarding the admission and introduction to stock exchange trading on the main market of the WSE of 88,700,000 ordinary bearer series O shares in the Company with a nominal value of PLN 0.10 each, according to which the management board of the WSE stated that the series O shares are admitted to trading on the main market and resolved to introduce them to stock exchange trading on 26 January 2022.

On 13 January 2022, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Zeta DBRNT Kft. from a company related to the majority shareholder of the Company, which owns an existing office building on the Danube riverbank with GLA of 2,540 sqm for a consideration of €7,700.

On 14 January 2022, GTC entered into a mutual employment contract termination agreement with Mr. Yovav Carmi former President of the management board. Subsequently Mr. Carmi resigned from his seat on the management board of the Company and other subsidiaries.

On 28 January 2022, Mr. Gyula Nagy resigned from his seat on the management board of the Company.

On 4 February 2022, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Epsilon PSZTSZR Kft. from a company related to the majority shareholder of the Company, which owns a land plot of 25,330 sqm in Budapest with existing six old buildings for a consideration of €9,900. The Group is refurbishing the existing buildings and once refurbished, the project will provide a 14,000 sq m new Class A office campus.

On 11 February 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, acquired from Groton Global Corp a Napred company in Belgrade holding a land plot of 19,537 sqm for a consideration of €33,800.

On 19 February 2022, the Company received notification from GTC Dutch Holdings B.V. with its registered office in Amsterdam, the Netherlands (the “Seller”, “GTC Dutch”) and Icona Securitization Opportunities Group S.à r.l. acting on behalf of its compartment Central European Investments with its registered office in Luxembourg, Grand Duchy of Luxembourg (the “Buyer”. “Icona”) that the Seller and the Buyer entered into a preliminary share purchase agreement relating to the acquisition by the Buyer from the Seller of 15.7% of the shares in the Company. However, pursuant to the notification, the Buyer and the Seller agreed that the shareholder’s’ agreement will constitute an acting in concert agreement within the meaning of Articles 87(1)(5) and 87(1)(6) in connection with Article 87(3) of the Act of 29 July 2005 on Public Offerings and the Conditions for the Introduction of Financial Instruments to the Organised Trading System and Public Companies (the “Act on Public Offering”) on joint policy towards the Company and exercising of voting rights on selected matters in an agreed manner. Also, pursuant to the assignment agreement, the Buyer will, among others, transfer to the Seller its voting rights attached to the Shares and grant the power of attorney to exercise voting rights attached to the shares. The assignment agreement expires in case either call or put option under the call and put option agreement is exercised and/or in case of a material default under the transaction documentation (“Transaction”). On 1 March 2022, the company received notification that the Transaction was completed, and the Buyer acquired 15.7% of the shares in the Company.

As a result of execution of the Transaction, Icona holds 90,176,000 ordinary bearer shares in the Company which constitute 15.7% of total votes at GTC's general meeting, with reservations that (i) all the Buyer’s voting rights were transferred to the Seller and that (ii) Buyer granted the Power of Attorney to Icona’s voting rights to the Seller.

As a result of execution of the Transaction GTC Holding Zártkörüen Müködö Részvénytársaság (“GTC Holding Zrt”) holds jointly 269,352,880 shares of the Company, entitling to 269,352,880 votes in the Company, representing 46.9% of the share capital of the Company and carrying the right to 46.9% of the total number of votes in the Company, including:

- directly holds 21,891,289 shares of the Company, entitling to 21,891,289 votes in the Company, representing 3.8% of the share capital of the Company and carrying the right to 3.8% of the total number of votes in the Company; and
- indirectly (i.e. through GTC Dutch) holds 247,461,591 shares of the Company, entitling to 247,461,591 votes in the Company, representing 43.1% of the share capital of the Company and carrying the right to 43.1% of the total number of votes in the Company.

In addition, GTC Holding Zrt also holds indirectly, through GTC Dutch, the Icona's Voting Rights, i.e. the right to exercise 90,176,000 votes in the Company, entitling to 15.7% of the total number of votes in the Company.

Since 1 March 2022, GTC Holding Zrt, GTC Dutch and Icona are acting in concert based on the agreement concerning joint policy towards the Company and exercising of voting rights on selected matters at the general meeting of the Company in an agreed manner.

On 11 March 2022, Mr. Zoltán Fekete resigned from his seat on the supervisory board of the Company. The resignation is effective immediately.

On 11 March 2022, GTC Dutch Holdings B.V. appoints Mr. Gyula Nagy as member of the supervisory board of the Company, effective immediately.

On 17 March 2022, the supervisory board of the Company appointed Mr. Zoltán Fekete to the management board of the Company as the President of the management board, effective immediately.

In March 2022, the Group has completed a Class A office building in Budapest, Hungary – Pillar.

In March 2022, the Group commenced the development of the third building within the Matrix Office Park in Zagreb – Matrix C.

On 18 April 2022, GTC SA repaid all bonds issued under ISIN code PLGTC0000292 (full redemption). The original nominal value was €9,440.

On 22 April 2022, Icona Securitization Opportunities Group S.à r.l. appointed Mr. Bruno Vannini as a member of the supervisory board of the Company, effective immediately.

On 13 May 2022, GTC SA signed an amendment agreement to revolving facility agreement dated 29 October 2021. As a result, the available amount of unsecured revolving credit facility was increased to €94,000.

On 18 May 2022, Globis Wrocław, a wholly-owned subsidiary of the Company, signed a prolongation of the existing facility with Santander Bank Polska Final repayment date was extended to 31 August 2025 and the outstanding balance of the loan in the amount of €13,500 will be paid as a balloon payment on the maturity date.

On 14 June 2022, the Company's shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 160,800 (€34,400). Dividend shall be paid in October 2022.

On 14 June 2022, the Annual General Meeting with its resolution no 20 appointed Artur Kozieja as an independent member of the supervisory board for a period of three years.

On 14 June 2022, the term of office of Mariusz Grendowicz as an independent member of the supervisory board of the Company has expired.

On 28 June 2022, GTC UBP Sp. z o.o., a wholly-owned subsidiary of the Company, signed with Berlin Hyp AG an amendment agreement to the bank loan agreement, according to which a prepayment of €6,100 was made at the beginning of July 2022. The outstanding balance of the loan will be paid as the balloon payment on the maturity date

EVENTS THAT TOOK PLACE AFTER 30 JUNE 2022:

On 4 July 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, established GTC K43-45 Property Kft. in Budapest for future development project. In July 2022, GTC K43-45 Property Kft acquired a land plot in CBD in Budapest for a consideration of €6,550. The project has an existing building permit for the development of approximately 6,400 sq m of hospitality, student housing or short-term rental apartments.

On 5 July 2022, Pedja Petronijevic resigned from his seat on the management board of the Company. The resignation was effective 15 July 2022.

On 19 July 2022, GTC FOD Property Kft., a wholly-owned subsidiary of the Company, signed a sale and purchase agreement, concerning the sale of Forest Offices Debrecen, an office building owned by the subsidiary. The selling price under the agreement is HUF 19,100,000 (an equivalent of €48,100 as at 30 June 2022). The closing of the transaction is expected to take place by the end of Q3 2022.

On 28 July 2022, GTC has sold entire share capital of Cascade Building S.R.L., a wholly-owned subsidiary of the Company owning Cascade Office Building in Bucharest (4,211 sq m) for the consideration of €10,100.

On 28 July 2022, GTC signed a sale and purchase agreement concerning the sale of GTC Matrix d.o.o., a wholly-owned subsidiary of the Company. The purchase price under the Agreement shall be calculated on an enterprise value basis, based on a property value of €52,200. GTC Matrix d.o.o. portfolio consists of two A-class office buildings in Zagreb - Matrix A and B. The closing of the transaction is expected to take place by the end of Q3 2022.

On 10 August 2022, the Management Board of GTC SA announced re-orientation of strategy of the Group, within which the Management Board decided to pursue potential new investments in certain new sectors which may diverge from the current core scope of the Company's operations (namely, the development and management of office, retail and certain other types of real estate). Potential new sectors identified for investment as part of the new strategy include:

1. investment in innovation and technology parks;
2. investment in renewable energy facilities; and
3. investment in development of PRS assets (private rented sector property - residential).

On 9 August 2022, the Company entered into an agreement concerning a transaction involving a joint venture investment into an innovation park in Kildare, Ireland (the "Transaction"). The Transaction involves an investment of approximately €115,000 into the Kildare Innovation Campus. The project involves other international professional investors acting through a

Luxemburg partnership advised by Icona Capital, an entity from the same group as GTC's minority partner.

Kildare Innovation Campus, located outside of Dublin, extends over 72 ha (of which 34 ha is undeveloped). There are nine buildings that form the campus (around 101,685 sq m): six are lettable buildings with designated uses including industrial, warehouse, manufacturing and office/lab space. In addition, there are three amenity buildings, comprising a gym, a plant area, a campus canteen, and an energy centre. The campus currently generates around €6,260 gross rental income per annum. A masterplan has been prepared whereby the site and the campus are planned to be converted into a Life Science and Technology campus with a total of approximately 135,000 sq m. Under the Transaction documentation, GTC will acquire a minority stake of 25% through notes (debt instruments) issued by a Luxembourg securitisation vehicle. GTC's investment is protected by customary investor protection mechanisms.

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 2022 and for the six-month period ended 30 June 2021, the Group derived 75**%** and 76%, respectively, of its revenues from operations as rental revenue, which significantly 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 favourable rent levels. Moreover, for the six-month period ended 30 June 2022 and for the six-month period ended 30 June 2021, the Group derived 25% and 24%, respectively, of its revenues from operations as service revenue, reflecting 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 has its properties valued by external valuers at least twice a year, every June and December. 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 like GDP growth, disposable income, etc., as well as micro conditions such as new developments in the immediate neighbourhood, 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, 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 profit from revaluation and impairment of assets of €16,286 in the six-month period ended 30 June 2022 and €1,080 net loss from revaluation and impairment of assets in the six-month period ended 30 June 2021.

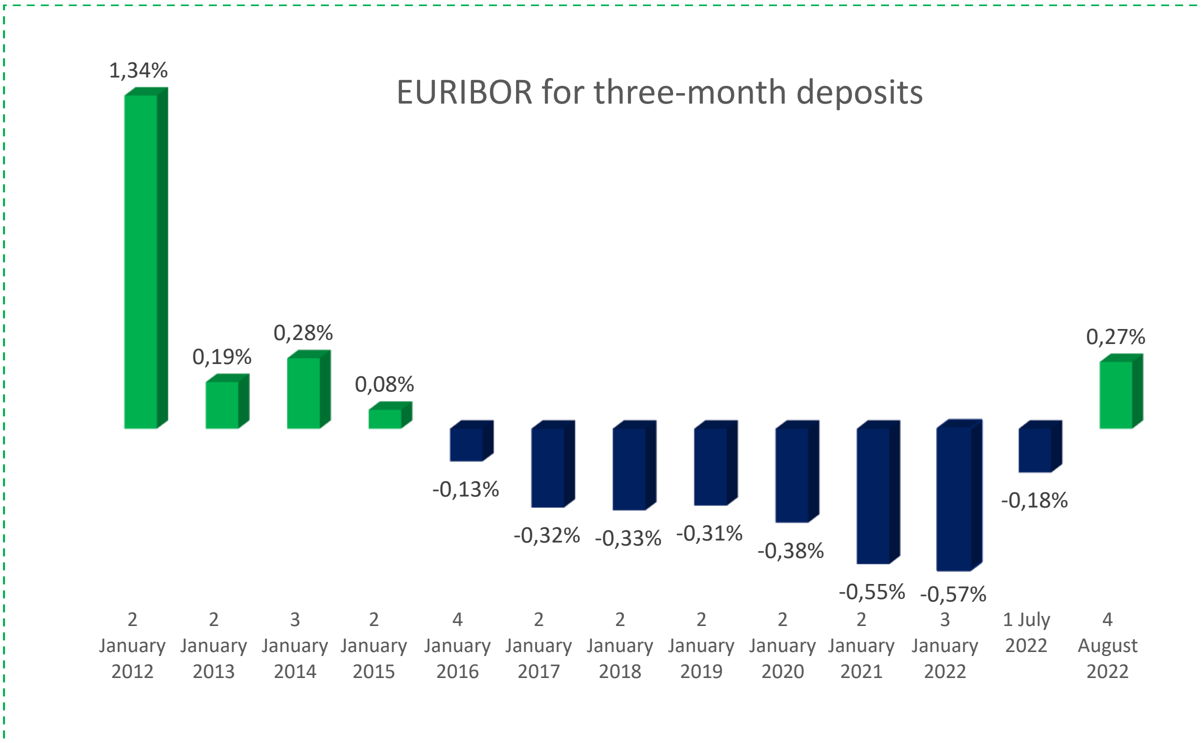
IMPACT OF INTEREST RATE MOVEMENTS

Increases in interest rates generally increase the Group's financing costs. However, as of 30 June 2022, 93% of the Group's borrowings were either based on fixed interest rate or hedged against interest rate fluctuations, mainly through interest rate swaps and cap transactions.

