CONSOLIDATED INTERIM REPORT
OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

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MANAGEMENT BOARD'S REPORT ON ACTIVITIES OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP IN THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

Table of content

Item 1. Introduction ... 4
Item 2. Selected financial data ... 6
Item 3. Presentation of the Group ... 7
Item 3.1. General information about the Group ... 7
Item 3.2. Structure of the Group ... 8
Item 3.3. Changes to the principal rules of the management of the Company and the Group ... 8
Item 4. Main events of the six-month period ended 30 June 2019 ... 8
Item 5. Operating and financial review ... 9
Item 5.1. General factors affecting operating and financial results ... 9
Item 5.2. Specific factors affecting financial and operating results ... 12
Item 5.3.Presentation of differences between achieved financial results and published forecasts ... 12
Item 5.4. Statement of financial position ... 12
Item 5.4.1. Key items of the statement of financial position ... 12
Item 5.4.2. Financial position as of 30 June 2019 compared to 31 December 2018 ... 13
Item 5.5. Consolidated income statement ... 14
Item 5.5.1. Key items of the consolidated income statement ... 14
Item 5.5.2. Comparison of financial results for the six-month period ended 30 June 2019 with the result for the corresponding period of 2018 ... 16
Item 5.5.3. Comparison of financial results for the three-month period ended 30 June 2019 with the result for the corresponding period of 2018 ... 18
Item 5. 6. Consolidated cash flow statement ... 20
Item 5.6.1. Key items from consolidated cash flow statement ... 20
Item 5.7. Future liquidity and capital resources ... 22
Item 6. Information on loans granted with a particular emphasis on related entities ... 22
Item 7. Information on granted and received guarantees with a particular emphasis on guarantees granted to related entities ... 23
Item 8. Shareholders who, directly or indirectly, have substantial shareholding ... 23
Item 9. Shares in GTC held by members of the Management Board and the Supervisory Board ... 23
Item 10. Material transactions with related parties concluded on terms other than market terms ... 24
Item 11. Proceedings before a court or public authority involving Globe Trade Centre SA or its subsidiaries the total value of the liabilities or claims of which amount to at least 10% of the Group's equity ... 24
Item 12. Key risk factors ... 25

Item 1. Introduction

The GTC Group is a leading real estate investor and developer focusing on Poland and four capital cities in Eastern and Southern Europe - Belgrade, Budapest, Bucharest, Zagreb and Sofia. The Group was established in 1994.

Group's portfolio comprises: (i) completed commercial properties; (ii) commercial properties under construction; (iii) a commercial landbank intended for future development or sale (iv) assets held for sale and (v) residential landbank.

Since its establishment and as at 30 June 2019 the Group has: (i) developed over 1.1 million sq m of gross commercial space and over 300 thousand sq m of residential space; (ii) sold over 500 thousand sq m of gross commercial space in completed commercial properties and approximately 300 thousand sq m of residential space; and (iii) acquired over 151 thousand sq m of commercial space in completed commercial properties. Additionally GTC Group developed and sold over 100 thousand sq m of commercial space and approximately 76 thousand sq m of residential space through its associates in Czech Republic.

As of 30 June 2019, the Group`s property portfolio comprised the following properties:

- 44 completed commercial buildings, including 39 office buildings and five retail properties with a total combined commercial space of approximately 722 thousand sq m of GLA, of which the Group's proportional interest amounts to approximately 712 thousand sq m of GLA;
- 2 completed office buildings presented as asset held for sale, with a total combined commercial space of approximately 38 thousand sq m of GLA, of which the Group's proportional interest amounts to approximately 38 thousand sq m of GLA;
- six office buildings under construction with total GLA of approximately 87 thousand sq m, of which the Group's proportional interest amounts to 87 thousand sq m of GLA;
- commercial landbank designated for future development; and
- residential landbank designated for sale.

