CONSOLIDATED

INTERIM REPORT

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

30 JUNE 2023

Place and date of publication: Warsaw, 24 August 2023

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MANAGEMENT BOARD'S REPORT

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

IN THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

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1. Introduction

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 acquires, develops and manages 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,
Budapest,
Belgrade,
Bucharest,
Sofia
and Zagreb

As of 30 June 2023, the book value of the Group's total property portfolio including non-current financial assets was €2,408.

The Group's headquarters are located in Poland 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 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. or its consolidated subsidiaries 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, financial assets, 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 million 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", and 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 2023 and 30 June 2022. 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 2023 (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 2023.

Selected financial data presented in PLN is derived from the unaudited consolidated financial statements for the six-month period ended 30 June 2023 presented in accordance with IFRS and prepared in the Polish language and Polish zloty as a presentation currency. The financial statements of Group's companies prepared in their functional currencies are included in the consolidated financial statements by a translation into euro or PLN using appropriate exchange rates outlined in *IAS 21 The Effects of Changes in Foreign Exchange Rates.*

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			
	2023		2022		2023		2022	
(in million)	€	PLN	€	PLN	€	PLN	€	PLN
Consolidated Income Statement								
Revenues from operations	90	417	85	391	47	216	42	198
Cost of operations	(27)	(125)	(23)	(105)	(14)	(63)	(11)	(52)
Gross margin from operations	**63**	**292**	**62**	**286**	**33**	**153**	**31**	**146**
Selling expenses	(1)	(5)	(1)	(4)	-	(2)	-	(2)
Administration expenses	(9)	(42)	(6)	(30)	(5)	(24)	(3)	(15)
Profit/(loss) from revaluation / impairment of assets	(51)	(236)	16	76	(48)	(222)	13	62
Finance cost, net	(16)	(74)	(17)	(76)	(8)	(38)	(8)	(39)
Result for the period	**(12)**	**(56)**	**41**	**189**	**(23)**	**(110)**	**25**	**119**
Basic and diluted earnings per share (not in million)	(0.02)	(0.10)	0.07	0.32	(0.04)	(0.19)	0.04	0.20
Weighted average number of issued ordinary shares (not in million)	574,255,122	574,255,122	574,255,122	574,255,122	574,255,122	574,255,122	574,255,122	574,255,122

	For the six-month period ended 30 June			
	2023		2022	
(in million)	€	PLN	€	PLN
Consolidated Cash Flow Statement				
Net cash from operating activities	41	185	41	191
Net cash from/(used in) investing activities	(20)	(94)	35	162
Net cash from/(used in) financing activities	(17)	(79)	78	359
Cash and cash equivalents at the end of the period	120	**530**	250	1,170

	As at			
(in million)	**30 June 2023**		**31 December 2022**	
Consolidated statement of financial position				
Investment property (completed and under construction)	2,049	9,119	2,055	9,635
Investment property landbank	158	703	150	705
Right of use (investment property)	38	169	39	183
Residential landbank	27	120	27	125
Assets held for sale	3	13	52	242
Cash and cash equivalents	120	530	115	540
Non-current financial assets measured at fair value through profit or loss	133	592	130	611
Others	108	486	102	480
Total assets	2,636	11,732	2,670	12,521
Non-current liabilities	1,424	6,337	1,434	6,725
Current liabilities	106	473	100	470
Total equity	1,106	4,922	1,136	5,326
Share capital	13	57	13	57

3. Presentation of the Group

3.1 General information about the Group

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 acquires, develops and manages 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 2023, the book value of the Group's total property portfolio was €2,275. The breakdown of the Group's property portfolio was as follows:

- 45 completed commercial buildings, including 39 office buildings and 6 retail properties with a total combined commercial space of approximately 742 thousand sq m of GLA, an occupancy rate at 87% and a book value of €1,977 which accounts for 87% of the Group's total property portfolio;

- four office buildings under construction with a total GLA of approximately 62 thousand sq m and a book value of €72, which accounts for 3% of the Group's total property portfolio;

- investment landbank intended for future development (including 1 land plot in Poland held for sale in the amount of €3) with the book value of €161 which accounts for 7% of the Group's total property portfolio;

- residential landbank which accounts for €26, which accounts for 1% of the Group's total property portfolio; and

- right of use of lands under perpetual usufruct, including assets hale for sale with value of €39 (including €1 from residential landbank) which accounts for 2% of the Group's total property portfolio

45	742,000	4	€187m
completed buildings	sq m of GLA	projects under construction	landbank for future development

Additionally, GTC holds non-current financial assets in the amount of €133 mainly including:

- 25% of notes, issued to finance Kildare Innovation Campus (technology campus) project, which currently comprises nine completed buildings with the total GLA of approximately 102 thousand sq m (the project extend over 72 ha of which 34 ha is undeveloped). Fair value of these notes as at 30 June 2023 amounted to €119, which accounts for 5% of the Group's total property portfolio including non-current financial assets;

- 34% of units in Regional Multi Asset Fund Compartment 2 of Trigal Alternative Investment Fund GP S.á.r.l., which holds 4 completed commercial buildings including 3 office buildings and 1 retail property with a total combined commercial space of approximately 41 thousand sq m of GLA. Fair value of these units amounted to €13 which accounts for less than 1% of the Group's total property portfolio including non-current financial assets.

As of 30 June 2023, the book value of the Group's total property portfolio including non-current financial assets was €2,408.

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

3.2 Structure of the Group

The Group structure is consistent with presented in the Group's annual consolidated financial statements for the year ended 31 December 2022 (see note 8 to the consolidated financial statements for 2022) except for the following changes which occurred in the six-month period ended 30 June 2023:

- liquidation of GTC Konstancja Sp. z o.o.
- liquidation of GTC Karkonoska Sp. z o.o.
- liquidation of GML American Regency Pipera S.R.L
- sale of Deco Intermed S.R.L.

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- acquisition of wholly-owned subsidiary - GTC VRSMRT Projekt Kft.
- acquisition of wholly-owned subsidiary - GTC LCHD Projekt Kft.
- establishment of wholly-owned subsidiary - GTC Matrix Future d.o.o.
- establishment of wholly-owned subsidiary - GTC MNG d.o.o. Beograd

3.3 Changes to the principal rules of the management of the Company and the Group

There were no changes to the principal rules of management of the Company and the Group.

CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD

On 25 April 2023, GTC S.A. Mr. Ferstman resigned from his seat on the Management Board of the Company as well as GTC Real Estate Development Hungary Zrt. The resignation is effective as of 25 April 2023.

On 25 April 2023, the Supervisory Board of GTC S.A. nominated Barbara Sikora to the post of Chief Financial Officer of GTC Group and a member of the Management Board of GTC S.A. effective from 1 May 2023.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

On 2 January 2023, Otwarty Fundusz Emerytalny PZU "Złota Jesień" appointed Mr. Sławomir Niemierka as member of the Supervisory Board of the Company, effective as of 2 January 2023.

On 16 May 2023 Powszechne Towarzystwo Emerytalne Allianz Polska S.A., acting on behalf of Allianz Polska Otwarty Fundusz Emerytalny ("Allianz OFE"), informed that:

- on 12 May 2023, the share of Allianz OFE held directly 62,330,336 shares of the Company, representing 10.85% of the share capital of the Company due to liquidation of Drugi Allianz Polska Otwarty Fundusz Emerytalny ("Drugi Allianz OFE") and the transfer of its assets to Allianz OFE.

- appointed Mr. Dominik Januszewski as a member of the Supervisory Board of the Company, effective immediately.

4. Main events of the first half of 2023

As of 30 January 2023 the sale transaction of the Forrest Offices Debrecen for ca. €49.2 owned by GTC FOD Property Kft., a wholly-owned subsidiary of the Company, was completed.

On 31 March 2023, GTC Origine Zrt., a wholly-owned subsidiary of the Company, signed a quota transfer agreement to acquire 100% holding of Tiszai Fény Alfa Kft, which owns 9 newly developed solar power plants with installed nominal capacity of max 0.5 MW each, operating in Tiszafüred, Hungary for a consideration of HUF 2.4 billion (ca EUR 6.4 million). The project shall be financed partially by a bank facility in the amount of EUR 2.6 million. The transaction was subject to the satisfaction by GTC Origine Zrt. of the Acknowledgement of Foreign Investor with respect to the acquisition by the Ministry of

Economic Development („FDI approval"). The transaction was terminated as the FDI approval has not been obtained from the Ministry until the long stop date.

In April 2023, Seven Gardens d.o.o., a wholly-owned subsidiary of the Company, has signed the €14 loan agreement with Erste&Steiermarkische Bank d.d. with a maturity of five years following the end of construction period (latest repayment date is June 2029). As of 30 June 2023, €8.7 out of this amount was drawdown.

On 4 May 2023, on the maturity date, GTC S.A. repaid partially bonds issued under ISIN code PLGTC0000318 (one-third of total issue) in the amount of €17.1 (PLN 73.3) – including hedge component.

In May 2023, Glamp d.o.o. Beograd, a wholly-owned subsidiary of the Company, has signed the €25 loan agreement with Erste Group Bank AG and Erste Bank AD Novi Sad with a maturity of five years from the signing date. As of 30 June 2023, the full amount was drawdown.

On 29 May 2023, Management Board of GTC S.A. announced that it has decided to expand the previously presented and implemented strategy of the Company, which strategy now includes investments and developments in real estate projects involving hospitality assets, in particular in the high-end segment of the market in Europe.

On 12 June 2023, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Alpha VRSMRT Kft. ("GTC VRSMRT Projekt Kft") from an investment fund related to the majority shareholder of the Company for a consideration of €3.5. The SPV owns a part of a condominium with a total area of 1,300 sqm and is designated to office project after refurbishment and fit-out works. The transaction was accounted for as an asset deal and presented as landbank within investment property.

On 12 June 2023, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Gamma LCHD Kft. ("GTC LCHD Projekt Kft") from an investment fund related to the majority shareholder of the Company, which owns a hotel under refurbishment for a consideration of €9.6. The transaction was accounted for as an asset deal and presented as landbank within investment property.

On 17 June 2023, GTC Group announced that it is in advanced negotiations regarding certain transactions ("Transactions") aimed at the acquisition by GTC of a significant part of the shares in Ultima Capital S.A. ("Ultima"). The Transactions could lead to the sale of the shares in Ultima indirectly held by Ultima co-founder Max-Hervé George, including the sale of an instrument currently held by Optimum Venture Private Equity Funds, the indirect controlling shareholder of GTC. Further, GTC could acquire options to buy the shares in Ultima directly and indirectly held by the other co-founder of Ultima, Byron Baciocchi. If these Transactions are agreed and approved by the corporate bodies of GTC, and the Transactions are completed and the relevant options are exercised, GTC would acquire a majority stake in Ultima. Additionally, GTC is in negotiations with further shareholders of Ultima regarding the potential sale of their shares in Ultima. The Transactions shall be considered as related-party transactions; therefore, their effectuation is subject to the relevant corporate approvals.

On 21 June 2023, the Company's shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 132.1 (€30). The dividend shall be paid in September 2023.

IMPACT OF THE SITUATION IN UKRAINE ON GTC GROUP

Detailed analysis of the impact of the war on the operations of the Group has been performed for the purpose of preparation of the annual consolidated financial statements.

Similarly, as at the date of this Management report, the direct impact of the war in Ukraine on the Group's operations is not material. However, it is not possible to estimate the scale of such impact in the future and due to high volatility, the Company monitors the situation on an ongoing basis and analyses its potential impact both from the perspective of individual projects and the entire Group and its long-term investment plans.

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 forced to change some of its investment plans. Additionally, the Group may not be able to develop new 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 2023 and for the six-month period ended 30 June 2022, the Group derived 73% and 75%, 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. Moreover, for the six-month period ended 30 June 2023 and for the six-month period 30 June 2022, the Group derived 27% and 25%, 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 currency.