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, leading to higher valuations of the Group's existing investment portfolio. Conversely, increased interest rates generally adversely affect the valuation of the Group's properties, resulting in recognition of impairment that could negatively affect the Group's income.

Historically, EURIBOR rates have remained close to zero or in the negative territory as presented on the graph below. However due to the inflationary pressure in the last six months of the year the European Central Bank has decided to increase interest rates and it is expected that these shall be on the positive territory in the next few months or years to come.

The graph presents EURIBOR for three-month deposits for the period between 2012 – 2022.



IMPACT OF FOREIGN EXCHANGE RATE MOVEMENTS

For six-month periods ended 30 June 2022 and 30 June 2021, 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 the Group operates in are an essential factor as the credit facilities 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, and Bulgaria. The Group receives the vast majority of its revenue from rent denominated in euro, however, it receives a certain portion of its income 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.

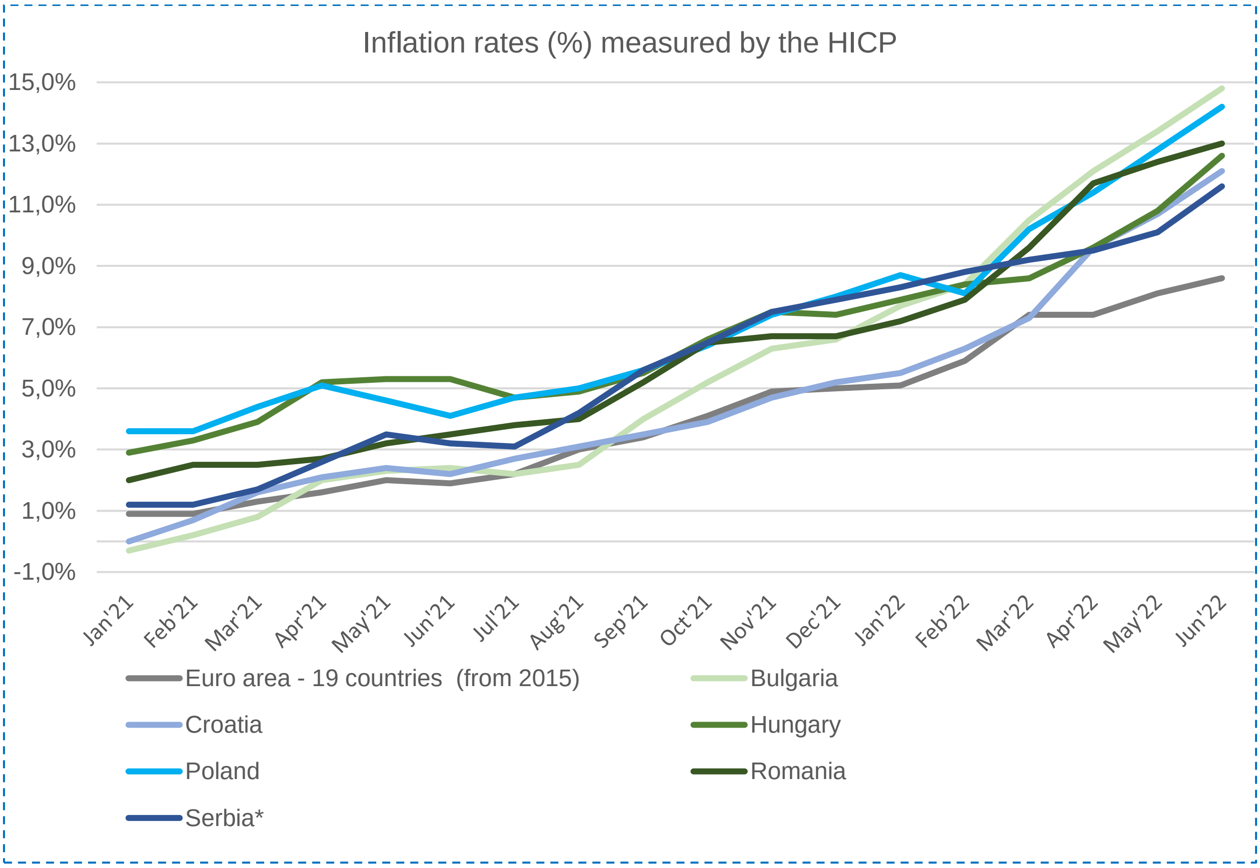
IMPACT OF INFLATION

The COVID-19 outbreak in Europe has led governments to implement rescue packages, as well as supporting monetary policies by the European Central Bank to moderate the economic impact of the pandemic which have a direct or indirect impact on household consumption and thus consumer price indices. Increase of price of energy and services significantly influences the inflation rate.

The Group's financial results are linked to the consumer price index as on one hand its rental revenue is indexed to the European CPI and on the other hand part of its debt is based on floating interest rate, which also may fluctuate as a result of the inflation. Although as of 30 June 2022, 93% of its debt is based on fixed rate or hedged against interest rate fluctuations so the exposure to the changes in interest rate is limited.

Additionally, the Group operates shopping malls and part of its rent (approximately 3% of total revenues from rental activity in 2021) is based on the tenant's turnover. Tenants' turnover might have an impact on the Group's operations and financial results.

According to Eurostat, the Euro area annual inflation was 8.6% in June 2022 and is expected to further grow. The graph below presents below the Harmonized Index of Consumer Prices (HICP) in countries which Group's operate and the Euro area. The main index reference period currently used is 2015.



* definition differs (see metadata at https://ec.europa.eu/eurostat/web/hicp/overview)

Source: https://ec.europa.eu/eurostat/web/hicp/overview

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. The unstable geopolitical situation may have negative impact on the cost and availability of the financing. 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

On 4 January 2022, National Court Register registered the amendment to the Company's articles of association regarding the increase of the Company's share capital through the issuance of ordinary series O bearer shares. On 10-11 January 2022, the Group recorded proceeds from issue of share capital (net of issuance costs) in amount of € 120,386.

On 12 January 2022, the Group finalized 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"), following the satisfaction of customary conditions precedent. The free cash generated from this disposal net of cash in disposed assets was €125,112.

On 13 January 2022, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Zeta DBRNT Kft. from a company related to the majority shareholder of the Company, which owns an existing office building on the Danube riverbank with GLA of 2,540 sq m for a consideration of €7,700.

On 4 February 2022, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Epsilon PSZTSZR Kft. from a company related to the majority shareholder of the Company, which owns a land plot of 25,330 sqm in Budapest with existing six old buildings for a consideration of €9,900. The Group is refurbishing the existing buildings and once refurbished, the project will provide a 14,000 sq m new Class A office campus.

On 11 February 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, acquired from Groton Global Corp Napred company in Belgrade holding a land plot of 19,537 sq m for a consideration of €33,800.

In March 2022, the Group has completed a Class A office building in Budapest, Hungary – Pillar.

In March 2022, the Group commenced the development of the third building within the Matrix Office Park in Zagreb – Matrix C.

On 18 May 2022, Globis Wrocław, a wholly-owned subsidiary of the Company, signed a prolongation of the existing facility with Santander Bank Polska. Final repayment date was extended to 31 August 2025 and the outstanding balance of the loan in the amount of €13,500 will be paid as a balloon payment on the maturity date.

On 28 June 2022, GTC UBP Sp. z o.o., a wholly-owned subsidiary of the Company, signed with Berlin Hyp AG an amendment agreement to the bank loan agreement, according to which a prepayment of €6,100 was made at the beginning of July 2022. The outstanding balance of the loan will be paid as the balloon payment on the maturity date

IMPACT OF THE SITUATION IN UKRAINE ON GTC GROUP

On 24 February 2022, Russian forces entered Ukraine and military conflict ensued. At the time these financial statements were prepared the extent of the conflict and its longer-term impact are unknown. The conflict caused immediate volatility in global stock markets and uncertainties are anticipated in relation to the cost and availability of energy and natural resources, particularly within Europe. Significant economic sanctions have been imposed against Russia by the European Union. The direct impact on the real estate markets where the Company operates is yet unknown. At this stage, there is no evidence that transaction activity within the Markets that the Company operates and the sentiment of buyers or sellers has changed. As of 30 June 2022, and 31 December 2021, the Group did not have any assets on areas of conflict.

5.3 Presentation of differences between achieved financial results and published forecasts

The Group did not publish forecasts for the first half of 2022 or for full year 2022.

5.4 Consolidated statement of financial position

5.4.1 Key items of the consolidated 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 land plots, and (iv) right of use.

RESIDENTIAL LANDBANK

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

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

ASSETS HELD FOR SALE

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

BLOCKED DEPOSITS

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

DERIVATIVES

Derivatives include hedge instruments held by the Group that mitigate the risk of interest and currency 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 gains 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 2022 compared to 31 December 2021

ASSETS

Total assets decreased by €125,267 (4%) to €2,718,482 as of 30 June 2022 from €2,843,749 as of 31 December 2021.

The value of investment property slightly decreased by €3,743 to €2,236,917 as of 30 June 2022 from €2,240,660 as of 31 December 2021, mainly due to reclassification of four office buildings – Matrix A, Matrix B, Cascade and Forest Office Debrecen in the amount of €105,760 and one land plot in Poland in the amount of €9,421 to assets held for sale. This decrease was offset mainly by an investment of €93,765 mostly into the acquisition of a new landbank in Serbia and two assets in Hungary and adjustment to fair value of €16,443.

The value of assets held for sale decreased by €173,097 (59%) to €118,904 as of 30 June 2022 from €292,001 as of 31 December 2021, mainly as a result of the completion of the sale of Serbian entities (incl. real estate assets, cash and deposits, and other assets) offset by the reclassification of four office buildings – Matrix A, Matrix B, Cascade and Forest Office Debrecen and one land plot in Poland to assets held for sale (€115,181).

The value of derivatives increased by €12,887 to €13,713 as of 30 June 2022 from €826 as of 31 December 2021, mainly attributable to the positive valuation of IRS instruments for bank loans.

The value of receivables from shareholders decreased to €0 as of 30 June 2022 from €123,425 as of 31 December 2021, following the registration of capital increase by the National Court Register and recording proceeds in January 2022.

The value of prepayments and deferred expenses decreased by €2,895 (25%) to €8,620 as of 30 June 2022 from €11,515 as of 31 December 2021, mainly as a result of final settlements related to development activities in the Pillar office building.

The value of cash and cash equivalents increased by €161,177 (184%) to €248,645 as of 30 June 2022 from €87,468 as of 31 December 2021, mainly as a result of the sale of Serbian assets (net of cash in disposed entities) of €125,112 combined with capital increase in the total amount of €120,386, partially offset by the purchase of completed assets and land in the total amount of €50,554 and expenditure on investment property of €42,698.

LIABILITIES

The value of loans and bonds decreased by €38,509 (3%) to €1,260,942 as of 30 June 2022 as compared to €1,299,451 as of 31 December 2021 mainly due to repayment of bonds and loans in the amount of €22,980 and foreign exchange differences on bonds in PLN and HUF of €12,093.

The value of liabilities held for sale decreased by €148,339 (96%) to €6,492 as of 30 June 2022 from 154,831 as of 31 December 2021 following the disposal of office properties in Serbia partially offset by reclassification of Matrix and Cascade to liabilities related to assets held for sale.

The value of derivatives increased by €10,293 (25%) to €51,717 as of 30 June 2022 from €41,424 as of 31 December 2021 mainly due changes in fair value in relation to the cross currency interest swaps on the Hungarian bonds.

The value of trade payables and provisions decreased by €4,238 (14%) to €26,854 as of 30 June 2022 from €31,092 as of 31 December 2021, mainly due to reversal of provision for share issuance costs and settlement of liabilities from previous year balance.

The value of income tax payable increased by €3,070 to €4,070 as of 30 June 2022 from €1,000 as of 31 December 2021, mainly due to the income tax on sale of Serbian office portfolio.

EQUITY

The value of unregistered share capital increase decreased to €0 as of 30 June 2022 from €120,295 as at 31 December 2021, following registration of the capital increase by National Court Register (Krajowy Rejestr Sądowy).

The value of share capital increased by €1,913 (17%) to €12,920 as of 30 June 2022 from €11,007 as at 31 December 2021, following reclassification of unregistered share capital after share capital increase was registered.

The value of share premium increased by €118,382 (22%) to €668,904 as of 30 June 2022 from €550,522 as at 31 December 2021, following reclassification of unregistered share capital after share capital increase was registered.

The value of accumulated profit increased by €39,953 (8%) to €541,657 as of 30 June 2022 from €501,704 as of 31 December 2021, following recognition of profit for the period, in the amount of €40,709.

The value of hedge reserve decreased by €11,547 (37%) to €19,356 as of 30 June 2022 from €30,903 as of 31 December 2021, mainly due to the positive revaluation of the IRS instruments for bank loans, which resulted mainly from an increase in market interest rates.