As of 30 June 2019, the book value of the Group's portfolio amounts to €2,336,356 with: (i) the Group's completed investment properties account for 83% thereof; (ii) investment properties under construction – 4%; (iii) an investment landbank intended for future development – 5%; (iv) assets held for sale – 5%, (vi) right of use of lands under perpetual usufruct – 2% and (v) residential landbank account for 1%. Based on the Group's assessment approximately 99% of the portfolio is core and remaining 1% is non-core assets, including landplots designated for sale and residential landbank.

The Company's shares are listed on the WSE and inward listed on the Johannesburg Stock Exchange. The Company's shares are included in mWIG 40.

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

In the Management Board's report references to the Company or GTC are to Globe Trade Centre S.A. and all references to the Group or the GTC Group are references to Globe Trade Centre S.A. and its consolidated subsidiaries. Expressions such as: "Shares" relate to the shares in Globe Trade Centre S.A., which were introduced to public trading on the Warsaw Stock Exchange in May 2004 and later and are marked under the PLGTC0000037 code and inward listed on Johannesburg Stock Exchange in August 2016 and are marked under the ISIN PLGTC0000037 code; "Bonds" refers to the bonds issued by Globe Trade Centre S.A. and introduced to alternative trading market and marked with the ISIN codes PLGTC0000144, PLGTC0000177, PLGTC0000219 PLGTC0000227, PLGTC0000235, PLGTC0000243, PLGTC0000268, PLGTC0000276 and PLGTC0000292; „the Report" refers to the consolidated interim report prepared pursuant to art. 69 of the Decree of the Finance Minister of 29 March 2018 on current and periodical information published by issuers of securities and conditions of

qualifying as equivalent the information required by the provisions of law of a country not being a member state; “CEE” refers to the group of countries that are within the region of Central and Eastern Europe (Hungary, Poland); “SEE” refers to the group of countries that are within the region of South-Eastern Europe (Bulgaria, Croatia, Romania and Serbia); “net rentable area”, “NRA”, or “net leasable area”, “NLA” refer to the metric of the area of a given property as indicated by the real property appraisal experts for the purposes of the preparation of the relevant real property valuations. With respect to commercial properties, net leasable (rentable) area is all the leasable area of a property exclusive of non-leasable space, such as hallways, building foyers, and areas devoted to heating and air conditioning installations, elevators and other utility areas. The specific methods of calculation of NRA may vary among particular properties, which is due to different methodologies and standards applicable in the various geographic markets on which the Group operates; ''gross rentable area”, or “gross leasable area”, “GLA” refer to the metric of the all the leasable area of a property multiplied by add-on-factor; “Commercial properties” refer to properties with respect to which GTC Group derives revenue from rent and includes both office and retail properties; ''FFO”, “FFO I” is profit before tax less tax paid, after adjusting for non-cash transactions (such as fair value or real estate re-measurement, share based payment provision and unpaid financial expenses) and one off items (such as FX differences and residential activity); “EPRA NAV” is total equity less non-controlling interest, less: deferred tax liability related to real estate assets and derivatives at fair value; “EBITDA” is earning before fair value adjustments, interest, tax, depreciation and amortization; “EUR”, “€” or “euro” refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time; “PLN” or “zloty” refers to the lawful currency of Poland; “JSE” refers to the Johannesburg Stock Exchange.

Presentation of financial information

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

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

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

Forward-looking statements

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

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

The Group discloses important risk factors that could cause its actual results to differ materially from its expectations under 12. “Key risk factors, Item 5. “Operating and financial review”, 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.

Item 2. Selected financial data

The following tables present the Group's selected historical financial data for the six- month period ended 30 June 2019 and 2018. 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 2019 (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 2019.

Selected financial data presented in PLN is derived from the consolidated financial statements for the six-month period ended 30 June 2019 presented in accordance with IFRS and prepared in the Polish language and in Polish zloty as a presentation currency.