REAL ESTATE VALUATION

The Group's results from 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.

Cash flows 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 neighborhood, competition, etc. Capitalization rates are influenced by prevailing interest rates and risk premiums. In the absence of other changes, when capitalization rates increase, market value decreases and vice versa. Small changes in one or some of these factors can have a considerable effect on the fair value of the Group's investment properties and on the results of its operations.

Moreover, 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 loss from revaluation of €51 in the six-month period ended 30 June 2023 and €16 net profit from revaluation in the six-month period ended 30 June 2022.

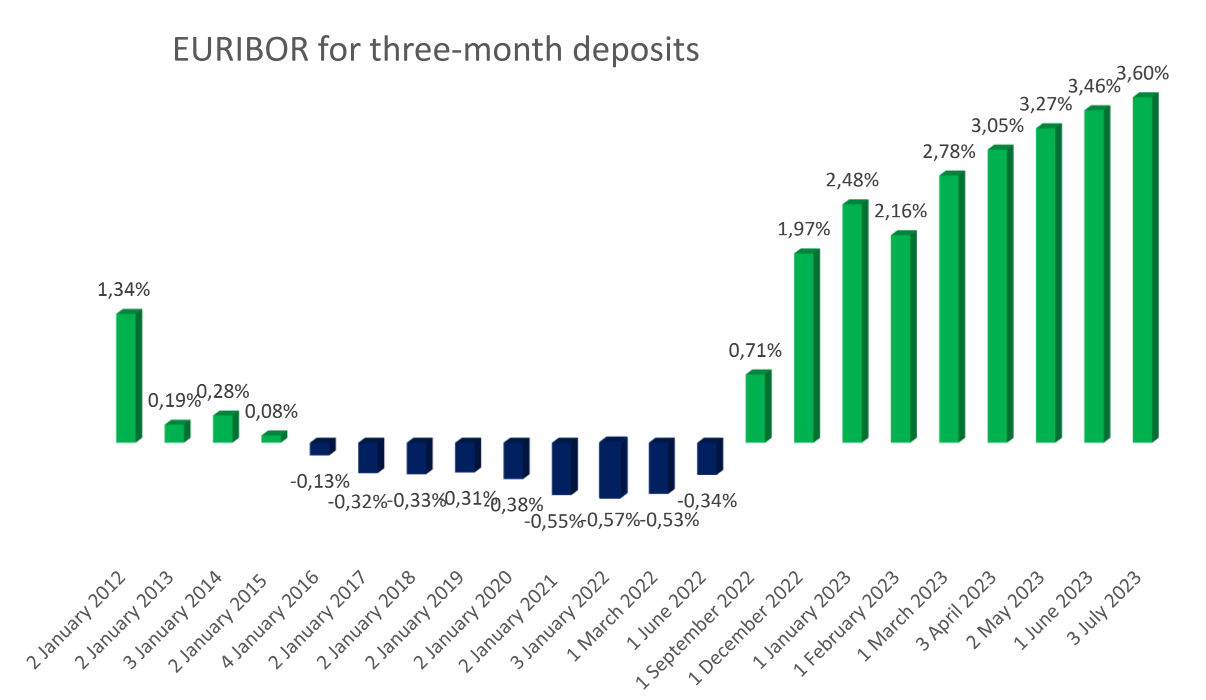
IMPACT OF INTEREST RATE MOVEMENTS

Increases in interest rates generally increase the Group's financing costs. However, as of 30 June 2023, 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 2022 as well as by the date of this report the European Central Bank has decided to increase interest rates and it is expected that these shall continue to remain positive in the next years to come.

The graph presents EURIBOR for three-month deposits for the period between 2012 – 2023.



IMPACT OF FOREIGN EXCHANGE RATE MOVEMENTS

For the six-month periods ended 30 June 2023 and 30 June 2022, 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, Hungarian forints, Romanian leis, and Serbian dinars. In particular, a significant portion of the financial costs incurred by the Group includes: (i) interest on the bonds issued by the Group in Polish zlotys, and (ii) interest on the bonds issued by the Group in Hungarian forints. Exchange rates between local currencies and euro have historically fluctuated. The Group hedges its foreign exchange exposure.

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.

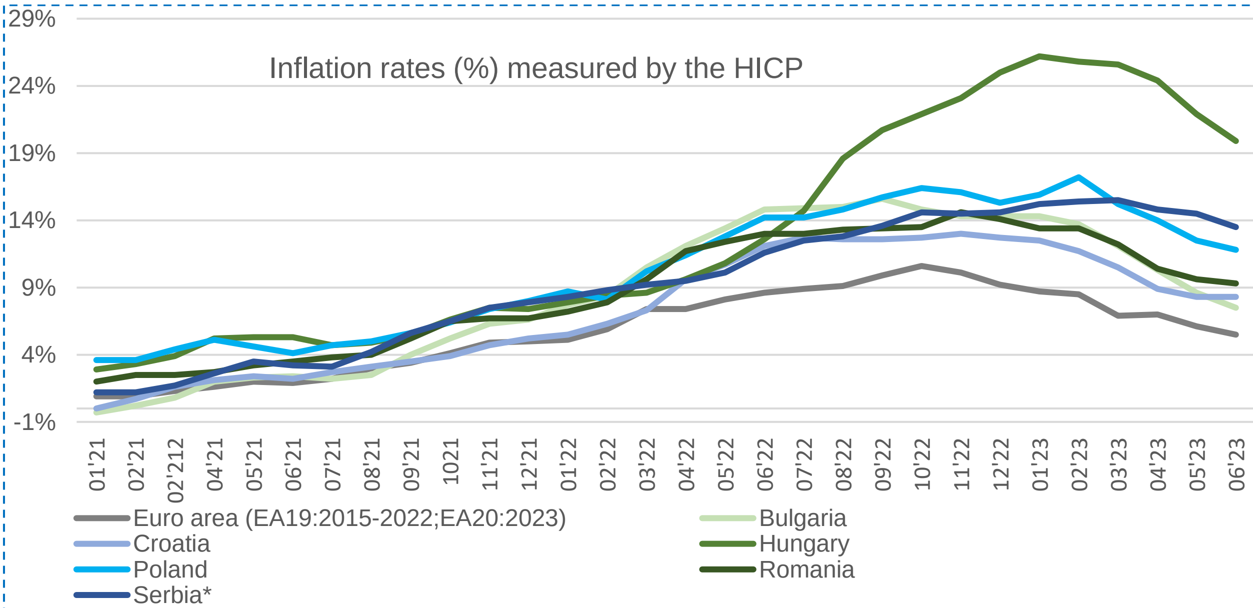
IMPACT OF INFLATION

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 2023, 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 5% of total revenues from rental activity in 2022) is based on the tenant's turnover, which may be dependent on the inflation. Tenants' turnover might have an impact on the Group's operations and financial results.

According to Eurostat, the Euro area annual inflation was 5.5% in June 2023. 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 companies of the Group, usually finance their real estate projects with proceeds from external financing (e.g. bonds bank loans etc.) or internal financing i.e. by loans extended by their holding companies. Availability and cost of procuring financing are of material importance to the implementation of the Group's undertakings 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.

IMPACT OF THE SITUATION IN UKRAINE ON GTC GROUP

Detailed analysis of the impact of the war on the operations of the Group has been performed for the purpose of preparation of the annual consolidated financial statements.

Similarly, as at the date of this Management report, the direct impact of the war in Ukraine on the Group's operations is not material. However, it is not possible to estimate the scale of such impact in the future and due to high volatility, the Company monitors the situation on an ongoing basis and analyses its potential impact both from the perspective of individual projects and the entire Group and its long-term investment plans.

5.2 Specific factors affecting financial and operating results

CORPORATE EVENTS

On 21 June 2023, the Company's shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 132.1 (€30). Dividend will be paid in September 2023 and is presented in the financial statements as declared.

ACQUISITIONS AND DEVELOPMENTS

During the first half of year 2023 Group acquired:

- 100% holding of G-Alpha VRSMRT Kft., which owns part of a condominium in Budapest with a total area of 1,300 sq m for a consideration of €3.5. The property is designated to office project after refurbishment and fit-out works. Based on performed analysis transaction was accounted for as an asset deal and presented as landbank within investment property.

- 100% holding of G-Gamma LCHD Kft., which owns a hotel under refurbishment in Budapest for a consideration of €9.6. This transaction was accounted for as an asset deal and presented as landbank within investment property.

DISPOSAL OF SUBSIDIARIES

During the first half of 2023, the Group has sold Forest Offices Dobrecen office building for ca. €49.2

REPAYMENT OF BONDS, BANK LOAN REFINANCING AND OTHER CHANGES TO BANK LOAN AGREEMENTS

During he first half of 2023 Group:

- signed the €14 loan agreement with Erste&Steiermarkische Bank d.d. (Matrix C)

- repaid partially bonds issued under ISIN code PLGTC0000318 (one-third of total issue) in the amount of €17.1 (PLN 73.3) – including hedge component.

- signed the €25 loan agreement with Erste Group Bank AG and Erste Bank AD Novi Sad (GTC X).

5.3 Presentation of differences between achieved financial results and published forecasts

The Group did not publish forecasts for the first half of 2023 or for full year 2023.

5.4 Consolidated statement of financial position

5.4.1 Financial position as of 30 June 2023 compared to 31 December 2022

ASSETS

Total assets decreased by €34 to €2,636 as of 30 June 2023 from €2,670 as of 31 December 2022.

The value of investment property increased by €1 to €2,245 as of 30 June 2023 from €2,244 as of 31December 2022, mainly due to investment of €44 mostly into assets under construction and €13 into acquisition of new land. This increase was partially offset by loss from revaluation related to investment property of €53.

The value of assets held for sale decreased by €49 (94%) to €3 as of 30 June 2023 from €52 as of 31 December 2022, mainly as a result of the completion of the sale of Forest Offices Debrecen.

The value of cash and cash equivalents increased by €5 (4%) to €120 as of 30 June 2023 from €115 as of 31 December 2022, mainly as a result of the disposal of Forest Offices Debrecen in the amount of €49, net cash proceeds from operating activities of €41 and proceeds from long-term borrowings of €34, partially offset by expenditures on investment property of €56, acquisition of land plots in Hungary at €13, repayment of long-term borrowings of €25 and interest payment of €20.

LIABILITIES

The value of loans and bonds increased by €15 (1%) to €1,253 as of 30 June 2023 as compared to €1,238 as of 31 December 2022 mainly due to proceeds from long-term borrowings in the amount of €34 combined with foreign exchange differences on bonds denominated in PLN and HUF of €13, compensated by repayments during the period in the amount of €25.

The value of derivatives decreased by €29 (59%) to €20 as of 30 June 2023 from €49 as of 31 December 2022 mainly due to changes in a fair value in relation to the cross-currency interest swaps on the Hungarian bonds.

The value of trade payables and other payables decreased by €12 (29%) to €29 as of 30 June 2023 from €41 as of 31 December 2022, mainly due to repayments of liabilities related to development activity.

EQUITY

The value of accumulated profit decreased by €42 (9%) to €449 as of 30 June 2023 from €491 as of 31 December 2022, following recognition of loss for the period in the amount of €12 and dividend declared of €30.

The value of equity decreased by €30 (3%) to €1,106 as of 30 June 2023 from €1,136 as of 31 December 2022 mainly due to recognition of loss of €12 and dividend declared of €30, partially offset by recognition of €11 gain in the value of hedge reserve.