The value of equity increased by €51,227 (5%) to €1,168,216 as of 30 June 2022 from €1,116,989 as of 31 December 2021 mainly due to recognition of profit of €40,709 and a positive change in the value of hedge reserve by €11,547.

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 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.

ADMINISTRATION 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 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 gains 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 2022 with the result for the corresponding period of 2021

REVENUES FROM RENTAL ACTIVITY

Rental and service revenues increased by €5,431 (7%) to €84,279 in the six-month period ended 30 June 2022 compared to €78,848 in the six-month period ended 30 June 2021. The Group recognized an increase in rental revenues following acquisition of income generating properties and the completion of Pillar in the amount of €12,200 and an increase in rental revenues as from shopping centers in the amount of €9,400 as a result of the end of the Covid-19 related discounts and measures taken to help the retail tenants, as well as an increase in average rental rate following the indexation of its rental rates to the European CPI. The increase was partially offset by a decrease in rental revenues following the sale of Serbian office portfolio in the first quarter of 2022 of €10,700 and due to occupancy decrease.

COST OF RENTAL ACTIVITY

Service cost increased by €2,631 (13%) to €22,655 in the six-month period ended 30 June 2022 as compared to €20,024 in the six-month period ended 30 June 2021. The Group recognized an increase in service costs following acquisition of income generating properties and completion of Pillar of €3,000 and increase in service costs in shopping centers of €1,600. The increase was partially offset by a decrease in the service costs due to the sale of Serbian office portfolio in the first quarter of 2022 of €2,700.

GROSS MARGIN FROM OPERATIONS

Gross margin (profit) from operations increased by €2,800 (5%) to €61,624 in the six-month period ended 30 June 2022 as compared to €58,824 in the six-month period ended 30 June 2021, mainly resulting from an increase in the rental revenues due to acquisitions of properties, partially offset by a loss in rental and service revenues due to the sale of Serbian office portfolio.

The gross margin on rental activities in the six-month period ended 30 June 2022 was 73% compared to 75% in the six-month period ended 30 June 2021.

ADMINISTRATION EXPENSES

Administration expenses (before provision for the share-based program) increased by 960 (16%) to €6,927 in the six-month period ended 30 June 2022 from €5,967 in the six-month period ended 30 June 2021 mainly due to an increase in the remuneration expenses and an increase in tax, IT services and other advisory expenses. Mark-to-market of the share-based program resulted in a reversal of share-based provision of €497 in the six-month period ended 30 June 2022 compared to the provision of €292 recognized in the six-month period ended 30 June 2021. The above factors resulted in an increase of administration expenses of €171 (3%) to €6,430 in the six-month period ended 30 June 2022 from €6,259 in the six-month period ended 30 June 2021.

PROFIT FROM THE REVALUATION/IMPAIRMENT OF ASSETS

Net profit from the revaluation/impairment of the assets amounted to €16,286 in the six-month period ended 30 June 2022, compared to a net loss of €1,080 in the six-month period ended 30 June 2021. Net profit from the revaluation of the investment properties is driven mainly by progress on the leasing and development of GTC X (project under construction, Belgrade, Serbia) and completion of Pillar (Budapest, Hungary) as well as the planned disposal of our assets held for sale in Croatia.

FOREIGN EXCHANGE GAIN (LOSS), NET

Foreign exchange loss amounted to €1,453 in six-month period ended 30 June 2022, compared to a foreign exchange loss of €149 in the six-month period ended 30 June 2021.

FINANCE INCOME

Finance income amounted to €197 in the six-month period ended 30 June 2022 as compared to €150 in the six-month period ended 30 June 2021.

FINANCE COST

Finance cost decreased by €5,024 (23%) to €16,590 in the six-month period ended 30 June 2022 as compared to €21,614 in the six-month period ended 30 June 2021. The weighted average interest rate (including hedges) as of 30 June 2022 was 2.16%.

PROFIT / (LOSS) BEFORE TAX

Profit before tax was €51,800 in the six-month period ended 30 June 2022, compared to a profit before tax of €29,008 in the six-month period ended 30 June 2021. This mainly resulted from increased margin from operations following acquisitions and completions of income generating properties by €2,800 combined with profit from revaluation/impairment of assets of €16,286 and lower finance cost by €5,024. The increase was partially offset by higher foreign exchange differences loss by €1,304.

TAXATION

Tax amounted to €11,091 in the six-month period ended 30 June 2022, compared to a tax of €7,509 in the six-month period ended 30 June 2021. Taxation consists mainly of €11,865 current tax expenses and €774 of deferred tax benefit.

NET PROFIT / (LOSS)

Net profit increased by €19,210 (89%) to €40,709 in the six-month period ended 30 June 2022, compared to a net profit of €21,499 in the six-month period ended 30 June 2021. This mainly resulted from a strong operating performance combined with profit from revaluation/impairment of assets of €16,286 and lower finance cost by €5,024, partially offset by an increase in foreign exchange differences loss by €1,304.

5.5.3 Comparison of financial results for the three-month period ended 30 June 2022 with the result for the corresponding period of 2021

REVENUES FROM RENTAL ACTIVITY

Rental and service revenues increased by €893 (2%) to €42,514 in the three-month period ended 30 June 2022 compared to €41,621 in the three-month period ended 30 June 2021. The Group recognized an increase in rental revenues following acquisition of income generating properties and the completion of Pillar in the amount of €5,700 and an increase in rental revenues as from shopping centers in the amount of €3,500 as a result of the end of the Covid-19 related discounts and measures taken to help the retail tenants, as well as an increase in average rental rate following the indexation of its rental rates to the European CPI. The increase was partially offset by a decrease in rental revenues following the sale of Serbian office portfolio in the first quarter of 2022 of €4,900 and due to occupancy decrease.

COST OF RENTAL ACTIVITY

Service cost increased by €921 (9%) to €11,184 in the three-month period ended 30 June 2022 as compared to €10,263 in the three-month period ended 30 June 2021. The Group recognized an increase in service costs following acquisition of income generating properties and completion of Pillar of €1,400 and increase in service costs in shopping centers of €600. The increase was partially offset by a decrease in the service costs due to the sale of Serbian office portfolio in the first quarter of 2022 of €1,300.

GROSS MARGIN FROM OPERATIONS

Gross margin (profit) from operations remain stable at €31,330 in the three-month period ended 30 June 2022 as compared to €31,358 in the three-month period ended 30 June 2021, which reflects mainly an increase in the rental revenues due to acquisitions of properties, partially offset by a loss in rental and service revenues due to the sale of Serbian office portfolio.

The gross margin on rental activities in the three-month period ended 30 June 2022 was 74% compared to 75% in the three-month period ended 30 June 2021.

ADMINISTRATION EXPENSES

Administration expenses (before provision for the share-based program) increased by €54 (2%) to €3,291 in the three-month period ended 30 June 2022 from €3,237 in the three-month period ended 30 June 2021 mainly due to an increase in the remuneration expenses and an increase in tax, IT services and other advisory expenses. Mark-to-market of the share-based program resulted in a reversal of share-based provision of €82 in the three-month period ended 30 June 2022 compared to the provision of €42 recognized in the three-month period ended 30 June 2021. The above factors resulted in a decrease of administration expenses of €70 (2%) to €3,209 in the three-month period ended 30 June 2022 from €3,279 in the three-month period ended 30 June 2021.

PROFIT FROM THE REVALUATION/IMPAIRMENT OF ASSETS

Net profit from the revaluation/impairment of the assets amounted to €13,223 in the three-month period ended 30 June 2022, compared to a net profit of €1,514 in the three-month period ended 30 June 2021. Net profit from the revaluation of the investment properties is driven mainly by progress on the leasing and development of GTC X (project under construction, Belgrade, Serbia) and completion of Pillar (Budapest, Hungary) as well as the planned disposal of our assets held for sale in Croatia.

FOREIGN EXCHANGE GAIN (LOSS), NET

Foreign exchange differences loss amounted to €308 in three-month period ended 30 June 2022, compared to a foreign exchange gain of €219 in the three-month period ended 30 June 2021.

FINANCE INCOME

Finance income amounted to €126 in the three-month period ended 30 June 2022 as compared to €76 in the three-month period ended 30 June 2021.

FINANCE COST

Finance cost decreased by €4,577 (35%) to €8,473 in the three-month period ended 30 June 2022 as compared to €13,050 in the three-month period ended 30 June 2021. The weighted average interest rate (including hedges) as of 30 June 2022 was 2.16%.

PROFIT / (LOSS) BEFORE TAX

Profit before tax was €31,877 in the three-month period ended 30 June 2022, compared to a profit before tax of €16,399 in the three-month period ended 30 June 2021. This mainly resulted from increased profit from revaluation/impairment of assets by €11,709 and decrease in finance cost by €4,577.

TAXATION

Tax amounted to €6,392 in the three-month period ended 30 June 2022, compared to a tax of €3,606 in the three-month period ended 30 June 2021. Taxation consists mainly of €6,686 of current tax expenses and €294 of deferred tax benefit.

NET PROFIT / (LOSS)

Net profit increased by €12,692 (99%) to €25,485 in the three-month period ended 30 June 2022, compared to a net profit of €12,793 in the three-month period ended 30 June 2021. This mainly resulted from a strong operating performance combined with increased profit from revaluation/impairment of assets by €11,709 and decreased in finance cost by €4,577, partially offset by increase in tax expense of €2,786.

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 FROM (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 six-month periods ended 30 June 2022 and 2021:

	Six-month period ended	
	30 June 2022	30 June 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	**41,092**	**45,642**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investment property and property, plant and equipment	(42,698)	(40,431)
Purchase of completed assets and land,	(50,554)	(204,256)
Sale of landbank, residential landbank or subsidiaries (net of cash in disposed entities)	129,762	-
Decrease in short term deposits designated for investment	-	1,005
Advances received for assets held for sale	-	1,080
VAT/tax on purchase/sale of investment property	(1,214)	546
Interest received	3	13
Net cash from/(used in) investing activities	**35,299**	**(242,043)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	1,173	689,238
Repayment of long-term borrowings	(22,980)	(487,916)
Interest paid and other financing breaking fees	(20,559)	(20,535)
Proceeds from issue of share capital, net of issuance costs	120,386	-
Repayment of a lease liability	(540)	(516)
Loans origination payment	-	(6,009)
Decrease/(Increase) in short term deposits	1,061	2,856
Dividend paid to minority	(753)	-
Net cash from /(used in) financing activities	**77,788**	**177,118**
Net foreign exchange difference	(680)	58
Net increase/ (decrease) in cash and cash equivalents	153,499	(19,225)
Cash and cash equivalents at the beginning of the period	**96,633**	**271,996**
Cash and cash equivalents at the end of the period	**250,132**	**252,771**

Net cash flow from operating activities decreased to €41,092 in the six-month period ended 30 June 2022 from €45,642 in six-month period ended 30 June 2021. The decrease resulted from the tax paid and income loss due to the sale of office portfolio in Serbia partially offset by the completion and acquisition of the income generated by the properties in Hungary.

Net cash flow from investing activities amounted to €35,299 in the six-month period ended 30 June 2022 compared to €242,043 used in the six-month period ended 30 June 2021. Cash flow from investing activities is mainly composed of sale of landbank and Serbian subsidiaries (net of cash in disposed entities) of €129,762, partially offset by expenditure on investment properties and land of €42,698, and purchase of completed assets and land of €50,554.

Net cash flow from financing activities amounted to €77,788 in the six-month period ended 30 June 2022, compared to €177,118 of cash flow from financing activities in the six-month period ended 30 June 2021. Cash flow from financing activities mainly composed of (i) proceeds from issue of share capital, net of issuance costs of €120,386; (ii) repayment of long-term borrowings of €22,980 (iii) interest paid and other financing breaking fees in the amount of €20,559.

Cash and cash equivalents as of 30 June 2022 amounted to €250,132 (including AHFS of €1,487) compared to €252,771 as of 30 June 2021. 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 2022, the Group believes that its cash balances, cash generated from disposal of properties, cash generated from leasing activities of its investment properties, and cash available under its existing and future loan facilities as well as revolving credit facility will fund its needs.

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

As of 30 June 2022, the Group’s non-current liabilities amounted to €1,452,715 compared to €1,487,683 as of 31 December 2021.

The Group’s total debt from long and short-term loans and borrowings as of 30 June 2022 amounted to €1,260,942, as compared to €1,441,403, including loans related to assets held for sale of €141,952 (net of deferred issuance debt expenses) as of 31 December 2021. The weighted average interest rate (including hedges) as of 30 June 2022 was 2.16%.

The Group’s loans and borrowings are mainly denominated in Euro. Debt in other currencies includes bonds (series maturing in 2022-2023) in PLN and green bonds issued by Hungarian subsidiary in HUF (series maturing in 2027-2031), which are hedged through cross currency interest rate swaps following the hedging policy of the Group.