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

	For the six-month period ended 30 June				For the three-month period ended 30 June			
	2019		2018		2019		2018	
(in thousands)	EUR	PLN	EUR	PLN	EUR	PLN	EUR	PLN
Interim Condensed Consolidated Income Statement								
Revenues from operations	81,282	348,968	77,140	325,631	41,822	179,164	37,670	160,603
Cost of operations	(20,171)	(86,600)	(22,389)	(94,511)	(10,262)	(43,960)	(10,403)	(44,397)
Gross margin from operations	61,111	262,368	54,751	231,120	31,560	135,204	27,267	116,206
Selling expenses	(735)	(3,156)	(1,195)	(5,044)	(367)	(1,572)	(720)	(3,058)
Administrative expenses	(8,767)	(37,639)	(4,099)	(17,303)	(4,244)	(18,176)	(2,701)	(11,458)
Profit/(loss) from revaluation/impairment of assets, and impairment of residential projects	16,482	70,412	23,368	100,003	9,763	41,512	10,834	47,254
Financial income/(expense), net	(16,055)	(68,929)	(14,153)	(59,744)	(8,151)	(34,917)	(7,065)	(30,108)
Net profit /(loss)	42,847	183,662	46,072	195,590	23,098	98,689	21,763	93,673
Basic and diluted earnings per share (not in thousands)	0.09	0.38	0.10	0.41	0.05	0.20	0.05	0.20
Weighted average number of issued ordinary shares (not in thousands)	483,748,843	483,748,843	471,473,315	471,473,315	483,958,363	483,958,363	472,630,272	472,630,272
Consolidated Cash Flow Statement								
Net cash from operating activities	51,904	222,843	41,622	175,698				
Net cash used in investing activities	(62,122)	(266,660)	(65,674)	(277,227)				
Net cash from/(used in) financing activities	(1,416)	(6,080)	17,398	73,443				
Cash and cash equivalents at the end of the period	69,080	293,728	140,280	611,845				

	As of 30 June 2019		As of 31 December 2018	
	EUR	PLN	EUR	PLN
Consolidated statement of financial position				
Investment property completed and under contruction	2,044,734	8,694,209	1,981,961	8,522,432
Investment property landbank	112,478	478,256	131,107	563,760
Right of use of lands under perpetual usufruct	44,627	189,754	-	-
Residential landbank	13,365	56,828	12,698	54,601
Assets held for sale	121,152	515,138	76,196	327,643
Cash and cash equivalents	69,080	293,728	80,456	345,961
Others	86,941	369,674	74,506	320,378
Total assets	2,492,377	10,597,587	2,356,924	10,134,775
Non-current liabilities	1,144,646	4,867,037	1,154,262	4,963,331
Current liabilities	304,997	1,296,845	181,867	782,025
Liabilities directly associated with asset held for sale	20,080	85,380	-	-
Total Equity	1,022,654	4,348,325	1,020,795	4,389,419
Share capital	11,007	48,556	10,960	48,354

Item 3. Presentation of the Group

Item 3.1. General information about the Group

The GTC Group is a leading real estate investor and developer focusing on Poland and four capital cities in Eastern and Southern Europe - Belgrade, Budapest, Bucharest, Zagreb and Sofia. The Group was established in 1994.

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The Company's shares are listed on the WSE and inward listed on the Johannesburg Stock Exchange. The Company's shares are included in mWIG 40.

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

Item 3.2. Structure of the Group

The structure of Globe Trade Centre S.A. Capital Group as of 30 June 2019 is presented in the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2019 in Note 4 "Investment in subsidiaries, associates and joint ventures".

The following changes in structure of the Group occurred in the six-month period ended 30 June 2019:

- Mablethompe Investitii S.R.L. was under liqudation,
- River Loft Apartmanok Ltd. was liquidated,
- Galleria Shopping Center S.R.L. was sold.