5.5 Consolidated income statement

5.5.1 Comparison of financial results for the six-month period ended 30 June 2023 with the result for the corresponding period of 2022

REVENUES FROM RENTAL ACTIVITY

Rental and service revenues increased by €5 (6%) to €90 in the six-month period ended 30 June 2023 compared to €85 in the six-month period ended 30 June 2022. The Group recognized an increase in rental revenues of €4 following the completion of Pillar in Budapest, GTC X in Belgrade and Rose Hill Business Campus in Budapest. The Group observed also an increase in an average rental rate following the indexation of its rental rates to the European CPI. The increase was partially compensated by a decrease in rental revenues following the sale of Forest Offices Debrecen in the first quarter of 2023 as well as Cascade and Matrix office buildings in the third and fourth quarter of 2022. Additionally, the Group observed a decline in average occupancy rate of the office portfolio in Poland which had a negative impact on revenues.

COST OF RENTAL ACTIVITY

Service costs increased by €4 (17%) to €27 in the six-month period ended 30 June 2023 as compared to €23 in the six-month period ended 30 June 2022. The Group recognized an increase in service costs following completion of Pillar, GTC X and Rose Hill Business Campus of €1 and an increase in service cost of €4 coming from inflation increase of operational costs. The increase was partially offset by a decrease in the service costs due to the sale of Cascade and Matrix office buildings in the third and fourth quarter of 2022 and Forest Offices Debrecen in the first quarter of 2023 of €1.

GROSS MARGIN FROM OPERATIONS

Gross margin (profit) from operations increased by €1 (2%) to €63 in the six-month period ended 30 June 2023 as compared to €62 in the six-month period ended 30 June 2022, mainly due to an increase in rental and service revenues partially offset by an increase in the service charge cost due to inflation, decline in an average occupancy rate in Poland combined with a loss in rental and service revenues due to the sale of office buildings in Hungary, Romania and Croatia.

The gross margin on rental activities in the six-month period ended 30 June 2023 was 70% compared to 73% in the six-month period ended 30 June 2022.

ADMINISTRATION EXPENSES

Administration expenses increased by €3 (50%) to €9 in the six-month period ended 30 June 2023 from €6 in the six-month period ended 30 June 2022 mainly due to an increase in remuneration fees and other advisory expenses and recognition of one-off payments.

PROFIT/(LOSS) FROM THE REVALUATION OF INVESTMENT PROPERTY AND RESIDENTIAL LANDBANK

Net loss from the revaluation of the assets amounted to €51 in the six-month period ended 30 June 2023, compared to a net profit of €16 in the six-month period ended 30 June 2022. Loss in the six-month period ended 30 June 2023 is mainly due to a decrease in fair value of completed assets, mostly offices in Poland and Hungary due to a slight increase in equivalent yield combined with lower vacancy rates and changes in ERV.

FINANCE COST, NET

Finance cost, net decreased by €1 (6%) to €16 in the six-month period ended 30 June 2023 as compared to €17 in the six-month period ended 30 June 2022. The weighted average interest rate (including hedges) as of 30 June 2023 was 2.38%.

RESULT BEFORE TAX

Loss before tax amounted to €14 in the six-month period ended 30 June 2023, compared to a profit before tax of €52 in the six-month period ended 30 June 2022. The decrease mainly resulted from loss from revaluation.

TAXATION

Income tax amounted to €2 in the six-month period ended 30 June 2023, compared to an expense of €11 in the six-month period ended 30 June 2022. The position consists mainly of €3 current tax expense and €5 of deferred tax income.

NET (LOSS)/PROFIT

Net loss was €12 in the six-month period ended 30 June 2023, compared to a net profit of €41 in the six-month period ended 30 June 2022. The decrease mainly resulted from loss from revaluation.

5.5.2 Comparison of financial results for the three-month period ended 30 June 2023 with the result for the corresponding period of 2022

REVENUES FROM RENTAL ACTIVITY

Rental and service revenues increased by €5 (12%) to €47 in the three-month period ended 30 June 2023 compared to €42 in the three-month period ended 30 June 2022. The Group recognized an increase in rental revenues of €3 following the completion of Pillar in Budapest, GTC X in Belgrade and Rose Hill Business Campus in Budapest. The Group observed also an increase in an average rental rate following the indexation of its rental rates to the European CPI. The increase was partially compensated by a decrease in rental revenues following the sale of Forest Offices Debrecen in the first quarter of 2023 as well as Cascade and Matrix office buildings in the third and fourth quarter of 2022. Additionally, the Group observed a decline in average occupancy rate of the office portfolio in Poland which had a negative impact on revenues.

COST OF RENTAL ACTIVITY

Service costs increased by €3 (27%) to €14 in the three-month period ended 30 June 2023 as compared to €11 in the three-month period ended 30 June 2022. The Group recognized an increase in service costs following completion of Pillar, GTC X and Rose Hill Business Campus of €0.6 and an increase in service cost of €3 coming from inflation increase of operational costs. The increase was partially offset by a decrease in the service costs due to the sale of Cascade and Matrix office buildings in the third and fourth quarter of 2022 and Forest Offices Debrecen in the first quarter of 2023 of €0.7.

GROSS MARGIN FROM OPERATIONS

Gross margin (profit) from operations increased by €2 (6%) to €33 in the three-month period ended 30 June 2023 as compared to €31 in the three-month period ended 30 June 2022, mainly due to an increase in rental and service revenues partially offset by an increase in the service charge cost due to inflation, decline in an average occupancy rate in Poland combined with a loss in rental and service revenues due to the sale of office buildings in Hungary, Romania and Croatia.

The gross margin on rental activities in the three-month period ended 30 June 2023 was 70% compared to 74% in the three-month period ended 30 June 2022.

ADMINISTRATION EXPENSES

Administration expenses increased by €2 (67%) to €5 in the three-month period ended 30 June 2023 from €3 in the three-month period ended 30 June 2022 mainly due to an increase in remuneration fees and other advisory expenses and recognition of one-off payments.

PROFIT/(LOSS) FROM THE REVALUATION OF INVESTMENT PROPERTY AND RESIDENTIAL LANDBANK

Net loss from the revaluation of the assets amounted to €48 in the three-month period ended 30 June 2023, compared to a net profit of €13 in the three-month period ended 30 June 2022. Loss in the three-month period ended 30 June 2023 is mainly due to a decrease in fair value of completed assets mostly offices in Poland and Hungary mainly due to an increase in equivalent yield combined with lower vacancy rates and changes in ERV.

FINANCE COST, NET

Finance cost, net was stable at €8 in the three-month period ended 30 June 2023 as compared to €8 in the three-month period ended 30 June 2022. The weighted average interest rate (including hedges) as of 30 June 2023 was 2.38%.

RESULT BEFORE TAX

Loss before tax was €28 in the three-month period ended 30 June 2023, compared to a profit before tax of €32 in the three-month period ended 30 June 2022. The decrease mainly resulted from loss from revaluation.

TAXATION

Income tax amounted to €5 in the three-month period ended 30 June 2023, compared to an expense of €7 in the three-month period ended 30 June 2022. The position consists mainly of €1 current tax expense and €6 of deferred tax income.

NET (LOSS)/PROFIT

Net loss was €23 in the three-month period ended 30 June 2023, compared to a net profit of €25 in the three-month period ended 30 June 2022. The decrease mainly resulted from loss from revaluation, partially offset by higher gross margin from operations and foreign exchange gain.

5.6 Consolidated cash flow statement

5.6.1 Cash flow analysis

The table below presents an extract from the cash flow for the six-month periods ended 30 June 2023 and 2022:

	Six-month period ended	
	30 June 2023	30 June 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash from operating activities	**41**	**41**
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on investment property	(56)	(43)
Purchase of completed assets and land	(14)	(51)
Sale of completed assets, landbank and residential landbank or subsidiary, net of cash in disposed assets	49	130
Expenditure on non-current financial assets	(2)	-
VAT/tax on purchase/sale of investment property	3	(1)
Net cash from/(used in) investing activities	**(20)**	**35**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	34	1
Repayment of long-term borrowings	(25)	(22)
Interest paid and other financing breaking fees	(20)	(20)
Proceeds from issue of share capital, net of issuance costs	-	120
Repayment of lease liability	(1)	(1)
Loan origination costs	(1)	-
Decrease/(Increase) in short term deposits	(3)	1
Dividend paid to non-controlling interest	(1)	(1)
Net cash from/(used in) financing activities	**(17)**	**78**
Net foreign exchange difference related to cash and cash equivalents	1	(1)
Net increase/ (decrease) in cash and cash equivalents	5	153
Cash and cash equivalents at the beginning of the period	**115**	**97**
Cash and cash equivalents at the end of the period	**120**	**250**

Net cash flow from operating activities was €41 in the six-month period ended 30 June 2023 as compare to €41 in the six-month period ended 30 June 2022.

Net cash flow used in investing activities amounted to €20 in the six-month period ended 30 June 2023 compared to €35 cash flow from investing activities in the six-month period ended 30 June 2022. Cash flow used in investing activities is mainly composed of expenditure on investment properties and property, plant and equipment of €56, acquisition of land in Hungary of €14 and sale of completed assets of €49.

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

Net cash flow used in financing activities amounted to €17 in the six-month period ended 30 June 2023, compared to €78 of cash flow from financing activities in the six-month period ended 30 June 2022. Cash flow used in financing activities is mainly composed of proceeds from long-term borrowings of €34, repayment of long-term borrowings of €25 and interest paid and other financing breaking fees in the amount of €20.

Cash and cash equivalents as of 30 June 2023 amounted to €120 compared to €250 as of 30 June 2022. The Group keeps its cash on current accounts and in the form of bank deposits.

5.7 Future liquidity and capital resources

As of 30 June 2023, 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 2023, the Group's non-current liabilities amounted to €1,424 compared to €1,434 as of 31 December 2022.

The Group's total debt from long and short-term loans and borrowings as of 30 June 2023 amounted to €1,253, as compared to €1,238 as of 31 December 2022. The weighted average interest rate (including hedges) as of 30 June 2023 was 2.38%.

The Group's loans and borrowings are mainly denominated in euro. Debt in other currencies includes bonds (PLGTC0000318 last series maturing in 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 46.8% as of 30 June 2023 compared to 45.6% as of 31 December 2022. The Group's long-term strategy is to keep its loan-to-value ratio at a level of ca. 40%; however, in the case of acquisitions, the Company may deviate temporarily.

As of 30 June 2023, 93% of the Group's loans and bonds (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 t external financing (e.g. bonds bank loans etc.) or internal financing i.e. by loans extended by their holding companies. The availability and cost of procuring financing are of material importance to the implementation of the Group's undertakings 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 2023, 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 year ended 30 June 2023, the Group did not grant guarantees where the total value is material.

As of 30 June 2023 and 30 June 2022, there were no guarantees given to third parties.

Additionally, the Company gave typical warranties in connection with the sale of its assets under the sale agreements and construction completion and cost-overruns guarantee 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 2023.

The table is prepared based on information received directly from the shareholders or subscription information, and presents shareholder structure as of the date of 30 June 2023 and as of the date of this report:

Shareholder	Number of shares and rights to the shares held (not in million)	% of share capital	Number of votes (not in million)	% of votes	Change in number of shares since 31 March 2023 (not in million)
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.[2]	90,176,000	15.70%	0	0%	No change
GTC Holding Zártkörüen Müködö Részvénytársaság[1]	21,891,289	3.81%	21,891,289	3.81%	No change
Allianz OFE[3]	62,330,000	10.85%	62,330,000	10.85%	Decrease by 336
OFE PZU Złota Jesień	54,800,000	9.54%	54,800,000	9.54%	Increase by 356,024
Other shareholders	97,596,242	17.00%	97,596,242	17.00%	Decrease by 355,688
Total	**574,255,122**	**100.00%**	**574,255,122**	**100.00%**	No change

[1] 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.

[2] 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.

[3] on 12 May 2023, the share of Allianz OFE in the total number of votes in the Company were above the 10% threshold due to liquidation of Drugi Allianz Polska Otwarty Fundusz Emerytalny ("Drugi Allianz OFE") and the transfer of its assets to Allianz OFE.

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 semi-annual 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 2023) on 26 May 2023.