The Group’s net loan-to-value ratio amounted to 42,1% as of 30 June 2022, compared to 52.5% as of 31 December 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 2022, 93% of the Group’s loans (by value) were based on the fixed interest rate or hedged against interest fluctuations, mainly 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 and 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.

The Management has prepared and analyzed the cash flow budget based on certain hypothetical defensive assumptions to assess the reasonableness of the going concern assumption given 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.

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

As of 30 June 2022, the Group does not have any long-term loans granted to its associates or joint ventures.

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

During the six-month period ended 30 June 2022, the Group did not grant guarantees where the total value is material.

As of 30 June 2022 and 30 June 2021 there were no guarantees given to third parties. As of 30 June 2022, the guarantees granted amounted to €0.

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

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

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 2022.

The table is prepared based on information received directly from the shareholders or subscription information, and presents shareholder structure as of the date of this report:

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 31 March 2022 (not in thousand)
GTC Dutch Holdings B.V.	247,461,591	43.10%	337,637,591	58.80%	No change
Icona Securitization Opportunities Group S.A R.L.[1]	90,176,000	15.70%	0	0%	No change
GTC Holding Zártkörüen Müködö Részvénytársaság[2]	21,891,289	3.81%	21,891,289	3.81%	No change
OFE PZU Złota Jesień	53,500,000	9.32%	53,500,000	9.32%	Increase by 3,625,600
AVIVA OFE Aviva Santander	47,364,000	8.25%	47,364,000	8.25%	Increase by 124,207
Other shareholders	113,862,242	19.82%	113,862,242	19.82%	Decrease by 3,749,807
Total	**574,255,122**	**100.00%**	**574,255,122**	**100.00%**	No change

[1] Icona Securitization Opportunities Group S.A R.L. holds directly 15.70% of the share capital of the Company with reservations that all its voting rights were transferred to GTC Dutch Holdings B.V. and that Icona granted the power of attorney to its voting rights to GTC Dutch Holdings B.V.
[2] Directly holds 21,891,289 shares and indirectly through GTC Dutch Holdings B.V. (100% subsidiary of GTC Holding Zártkörüen Müködö Részvénytársaság) holds 337,637,591 shares.

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 (quarterly report for the three-month period ended 31 March 2022) as of 18 May 2022.

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

Management board member	Balance as of 23 August 2022 (not in thousand)	The nominal value of shares in PLN (not in thousand)	Change since 18 May 2022 (not in thousand)
Zoltán Fekete	0	0	No change
Ariel Ferstman	5,240	524	No change
János Gárdai	0	0	No change
Pedja Petronijevic[1]	0	0	No change
Total	**5,240**	**524**	

[1] change until 15 July 2022

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 2022) as of 18 May 2022.

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

Members of supervisory board	Balance as of 23 August 2022 (not in thousand)	The nominal value of shares in PLN (not in thousand)	Change since 18 May 2022
János Péter Bartha	0	0	No change
Lóránt Dudás	0	0	No change
Balázs Figura	0	0	No change
Mariusz Grendowicz[1]	13,348	1,335	No change
Artur Kozieja[2]	0	0	No change
Marcin Murawski	0	0	No change
Gyula Nagy	0	0	No change
Daniel Obajtek	0	0	No change
Bálint Szécsényi	0	0	No change
Bruno Vannini[1]	0	0	No change
Total	**13,348**	**1,335**	

[1] balance as of 16 June 2022

[2] change since 16 June 2022

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

RISK FACTORS RELATING TO THE GROUP'S BUSINESS

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

The Group is subject to 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, are open and operating normally. Retail properties constitute approximately 35% of the Group's income generating property portfolio by value and 27% by GLA and include shopping centres located in Poland, Budapest, Belgrade, Zagreb and Sofia. 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 Group's operating margin in the year ended 31 December 2020. The impact on gross margin for the year ended 31 December 2021 was significantly lower and amounted to €10,500.

The extent of the impact of the COVID-19 pandemic on the Group is 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 favorable terms or at all. Any deterioration on net rental income, the value of the properties, or the Group's ability to sell its properties may have a material adverse effect on the Group’s business, financial condition, and results of operations.

THE GROUP MAY FAIL TO IMPLEMENT ITS STRATEGY 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 of 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 EUR 142,721 (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 2021, 3% of the Group's revenues from rental activity 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 of 30 June 2022. 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.

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 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 Group's operating margin in the year ended 31 December 2020. The impact on gross margin for the year ended 31 December 2021 was significantly lower and amounted to €10,500. 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 of 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 CANCELED, OR IT MAY BE UNABLE TO REALIZE THE FULL EXPECTED VALUE OF ITS COMPLETED PROJECTS

The Group's projects can only be carried out if the sites on which they are located have access to the relevant technical infrastructure required by law (e.g. internal roads, utility connections, and fire prevention equipment and procedures). In cases where such sites do not have the 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.

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

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

Additionally, in view of the increased spread of the COVID-19 pandemic, it cannot be excluded that key members of the Group's management will be subjected to quarantine and/or will test positive for COVID-19 pandemic what might result in such persons being subjected to isolation/hospitalization or not being able to devote sufficient time and resources to managing the Group's operations, and thus, could have an adverse effect on the Group's business, financial condition, and results of operations.

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

The Group relies on a skilled team of professionals, including its key management and project managers, mid-level managers, accountants and other financial professionals, in the development of its projects. 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 ADAPTING 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, such as a rental payments holiday in Poland to for the period of lockdown (followed by an introduction on 23 July 2021 a statutory law on obligatory settlement between tenants and landlords, under which tenants will pay 20% of the rent in the lockdown period and 50% for the three months following such lockdown period) or rent support through subsidizing part of any rental discounts. The Group adopted a number of measures to support tenants in response and 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.

RISK FACTORS 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 OR OTHER DEBT AS THEY MATURE OR MIGHT BE ABLE TO RENEW OR REFINANCE SUCH LOANS OR DEBT ONLY ON LESS FAVORABLE TERMS

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

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

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

In addition, construction loan agreements generally permit the drawdown of the loan funds against the achievement of predetermined construction and space leasing milestones or the sale of a specific number of flats. If the Group fails to achieve these milestones, the availability of the loan funds may be delayed, thereby causing a further delay in the construction schedule. Restrictions of or delays in the access to sources of external financing and conditions of such financing that are less favourable than assumed can have a material adverse effect on the Group's business, financial condition and results of operations.

RISK FACTORS RELATING TO THE MARKETS WHERE THE GROUP OPERATES

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

Investors in emerging and developing markets such as the regions of CEE and SEE, in which the Group operates, should be aware that these markets are subject to greater legal, economic, fiscal and political risks than mature markets and are subject to rapid and sometimes unpredictable change. As a result, investing in the securities of issuers with substantial operations in emerging or developing markets generally involves a higher degree of risk than investing in the securities of issuers with substantial operations in the countries of Western Europe or other similar jurisdictions.

For 6-month period ended 30 June 2022, all of the Group's revenues were sourced from its operations in CEE and SEE countries, particularly Poland (41%), Hungary (28%), Bulgaria (9%), Croatia (9%) Romania (7%) and Serbia (6%). 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 of the date of the 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.

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

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

As of the date of this Report, 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 of 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 Group's share in the market, or an offering of the Company's shares, if any.

THE 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:

Zoltán Fekete, President of the Management Board

Ariel Alejandro Ferstman, Member of the Management Board

János Gárdai, Member of the Management Board

hereby represents that:

- to the best of its knowledge the condensed financial statements for six months ended 30 June 2022 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 2022 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 2022

Zoltán Fekete
CEO
Member of the Board

Ariel Alejandro Ferstman
CFO
Member of the Board

János Gárdai
COO
Member of the Board

GLOBE TRADE CENTRE S.A.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

TOGETHER WITH INDEPENDENT AUDITORS` REVIEW REPORT

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Financial Position
as of 30 June 2022
(in thousands of Euro)

	Note	30 June 2022 (unaudited)	31 December 2021 (audited)
ASSETS			
Non-current assets			
Investment property	8	2,236,917	2,240,660
Residential landbank		27,383	27,002
Property, plant and equipment		7,199	7,834
Blocked deposits		11,673	11,078
Deferred tax asset		3,809	3,786
Derivatives	10	13,713	826
Other non-current assets		147	163
		2,300,841	**2,291,349**
Loan granted to non-controlling interest partner	9	10,765	10,628
		2,311,606	**2,301,977**
Current assets			
Accounts receivables		10,140	6,161
Accrued income		3,695	3,448
Receivables from shareholders	15	-	123,425
VAT and other tax receivable		4,171	2,957
Income tax receivable		581	456
Prepayments, deferred expenses and other receivables		8,620	11,515
Short-term blocked deposits		12,120	14,341
Cash and cash equivalents		248,645	87,468
		287,972	**249,771**
Assets held for sale	13	118,904	292,001
		406,876	**541,772**
TOTAL ASSETS		**2,718,482**	**2,843,749**

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Financial Position
as of 30 June 2022
(in thousands of Euro)

	Note	30 June 2022 (unaudited)	31 December 2021 (audited)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	15	12,920	11,007
Share premium	15	668,904	550,522
Unregistered share capital increase	15	-	120,295
Capital reserve		(49,489)	(49,489)
Hedge reserve		(19,356)	(30,903)
Foreign currency translation		(2,846)	(2,570)
Accumulated profit		541,657	501,704
		1,151,790	**1,100,566**
Non-controlling interest	9	16,426	16,423
Total Equity		**1,168,216**	**1,116,989**
Non-current liabilities			
Long-term portion of long-term borrowing	11	1,210,662	1,255,114
Lease liability	12	38,902	38,767
Deposits from tenants		11,673	11,078
Long term payable		2,498	2,426
Provision for share based payment		913	1,410
Derivatives	10	48,960	38,743
Provision for deferred tax liability		139,107	140,145
		1,452,715	**1,487,683**
Current liabilities			
Current portion of long-term borrowing	11	50,280	44,337
Current portion of lease liabilities	12	204	198
Trade payables and provisions		26,854	31,092
Deposits from tenants		1,504	1,932
VAT and other taxes payable		3,502	2,222
Income tax payable		4,070	1,000
Derivatives	10	2,757	2,681
Advances received		1,888	784
		91,059	**84,246**
Liabilities related to assets held for sale	13	6,492	154,831
		97,551	**239,077**
TOTAL EQUITY AND LIABILITIES		**2,718,482**	**2,843,749**

Globe Trade Centre S.A.
Interim Condensed Consolidated Income Statement
for the six-month period ended 30 June 2022
(in thousands of Euro)

	Note	Six-month period ended 30 June 2022 (unaudited)	Six-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2022 (unaudited)	Three-month period ended 30 June 2021 (unaudited)
Rental revenue	5	63,535	59,783	32,213	31,799
Service charge revenue	5	20,744	19,065	10,301	9,822
Service charge costs	5	(22,655)	(20,024)	(11,184)	(10,263)
Gross margin from operations		**61,624**	**58,824**	**31,330**	**31,358**
Selling expenses		(760)	(761)	(368)	(397)
Administration expenses	6	(6,430)	(6,259)	(3,209)	(3,279)
Profit/(loss) from revaluation / impairment of assets	8	16,286	(1,080)	13,223	1,514
Other income		560	241	525	123
Other expenses		(1,634)	(344)	(969)	(165)
Profit from continuing operations before tax and finance income / expense		**69,646**	**50,621**	**40,532**	**29,154**
Foreign exchange gain / (loss), net		(1,453)	(149)	(308)	219
Finance income		197	150	126	76
Finance cost	7	(16,590)	(21,614)	(8,473)	(13,050)
Profit before tax		**51,800**	**29,008**	**31,877**	**16,399**
Taxation	14	(11,091)	(7,509)	(6,392)	(3,606)
Profit for the period		**40,709**	**21,499**	**25,485**	**12,793**
Attributable to:					
Equity holders of the Company		39,953	20,960	25,039	12,498
Non-controlling interest	9	756	539	446	295
Basic earnings per share (in Euro)	16	0.07	0.04	0.04	0.03

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Comprehensive Income
for the six-month period ended 30 June 2022
(In thousands of Euro)

	Six-month period ended 30 June 2022 (unaudited)	Six-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2022 (unaudited)	Three-month period ended 30 June 2021 (unaudited)
Profit /(loss) for the period	**40,709**	**21,499**	**25,485**	**12,793**
Net other comprehensive income for the period, net of tax not to be reclassified to profit or loss in subsequent periods	-	-	-	-
Gain/(Loss) on hedge transactions	13,737	(5,088)	5,836	4,030
Income tax	(2,190)	210	(885)	(416)
Net gain/(loss) on hedge transactions	**11,547**	**(4,878)**	**4,951**	**3,614**
Foreign currency translation	(276)	(19)	(152)	58
Net other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods	**11,271**	**(4,897)**	**4,799**	**3,672**
Total comprehensive income/(loss) for the period, net of tax	**51,980**	**16,602**	**30,284**	**16,465**
Attributable to:				
Equity holders of the Company	51,224	16,063	29,838	16,170
Non-controlling interest	756	539	446	295