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

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

Item 4. Main events of the six-month period ended 30 June 2019

In February 2019, the Group signed a term sheet for the sale of GTC White House office building in Budapest. The preliminary sale agreement was signed in June 2019. Accordingly, as of 30 June 2019, the asset is presented within the assets held for sale, with a total fair value of €70,000.

On 14 February 2019, Midroog (Israel-based credit rating agency accredited by the State of Israel) assigned an A2.il rating with a stable outlook for repayment capability of debt that the Company might raise in Israel, in the amount of up to €70,000.

In March 2019, the Group and UniCredit signed a new loan agreement in the amount of €20,000 (€3,500 top up after completion, subject to agreed conditions), for the construction of Advance Business Center II.

In March 2019, the Group and Raiffeisen Bank signed an agreement to refinance FortyOne office complex in Belgrade. The loan amounted €40,000.

In April 2019, GTC SA issued three-year euro denominated bonds in the total amount of €9,440.ISIN code PLGTC0000292.

In April 2019, the Group completed Green Heart N2, an office building in Belgrade (5,900 sq m).

In May 2019, the Company's shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 178,900 (€41,600), PLN 0.37 per share and allowing the Company's shareholders to elect to receive the dividend in the form of newly issued shares or in cash depending on shareholders preferences. As a result in June 2019, the Company issued 2,018,126 series N shares to some of the Company's shareholders and paid a dividend in the amount of €37,600 to remaining shareholders.

In May 2019, the Group completed the construction of Ada Mall in Belgrade.

In June 2019, the Group completed the construction of Advance Business Centre I, an office building in Sofia

In June 2019, the Group started the construction of Pillar, an office building in Budapest.

In June 2019, the Group signed a preliminary agreement for the sale of Neptun Office Center (Gdansk). Accordingly, as of 30 June 2019, the asset is presented within the assets held for sale, with a total fair value of €44,237. The bank loan was presented within liabilities held for sale, with a total book value of €20,080.

Events that took place after 30 June 2019:

In July 2019, the Group and OTP bank signed a loan agreement, which refinanced the existing loan agreement of Duna Tower and Center Point in Budapest. The total loan of the project increased by the amount of €27,000 to €93,000.

In July 2019, the Group completed the construction of Matrix A, an office building in Zagreb.

In July 2019, the Group completed the construction of Green Heart N1, an office building in Belgrade.

In August 2019, the Group and Erste bank signed a new loan agreement in the amount of €11,700 construction loan to be increased by €2,800 refinance top up after completion (conditions are agreed), for the construction and refinance of Matrix B.

Item 5. Operating and financial review

Item 5.1. General factors affecting operating and financial results

General factors affecting operating and financial results

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

Economic conditions in CEE and SEE

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

The reduced demand for property that, on the one hand, may result in a drop in sales dynamics, and, on the other, an increase in vacancy rates and lower rent revenues from leased space, may significantly impact the results of

operations of the Group. Specifically, the Group may be force to change some of its investment plans. Additionally, the Group may not able to develop numerous plans in the countries where it operates.

Real estate market in CEE and SEE

The Group derives the majority of its revenue from operations from rental activities, including rental and service revenue. For the six-month period ended 30 June 2019 and for the six-month period ended 30 June 2018, the Group derived 75% and 69% of its revenues from operations as rental revenue, which greatly depends on the rental rates per sq m and occupancy rates. The amount the Group can charge for rent largely depends on the property's location and condition and is influenced by local market trends and the state of local economies. The Group's revenue from rent is particularly affected by the delivery of new rent spaces, changes in vacancy rates and the Group's ability to implement rent increases. Rental income is also dependent upon the time of completion of the Group's development projects as well as on its ability to let such completed properties at favorable rent levels. Moreover, for the six-month period ended 30 June 2019 and for the six-month period ended 30 June 2018, the Group derived 25% and 25% of its revenues from operations as service revenue, which reflects certain costs the Group passes on to its tenants.