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 2023 (not in million)	The nominal value of shares in PLN (not in million)	Change since 26 May 2023 (not in million)
Zoltán Fekete	0	0	No change
János Gárdai	0	0	No change
Barbara Sikora	0	0	No change
Total	**0**	**0**	

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 semi-annual 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 2023) on 26 May 2023.

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

Members of supervisory board	Balance as of 23 August 2023 (not in million)	The nominal value of shares in PLN (not in million)	Change since 26 May 2023 (not in million)
János Péter Bartha	0	0	No change
Lóránt Dudás	0	0	No change
Balázs Figura	0	0	No change
Mariusz Grendowicz	13,348	1,335	No change
Artur Kozieja	0	0	No change
Marcin Murawski	0	0	No change
Gyula Nagy	0	0	No change
Bálint Szécsényi	0	0	No change
Bruno Vannini	0	0	No change
Sławomir Niemierka	0	0	No change
Dominik Januszewski	0	0	No change
Total	**13,348**	**1,335**	

10. Transactions with related parties concluded on terms other than market terms

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

11. Proceedings before a court or public authority involving Globe Trade Centre SA or its subsidiaries with total value of the liabilities or claims being 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 total value of liabilities or claims being material.

12. Key risk factors

RISK FACTORS RELATING TO THE GROUP'S BUSINESS

THE IMPACT OF THE GEOPOLITICAL SITUATION DUE TO THE WAR IN UKRAINE ON THE GROUP'S OPERATIONS AND FINANCIAL RESULTS

Even though the Group does not conduct any activities in the territory of Ukraine, Russia or Belarus, it cannot be ruled out that the current geopolitical situation in Europe triggered by the ongoing war in Ukraine, which has resulted in a number of macroeconomic consequences for Poland and other European countries, may also have an impact on the Group's operations.

The risk area related with the conflict in Ukraine includes, *inter alia*, limitations in the availability of construction materials, equipment, services, interruption or disruption in the continuity of supplies, an extraordinary increase in the prices of key raw materials, limited availability of employees, especially male workers from Ukraine resulting from their return to their country to participate in military operations, a decline in demand on the property market due to uncertainty as to the possible development of the current economic and political situation, combined with high inflation, an increase in interest rates as well as decreased availability and higher cost of external debt financing, which has resulted in a slowdown in the real estate market.

Moreover, the continuation of the war, its scale and further course of military operations may cause an extension of the set of economic sanctions imposed thus far, further disruption in supply chains, limited availability of subcontractors and a general increase in the prices of materials resulting from, among others, rising energy prices, which in turn may translate into significant costs of the implementation of investments carried out by the Group.

A significantly higher and volatile costs of energy (severe energy crunch because of steep cuts in natural gas supplies from Russia following the outbreak of the Russia-Ukraine conflict) and general uncertainties related to the impact of the war in Ukraine on both global and the SEE/CEE economy and the deterioration of the global and regional economies may adversely impact the economic situation of the Group's tenant and limit their spending and the appetite for extending the lease agreements. The above may have an adverse effect on the Group's business, financial condition and results of operations.

As at the date of this Report, the impact of the war in Ukraine on the Group's operations is not material; however, it is not possible to estimate the scale of such impact in the future and due to high volatility, the management board monitors the situation on an ongoing basis and analyses its potential impact both from the perspective of individual projects and the entire Group and its long-term investment plans.

THE IMPACT OF THE COVID-19 PANDEMIC AND ANY POTENTIAL OTHER PANDEMICS ON THE OPERATIONS AND FINANCIAL STANDING OF THE GROUP

While the risk of the COVID-19 pandemic cannot yet be ruled out (e.g. given the recent outbreaks in China), its expected impact on the Group's business might be lower than in 2020 or in 2021, when its operations were exposed to a number of measures taken by the government in order to minimise the risk of the spread of the COVID-19 pandemic, including lockdowns and closures of shopping centres, limited operations, limited working hours, etc. The restrictions introduced by the government directly affected the course of business processes and the organisation of the Group's operations. For instance, the tenants in the Group's shopping centres were unable to trade for three to five months during 2020 and around an average of three months during 2021 (in the period between January and May). As a consequence, following the lockdown periods, in Poland tenants were released from rent payment obligations while in other countries the tenants were given various discounts and other relief in order to continue operating in very challenging circumstances. The Group cannot rule out that it will need to take the same course of action if analogous restrictions are introduced in the future in case of an outbreak of any new pandemic or the spread of COVID-19 or further variants thereof.

Even though it seems that the peak of the COVID-19 pandemic has already passed since numerous people have been vaccinated and the number of infected persons has decreased significantly, the risk of the further spread of the SARS-CoV-2 virus and the occurrence of its mutations cannot be ruled out entirely. The Group cannot exclude the risk of the occurrence of any new pandemic that will have consequences similar to the COVID-19 pandemic. Thus, the extent of the impact of the COVID-19 pandemic or any future pandemic on the Group is still uncertain 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 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 CHANGE IN THE WORKING MODEL MAY HAVE A NEGATIVE IMPACT ON THE OPERATIONS AND FINANCIAL RESULTS OF THE GROUP

The Group observes that the COVID-19 pandemic hastened a change of work patterns and resulted in a growing share of employees working in a hybrid mode combining work from home with office work as well as working only from home. This trend is continuing despite lifting the pandemic restrictions.

Such changes in the work model are also reflected in recent changes in the labour law that were introduced in Poland concerning the regulation of remote working (the regulations entered into force on 7 April 2023).

Both those factors, i.e. the introduced legal regulations and the practise of hybrid work and working from home are leading to a significant decrease in the occupancy of office buildings, especially in regional cities in Poland (including Katowice, Poznań and Łódź), resulting in lower rental income generated by such buildings and in consequence possibly having a material adverse effect on the Group’s business, financial condition, and operational results.

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. 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.

The current unfavourable macroeconomic trends including growing inflation and higher interest rates may have a negative impact on the Group and lead to a decrease in purchasing power and lower store turnovers and, as a consequence, result in pressure on rental rates in shopping centres or may impact the tenants' ability to meet their rental obligations towards the Group, especially in light of the higher total rental costs due to an increase in service charges. Additionally, a weakening economy, coupled with higher rental costs and a hybrid working model may have a negative impact on demand for office space and lead to higher vacancy levels (resulting in lower-than-expected revenue streams). Despite the temporary slowdown in the e-commerce market, its further growth is expected and such growth, in the long term, may result in a reduced demand for retail space and decreased rental income.

Rising inflation translated into an increase in interest rates (and further increases in interest rates are expected), which has an impact on availability and cost of debt, which can decrease demand for real properties or/and increase the cost of financing. However, as at 30 June 2023, 93% of the Group's debt was either based on a fixed rate or hedged against interest rate fluctuations by using derivative instruments, meaning its exposure to changes in interest rates is limited. Decreased demand for real properties may lead to a decrease in prices that real estate investors are prepared to pay for real properties and, as a consequence, a decline in the value of properties cannot be ruled out.

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

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

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

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

Moreover, the management board, expanding the existing strategy of the Group, decided to pursue potential new investments in certain new sectors and geographical regions that may diverge from the current core scope of the Group’s operations (namely, the development and management of office, retail and certain other types of real estate). Potential new sectors identified by the Group to be considered for investment as part of the new strategy include: (i) investment in innovation and technology parks; (ii) investment in selected renewable energy facilities in Poland and Hungary to complement its current offering and better address tenants’ needs; and (iii) investment in the development of PRS assets (private rented sector property – residential) in Poland by investing as a minority shareholder in an investment platform with an experienced developer and financial investors and taking advantage of potential favourable developments in this sector.

On 9 August 2022, an agreement concerning a transaction involving a joint venture investment in an innovation park in Kildare, Ireland that involves an investment of approximately EUR 115 million was concluded. The project involves six lettable buildings with designated uses including industrial, warehouse, manufacturing and office/lab space. The site and the campus are planned to be converted into a Life Science and Technology campus. Although investment in these new sectors will not constitute more than 10% of the Group’s assets, the successful implementation of the Group’s strategy may result in certain changes to the Group’s property portfolio, including, for example, its geographic composition and composition 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.

On 29 May 2023, Management Board of GTC S.A. has decided to expand the previously presented and implemented strategy of the Company, which strategy now includes investments and developments in real estate projects involving hospitality assets, in particular in the high-end segment of the market in Europe.

On 17 June 2023, GTC Group announced that it is in advanced negotiations regarding certain transactions (“Transactions”) aimed at the acquisition by GTC of a significant part of the shares in Ultima Capital S.A. (“Ultima”). The Transactions could lead to the sale of the shares in Ultima indirectly held by Ultima co-founder Max-Hervé George, including the sale of an instrument currently held by Optimum Venture Private Equity Funds, the indirect controlling shareholder of GTC. Further, GTC could acquire options to buy the shares in Ultima directly and indirectly held by the other co-founder of Ultima, Byron Baciocchi. If these Transactions are agreed and approved by the corporate bodies of GTC, and the Transactions are completed and the relevant options are exercised, GTC would acquire a majority stake in Ultima. Additionally, GTC is in negotiations with further shareholders of Ultima regarding the potential sale of their shares in Ultima. The Transactions shall be considered as related-party transactions; therefore, their effectuation is subject to the relevant corporate approvals.

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 achieved in the future and investment criteria that have been developed by the Group to achieve the expected level of returns on acquired assets. Such assumptions may prove to be partially or wholly incorrect or inaccurate and as a result, the return on an investment may be lower than expected. 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 a project 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 downwards. The Group can also not guarantee that the service provider it chooses to carry out its due diligence will identify all of the risks related to a given project. In addition, the Group cannot guarantee that it will be able to have recourse to the seller of a given property for not disclosing such risks.

Furthermore, 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.

Moreover, the Group may fail to achieve its 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, such as volatile market conditions, a lack of capital resources needed for expansion and the changing price and availability of investment targets in the relevant markets, as well as amendments to applicable laws.

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 AND, CONSEQUENTLY, THE GROUP'S CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT MAY BE SUBJECT TO SIGNIFICANT FLUCTUATIONS

The Group’s income depends heavily on the changes in the value of assets on the property markets, which is subject to fluctuations. The fair values of the Group’s investment properties are assessed semi-annually (as at 30 June and 31 December of each year), by reputable external valuers, based on the discounted cash-flows method (DCF) from investment properties, which method is inherently subjective and uncertain, as such assessment is based on assumptions that may change or turn out to be incorrect (e.g. as to expected rental values, fit-out costs, the time necessary for renting a specific property, etc.).

The property valuations are 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 on different methodologies, forecasts and assumptions.

The Group’s property valuations are made using the discounted rates applicable to the relevant local real estate market or, in the 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.

Any change in the discounted rates used by the valuer will have an impact on the valuation of a given property. Furthermore, any change to the 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. 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 values of its investment properties, regardless of whether 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 in other years profits for the same assets and residential projects.

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.

Furthermore, if the forecasts and assumptions on which the valuations of the projects in the Group's portfolio are based prove to be inaccurate or are subject to changes due to the changing environment, the actual values of the projects in the Group's portfolio may differ materially from those stated in the valuation reports. Valuations based on inaccurate assumptions 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 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, increased inflation and higher interest rates as well as taking into account a growing significance of e-commerce and changes of work patterns connected with working in a hybrid mode by combining work from home with office work or from home only, 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 AND DEVELOP SELECTED PROJECTS

In accordance with the strategy of the Group, 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 as well as investments in new sectors, including innovation and technology parks, renewable energy facilities and PRS asset development. 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 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 and develop the intended projects.