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Changes in Equity
for the six-month period ended 30 June 2022
(In thousands of Euro)

	Share capital	Share premium	Unregistered share capital increase	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2022 *(audited)*	**11,007**	**550,522**	**120,295**	**(49,489)**	**(30,903)**	**(2,570)**	**501,704**	**1,100,566**	**16,423**	**1,116,989**
Other comprehensive income/(loss)	-	-	-	-	11,547	(276)	-	11,271	-	11,271
Result for the period ended 30 June 2022	-	-	-	-	-	-	39,953	39,953	756	40,709
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**-**	**11,547**	**(276)**	**39,953**	**51,224**	**756**	**51,980**
Registered share capital increase	1,913	118,382	(120,295)	-	-	-	-	-	-	-
Dividend paid to minority	-	-	-	-	-	-	-	-	(753)	(753)
Balance as of 30 June 2022 *(unaudited)*	**12,920**	**668,904**	**-**	**(49,489)**	**(19,356)**	**(2,846)**	**541,657**	**1,151,790**	**16,426**	**1,168,216**

	Share capital	Share premium	Unregistered share capital increase	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**

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Cash Flows
for the six-month period ended 30 June 2022
(In thousands of Euro)

	Note	Six-month period ended 30 June 2022 (unaudited)	Six-month period ended 30 June 2021 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		51,800	29,008
Adjustments for:			
Loss/(profit) from revaluation/impairment of assets and residential projects	8	(16,286)	1,080
Foreign exchange loss, net		1,453	149
Finance income		(197)	(150)
Finance cost	7	16,590	21,614
Provision for share based payment loss/(profit)	6	(497)	292
Depreciation		259	337
Operating cash before working capital changes		**53,122**	**52,330**
Increase in accounts receivables and prepayments and other current assets		(1,886)	(5,396)
Decrease in advances received		1,248	374
Increase in deposits from tenants		733	2,705
Increase / (decrease) in trade and other payables		(3,031)	2,015
Cash generated from operations		**50,186**	**52,028**
Tax paid in the period		(9,094)	(6,386)
Net cash from operating activities		**41,092**	**45,642**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property and property, plant and equipment	8	(42,698)	(40,431)
Purchase of completed assets and land	8	(50,554)	(204,256)
Sale of landbank and residential landbank	8,13	4,650	-
Sale of subsidiary, net of cash in disposed assets	13	125,112	-
Decrease in short term deposits designated for investment		-	1,005
Advances received for assets held for sale	13	-	1,080
VAT/tax on purchase/sale of investment property		(1,214)	546
Interest received		3	13
Net cash from/(used in) investing activities		**35,299**	**(242,043)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term borrowings	11	1,173	689,238
Repayment of long-term borrowings	11	(22,980)	(487,916)
Interest paid and other financing breaking fees		(20,559)	(20,535)
Proceeds from issue of share capital, net of issuance costs	1,15	120,386	-
Repayment of lease liability	12	(540)	(516)
Loans origination payment		-	(6,009)
Decrease/(Increase) in short term deposits		1,061	2,856
Dividend paid to minority		(753)	-
Net cash from /(used in) financing activities		**77,788**	**177,118**
Net foreign exchange difference		**(680)**	**58**
Net increase/ (Decrease) in cash and cash equivalents		**153,499**	**(19,225)**
Cash and cash equivalents at the beginning of the period		**96,633**	**271,996**
Cash and cash equivalents at the end of the period		**250,132**	**252,771**

(in thousands of Euro)

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June 2022 and 31 December 2021:

	30 June 2022	31 December 2021
Cash at banks and on hand	248,645	87,468
Cash at banks related to assets held for sale (note 13)	1,487	9,165
Cash and cash equivalents at the end of the period	**250,132**	**96,633**

1. Principal activities

Globe Trade Centre S.A. (the “Company”, “GTC S.A.” 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. The Company owns, through its subsidiaries, commercial and residential real estate companies with a focus on Poland, Hungary, Bucharest, Belgrade, Zagreb and Sofia. There is no seasonality in the business of the Group companies.

As of 30 June 2022, the majority shareholder of the Company is GTC Holding Zrt., which holds directly and indirectly 269,352,880 shares of GTC S.A., entitling to 269,352,880 votes in the Company, representing 46.91% of the Company’s share capital and carrying the right to 46.91% of the total number of votes in GTC S.A.

GTC Holding Zrt. owns its shares in the Company through its direct holding of 21,891,289 shares, entitling to 21,891,289 votes in GTC S.A., representing 3.81% of the Company’s share capital and carrying the right to 3.81% of the total number of votes in GTC S.A. and indirectly, through GTC Dutch, which holds 247,461,591 shares in the Company representing 43.10% of the Company’s share capital, entitling to 247,461,591 votes in the Company, representing 43.10% of the total number of votes in GTC S.A.. However, based on the power of attorney granted to GTC Dutch Holdings B.V. (“GTC Dutch”) by Icona Securitization Opportunities Group S.A R.L. (“Icona”), who holds directly 90,176,000 representing 15.70% of the share capital of the Company, GTC Holding Zrt. also exercises, through GTC Dutch, voting rights from 90,176,000 shares belonging to Icona. As a result, GTC Holding Zrt. is entitled to 359,528,880 votes in GTC S.A. representing 62.61% of the total number of votes in the Company.

Additionally, GTC Holding Zrt., GTC Dutch and Icona are acting in concert based on the agreement concerning joint policy towards the Company and exercising of voting rights on selected matters at the general meeting of the Company in an agreed manner.

EVENTS IN THE PERIOD

On 4 January 2022, National Court Register registered the amendment to the Company’s articles of association regarding the increase of the Company’s share capital through the issuance of ordinary series O bearer shares. On 10-11 January 2022, the Group recorded proceeds from issue of share capital (net of issuance costs) in amount of EUR 120.4 million.

1. Principal activities (continued)

On 10 January 2022, the Company received notifications from GTC Holding Zrt and GTC Dutch Holdings B.V regarding a change in the total number of votes in the Company resulting from issue of 88,700,000 ordinary O series shares and registration of the increase in the Company's share capital. Before the abovementioned change, GTC Holding Zrt held, directly and indirectly, 320,466,380 shares in the Company, entitling to 320,466,380 votes in the Company, representing 66% of the share capital of the Company and carried the right to 66% of the total number of votes in the Company. After the abovementioned change, GTC Holding Zrt holds, directly and indirectly, 359,528,880 shares in the Company, entitling to 359,528,880 votes in the Company, representing 62.61% of the share capital of the Company and carrying the right to 62.61% of the total number of votes in the Company.

On 21 January 2022, the management board of the Warsaw Stock Exchange (WSE) adopted resolution regarding the admission and introduction to stock exchange trading on the main market of the WSE of 88,700,000 ordinary bearer series O shares in the Company with a nominal value of PLN 0.10 each, according to which the management board of the WSE stated that the series O shares are admitted to trading on the main market and resolved to introduce them to stock exchange trading on 26 January 2022.

On 12 January 2022, GTC Group finalized 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"), following the satisfaction of customary conditions precedent. For details please refer to note 13.

On 13 January 2022, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Zeta DBRNT Kft. from a company related to the majority shareholder of the Company, which owns an existing office building on the Danube riverbank with GLA of 2,540 sqm for a consideration of EUR 7.7 million.

On 14 January 2022, GTC entered into a mutual employment contract termination agreement with Mr. Yovav Carmi, former President of the Management Board. Subsequently, Mr Carmi resigned from his seat on the Management Board of the Company and other subsidiaries.

On 28 January 2022, Mr. Gyula Nagy resigned from his seat on the Management Board of the Company.

1. Principal activities (continued)

On 4 February 2022, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Epsilon PSZTSZR Kft. from a company related to the majority shareholder of the Company, which owns a land plot of 25,330 sqm in Budapest with existing six old buildings for a consideration of EUR 9.9 million. The Group plans to refurbish the existing buildings and provide a 14,000 sqm new green certified Class A office campus.

On 11 February 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, acquired from Groton Global Corp Napred company in Belgrade holding a land plot of 19,537 sqm for a consideration of EUR 33.8 million.

On 19 February 2022, the Company received notification from GTC Dutch Holdings B.V. with its registered office in Amsterdam, the Netherlands (the “Seller”) and Icona Securitization Opportunities Group S.à r.l. acting on behalf of its compartment Central European Investments with its registered office in Luxembourg, Grand Duchy of Luxembourg (the “Buyer”) that the Seller and the Buyer entered into a preliminary share purchase agreement relating to the acquisition by the Buyer from the Seller of 15.7% of the shares in the Company. However, pursuant to the notification, the Buyer and the Seller agreed that the shareholders’ agreement will constitute an acting in concert agreement within the meaning of Articles 87(1)(5) and 87(1)(6) in connection with Article 87(3) of the Act of 29 July 2005 on Public Offerings and the Conditions for the Introduction of Financial Instruments to the Organised Trading System and Public Companies (the “Act on Public Offering”) on joint policy towards the Company and exercising of voting rights on selected matters in an agreed manner. Also, pursuant to the assignment agreement, the Buyer will, among others, transfer to the Seller its voting rights attached to the Shares and grant the power of attorney to exercise voting rights attached to the shares. The assignment agreement expires in case either call or put option under the call and put option agreement is exercised and/or in case of a material default under the transaction documentation. On 1 March 2022, the Company received notification that the transaction was completed, and the Buyer acquired 15.7% of the shares in the Company.

As a result of execution of the transaction, Icona Securitization Opportunities Group S.à r.l. holds 90,176,000 ordinary bearer shares in the Company which constitute 15.7% of total votes at GTC's general meeting, with reservations that (i) all the voting rights were transferred to the Seller and that (ii) Buyer granted the Power of Attorney to Buyer’s Voting Rights to the Seller.

1. Principal activities (continued)

As a result of execution of the Transaction GTC Holding Zrt holds jointly 269,352,880 shares of the Company, entitling to 269,352,880 votes in the Company, representing 46.9% of the share capital of the Company and carrying the right to 46.9% of the total number of votes in the Company, including:

- directly holds 21,891,289 shares of the Company, entitling to 21,891,289 votes in the Company, representing 3.8% of the share capital of the Company and carrying the right to 3.8% of the total number of votes in the Company; and
- indirectly (i.e. through GTC Dutch Holdings B.V.) holds 247,461,591 shares of the Company, entitling to 247,461,591 votes in the Company, representing 43.1% of the share capital of the Company and carrying the right to 43.1% of the total number of votes in the Company.

In addition, GTC Holding Zrt also holds indirectly, through GTC Dutch Holdings B.V., the Buyer's Voting Rights, i.e. the right to exercise 90,176,000 votes in the Company, entitling to 15.7% of the total number of votes in the Company.

Since 1 March 2022, GTC Holding Zrt, GTC Dutch Holdings B.V. and Icona Securitization Opportunities Group S.à r.l. are acting in concert based on the agreement concerning joint policy towards the Company and exercising of voting rights on selected matters at the general meeting of the Company in an agreed manner.

In March 2022, the Group has completed a Class A office building in Budapest, Hungary – Pillar.

In March 2022, the Group commenced the development of the third building within the Matrix Office Park in Zagreb – Matrix C.

On 17 March 2022, the supervisory board of the Company appointed Zoltán Fekete as the President of the Management Board of the Company, effective immediately.

On 18 April 2022, GTC SA repaid all bonds issued under ISIN code PLGTC0000292 (full redemption). The original nominal value was EUR 9,440.

On 13 May 2022, GTC SA signed an amendment agreement to revolving facility agreement dated 29 October 2021. As a result, the available amount of unsecured revolving credit facility was increased to EUR 94 million.

On 18 May 2022, Globis Wrocław, a wholly-owned subsidiary of the Company, signed a prolongation of the existing facility with Santander Bank Polska. Final repayment date was extended to 31 August 2025 and the outstanding balance of the loan in the amount of EUR 13.5 million will be paid as a balloon payment on the maturity date.

1. Principal activities (continued)

On 14 June 2022 the Company’s shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 160.8 million (EUR 34.4 million). Dividend shall be paid in October 2022.

On 28 June 2022, GTC UBP Sp. z o.o., a wholly-owned subsidiary of the Company, signed with Berlin Hyp AG amendment agreement to bank loan agreement, according to which a prepayment of EUR 6.1 million was made at the beginning of July 2022. The outstanding balance of the loan will be paid as the balloon payment on the maturity date.