The vast majority of the Group's lease agreements are concluded in Euro and include a clause that provides for the full indexation of the rent linked to the European Index of Consumer Prices. When a lease is concluded in another currency, it is typically linked to the consumer price index of the relevant country of the currency.

To a certain extent, the Group's operational results was influenced by its ability to sell residential units, which for the six-month period ended 30 June 2018 amounted for 6% of the Group's total revenues. For the six-month period ended 30 June 2019 Group did not have residential revenue. The supply of new apartments in the different markets in which the Group operates and the demand on such markets affect apartment prices. The demand for apartments is further impacted by fluctuations in interest rates, the availability of credit and the mortgage market in general. For example, the Group's residential revenues decreased steadily over the last few years due to the slowdown in the sale of residential properties coupled with an increase in discounts which had to be granted to purchasers of the Group's apartments in order to facilitate sales.

Real estate valuation

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

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

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

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

The Group recognized net profit from revaluation and impairment of assets of €16,482 in the six-month period ended 30 June 2019 and €23,368 in six-month period ended 30 June 2018.

Impact of interest rate movements

Substantially all of the loans of the Group have a variable interest rate, mainly connected to EURIBOR. Increases in interest rates generally increase the Group's financing costs. As of 30 June 2019 approximately 94% of the Group's loans were hedged. In addition, in an economic environment in which availability of financing is not scarce, demand for investment properties generally tends to increase when interest rates are low, which can lead to higher valuations of the Group's existing investment portfolio. Conversely, increased interest rates generally adversely affect the valuation of the Group's properties, which can result in recognition of impairment that could negatively affect the Group's income.

Historically, EURIBOR rates have demonstrated significant volatility, changing from 1.343% as of 2 January 2012, through 0.188% as of 2 January 2013, to 0.280% as of 3 January 2014, 0.076% as of 2 January 2015 and – 0.1320% as of 4 January 2016, -0.3180% as of 2 January 2017, -0.328% as of 2 January 2018 as and -0.3100% as of 2 January 2019 (EURIBOR for three-month deposits).

Impact of foreign exchange rate movements

For the six-month period ended 30 June 2019 and for the six -month period ended 30 June 2018 a vast majority of the Group's revenues and costs were incurred or derived in euro. Nonetheless, the exchange rates against euro of the local currencies of the countries in which the Group operates are an important factor as the credit facilities that are obtained may be denominated in either euro or local currencies.

The Group reports its financial statements in euro, its operations, however, are based locally in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria, and other countries. The Group receives the majority of its revenue from rent denominated in euro, however, it receives a certain portion of its income (including the proceeds from the sales of residential real estate) and incurs most of its costs (including the vast majority of its selling expenses and administrative expenses) in local currencies, including the Polish zloty, Bulgarian leva, Croatian cunas, Hungarian forints, Romanian lei and Serbian dinars. In particular, the significant portion of the financial costs incurred by the Group includes: (i) the interest on the bonds issued by the Group in Polish zloty and (ii) the interest on the loan taken by the Group in Hungarian forints. The exchange rates between local currencies and euro have historically fluctuated.

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

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

Availability of financing

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

In the past, the principal sources of financing for the Group's core business included, apart from proceeds from asset disposals, bank loans and proceeds from bonds issued by the Company.

Item 5.2. Specific factors affecting financial and operating results

In December 2018, the Group repaid the loan for Artico office building in the amount of €12,900 and signed new loan with PKO BP. In December 2018, Artico and PKO BP signed a new loan agreement. The total loan amounted €14,600 was drawn in January 2019.

In December 2018, the Group and Raiffeisen Bank signed an agreement to refinance FortyOne office complex in Belgrade. The Group will fully repay the existing bank loan in the amount of €26,000, and draw a new loan amounted €40,000. New loan was drawn in March 2019.