The Group also 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 existing 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. The Group may also overestimate the probability of obtaining the required approvals and administrative decisions or a temporary delay in obtaining them. Any incorrect assessment of the attractiveness of a given location and the possibility of implementing a project in accordance with the assumptions may result in difficulties in achieving the expected rate of return within a specified time. 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 figures 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 of the risks related to the property in question (e.g. soil contamination, discovery of archaeological monuments, unexploded ordnance or other specific conditions), and as a consequence, the assumed return rate for a given project will not be achieved. Additionally, in connection with any potential contamination or hazardous substances, penalties may be imposed on the Group, including the Group being forced to incur unforeseen costs of repairing damages related to such contamination. The Group also 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 both the COVID-19 pandemic and war in Ukraine, 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. There is also a risk of reduced demand for office and retail space resulting from changes in the working model due to the increase of working in a hybrid mode or working from home, as well as changes in shopping preferences combined with the growing significance of online shopping instead of conventional shopping.

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 2022, 5% 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, any investments in new sectors, including investments in innovation and technology parks or renewable energy facilities may not achieve the expected returns on at least the same or higher than the returns on assets there are currently held in the portfolio of the Group.

The Group's rental income may also decrease as a result of asset disposals or acquisitions of properties with no or unsatisfactory income-generating capabilities. As part of its strategy, the Group is reorganising its property portfolio and intends to acquire appreciating and value-added properties and to sell its non-core assets. The Group intends to integrate any newly acquired properties with the existing portfolio and rent them out in order to generate rental income for the Group. If these properties are not fully rented and/or the rental rates are agreed below the estimated rental values, the Group may not be able to realise its expected rates of return on the new acquisitions. Subdued or negative rental return and profits could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

Any failure of the Group to sustain an adequate occupancy level would result in lower rental income from the management of the existing portfolio and in a lower valuation of the Group's properties and overall portfolio. Expected vacancies are reflected in the valuation reports as at 31 December 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 ENERGY CRISIS MAY HAVE A NEGATIVE EFFECT ON THE LEVEL OF SERVICE CHARGES IMPOSED BY THE GROUP ON ITS TENANTS AND, AS A RESULT, ON THE ABILITY OF TENANTS TO COVER SUCH SERVICE CHARGES AND MAY LEAD TO INTRODUCTION OF RESTRICTIONS ON THE SUPPLY AND OFF-TAKE OF ELECTRICITY

Russia's invasion of Ukraine resulted in immediate volatility on the global stock markets, and uncertainties are anticipated in relation to the cost and availability of energy and natural resources, in particular in Europe. The Group cannot exclude that further rapid growth of electricity and gas prices will not have a negative effect on its annual spending on service charges (which are forecasted annually at the beginning of each calendar year and settled with tenants after the end of the year), which in addition to rental rates constitute the total cost of renting an office or retail space for the tenant. With insufficient state aid being provided to enterprises in connection with the current energy crisis, it also cannot be ruled out that tenants of the Group will be unable to cover rental costs.

Moreover, in certain circumstances, inter alia, in the event of a threat to the energy security of the Republic of Poland consisting of a long-term imbalance in the fuel and energy market, the relevant restrictions on the supply and off-take of electricity may be introduced. The landlords as off-takers may be liable in the case of the non-application of such restrictions. The introduction of such restrictions may in turn affect the performance of the obligations of the landlords under the lease agreements concluded by the Group, in particular to ensure the supply of electricity to the subject of a given lease. In some situations, e.g. if the tenant is not able to use the subject of the lease in accordance with its intended use for an extended period due to such restrictions, this may result in the tenants demanding rent reductions or even attempting to terminate the lease agreements.

The above may have an 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, general consumer activity is decreasing, the importance of e-commerce is increasing, 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.

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 properties taking into account the unfavourable macroeconomic situation caused by the COVID-19 pandemic and the war in Ukraine. 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

The completion of projects, in particular the implementation of new developments by the Group requires the obtainment of various consents, arrangements and permits (including planning permission, environmental permits, building permits and occupancy permits). Obtaining the relevant administrative decisions is a formal and legal requirement for the commencement, operation and delivery of any development project to its users, whereas any errors, internal discrepancies in such decisions or the completion of the investment otherwise than in compliance with the terms thereof may result in the suspension of or delay in the investment process. 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.

As the relevant decisions concerning the development process are issued by the respective public administration authorities in accordance with administrative procedure regulations, with a special focus on satisfying the interests of local communities (e.g. some environmental protection and planning matters are subject to extensive social consultations), the Group does not have full control over the efficiency of the process of securing the required administrative decisions and cannot guarantee that all of the necessary documents will be issued within the expected deadlines or that they are not appealed before they become final, or that the obtained consents and decisions will not be withdrawn.

Failure to obtain the required decisions, any delay in obtaining such or any changes thereto may adversely affect the ability to commence, conduct or complete any existing or new projects of the Group. Furthermore, one cannot entirely rule out the risk of changes to administrative decisions concerning any completed projects or such decisions being challenged in the case of the disclosure of legal defects of such decisions, or even declaring the invalidity of any administrative decisions issued in violation of applicable law.

Additionally, no assurances can be given that 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, as the procedure of obtaining the necessary administrative decisions may also be subject to delays related to hostile actions of any third parties entitled to challenge any issued decisions, including entities holding ownership titles to any properties neighbouring the properties on which investment projects of the Group are carried out or will be carried out in the future. Third parties may, by participating in administrative proceedings related to investment procedures, take action preventing the Group from obtaining the relevant decisions, including by appealing against any decisions issued in the course of investment procedures to administrative authorities of the second instance or to administrative courts. Such actions may result in the suspension of or delays in any deadlines stated in the timetable and abandoning the investment. Any claims raised against the Group, regardless of their validity, may also adversely affect the image of the Group and its projects or the perception of the Group's operations and its projects by its end customers or investors.

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 THE 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, as well as the lack or limited availability of materials and of qualified workers which may make completion of projects uneconomical;
- costs of external financing;
- 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.

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 REALISE THE FULL EXPECTED VALUE OF ITS COMPLETED PROJECTS

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

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

CLIMATE CHANGES MAY REQUIRE CHANGES IN THE OPERATION OF THE GROUP'S PROPERTIES, AND NOT ADAPTING TO THESE CHANGES IN A 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. Thus, despite monitoring the risks in the various areas of the Group's operations, the risk of disputes with the tax authorities in terms of the assessment of the tax consequences of certain events or transactions specific to the business of the Group and the industry in which it operates cannot be ruled out.

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.

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.

In addition, changes in the labour law introduced in Poland concerning the regulation of remote working may result in a growing share of employees working from home or in a hybrid mode, which may result in a reduced demand for office space.

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 FAVOURABLE TERMS

The Group's real estate developments are financed under loans that 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, 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 IN WHICH 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 2023, all of the Group's revenues were sourced from its operations in CEE and SEE countries, particularly Poland (40.0%), Hungary (28.9%), Bulgaria (10.0%), Sebia (7.8%), Romania (6.7%) and Croatia (6.7%). These markets are subject to greater risk than more developed markets. CEE and SEE countries still present various risks to investors, such as instability or changes in national or local government authorities, land expropriation, changes in taxation legislation or regulation, changes to business practices or customs, changes to laws and regulations relating to currency repatriation and limitations on the level of foreign investment or development. In particular, the Group is affected by rules and regulations regarding foreign ownership of real estate and personal property. Such rules may change quickly and significantly and, as a result, impact the Group's ownership and may cause it to lose property or assets without legal recourse.

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

In addition, adverse political or economic developments in the countries in which the Group operates and/or neighbouring countries could have a significant negative impact on, among other things, gross domestic product, foreign trade or economies in general of individual countries. The countries and the region in which the Group operates have experienced and may still be subject to potential political instability caused by changes in governments, political deadlock in the legislative process, tension and conflict between federal and regional authorities, corruption among government officials and social and ethnic unrest. In particular, the ongoing armed conflict in the territory of Ukraine and uncertainties regarding its duration, scale and 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.

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 estate 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 declared invalid, unless a period of ten years has lapsed from the date of their delivery or announcement. As at 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 TO CORPORATE GOVERNANCE

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

As at the date of this Report, the GTC's dominant entity is Optimum Venture Private Equity Fund, which is a sole shareholder of GTC Holding Zártkörüen Müködö Részvénytársaság holding directly 3.81% of the Company's share capital and a sole shareholder of Alpine Holding Korlátolt Felelősségű Társaságthe, which indirectly, i.e. through Global Debt Strategy S.à r.l. and further through GTC Dutch Holdings B.V. ("**GTC Dutch**") holds 43.1% of the Company's share capital. Optimum is an investment fund managed by Optima Investment Fund Management Zrt. ("**Optima**"), controlled by Pallas Athene Foundation. Furthermore, on 18 February 2022, GTC Dutch and Icona Securitization Opportunities Group S.A. R.L. ("**Icona**"), holding 15.7% of the share capital of the Company, concluded an assignment agreement, which came into force on 1 March 2022, based on which Icona transferred to GTC Dutch its rights to exercise the voting rights attached to the shares held by Icona. Under such agreement, Icona granted to GTC Dutch an unconditional and irrevocable power of attorney to exercise all of the voting rights attached to its shares in the Company. Moreover, since 1 March 2022, GTC Holding Zrt., GTC Dutch and Icona have been acting in concert based on an agreement concerning their jointly agreed policy towards the Company and the exercise of voting rights in respect of selected matters (such as the approval of the annual report, the distribution of profits generated by the Company, the discharge of duties, the determination of the annual dividend and any interim dividend distributed by the Company, changes to the remuneration policy, etc.) at the general meeting of the Company.

As at the date of this Report, Optima representatives constitute the majority of the supervisory board and may thus control the appointment of the management board. Consequently, Optima may influence the decision making process for the Group. Accordingly, when considering any investment, business and operational matters of the Group and the most appropriate uses of the Group's available cash, the interests of Optima, GTC Dutch, GTC Holding Zrt. and Icona may not be aligned with the interests of the Group or of its other stakeholders. Any such conflicts of interest may have a material adverse effect on the Group's business, financial condition and results of operations.

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

Barbara Sikora, 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 2023 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 2023 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 2023

Zoltán Fekete,
President of the Management Board

Barbara Sikora
Member of the Board

János Gárdai
Member of the Board

GLOBE TRADE CENTRE S.A.

UNAUDITED CONDENSED **CONSOLIDATED**
INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD
ENDED **30 JUNE 2023**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	30 June 2023 *unaudited*	31 December 2022 *audited*
ASSETS			
Non-current assets			
Investment property	8	2,245	2,244
Residential landbank		27	27
Property, plant and equipment		15	11
Blocked deposits		13	12
Deferred tax asset		2	3
Derivatives	9	11	17
Non-current financial assets measured at fair value through profit or loss	15	133	130
Loan granted to non-controlling interest partner	7	11	11
		2,457	**2,455**
Current assets			
Accounts receivables		14	12
VAT and other tax receivables		4	5
Income tax receivables		2	2
Prepayments and other receivables		10	8
Derivatives	9	11	8
Short-term blocked deposits		15	13
Cash and cash equivalents	14	120	115
Assets held for sale	11	3	52
		179	**215**
TOTAL ASSETS		**2,636**	**2,670**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	30 June 2023 *unaudited*	31 December 2022 *audited*
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		13	13
Share premium		669	669
Unregistered share capital increase		-	-
Capital reserve		(49)	(49)
Hedge reserve		3	(8)
Foreign currency translation reserve		(3)	(3)
Accumulated profit		449	491
		1,082	**1,113**
Non-controlling interest	7	24	23
Total Equity		**1,106**	**1,136**
Non-current liabilities			
Long-term portion of long-term borrowings	10	1,211	1,189
Lease liabilities		42	42
Deposits from tenants		13	12
Long term payables		3	3
Derivatives	9	20	47
Deferred tax liabilities		135	141
		1,424	**1,434**
Current liabilities			
Current portion of long-term borrowings	10	42	49
Trade payables and other payables		29	41
Dividend payable	1	30	-
Deposits from tenants		2	2
VAT and other taxes payables		2	2
Income tax payables		1	4
Derivatives	9	-	2
		106	**100**
TOTAL EQUITY AND LIABILITIES		**2,636**	**2,670**