Impact of the situation in Ukraine on GTC Group

On 24 February 2022, Russian forces entered Ukraine and military conflict ensued. At the time these financial statements were prepared the extent of the conflict and its longer-term impact are unknown. The conflict caused immediate volatility in global stock markets and uncertainties are anticipated in relation to the cost and availability of energy and natural resources, particularly within Europe. Significant economic sanctions have been imposed against Russia by the European Union. The direct impact on the real estate markets where the Company operates is yet unknown. At this stage, there is no evidence that transaction activity within the Markets that the Company operates and the sentiment of buyers or sellers has changed. As of June 30 2022 and December 31 2021, the Group did not have any assets on areas of conflict.

2. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2022 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 2022 have been presented in the Group’s consolidated financial statements for the year ended 31 December 2021 (note 6).

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 2021, which were authorized for issue on 5 April 2022. The interim financial results are not necessarily indicative of the full year results.

The functional currency of GTC S.A. and most of its subsidiaries is Euro, as the Group primarily generates and expends cash in euro: 1) prices (rental income) are denominated in euro; 2) all borrowings are denominated in euro or hedged to euro through swap instruments.

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 2022, the Group’s net working capital (defined as current assets less current liabilities) amounted to EUR 309.3 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.

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 2021 (see Note 7 to the consolidated financial statements for 2021) except for changes in the standards which became effective 1 January 2022:

- Amendments to IFRS 3 Business Combinations – amendments to standard published in May 2020 relate to the applicable references to Conceptual Framework for Financial Reporting, without changes to substance of business combinations accounting.

- Amendments to IAS 16 Property, plant and equipment – the amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognized in profit or loss.

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - the amendment to IAS 37 includes a clarification as to whether the unavoidable costs under a contract exceed the expected economic benefits.

- Annual improvements to IFRSs 2018-2020 - the annual improvements contain amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and to illustrative examples to IFRS 16 Leasing. Amendments include explanations and clarify standards guidelines to recognition and valuation.

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

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 2022	31 December 2021
GTC Konstancja Sp. z o.o. (1)	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%
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 PLtd. (“GTC Hungary”)	GTC S.A.	Hungary	100%	100%
GTC Duna Kft.	GTC Hungary	Hungary	100%	100%
Váci út 81-85 Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartmanok Kft. (1)	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft.	Váci út 81-85 Kft.	Hungary	100%	100%
Centre Point II. Kft.	Váci út 81-85 Kft.	Hungary	100%	100%
Spiral I.Kft.	GTC Hungary	Hungary	100%	100%
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%

(1) Under liquidation.

(in thousands of Euro)

4. Investment in Subsidiaries (continued)

Name	Holding Company	Country of incorporation	30 June 2022	31 December 2021
GTC Future Kft.	GTC Hungary	Hungary	100%	100%
Globe Office Investments Kft.	GTC Hungary	Hungary	100%	100%
Office Planet Kft. (1)	GTC Hungary	Hungary	-	100%
GTC Investments Sp. z.o.o.	GTC Hungary	Poland	100%	100%
GTC Univerzum Projekt Kft.	GTC Hungary	Hungary	100%	100%
GTC Origine Investments Pltd. (“GTC Origine”)	GTC S.A.	Hungary	100%	100%
GTC HBK Project Kft.	GTC Origine	Hungary	100%	100%
GTC VI188 Property Kft.	GTC Origine	Hungary	100%	100%
GTC FOD Property Kft.	GTC Origine	Hungary	100%	100%
G-Delta Adrssy Kft.	GTC Origine	Hungary	100%	100%
GTC KLZ 7-10 Kft.	GTC Origine	Hungary	100%	100%
GTC PSZTSZR Projekt Kft (2)	GTC Origine	Hungary	100%	-
GTC DBRNT Projekt Kft (2)	GTC Origine	Hungary	100%	-
GTC B41 d.o.o. (2)	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%
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) Sold (please refer to note 1).
(2) Acquired (please refer to note 1).

(in thousands of Euro)

4. Investment in Subsidiaries (continued)

Name	Holding Company	Country of incorporation	30 June 2022	31 December 2021
NRL EAD	GTC S.A.	Bulgaria	100%	100%
Advance Business Center EAD	GTC S.A.	Bulgaria	100%	100%
GTC Yuzhen Park EAD	GTC S.A.	Bulgaria	100%	100%
Dorado 1 EOOD	GTC S.A.	Bulgaria	100%	100%
GOC EAD	GTC S.A.	Bulgaria	100%	100%
GTC Flex EAD (2)	GTC S.A.	Bulgaria	100%	-
GTC Medj Razvoj Nekretnina d.o.o. Beograd (1)	GTC S.A.	Serbia	-	100%
GTC Business Park d.o.o. Beograd (1)	GTC S.A.	Serbia	-	100%
Commercial and Residential Ventures d.o.o. Beograd (1)	GTC S.A.	Serbia	-	100%
Demo Invest d.o.o. Novi Beograd (1)	GTC S.A.	Serbia	-	100%
Atlas Centar d.o.o. Beograd (1)	GTC S.A.	Serbia	-	100%
Commercial Development d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Glamp d.o.o. Beograd (3)	GTC S.A.	Serbia	100%	100%
GTC BBC d.o.o. (1)	GTC S.A.	Serbia	-	100%
GTC Aurora Luxembourg S.A.	GTC S.A.	Luxembourg	100%	100%
Europort Investment (Cyprus) 1 Limited	GTC S.A.	Cyprus	100%	100%

(1) Sold (please refer to note 1).

(2) Newly established wholly-owned subsidiary.

(3) GTC S.A. holds 100% shares through a wholly-owned subsidiary GTC Hungary, 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 2022 (unaudited)	Six-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2022 (unaudited)	Three-month period ended 30 June 2021 (unaudited)
Rental income from office sector	51,243	55,210	25,584	28,753
Rental income from retail sector	33,036	23,638	16,930	12,868
TOTAL	**84,279**	**78,848**	**42,514**	**41,621**

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, Hungary, Bucharest, Belgrade, Sofia, and Zagreb. Segment *Hungary* includes Budapest and Debrecen, in the financial statements for the six-month period ended 30 June 2021 only Budapest.

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

a. Poland
b. Belgrade
c. Hungary
d. Bucharest
e. Zagreb
f. Sofia
g. Other (including Luxembourg)

Segmental analysis of rental income and costs for the six-month period ended 30 June 2022 and 30 June 2021 is presented below:

	2022			2021		
Portfolio	**Revenues**	**Costs**	**Gross margin**	**Revenues**	**Costs**	**Gross margin**
Poland	34,787	(9,181)	25,606	29,978	(8,317)	21,661
Belgrade	5,470	(1,514)	3,956	16,512	(4,050)	12,462
Hungary	23,689	(5,977)	17,712	11,905	(2,765)	9,140
Bucharest	5,657	(1,560)	4,097	8,468	(1,448)	7,020
Zagreb	7,279	(2,134)	5,145	6,270	(2,048)	4,222
Sofia	7,397	(2,289)	5,108	5,715	(1,396)	4,319
Total	**84,279**	**(22,655)**	**61,624**	**78,848**	**(20,024)**	**58,824**

(in thousands of Euro)

5. Segmental analysis (continued)

Segmental analysis of rental income and costs for the three-month period ended 30 June 2022 and 30 June 2021 is presented below:

	2022			2021		
Portfolio	**Revenues**	**Costs**	**Gross margin**	**Revenues**	**Costs**	**Gross margin**
Poland	17,530	(4,378)	13,152	15,620	(4,226)	11,394
Belgrade	2,539	(806)	1,733	8,443	(1,958)	6,485
Hungary	12,140	(2,968)	9,172	6,951	(1,555)	5,396
Bucharest	2,865	(669)	2,196	4,125	(763)	3,362
Zagreb	3,721	(1,078)	2,643	3,241	(1,022)	2,219
Sofia	3,719	(1,285)	2,434	3,241	(739)	2,502
Total	**42,514**	**(11,184)**	**31,330**	**41,621**	**(10,263)**	**31,358**

Segmental analysis of assets and liabilities as of 30 June 2022 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans, bonds and leases	Deferred tax liability	Other	Total liabilities
Poland	893,537	39,060	14,621	**947,218**	287,545	61,210	13,951	**362,706**
Belgrade	162,117	6,112	2,427	**170,656**	814	1,736	4,835	**7,385**
Hungary	740,018	27,538	19,768	**787,324**	266,436	19,108	12,207	**297,751**
Bucharest	188,668	6,525	1,907	**197,100**	15,099	13,404	1,375	**29,878**
Zagreb	169,736	6,481	11,736	**187,953**	43,656	17,591	7,083	**68,330**
Sofia	195,461	3,778	1,477	**200,716**	-	8,816	2,765	**11,581**
Other	37,484	-	22	**37,506**	2,771	-	-	**2,771**
Non allocated (*)	-	184,996	5,013	**190,009**	695,727	19,733	54,404	**769,864**
Total	**2,387,021**	**274,490**	**56,971**	**2,718,482**	**1,312,048**	**141,598**	**96,620**	**1,550,266**

(*) Loans, bonds and leases comprise mainly of bonds issued by GTC S.A., GTC Hungary and GTC Aurora Luxembourg S.A.

(in thousands of Euro)

5. Segmental analysis (continued)

Segmental analysis of assets and liabilities as of 31 December 2021 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans, bonds and leases	Deferred tax liability	Other	Total liabilities
Poland	898,827	43,450	7,456	**949,733**	299,946	59,706	15,244	**374,896**
Belgrade	381,875	18,702	3,861	**404,438**	146,093	3,000	9,156	**158,249**
Hungary	699,036	28,207	15,302	**742,545**	267,243	20,057	11,269	**298,569**
Bucharest	187,047	10,745	1,249	**199,041**	15,406	13,062	3,925	**32,393**
Zagreb	163,020	6,243	11,385	**180,648**	43,704	16,992	4,271	**64,967**
Sofia	190,516	4,477	1,589	**196,582**	31	8,528	3,147	**11,706**
Other	29,835	464	-	**30,299**	-	-	-	**-**
Non allocated (**)	-	15,700	124,763	**140,463**	722,410	21,800	41,770	**785,980**
Total	**2,550,156**	**127,988**	**165,605**	**2,843,749**	**1,494,833**	**143,145**	**88,782**	**1,726,760**

(**) In other assets are presented receivables from shareholders in the amount of 123,425 EUR. Loans, bonds and leases comprise mainly of bonds issued by GTC S.A., GTC Hungary and GTC Aurora Luxembourg S.A.

(in thousands of Euro)

6. Administration expenses

Administration expenses for the six-month period ended 30 June 2022 and 30 June 2021 comprises the following amounts:

	Six-month period ended 30 June 2022 (unaudited)	Six-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2022 (unaudited)	Three-month period ended 30 June 2021 (unaudited)
Administration expenses	6,927	5,967	3,291	3,237
Share based payment	(497)	292	(82)	42
Total	**6,430**	**6,259**	**3,209**	**3,279**

7. Finance costs

Finance costs for the six-month period ended 30 June 2022 and 30 June 2021 comprises the following amounts:

	Six-month period ended 30 June 2022 (unaudited)	Six-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2022 (unaudited)	Three-month period ended 30 June 2021 (unaudited)
Interest expenses (on financial liabilities that are not fair valued through profit or loss), banking costs and other charges	14,596	15,658	7,490	8,046
Early prepayment costs	-	2,536	-	2,536
Finance costs related to lease liability	889	975	433	488
Amortization of long-term borrowings raising costs	1,105	2,445	550	1,980
Total	**16,590**	**21,614**	**8,473**	**13,050**

The weighted average interest rate (including hedges) on the Group’s loans as of 30 June 2022 was 2.16% p.a. (2.16% p.a. as of 31 December 2021).

(in thousands of Euro)

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 2022	31 December 2021
Completed investment property	1,956,961	1,929,979
Investment property under construction	75,674	132,410
Investment property landbank at cost	165,167	139,843
Right of use of lands under perpetual usufruct	39,115	38,428
Total	**2,236,917**	**2,240,660**

(in thousands of Euro)

8. Investment Property (continued)

The movement in investment property for the periods ended 30 June 2022 and 31 December 2021 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 2021	**42,679**	**1,202,961**	**736,512**	**142,976**	**2,125,128**
Capitalised expenditure	-	16,091	44,070	20,471	80,632
Purchase of completed assets and land	-	310,627	-	15,457	326,084
Adjustment to fair value / (impairment)	-	(12,765)	3,399	(2,105)	(11,471)
Amortization of right of use of lands under perpetual usufruct	(416)	-	-	-	(416)
Reclassified to assets held for sale	(3,724)	-	(266,763)	(1,352)	(271,839)
Reclassified to residential landbank	-	-	-	(5,500)	(5,500)
Classified to assets for own use, net	-	(1,252)	-	-	(1,252)
Disposal of land	-	-	-	(595)	(595)
Decrease	(745)	-	-	-	(745)
Foreign exchange differences	634	-	-	-	634
Carrying amount as of 31 December 2021	**38,428**	**1,515,662**	**517,218**	**169,352**	**2,240,660**
Capitalised expenditure	-	10,234	5,443	26,152	41,829
Purchase of completed assets and land	-	8,029	-	43,907	51,936
Reclassification (1)	-	112,000	(112,000)	-	-
Adjustment to fair value / (impairment)	-	(2,964)	9,099	10,308	16,443
Prepaid right of use of lands under perpetual usufruct	(512)	-	-	-	(512)
Amortization of right of use of lands under perpetual usufruct	(240)	-	-	-	(240)
Reclassified to assets held for sale (2)	(2,898)	(55,100)	(50,660)	(6,523)	(115,181)
Increase	4,128	-	-	-	4,128
Disposal of land (3)	-	-	-	(2,355)	(2,355)
Foreign exchange differences	209	-	-	-	209
Carrying amount as of 30 June 2022	**39,115**	**1,587,861**	**369,100**	**240,841**	**2,236,917**

(1) Completion of Pillar building in Hungary in Q1 2022 – transfer to Level 2 fair value hierarchy.
(2) Please refer also to note 13 *Assets held for sale*.
(3) Sale of land plot in Poland.