In February 2019, the Group signed a term sheet for the sale of GTC White House office building in Budapest. The preliminary sale agreement was signed in June 2019. Accordingly, as of 30 June 2019, the asset is presented within the assets held for sale, with a total fair value of €70,000.

In March 2019, the Group and UniCredit signed a new loan agreement in the amount of €20,000 (€3,500 top up after completion, subject to agreed conditions), for the construction of Advance Business Center II.

In April 2019, GTC SA issued three-year euro denominated bonds in the total amount of €9,440. ISIN code PLGTC0000292.

In April 2019, the Group completed Green Heart N2, an office building in Belgrade (5,900 sq m).

In May 2019, the Group completed the construction of Ada Mall in Belgrade.

In June 2019, the Group completed the construction of Advance Business Centre I, an office building in Sofia

In June 2019, the Group started the construction of Pillar, an office building in Budapest.

In June 2019, the Company issued 2,018,126 series N shares to some of the Company's shareholders and paid a dividend in the amount of €37,600 to remaining shareholders.

In June 2019, the Group signed a preliminary agreement for the sale of Neptun Office Center (Gdansk). Accordingly, as of 30 June 2019, the asset is presented within the assets held for sale, with a total fair value of €44,237. The bank loan was presented within liabilities held for sale, with a total book value of €20,080.

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

The Group did not present forecasts for the six-month period ended 30 June 2019 nor the full year 2019.

Item 5. 4. Statement of financial position

Item 5.4.1. Key items of the statement of financial position

Investment property

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

Residential landbank

The Group classifies its residential inventory as current or non-current assets based on their development stage within the business operating cycle. The normal operating cycle in most cases falls within a period of one to five

years. The Group classifies residential inventory the development of which is planned to be commenced at least one year after the balance sheet date as residential landbank, which is part of its non-current assets.

Investment in associates and joint ventures

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

Assets held for sale

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

Short-term deposits

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

Derivatives

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

Item 5.4.2. Financial position as of 30 June 2019 compared to 31 December 2018

Total assets increased by €135,453 (6%) to €2,492,377 as of 30 June 2019 from €2,356,924 as of 31 December 2018. This increase of €96,483 was due to development activity (incl. related revaluation gain), primarily Ada Mall, Green Heart, Advance Business Center (I and II) and Matrix (A and B).In addition, as of 1 January.2019, GTC has adopted the new IFRS 16. As a result of that, the company recognized Right of Use of lands under perpetual usufruct in the amount €46,580 and a corresponding amount in lease liability.

Assets

The value of investment property increased by €88,771 (2%) to €2,201,839 of 30 June 2019 from €2,113,068 as of 31 December 2018, due to an investment of €80,404 mainly into assets under construction Ada Mall, Green Heart, Advance Business Center (I and II), Matrix (A and B). In addition, as of 1 January.2019, the Company has adopted the new IFRS 16. As a result of that, the Company recognized Right of Use of lands under perpetual usufruct in the amount €45,362. The increase was partially offset by reclassification of Neptun Office Center to assets held for sale in the amount of €44,237.

The value of assets held for sale increased by €44,956 to €121,152 as of 30 June 2019 from €76,196 as of 31 December 2018, mainly due to reclassification of Neptun Office Center to assets held for sale following signed a preliminary agreement to sell the asset to a potential buyer, reclassification of two non-core land plots in Poland as assets held for sale, partially offset by the disposal of Spiral II land plot.

The value of short-term deposits increased by €9,431 (24%) to €48,540 as of 30 June 2019 from €39,109 as of 31 December 2018 mainly as a result of €28,100 drawdown of loan related to Ada Mall and deposited in order to settle contractual commitments related to the construction of this project. The amount of €17,400 of this deposit was already used to settle outstanding contractual commitments.