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Six-month period ended 30 June		Three-month period ended 30 June	
Unaudited		2023	2022	2023	2022
Rental revenue	5	66	64	35	32
Service charge revenue	5	24	21	12	10
Service charge costs	5	(27)	(23)	(14)	(11)
Gross margin from operations		**63**	**62**	**33**	**31**
Selling expenses		(1)	(1)	-	-
Administration expenses		(9)	(6)	(5)	(3)
Profit/(loss) from revaluation	8	(51)	16	(48)	13
Other income		-	1	-	1
Other expenses		(1)	(2)	(1)	(1)
Net operating result		**1**	**70**	**(21)**	**41**
Foreign exchange differences		1	(1)	1	(1)
Finance cost, net	6	(16)	(17)	(8)	(8)
Result before tax		**(14)**	**52**	**(28)**	**32**
Taxation	12	2	(11)	5	(7)
Result for the period		**(12)**	**41**	**(23)**	**25**
Attributable to:					
Equity holders of the Company		(12)	40	(23)	25
Non-controlling interest	7	-	1	-	-
Basic earnings per share (in Euro)	16	(0.02)	0.07	(0.04)	0.04

The accompanying notes are an integral part of this Interim Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Six-month period ended 30 June		Three-month period ended 30 June	
Unaudited	2023	2022	2023	2022
Result for the period	**(12)**	**41**	**(23)**	**25**
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	12	14	13	6
Income tax	(1)	(2)	(1)	(1)
Net result on hedge transactions	**11**	**12**	**12**	**5**
Foreign currency translation	-	(1)	-	-
Net other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods	**11**	**11**	**12**	**5**
Total comprehensive income/(loss) for the period	**(1)**	**52**	**(11)**	**30**
Attributable to:				
Equity holders of the Company	(1)	51	(11)	30
Non-controlling interest	-	1	-	-

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Unregistered share capital increase	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest ("NCI")	Total
Balance as of 1 January 2023 *(audited)*	**13**	**669**	**-**	**(49)**	**(8)**	**(3)**	**491**	**1,113**	**23**	**1,136**
Other comprehensive income/(loss)	-	-	-	-	11	-	-	11	-	11
Result for the period	-	-	-	-	-	-	(12)	(12)	-	(12)
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**-**	**11**	**-**	**(12)**	**(1)**	**-**	**(1)**
Dividend declared	-	-	-	-	-	-	(30)	(30)	-	(30)
Transaction with NCI	-	-	-	-	-	-	-	-	2	2
Dividend paid to NCI	-	-	-	-	-	-	-	-	(1)	(1)
Balance as of 30 June 2023 *(unaudited)*	**13**	**669**	**-**	**(49)**	**3**	**(3)**	**449**	**1,082**	**24**	**1,106**

	Share capital	Share premium	Unregistered share capital increase	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest ("NCI")	Total
Balance as of 1 January 2022 *(audited)*	**11**	**551**	**120**	**(49)**	**(31)**	**(3)**	**502**	**1,101**	**16**	**1,117**
Other comprehensive income/(loss)	-	-	-	-	12	(1)	-	11	-	11
Result for the period	-	-	-	-	-	-	40	40	1	41
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**-**	**12**	**(1)**	**40**	**51**	**1**	**52**
Registered share capital increase	2	118	(120)	-	-	-	-	-	-	-
Dividend paid to minority	-	-	-	-	-	-	-	-	(1)	(1)
Balance as of 30 June 2022 *(unaudited)*	**13**	**669**	**-**	**(49)**	**(19)**	**(4)**	**542**	**1,152**	**16**	**1,168**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

Unaudited	Note	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Result before tax		(14)	52
Adjustments for:			
Loss/(profit) from revaluation/impairment of assets	8	51	(16)
Foreign exchange differences		(1)	1
Finance cost, net	6	16	17
Share based payment provision revaluation		-	(1)
Operating cash before working capital changes		**52**	**53**
Increase in accounts receivables and other current assets		(5)	(2)
Increase in deposits from tenants		2	1
Increase / (decrease) in trade and other payables		(2)	(2)
Cash generated from operations		**47**	**50**
Tax paid in the period		(6)	(9)
Net cash from operating activities		**41**	**41**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property	8	(56)	(43)
Purchase of completed assets and land	1,8	(14)	(51)
Sale of landbank and residential landbank		-	5
Sale of subsidiary, net of cash in disposed assets		-	125
Sale of completed assets	11	49	-
Expenditure on non-current financial assets	15	(2)	-
VAT/tax on purchase/sale of investment property		3	(1)
Net cash from/(used in) investing activities		**(20)**	**35**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term borrowings		34	1
Repayment of long-term borrowings		(25)	(22)
Interest paid and other financing breaking fees		(20)	(20)
Proceeds from issue of share capital, net of issuance costs		-	120
Repayment of lease liability		(1)	(1)
Loan origination costs		(1)	-
Decrease/(Increase) in short term deposits		(3)	1
Dividend paid to non-controlling interest		(1)	(1)
Net cash from/(used in) financing activities		**(17)**	**78**
Net foreign exchange difference, related to cash and cash equivalents		**1**	**(1)**
Net increase/ (Decrease) in cash and cash equivalents		**5**	**153**
Cash and cash equivalents at the beginning of the period		**115**	**97**
Cash and cash equivalents at the end of the period		**120**	**250**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 2023, the majority shareholder of the Company is GTC Dutch Holdings B.V. (“GTC Dutch”) who 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. Additionally, GTC Holding Zrt. holds 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.. Parent company of GTC Dutch Holding B.V. and GTC Holding Zrt. is Optimum Ventures Private Equity Funds, which indirectly holds 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.

The ultimate controlling party of the Group is Pallas Athéné Domus Meriti Foundation.

Based on the power of attorney granted to GTC Dutch by Icona Securitization Opportunities Group S.A R.L. (“Icona”), who holds directly 90,176,000 shares representing 15.70% of the share capital of the Company, GTC Dutch also exercises voting rights from 90,176,000 shares belonging to Icona. As a result, Optimum Ventures Private Equity Funds 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

As of 30 January 2023 the transaction of sale of the Forrest Office Debrecen building for ca. EUR 49.2 million owned by GTC FOD Property Kft., a wholly-owned subsidiary of the Company, was completed.

On 31 March 2023, GTC Origine Zrt., a wholly-owned subsidiary of the Company, signed a quota transfer agreement to acquire 100% holding of Tiszai Fény Alfa Kft, which owns 9 newly developed solar power plants with installed nominal capacity of max 0.5 MW each, operating in Tiszafüred, Hungary for a consideration of HUF 2.4 billion (ca EUR 6.4 million). The transaction was subject to the satisfaction by GTC Origine Zrt. of the Acknowledgement of Foreign Investor with respect to the acquisition by the Ministry of Economic Development („FDI approval”). The transaction was terminated as the FDI approval has not been obtained from the Ministry until the long stop date.

On 25 April 2023, Mr. Ariel Ferstman resigned from his seat on the Management Board of the Company. The resignation is effective as of 25 April 2023.

On 25 April 2023, the Supervisory Board of GTC S.A. nominated Barbara Sikora to the post of Chief Financial Officer of GTC Group and a member of the Management Board of GTC S.A. effective from 1 May 2023.

In April 2023, Seven Gardens d.o.o., a wholly-owned subsidiary of the Company, has signed EUR 14 million loan agreement with Erste & Steiermarkische Bank d.d. with a maturity of five years following the end of construction period (latest repayment date is June 2029). As of 30 June 2023, EUR 8.7 million out of this amount was drawn down.

On 4 May 2023, on the maturity date, GTC S.A. repaid partially bonds issued under ISIN code PLGTC0000318 (one-third of total issue) in the amount of EUR 17.1 million (PLN 73.3 million) including hedge component.

In May 2023, Glamp d.o.o. Beograd, a subsidiary of the Company, has signed EUR 25 million loan agreement with Erste Group Bank AG and Erste Bank AD Novi Sad with a maturity of five years from the signing date. As of 30 June 2023, the full amount was drawn down.

On 29 May 2023, Management Board of GTC S.A. announced that it has decided to expand the previously presented and implemented strategy of the Company, which strategy now includes investments and developments in real estate projects involving hospitality assets, in particular in the high-end segment of the market in Europe.

On 12 June 2023, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Gamma LCHD Kft. ("GTC LCHD Projekt Kft") from an investment fund related to the majority shareholder of the Company, which owns a hotel under refurbishment for a consideration of EUR 9.6 million. The transaction was accounted for as an asset deal and presented as landbank within investment property.

On 12 June 2023, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Alpha VRSMRT Kft. ("GTC VRSMRT Projekt Kft") from an investment fund related to the majority shareholder of the Company for a consideration of EUR 3.5 million. The SPV owns a part of a condominium with a total area of 1,300 sqm and is designated to office project after refurbishment and fit-out works. The transaction was accounted for as an asset deal and presented as landbank within investment property.

On 21 June 2023, the Company's shareholders adopted a resolution regarding distribution of a dividend in the amount of PLN 132.1 million (EUR 30 million). The dividend shall be paid in September 2023.

Impact of the situation in Ukraine on GTC Group

Detailed analysis of the impact of the war on the operations of the Group has been performed for the purpose of preparation of the annual consolidated financial statements.

Similarly, as at the date of these financial statements, the direct impact of the war in Ukraine on the Group's operations is not material. However, it is not possible to estimate the scale of such impact in the future and due to high volatility, the Company monitors the situation on an ongoing basis and analyses its potential impact both from the perspective of individual projects and the entire Group and its long-term investment plans.

2. Basis of preparation

The Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by EU.

Starting from the Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2023 all the financial data is presented in EUR and expressed in million unless indicated otherwise.

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 2023 have been presented in the Group's consolidated financial statements for the year ended 31 December 2022 (note 6).

The Condensed Consolidated Interim 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 2022, which were authorized for issue on 24 April 2023. 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: prices (rental income) are denominated in euro and all external borrowings are denominated in euro or hedged to euro through swap instruments.

The functional currency of some of GTC's subsidiaries is other than euro. The financial statements of those companies prepared in their functional currencies are included in the consolidated financial statements by a translation into euro using appropriate exchange rates outlined in IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Assets and liabilities are translated at the period end exchange rate, while income and expenses are translated at average exchange rates for the period if it approximates actual rate. All resulting exchange differences are classified in equity as "Foreign currency translation reserve" without affecting earnings for the period.

As of 30 June 2023, the Group's net working capital (defined as current assets less current liabilities) amounted to EUR 73 million.

The management has analysed the timing, nature and scale of potential financing needs of particular subsidiaries and believes that there are no risks for paying current financial liabilities and 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 date of the financial statements. Consequently, the consolidated financial statements have been prepared under the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least twelve months from the date of the financial statements.

There were no changes in significant accounting estimates and management's judgements during period.

3. Significant accounting policies, new standards, interpretations and amendments adopted

The accounting policies adopted in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022 (see note 7 to the consolidated financial statements for 2022) except for accounting for income tax which is recognised in interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year and changes in the standards which became effective as of 1 January 2023:

- IFRS 17 *Insurance Contracts* (issued on 18 May 2017 and amended on 25 June 2020).
- Amendments to IAS 1 - *Disclosure of accounting policies* and IAS 8 - *Definition of accounting estimates* (issued on 12 February 2021).
- Amendment to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information (issued on 9 December 2021).
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The Group's assessment is that the above changes have no material impact on the Condensed Consolidated Interim 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.