(in thousands of Euro)

8. Investment Property (continued)

Fair value and impairment adjustment consists of the following:

	Six-month period ended 30 June 2022 (unaudited)	Six-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2022 (unaudited)	Three-month period ended 30 June 2021 (unaudited)
Adjustment to fair value of completed investment properties	6,135	(1,037)	3,032	2,120
Adjustment to the fair value of investment properties under construction	8,475	537	8,444	(249)
Reversal of impairment/(Impairment) adjustment	1,833	(374)	1,991	(323)
Total adjustment to fair value / (impairment) of investment property	**16,443**	**(874)**	**13,467**	**1,548**
Adjustment to fair value/(Impairment) of assets held for sale	102	25	(190)	25
Amortization of right of use of lands under perpetual usufruct (including on residential landbank)	(259)	(231)	(54)	(59)
Total recognised in profit or loss	**16,286**	**(1,080)**	**13,223**	**1,514**

Reconciliation between capitalized expenditure and paid expenditure is presented below:

	Six-month period ended 30 June 2022 (unaudited)	Six-month period ended 30 June 2021 (unaudited)
Capitalized expenditure	**93,765**	**299,726**
Change in trade payables and provisions	(1,339)	(2,814)
Change in trade receivables	336	5,621
Loan on acquisition GTC Univerzum Projekt Kft. (previously: Winmark Kft.)	-	(58,000)
Purchase of property, plant, and equipment	490	154
Paid expenditures in line with cash flow statement	**93,252**	**244,687**

(in thousands of Euro)

8. Investment Property (continued)

Completed assets are valued using discounted cash flow (DCF) method.

Assumptions used in the fair value valuations of completed assets as of 30 June 2022 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	447,600	113	94%	20.8	21.1	2	6.0%
Poland office	370,738	196	81%	14.1	14.2	2	7.1%
Belgrade retail	90,700	34	99%	18.8	22.0	3	8.3%
Hungary office	584,838	198	89%	16.5	16.1	2	5.9%
Hungary retail	21,600	6	89%	18.7	17.6	2	6.0%
Bucharest office	163,085	63	72%	18.9	17.6	2	6.2%
Zagreb retail	85,800	28	98%	21.8	22.0	3	8.2%
Zagreb office	14,900	7	100%	14.9	14.9	3	8.3%
Sofia office	96,000	44	90%	14.9	14.9	3	7.4%
Sofia retail	81,700	23	96%	21.3	23.9	3	6.8%
Total	**1,956,961**	**712**	**87%**	**17.2**	**17.2**		**6.5%**

(*) 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).

(**) Average yield is calculated as in-place rent divided by fair value of asset.

Assumptions used in the fair value valuations of completed assets as of 31 December 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	94%	20.8	20.7	2	6.0%
Poland office	373,639	196	87%	14.2	14.2	2	7.7%
Belgrade retail	90,700	35	96%	18.0	22.3	3	7.9%
Hungary office	505,437	192	97%	15.5	15.5	2	6.7%
Hungary retail	21,600	6	90%	17.4	18.4	2	5.6%
Bucharest office	171,985	67	66%	18.2	17.9	2	5.6%
Zagreb retail	85,400	28	99%	21.3	21.7	3	8.2%
Zagreb office	61,918	28	92%	14.6	14.7	3	7.3%
Sofia office	95,800	44	84%	14.5	14.8	3	6.7%
Sofia retail	80,500	23	96%	19.7	23.4	3	6.4%
Total	**1,929,979**	**732**	**90%**	**16.5**	**16.9**		**6.7%**

(*) 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).

(**) Average yield is calculated as in-place rent divided by fair value of asset.

(in thousands of Euro)

8. Investment Property (continued)

Information regarding investment properties under construction as of 30 June 2022 is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Belgrade (GTC X)	36,500	17
Budapest (PSZTSZR)	18,759	15
Sofia (Sofia Tower 2)	12,995	8
Zagreb (Matrix C)	7,420	11
Total	**75,674**	**51**

Information regarding investment properties under construction as of 31 December 2021 is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Budapest (Pillar)	102,900	29
Belgrade (GTC X)	19,951	17
Sofia (Sofia Tower 2)	9,559	8
Total	**132,410**	**54**

Information regarding book value of investment property landbank for construction as of 30 June 2022 and 31 December 2021 is presented below:

	30 June 2022	31 December 2021
Poland	41,897	48,526
Hungary	66,721	65,846
Serbia	34,110	-
Romania	7,446	7,200
Bulgaria	4,766	4,657
Croatia	10,227	13,614
Total	**165,167**	**139,843**

(in thousands of Euro)

9. Non-controlling interest

The Company's subsidiary that holds Avenue Mall (Euro Structor d.o.o.) has granted in 2018 its shareholders a loan, pro-rata to their stake in the subsidiary. The loan principal and interest shall be repaid by 30 December 2026. 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 2022 is presented below:

	Avenue Mall	Non-core projects	Total
NCI share in equity	24,030	(7,604)	16,426
Loans received from NCI	-	8,237	8,237
Loans granted to NCI	(10,765)	-	(10,765)
Total as of 30 June 2022 *(unaudited)*	**13,265**	**633**	**13,898**
NCI share in profit / (loss)	**866**	**(110)**	**756**

10. 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 2022 and 31 December 2021 was as follows:

	30 June 2022	31 December 2021
Fair value as of the beginning of the period	**(40,598)**	**(19,260)**
Charged to other comprehensive income (*)	13,737	(20,356)
Charged to income statements (**)	(11,143)	(1,841)
Reclassified to liabilities related to assets held for sale	-	859
Fair value as of the end of the period	**(38,004)**	**(40,598)**

(*) Increase is mainly attributable to the revaluation of IRS instruments related loans.

(**) This loss mainly offset a foreign exchange difference gains 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.

Fair value of derivatives is measured based on the data from publicly available sources.

(in thousands of Euro)

11. Long-term loans and bonds

	30 June 2022	31 December 2021
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	47,325	48,166
Green bonds mature in 2027-2030 (HU0000360102)	100,422	107,389
Green bonds mature in 2028-2031 (HU0000360284)	50,048	54,056
Green bonds mature in 2026 (XS2356039268)	497,886	503,263
Bonds 0422 (PLGTC0000292)	-	9,520
Loan from Santander (Globis Poznan)	16,008	16,323
Loan from Santander (Pixel)	18,666	19,011
Loan from Santander (Globis Wroclaw)	13,501	20,675
Loan from Berlin Hyp (Corius)	9,500	9,500
Loan from Pekao (Sterlinga)	14,350	14,613
Loan from PKO BP (Artico)	13,083	13,338
Loan from Erste and Raiffeisen (Galeria Jurajska)	112,813	115,250
Loan from Berlin Hyp (UBP)	41,109	41,543
Loan from Santander (Francuska)	18,287	18,625
Loan from OTP (Centre Point)	46,958	47,862
Loan from UniCredit Bank (Pillar)	52,000	50,827
Loan from OTP (Duna)	36,415	37,116
Loan from Erste (HBK)	10,775	10,775
Loan from Erste (Váci Greens D)	24,063	24,438
Loan from OTP (Ericsson/evosoft Hungary)	80,000	80,000
Loan from Erste (V188)	16,225	16,225
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	42,500	42,500
Loans from NCI	8,237	8,760
Deferred issuance debt expenses	(9,229)	(10,324)
Total	**1,260,942**	**1,299,451**

(in thousands of Euro)

11. 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 2022	31 December 2021
Current portion of long-term loans and bonds:		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	31,657	16,278
Green bonds mature in 2027-2030 (HU0000360102)	611	72
Green bonds mature in 2028-2031 (HU0000360284)	143	397
Green bonds mature in 2026 (XS2356039268)	262	5,918
Bonds 0422 (PLGTC0000292)	-	9,520
Loan from Santander (Globis Poznan)	629	629
Loan from Santander (Pixel)	690	690
Loan from Berlin Hyp (UBP)	6,108	870
Loan from Erste and Raiffeisen (Galeria Jurajska)	4,875	4,875
Loan from Santander (Globis Wroclaw)	-	693
Loan from Pekao (Sterlinga)	525	525
Loan from PKO BP (Artico)	510	510
Loan from Santander (Francuska)	676	676
Loan from OTP (Centre Point)	1,807	1,807
Loan from OTP (Duna)	1,401	1,401
Loan from Erste (Váci Greens D)	750	750
Loan from UniCredit Bank (Pillar)	910	-
Deferred issuance debt expenses	(1,274)	(1,274)
Total	**50,280**	**44,337**

(in thousands of Euro)

11. Long-term loans and bonds (continued)

	30 June 2022	31 December 2021
Long term portion of long-term loans and bonds:		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	15,668	31,888
Green bonds mature in 2027-2030 (HU0000360102)	99,811	107,317
Green bonds mature in 2028-2031 (HU0000360284)	49,905	53,659
Green bonds mature in 2026 (XS2356039268)	497,624	497,345
Loan from Santander (Globis Poznan)	15,379	15,694
Loan from Santander (Pixel)	17,976	18,321
Loan from Santander (Globis Wroclaw)	13,501	19,982
Loan from Berlin Hyp (Corius)	9,500	9,500
Loan from Pekao (Sterlinga)	13,825	14,088
Loan from PKO BP (Artico)	12,573	12,828
Loan from Erste and Raiffeisen (Galeria Jurajska)	107,938	110,375
Loan from Berlin Hyp (UBP)	35,001	40,673
Loan from Santander (Francuska)	17,611	17,949
Loan from OTP (Centre Point)	45,151	46,055
Loan from OTP (Duna)	35,014	35,715
Loan from Erste (HBK)	10,775	10,775
Loan from Erste (Váci Greens D)	23,313	23,688
Loan from OTP (Ericsson/evosoft Hungary)	80,000	80,000
Loan from Erste (V188)	16,225	16,225
Loan from UniCredit Bank (Pillar)	51,090	50,827
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	42,500	42,500
Loans from NCI	8,237	8,760
Deferred issuance debt expenses	(7,955)	(9,050)
Total	**1,210,662**	**1,255,114**

(in thousands of Euro)

11. 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 investment properties under construction 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 maturing in 2022-2023) are denominated in PLN. Green Bonds (series maturing in 2027-2030) and green bonds (series maturing in 2028-2031) are denominated in HUF. All other bank loans and bonds are denominated in Euro.

As at 30 June 2022, the Group continues to comply with the financial covenants set out in their loan agreements and bonds terms.

The movement in long term loans and bonds for the periods ended 30 June 2022 and 31 December 2021 was as follows:

	1 January 2022- 30 June 2022	1 January 2021- 31 December 2021
Balance as of the beginning of the period (excluding deferred debt expenses)	**1,309,775**	**1,268,130**
Drawdowns	1,173	706,070
Repayments	(22,980)	(585,323)
Reclassified to liabilities related to assets held for sale	-	(142,369)
Loan on acquisition of GTC Univerzum Projekt Kft.	-	58,000
Change in accrued interest	(5,704)	6,531
Foreign exchange differences	(12,093)	(1,264)
Balance as of end of the period (excluding deferred debt expenses)	**1,270,171**	**1,309,775**

(in thousands of Euro)

11. 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 2022 (unaudited)	31 December 2021 (audited)
First year*	77	127(**)
Second year	69	148
Third year	157	99
Fourth year	749	144
Fifth year	97	821
Thereafter	221	236
	1,370	**1,575**

(*) Repaid during 12 months from reporting date.
(**) Including EUR 54m liabilities related to assets held for sale.

12. 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 2022 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
Poland	13,058	18,387	-	-	31,445
Romania	6,862	-	-	-	6,862
Serbia	-	808	-	-	808
Croatia	-	-	1,083	-	1,083
Hungary	-	-	-	67	67
Balance as of 30 June 2022	**19,920**	**19,195**	**1,083**	**67**	**40,265**

(in thousands of Euro)

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

The balance of Right of Use as of 31 December 2021 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
Poland	10,730	21,052	-	-	31,782
Romania	6,646	-	-	-	6,646
Croatia	-	-	1,102	-	1,102
Bulgaria	-	-	-	5	5
Hungary	-	-	-	37	37
Balance as of 31 December 2021	**17,376**	**21,052**	**1,102**	**42**	**39,572**

The balance of lease liability as of 30 June 2022 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total	Average Discount rate
Poland	13,058	17,171	-	-	30,229	4.2%
Romania	6,862	-	-	-	6,862	5.7%
Serbia	-	814	-	-	814	7.6%
Croatia	-	-	1,156	-	1,156	4.4%
Hungary	-	-	-	45	45	3.9%
Balance as of 30 June 2022	**19,920**	**17,985**	**1,156**	**45**	**39,106**	

The balance of lease liability as of 31 December 2021 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total	Average Discount rate
Poland	10,730	20,339	-	-	31,069	4.2%
Romania	6,646	-	-	-	6,646	5.7%
Croatia	-	-	1,204	-	1,204	4.4%
Bulgaria	-	-	-	30	30	4.5%
Hungary	-	-	-	16	16	3.9%
Balance as of 31 December 2021	**17,376**	**20,339**	**1,204**	**46**	**38,965**	

(in thousands of Euro)

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

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 period ended 30 June 2022 and for the financial year ended 31 December 2021 was as follows:

	2022	2021
Balance as of beginning of period	**39,572**	**44,024**
Recognition of Right of Use asset for fixed assets	30	-
Recognition / (derecognition) of Right of Use asset for lands under perpetual usufruct	4,128	(745)
Amortization of right of use	(264)	(531)
Prepaid right of use of lands under perpetual usufruct	(512)	-
Reclassification to assets held for sale	(2,898)	(3,724)
Foreign exchange differences	209	548
Balance as of end of period	**40,265**	**39,572**

The movement in lease liability for the periods ended 30 June 2022 and 31 December 2021 was as follows:

	2022	2021
Balance as of beginning of period	**38,965**	**43,054**
Recognition of lease liability for fixed assets	30	-
Recognition / (derecognition) of lease liability for lands under perpetual usufruct	4,128	(745)
Payments of leases	(540)	(516)
Change in provision	(358)	970
Change in accrued interest	(165)	(658)
Reclassification to liabilities related to assets held for sale	(2,771)	(3,724)
Foreign exchange differences	(183)	584
Balance as of end of period	**39,106**	**38,965**

(in thousands of Euro)

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

The balance of assets held for sale as of 30 June 2022 and 31 December 2021 was as follows:

	30 June 2022	31 December 2021
Serbian completed office portfolio	-	287,816
GTC Matrix d.o.o. (1)	53,182	-
Cascade Building S.R.L. (2)	10,621	-
Forest Office Debrecen	45,000	-
Poland landbank	9,421	-
Romanian land bank	680	2,833
Croatian landbank	-	1,352
Total	**118,904**	**292,001**

(1) Balance consists mainly of completed office buildings – Matrix A and Matrix B in the value of EUR 51,400 and cash in the amount of EUR 1,004.
(2) Balance consists mainly of completed office building – Cascade Office Building in the value of EUR 10,100 and cash in the amount of EUR 483.

The balance of liabilities, related to assets held for sale as of 30 June 2022 and 31 December 2021 was as follows:

	30 June 2022	31 December 2021
Serbian completed office portfolio	-	153,621
GTC Matrix d.o.o.	3,371	-
Cascade Building S.R.L.	350	-
Poland landbank	2,771	-
Romanian landbank	-	1,080
Croatian landbank	-	130
Total	**6,492**	**154,831**

The balance of assets held for sale and liabilities related to assets held for sale decreased significantly mainly due to the closing transaction on disposal of Serbian entities (*for details please refer to note 1*) and selling land plots in Romania and Croatia. Net proceeds from sale of Serbian completed office portfolio were EUR 125,112 (net of cash in disposed assets).

The Group received a substantial offer for the office building in Debrecen during the reporting period and subsequently on 19 July 2022 a sale and purchase agreement was signed by GTC FOD Property Kft. (for details please refer to Subsequent event note). The Group received a substantial offer and signed a non-binding term-sheet for sale of Cascade on 5 May 2022, Sell Purchase agreement was signed on 28 July 2022 (please refer to Subsequent event note). The Group received a substantial offer and signed a non-binding term-sheet for sale of Matrix on 6 May 2022, Sale and purchase agreement was signed on 28 July 2022 (please refer to Subsequent event note).

14. 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 requires significantly more judgement in assessment of the tax consequences of particular transactions.

Main tax changes to the Polish Corporate Income Tax effective from 1 January 2022

Withholding tax (WHT)

The package of changes introduced to the Polish tax law regulations starting from January 2022 has limited the original scope of the application of pay and refund mechanism (settlement of WHT in relation to payments exceeding PLN 2 million (EUR 0.4 million) per annum for each taxpayer). Under new rules, the conditional exemption from WHT or application of the reduced tax rate stipulated in the applicable double tax treaty (DTT) is restricted in terms of the passive payments (i.e. dividends, interest, license fees) in the amount exceeding PLN 2 million per annum made with respect to foreign related entities. In such cases the tax remitter is obliged to automatically collect the tax at a statutory domestic rate (19% or 20%) regardless of the fulfilment of the conditions allowing the application of the exemption or the reduced rate on the basis of the local law or DTT.

Group does not expect significant impact of above change on consolidated financial statements.

Limitation of tax depreciation of commercial buildings

According to general tax regulations depreciation expenses on fixed assets (buildings classified as investment property) can be tax deductible. However, from 1 January 2022 in the case of real estate companies, tax-deductible depreciation expenses rates cannot be greater than the current applied accounting depreciation expenses rates applied to the same fixed assets in a given year.

Group does not expect significant impact of above change on consolidated financial statements.

15. Capital and Reserves

Shareholders who, as at 30 June 2022, held above 5% of the Company shares were as follows:

- GTC Dutch Holdings B.V
- Icona Securitization Opportunities Group S.A R.L.
- OFE PZU Zlota Jesien
- OFE AVIVA Santander

SHARE ISSUE

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 launched the capital increase via the accelerated book building in December 2021. The subscription agreements with the shareholders participating in the offer of O series bearer shares were signed on 20-21 December 2021. As a result the Company issued 88,700,000 series O bearer shares. The capital increase and new Articles of Association were registered by the National Court Register on 4 January 2022 and the funds were transferred to the Company's account. The O series bearer shares were admitted to trading on the respective stock exchange on 26 January 2022.

As of December 31, 2021 the Group recognized receivables from shareholders in the amount of EUR 123,425 and unregistered share capital increase in the amount of EUR 120,295. Unregistered share capital increase represents value of share capital increase at the moment of signing the subscription agreements, decreased by corresponding share issue costs.

In Q1 2022 the Group reclassified unregistered share capital to share capital of EUR 1,913 and share premium of EUR 118,382 after share capital increase was registered (please refer to note 1).

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.

(in thousands of Euro)

15. Capital and Reserves (continued)

As at 30 June 2022, phantom shares issued were as follows:

Strike (PLN)	Blocked	Vested	Total
6.03	-	650,416	650,416
6.11	-	100,000	100,000
6.23	2,391,000	997,100	3,388,100
6.31	177,000	250,000	427,000
6.54	450,000	-	450,000
6.70	1,350,000	-	1,350,000
6.97	525,000	-	525,000
	4,893,000	**1,997,516**	**6,890,516**

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 to be settled in cash.

Last year of exercise date	Number of phantom shares
2023	3,826,516
2025	3,064,000
Total	**6,890,516**

The number of phantom shares were changed as follows:

Number of phantom shares as of 1 January 2022	**5,360,516**
Granted during the period*	2,592,000
Expired	(590,000)
Exercised during the period	(472,000)
Number of phantom shares as of 30 June 2022	**6,890,516**

**In 2022 new phantom share program was introduced for management and key personnel.*

(in thousands of Euro)

16. Earnings per share

Basic earnings per share were calculated as follows:

	Six-month period ended 30 June 2022 (unaudited)	Six-month period ended 30 June 2021 (unaudited)	Three-month period ended 30 June 2022 (unaudited)	Three-month period ended 30 June 2021 (unaudited)
Profit / (loss) for the period attributable to equity holders (Euro)	39,953,000	20,960,000	25,039,000	12,498,000
Weighted average number of shares for calculating basic earnings per share	574,255,122	485,555,122	574,255,122	485,555,122
Basic earnings per share (Euro)	**0.07**	**0.04**	**0.04**	**0.03**

There have been no potentially dilutive instruments as at 30 June 2022 and 30 June 2021.

17. 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.

There were no significant changes in litigation settlements in the current period.

18. Subsequent events

On 4 July 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, established GTC K43-45 Property Kft. in Budapest for future development project. In July 2022, GTC K43-45 Property Kft acquired a landplot in CBD in Budapest for a consideration of EUR 6.55 million. The project has an existing building permit for the development of approximately 6,400 sqm of hospitality, student housing or short-term rental apartments.

On 5 July 2022, effective from 15 July 2022, Mr. Pedja Petronijevic resigned from his seat on the Management Board of the Company.

On 19 July 2022, GTC FOD Property Kft., a wholly-owned subsidiary of the Company, signed a sale and purchase agreement, concerning the sale of the office building owned by the subsidiary. The selling price under the agreement is HUF 19.1 billion (an equivalent of EUR 48.1 million as at 30 June 2022). The closing of the transaction is expected to take place by the end of Q3 2022.

On 28 July 2022 GTC has sold Cascade Building S.R.L., a wholly-owned subsidiary of the Company owning Cascade Office Building in Bucharest (4,211 sqm) for the consideration of EUR 10.1 million.

On 28 July 2022, GTC signed a sale and purchase agreement concerning the sale of GTC Matrix d.o.o., a wholly-owned subsidiary of the Company. The purchase price under the Agreement shall be calculated on an enterprise value basis, based on a property value of EUR 52.2 million. GTC Matrix d.o.o. portfolio consists of two A-class office buildings in Zagreb - Matrix A and B. The closing of the transaction is expected to take place by the end of Q3 2022.

On 10 August 2022, the Management Board of GTC SA announced re-orientation of strategy of the Group, within which the Management Board decided to pursue potential new investments in certain new sectors which may diverge from the current core scope of the Company's operations (namely, the development and management of office, retail and certain other types of real estate). Potential new sectors identified for investment as part of the new strategy include:

1. investment in innovation and technology parks;
2. investment in renewable energy facilities; and
3. investment in development of PRS assets (private rented sector property - residential).

18. Subsequent events (continued)

On 9 August 2022, the Company entered into an agreement concerning a transaction involving a joint venture investment into an innovation park in Kildare, Ireland (the "Transaction"). The Transaction involves an investment of approximately EUR 115 million into the Kildare Innovation Campus. The project involves other international professional investors acting through a Luxemburg partnership advised by Icona Capital, an entity from the same group as GTC's minority partner.

Kildare Innovation Campus, located outside of Dublin, extends over 72 ha (of which 34 ha is undeveloped). There are nine buildings that form the campus (around 101,685 sqm): six are lettable buildings with designated uses including industrial, warehouse, manufacturing and office/lab space. In addition, there are three amenity buildings, comprising a gym, a plant area, a campus canteen, and an energy center. The campus currently generates around EUR 6,260 gross rental income per annum. A masterplan has been prepared whereby the site and the campus are planned to be converted into a Life Science and Technology campus with a total of approximately 135,000 sq m. Under the Transaction documentation, GTC will acquire a minority stake of 25% through notes (debt instruments) issued by a Luxembourg securitization vehicle. GTC's investment is protected by customary investor protection mechanisms.

19. Approval of the financial statements

The interim condensed consolidated financial statements were authorised for the issue by the Management Board on 23 August 2022.

Independent registered auditor's report on the review of the interim condensed consolidated financial statements

To the Shareholders and the Supervisory Board of Globe Trade Centre Spółka Akcyjna

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Globe Trade Centre S.A. Group (hereinafter called "the Group"), having Globe Trade Centre S.A. as its parent company (hereinafter called "the Parent Company"), with its registered office in Warsaw, Komitetu Obrony Robotników 45A Street, comprising the interim condensed consolidated statement of financial position as at 30 June 2022 and the interim condensed consolidated income statement for the three-month and six-month periods then ended, the interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statement of changes in equity for the six-month period then ended, the interim condensed consolidated statement of cash flows for the six-month periods then ended and a summary of significant accounting policies and other explanatory notes.

The Management Board of the Parent's Company is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity as adopted by the National Council of Certified Auditors as the National Standard on Review Engagements 2410. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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 International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union.

Conducting the review on behalf of PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k., a company entered on the list of Registered Audit Companies with the number 144:

Signature Not Verified

Dokument podpisany przez Piotr Wyszogrodzki
Data: 2022.08.23 18:58:07 CEST

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 23 August 2022