4. Investments in subsidiaries

The Group structure is consistent with presented in the Group's annual consolidated financial statements for the year ended 31 December 2022 (see note 8 to the consolidated financial statements for 2022) except for the following changes occurred in the six-month period ended 30 June 2023:

- Liquidation of GTC Konstancja Sp. z o.o. (wholly-owned subsidiary of GTC S.A. seated in Poland)
- Liquidation of GTC Karkonoska Sp. z o.o. (wholly-owned subsidiary of GTC S.A. seated in Poland)
- Establishment of GTC Matrix Future d.o.o. (wholly-owned subsidiary of GTC S.A. seated in Croatia)
- Liquidation of GML American Regency Pipera S.R.L.(subsidiary with 75% shares owned by GTC S.A. seated in Romania)
- Sale of Deco Intermed S.R.L. .(subsidiary with 66.7% of shares owned by GTC S.A. seated in Romania)
- Acquisition of GTC VRSMRT Projekt Kft. (wholly-owned subsidiary of GTC Origine Investments Pltd. seated in Hungary)
- Acquisition of GTC LCHD Projekt Kft.. (wholly-owned subsidiary of GTC Origine Investments Pltd. seated in Hungary)
- Establishment of GTC MNG d.o.o. Beograd (wholly-owned subsidiary of GTC Origine Investments Pltd. seated in Serbia)

5. Segmental analysis

	Six-month period ended 30 June		Three-month period ended 30 June	
	2023	2022	2023	2022
Rental income from office sector	40	39	22	20
Service charge revenue from office sector	14	12	7	5
Rental income from retail sector	26	25	13	12
Service charge revenue from retail sector	10	9	5	5
TOTAL	**90**	**85**	**47**	**42**

The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets, and other factors. Operating segments are divided into geographical zones, which have common characteristics and reflect the nature of management reporting structure: Poland, Hungary, Bucharest, Belgrade, Sofia, Zagreb and others.

Six-month period ended 30 June 2023

Portfolio	Rental revenue	Service charge revenue	Service charge costs	Gross margin from operations
Poland	26	10	(11)	25
Belgrade	5	2	(2)	5
Hungary	19	7	(8)	18
Bucharest	5	1	(2)	4
Zagreb	4	2	(2)	4
Sofia	7	2	(2)	7
Total	**66**	**24**	**(27)**	**63**

Six-month period ended 30 June 2022

Portfolio	Rental revenue	Service charge revenue	Service charge costs	Gross margin from operations
Poland	26	9	(9)	26
Belgrade	5	1	(2)	4
Hungary	18	6	(6)	18
Bucharest	5	1	(2)	4
Zagreb	5	2	(2)	5
Sofia	5	2	(2)	5
Total	**64**	**21**	**(23)**	**62**

Three-month period ended 30 June 2023

Portfolio	Rental revenue	Service charge revenue	Service charge costs	Gross margin from operations
Poland	13	5	(6)	12
Belgrade	3	1	(1)	3
Hungary	11	4	(4)	11
Bucharest	3	-	(1)	2
Zagreb	2	1	(1)	2
Sofia	3	1	(1)	3
Total	**35**	**12**	**(14)**	**33**

Three-month period ended 30 June 2022

Portfolio	Rental Revenue	Service charge revenue	Service charge costs	Gross margin from operations
Poland	13	4	(4)	13
Belgrade	2	1	(1)	2
Hungary	9	2	(3)	8
Bucharest	2	1	(1)	2
Zagreb	3	1	(1)	3
Sofia	3	1	(1)	3
Total	**32**	**10**	**(11)**	**31**

Segmental analysis of assets and liabilities as of 30 June 2023:

	Real estate[1]	Cash and deposits	Other	Total assets	Loans, bonds and leases[2]	Deferred tax liabilities	Other	Total liabilities
Poland	854	39	20	**913**	272	57	13	**342**
Belgrade	176	7	2	**185**	26	3	5	**34**
Hungary	724	20	23	**767**	267	20	12	**299**
Bucharest	177	6	2	**185**	7	12	3	**22**
Zagreb	129	5	13	**147**	52	16	5	**73**
Sofia	197	4	1	**202**	-	9	4	**13**
Other	32	-	-	**32**	2	-	-	**2**
Non allocated[3]	-	67	138	**205**	676	18	51	**745**
Total	**2,289**	**148**	**199**	**2,636**	**1,302**	**135**	**93**	**1,530**

Segmental analysis of assets and liabilities as of 31 December 2022:

	Real estate[1]	Cash and deposits	Other	Total assets	Loans, bonds and leases[2]	Deferred tax liabilities	Other	Total liabilities
Poland	874	28	21	**923**	278	61	15	**354**
Belgrade	176	5	2	**183**	1	3	8	**12**
Hungary	747	17	25	**789**	270	19	15	**304**
Bucharest	179	6	2	**187**	9	12	3	**24**
Zagreb	125	6	12	**143**	44	16	6	**66**
Sofia	199	5	1	**205**	-	9	7	**16**
Other	31	-	1	**32**	2	-	-	**2**
Non allocated[4]	-	73	135	**208**	684	21	51	**756**
Total	**2,331**	**140**	**199**	**2,670**	**1,288**	**141**	**105**	**1,534**

[1] Real estate comprise of investment property, residential landbank, assets held for sale and value of buildings and related improvements presented within property, plant and equipment (including right of use).
[2] Excluding deferred issuance debt expenses.
[3] Other assets represent mainly non-current financial assets in Ireland (EUR 119 million) and in Luxembourg (EUR 13 million).
Loans, bonds and leases comprise mainly bonds issued by GTC S.A., GTC Hungary and GTC Aurora Luxembourg S.A. Other liabilities comprise mainly dividend payable in the amount of EUR 30 million and derivatives payable in the amount of EUR 20 million, related to bonds in HUF.
[4] Other assets represent mainly non-current financial assets in Ireland (EUR 118 million) and in Luxembourg (EUR 12 million).
Loans, bonds and leases comprise mainly of bonds issued by GTC S.A., GTC Hungary and GTC Aurora Luxembourg S.A. Other liabilities comprise mainly of derivatives payable in the amount of EUR 46.8 million, related to bonds in HUF.

6. Finance costs, net

Finance costs for the six-month period ended 30 June 2023 and 30 June 2022 comprises the following amounts:

	Six-month period ended 30 June		Three-month period ended 30 June	
	2023	2022	2023	2022
Interest expenses, net[5]	14	15	7	7
Finance costs related to lease liability	1	1	1	-
Amortization of long-term borrowings raising costs	1	1	-	1
Total	**16**	**17**	**8**	**8**

The weighted average interest rate (including hedges) on the Group's loans as of 30 June 2023 was 2.38% p.a. (2.21% p.a. as of 31 December 2022).

7. 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 2023 is presented below:

	Euro Structor d.o.o.	Non-core projects	Total
NCI share in equity	24	-	24
Loans received from NCI	-	-	-
Loans granted to NCI	(11)	-	(11)
Total as of 30 June 2023 *(unaudited)*	**13**	**-**	**13**
NCI share in profit / (loss)	**-**	**-**	**-**

[5] Comprise of interest expenses on financial liabilities that are not fair valued through profit or loss, banking costs and other charges.

8. Investment Property

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

Completed assets are valued using discounted cash flow (DCF) method. Completed investment properties are externally valued by independent appraisers at year end and middle year based on open market values (RICS Standards). For the purpose of Q1 and Q3 quarterly Interim Condensed Consolidated Financial Statements the Group receives letters from its external appraisers to verify if the market value of completed investment properties has not been changed comparing to previous quarter.

Investment property can be split up as follows:

	30 June 2023 *unaudited*	**31 December 2022** *audited*
Completed investment property	1,977	2,003
Investment property under construction	72	52
Investment property landbank	158	150
Right of use of lands under perpetual usufruct (IFRS 16)	38	39
Total	**2,245**	**2,244**

The movement in investment property for the periods ended 30 June 2023 and 31 December 2022 was as follows:

	Right of use of lands under perpetual usufruct (IFRS 16)	Completed investment property	Investment property under construction	Landbank	Total
Carrying amount as of 1 January 2022	**39**	**1,930**	**132**	**140**	**2,241**
Capitalised expenditure	-	17	72	3	92
Purchase of completed assets and land	-	8	10	40	58
Reclassification[6]	-	182	(161)	(21)	-
Adjustment to fair value / (impairment)	-	(25)	(1)	-	(26)
Revaluation of right of use of lands under perpetual usufruct	(1)	-	-	-	(1)
Reclassified to assets held for sale	(1)	(48)	-	(3)	(52)
Increase	2	-	-	-	2
Disposal of land[7]	-	-	-	(9)	(9)
Sale of completed building[8]	-	(61)	-	-	(61)
Foreign exchange differences	-	-	-	-	-
Carrying amount as of 31 December 2022	**39**	**2,003**	**52**	**150**	**2,244**
Capitalised expenditure	-	13	27	4	44
Purchase of land[9]	-	-	-	13	13
Reclassification[10]	-	21	(9)	(12)	-
Prepaid right of use of lands under perpetual usufruct	(1)	-	-	-	(1)
Adjustment to fair value / (impairment)	-	(58)	2	3	(53)
Revaluation of right of use of lands under perpetual usufruct	(1)	-	-	-	(1)
Classified to assets for own use	-	(2)	-	-	(2)
Foreign exchange differences	1	-	-	-	1
Carrying amount as of 30 June 2023	**38**	**1,977**	**72**	**158**	**2,245**

[6] Completion of Pillar building in Hungary in Q1 2022 (EUR 112m), GTC X in Serbia (EUR 50.4m) and Sofia Tower in Sofia (EUR 19.9m) in Q4 2022. Moreover, commencement of Center Point III construction (transfer from landbank to under construction).

[7] Sale of land plots in Poland.

[8] Sale of Cascade and Matrix building.

[9] Further details in note 1 *Principal activities.*

[10] Completion of part of Rose Hill project (EUR 21m) in Budapest (Hungary). Moreover, commencement of G-Delta Andrassy project in Budapest (transfer from landbank to under construction).

Fair value and impairment adjustment consists of the following:

	Six-month period ended 30 June		Three-month period ended 30 June	
	2023	2022	2023	2022
Adjustment to fair value of completed investment properties	(58)	6	(54)	3
Adjustment to the fair value of investment properties under construction	2	8	2	8
Adjustment to the fair value of landbank	3	2	3	2
Total adjustment to fair value / (impairment) of investment property	**(53)**	**16**	**(49)**	**13**
Adjustment to fair value of assets held for sale and other	3	-	2	-
Revaluation of right of use of lands under perpetual usufruct (including residential landbank)	(1)	-	(1)	-
Total recognised in profit or loss	**(51)**	**16**	**(48)**	**13**

Reconciliation between capitalized expenditure and paid expenditure is presented below:

	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
Capitalized expenditure	**57**	**94**
Change in payables and provisions related to investing activities	12	(1)
Change in receivables related to investing activities	(2)	-
Expenditure on residential landbank	1	-
Purchase of property, plant, and equipment	2	1
Paid expenditures in line with cash flow statement	**70**	**94**

Assumptions used in the fair value valuations of completed assets as of 30 June 2023:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV[11]	Average Yield[12]
	€'000 000	sqm	%	Euro/ sqm/m	Euro/ sqm/m	%
Poland retail	434	114	93%	21.8	22.4	6.3%
Poland office	340	195	79%	15.6	14.1	8.5%
Belgrade retail	90	34	100%	19.9	21.1	9.0%
Belgrade office	49	18	99%	18.4	18.2	9.0%
Hungary office	593	203	88%	17.7	16.1	6.7%
Hungary retail	20	6	93%	20.4	18.2	7.5%
Bucharest office	162	62	78%	19.5	18.2	7.0%
Zagreb retail	83	28	98%	23.1	22.3	9.1%
Zagreb office	15	7	100%	16.5	14.9	9.1%
Sofia office	110	52	90%	16.1	15.5	8.1%
Sofia retail	81	23	98%	23.7	23.9	7.8%
Total	**1,977**	**742**	**87%**	**18.4**	**17.4**	**7.3%**

Assumptions used in the fair value valuations of completed assets as of 31 December 2022:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV[11]	Average Yield[12]
	€'000 000	sqm	%	Euro/ sqm/m	Euro/ sqm/m	%
Poland retail	443	114	95%	21.5	21.6	6.2%
Poland office	356	195	80%	14.7	14.2	7.7%
Belgrade retail	90	34	100%	18.7	21.0	8.5%
Belgrade office	50	18	94%	18.0	18.2	7.2%
Hungary office	584	198	87%	16.8	16.3	6.0%
Hungary retail	21	6	89%	18.1	18.5	6.0%
Bucharest office	164	62	74%	18.8	17.8	6.3%
Zagreb retail	85	28	98%	21.7	22.3	8.3%
Zagreb office	15	7	96%	15.5	14.9	8.4%
Sofia office	113	52	89%	16.0	15.3	7.9%
Sofia retail	82	23	97%	22.3	23.1	7.2%
Total	**2,003**	**737**	**87%**	**17.7**	**17.3**	**6.8%**

[11] 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).
[12] Average yield is calculated as in-place rent divided by fair value of asset.

Information regarding investment properties under construction:

	30 June 2023	31 December 2022	Estimated area (GLA)
			thousand sqm
Budapest (Center Point III)	29	20	36
Budapest (G-Delta Andrassy)	16	-	4
Budapest (Rose Hill Business Campus)	6	17	11[13]
Zagreb (Matrix C)	21	15	11
Total	**72**	**52**	**62**

Information regarding book value of investment property landbank for construction:

	30 June 2023	31 December 2022
Poland	45	39
Hungary	56	55
Serbia	35	34
Romania	7	7
Bulgaria	4	4
Croatia	11	11
Total	**158**	**150**

[13] As of 31 December 2022 - 15 thousand sqm (part of building was completed in Q2 23).

9. Derivatives

The Group holds instruments (i.e. IRS, CAP and cross-currency interest rate SWAP) that hedge the risk involved in fluctuations of interest rates and currencies rates. The instruments hedge interest and foreign exchange rates on loans and bonds for a period of 2-10 years.

Derivatives are presented in financial statements as below:

	30 June 2023 *unaudited*	31 December 2022 *audited*
Non-current assets	11	17
Current assets	11	8
Non-current liabilities	(20)	(47)
Current liabilities	-	(2)
Total	**2**	**(24)**

The movement in derivatives for the periods ended 30 June 2023 and 31 December 2022 was as follows:

	30 June 2023 *unaudited*	31 December 2022 *audited*
Fair value as of the beginning of the year	**(24)**	**(41)**
Charged to other comprehensive income	12	28
Charged to profit or loss[14]	14	(11)
Fair value as of the end of the period	**2**	**(24)**

The movement in hedge reserve presented in equity for the periods ended 30 June 2023 and 31 December 2022:

	30 June 2023 *unaudited*	31 December 2022 *audited*
Hedge reserve as of the beginning of the year	**(8)**	**(31)**
Charged to other comprehensive income	26	17
Realized in the period (charged to profit or loss)[15]	(14)	11
Total impact on other comprehensive income	12	28
Income tax on hedge transactions	(1)	(5)
Hedge reserve as of the end of the year	**3**	**(8)**

Derivatives are measured at fair value at each reporting date. Valuations of hedging derivatives are considered as level 2 fair value measurements. Fair value of derivatives is measured using cash flow models based on the data from publicly available sources.

The Company applies cash flow hedge accounting and uses derivatives as hedging instruments. The Group uses both qualitative and quantitative methods for assessing effectiveness of the hedge. All derivatives are measured at fair value, effective part is included in other comprehensive income and reclassified to profit or loss when hedged item affects P&L. The Group uses IRS and CAP for hedging interest rate risk on loans, and cross-currency interest rate SWAPs for hedging both interest rate risk and currency risk on bonds denominated in foreign currencies.

[14] This gain/loss mainly offset a foreign exchange losses/gains on bonds nominated in PLN and HUF.
[15] This loss mainly offset a foreign exchange gains on bonds nominated in PLN and HUF.

10. Long-term borrowings (loans and bonds)

	30 June 2023 *unaudited*	31 December 2022 *audited*
Bonds	676	684
Bank loans	584	560
Loans from NCI	-	2
Deferred issuance debt expenses	(7)	(8)
Total borrowings	**1,253**	**1,238**
Of which		
Long-term borrowings	1,211	1,189
Short-term borrowings	42	49
Total borrowings	**1,253**	**1,238**

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 lenders have been pledged. Fair value of the pledged assets exceeds the carrying value of the related loans.

Bonds PLGTC0000318 (last series maturing in 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 2023, the Group complied with the financial covenants set out in the loan agreements and bonds terms.

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

	30 June 2023 *unaudited*	31 December 2022 *audited*
First year[16]	73	76
Second year	151	65
Third year	751	149
Fourth year	112	774
Fifth year	50	76
Thereafter	216	206
Total	**1,353**	**1,346**

[16] To be repaid during 12 months from reporting date

11. Assets held for sale

The balance of assets held for sale as of 30 June 2023 and 31 December 2022 was as follows:

	30 June 2023 *unaudited*	31 December 2022 *audited*
Forest Office Debrecen	-	48
Romanian landbank	-	1
Landbank in Poland	3	3
Total	**3**	**52**

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 was HUF 19.1 billion (ca. EUR 47.7 million as of 31 December 2022). As of 30 January 2023 the full purchase price (ca. EUR 49.2 million) was paid and the transaction was completed.

12. 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 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.

13. Capital and Reserves

Shareholders who, as at 30 June 2023, held above 5% of the Company shares were as follows:

- GTC Dutch Holdings B.V
- Icona Securitization Opportunities Group S.A R.L.
- Otwarty Fundusz Emerytalny PZU “Złota Jesień”
- Allianz Polska Otwarty Fundusz Emerytalny

14. Cash and cash equivalents

Cash balance consists of cash in banks and cash in hand. Cash in banks earns interest at floating rates based on periodical bank deposit rates. There is no material cash and equivalents balances other than bank deposits. All cash and cash equivalents are available for use by the Group. GTC Group cooperates mainly with banks with investment rating above BBB-. The major bank, where the Group deposits 33% of cash and cash equivalents and blocked deposits is a financial institution with credit rating BBB-. Second bank with major Group's deposits (14%) is an institution with credit rating A+. The Group monitors ratings of banks and manages concentration risk by allocating deposits in multiple financial institutions (over 10).

15. Non-current financial assets measured at fair value through profit or loss

As of 30 June 2023 and 31 December 2022 the fair value of non-current financial assets was as follows:

	30 June 2023 *unaudited*	31 December 2022 *audited*
Notes (Ireland)	119	118
Units (Trigal)	13	12
ACP Fund	1	-
Total	**133**	**130**

In the six-month period ended 30 June 2023 GTC S.A. invested additionally EUR 1.9 million, including EUR 0.9 million in the Irish project and EUR 1 million in the ACP Fund.

Non-current financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

15.1 Notes (Ireland)

On 9 August 2022, a subsidiary of the Company entered into the agreement for a joint investment into the innovation park in County Kildare, Ireland. This transaction involved an initial investment of approximately EUR 115 million into the Kildare Innovation Campus and additional investment of EUR 2 million as at 22 September 2022, according to agreement terms (up to maximum amount of EUR 9 million). GTC acquired a minority of 25% of notes (debt instruments) issued by a Luxembourg securitization vehicle financial instrument which accrues a variable return subject to the future net available proceeds derived from the project.
These debt instruments do not meet the SPPI test therefore they are measured at fair value through profit or loss.

As of 31 December 2022 (last available data), financial data of the Luxembourg securitization vehicle were as below:

Total assets	475
Total liabilities	58
Equity	417

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 6.2 million 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. GTC's investment is protected by customary investor protection mechanisms in the case of certain significant project milestones are not achieved in a satisfactory manner.

As of the reporting date, the master plan which regulates the planning process for the future conversion of the site into a life science park and technology campus is under currently planning phase.

The valuation of the notes is based on a valuation of the Kildare Innovation Campus project (taking in consideration the project's risks and Group's share in net available proceeds from this project).
As of 30 June 2023, the project Kildare Innovation Campus was valued, using residual method, by Kroll Advisory (Ireland) Limited, on open market values.

Fair value of financial instrument is presented below:

Estimated future cash flows assuming successful completion of the project	158
Discount factor to reflect the risk relating to obtaining permit and its timing – 26.0%[17]	(39)
Fair Value of financial instrument	119

Information regarding inter-relationship between key unobservable inputs and fair value measurements is presented below:

	Total Fair Value of financial instrument	Total Fair Value of financial instrument
	Increase in rent	***Decrease in rent***
Change in estimated net rent by 5%	121	117
Change in estimated net rent by 10%	122	116

	Total Fair Value	Total Fair Value
	Increase in permitting factor / expected capital expenditure	***Decrease in permitting factor / expected capital expenditure***
Change in permitting factors by 5 p.p.	125	109
Change in permitting factors by 10 p.p.	133	101
Change in expected capital expenditure to obtain the permit by 5%	119.3	118.8
Change in expected capital expenditure to obtain the permit by 10%	119.7	118.5

15.2 Units (Trigal)

On 28 August 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, acquired 34% of units in Regional Multi Asset Fund Compartment 2 of Trigal Alternative Investment Fund GP S.á.r.l. ("Fund") for consideration of EUR 12.6 million from the entity related to the Majority shareholder. The Fund is focused on commercial real estate investments in Slovenia and Croatia with a total gross asset value of EUR 68.75 million. The fund expected maturity is in Q4 2028.

15.3 ACP Fund

ACP Credit I SCA SICAV-RAIF (hereinafter referred as "ACP Fund") is a reserved alternative investment fund seated in Luxemburg with 2 compartments. GTC has a total commitment of EUR 5 million in ACP Fund, and total of EUR 1 million was called up to end of Q2 2023. ACP Fund investment strategy is to build a portfolio of secured income-generating debt instruments in SMEs and medium-sized companies in Central Europe.

[17] Discount factor decreased due to submitting application for permit related to the project.

16. Earnings per share

Basic earnings per share were calculated as follows:

	Six-month period ended 30 June		Three-month period ended 30 June	
Unaudited	2023	2022	2023	2022
Result for the period attributable to equity holders (Euro)	(12,000,000)	40,000,000	(23,000,000)	25,000,000
Weighted average number of shares for calculating basic earnings per share	574,255,122	574,255,122	574,255,122	574,255,122
Basic earnings per share (Euro)	**(0.02)**	**0.07**	**(0.04)**	**0.04**

There have been no potentially dilutive and dilutive instruments as at 30 June 2023 and 30 June 2022.

17. Related party transactions

There were no significant related party transactions in the six-month period ended 30 June 2023 other than described in note 1 *Principal activities*.

18. Changes in commitments, contingent assets and liabilities

There were no significant changes in commitments and contingent liabilities.

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

19. Subsequent events

There were no significant subsequent events after the balance sheet date.

20. Approval of the financial statements

The interim condensed consolidated financial statements were authorised for the issue by the Management Board on 23 August 2023.

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

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

Introduction

We have reviewed the accompanying condensed consolidated interim 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"), comprising the condensed consolidated interim statement of financial position as at 30 June 2023 and the condensed consolidated interim income statements for the three-month period then ended and six-month period then ended, the condensed consolidated interim statements of comprehensive income for the three-month period then ended and six-month period then ended, the condensed consolidated interim statement of changes in equity for six-month period then ended, the condensed consolidated interim statement of cash flows for six-month period then ended and the related explanatory notes.

The Management Board of the Parent's Company is responsible for the preparation and presentation of these condensed consolidated interim 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 condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the National Standard on Review Engagements 2410 in the wording of the 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. A review of condensed consolidated interim 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 condensed consolidated interim financial statements have not been prepared, in all material respect, 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: 2023.08.23 14:10:15 CEST

Piotr Wyszogrodzki
Key Registered Auditor
No. 90091

Warsaw, 23 August 2023