The amount of cash and cash equivalents decreased by €11,376 (14%) to €69,080 as of 30 June 2019 from €80,456 as of 31 December 2018 mainly as a result of payment of dividend in the amount of €37,927, development activity in the amount of €69,057, repayment of borrowings and bonds in the amount of €60,995 partially offset by operating activity (after repayment of interest) in the amount of €37,911, new loans and refinancing activity net of increase in deposits in the amount of €113,588, and sale of assets in the amount of € 7,547

Liabilities

The amount of loans and bonds increased by €65,774 (6%) to €1,181,121 as of 30 June 2019 from €1,115,347 as of 31 December 2018. This increase comes mainly from refinancing of loans related to FortyOne complex in amount of €40,000, a drawdown of €61,934 from loans in projects under construction, drawdown of loan for Artico in the amount of €14,577 and bonds in the amount of €9,440. The increase was partially offset by regular repayment of loans and bonds in the amount of €60,995.

The amount of lease liability increased to €46,035 as of 30 June 2019 from €0 as of 31 December 2018, as a result of adoption of new IFRS 16.

The amount of investment and trade payables and provisions increased by €13,454 to €63,953 as of 30 June 2019 from €50,499 as of 31 December 2018, mainly from construction of Ada Mall and other assets under construction

Equity

Equity increased by €1,859 to €1,022,654 as of 30 June 2019 from €1,020,795 on 31 December 2018 mostly due to an increase in share premium by €3,811, following the issuance of N Shares for those investors who decided to have their dividend paid in the form of shares, combined with an increase in accumulated profit by €1,103 partially offset by a decrease in hedge reserve in the amount of €2,598.

Item 5.5. Consolidated income statement

Item 5.5.1. Key items of the consolidated income statement

Revenues from operations

Revenues from operations consist of:

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

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

- residential revenue, which comprises proceeds from the sales of houses or apartments, which is recognized when such houses or apartments have been substantially constructed, accepted by the customer and a significant amount resulting from the sale agreement has been paid by the purchaser.

Cost of operations

Costs of operations consist of:

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

- residential costs, which comprise the costs that are related to the development of residential properties sold. The costs related to the development of residential properties incurred during the construction period are capitalized in inventory. Once income is recognized, the costs in respect of sold units are expensed.

Gross margin from operations

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

Selling expenses

Selling expenses include:

- brokerage and similar fees incurred to originate the lease or sale of space;

- marketing and advertising costs; and

- payroll and related expenses directly related to leasing or sales personnel.

Administrative expenses

Administration expenses include:

- payroll, management fees and other expenses that include the salaries of all employees that are not directly involved in sales or rental activities;

- provisions made to account for the share-based incentive program that was granted to key personnel;

- costs related to the sale of investment properties;

- costs of audit, legal and other advisors;

- office expenses;

- depreciation and amortization expenses include depreciation and amortization of the Group's property, plant and equipment; and

- others.

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

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

Financial income/(expense), net

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

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

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

Taxation

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

Item 5.5.2. Comparison of financial results for the six-month period ended 30 June 2019 with the result for the corresponding period of 2018

Revenues from rental activity

Rental and service revenues increased by €8,720 to €81,282 in the six-month period ended 30 June 2019. During this period, the Group has improved the rental revenue through completion and leasing of GTC White House in 2018, acquisition of Mall of Sofia in Q2 2018, completion of modernization and leasing of the first two buildings in Green Heart complex and completion of one new building in Green Heart complex as well as opening of Ada Mall.

Cost of rental activity

Rental and service cost increased by €1,650 to €20,171 in the six-month period ended 30 June 2019 as a result of increased asset portfolio following completion and acquisition of assets.

Gross margin from operations

Gross margin (profit) from operations increased by €6,360 to €61,111 in the six-month period ended 30 June 2019. The gross margin (profit) on rental activities increased by €7,070 to €61,111 in six-month period ended 30 June 2019 from €54,041 in the six-month period ended 30 June 2018, mostly resulting from newly completed and acquired properties. The gross margin (profit) on residential activities decreased by €710 to €0 in the six-month period ended 30 June 2019 from €710 in the six-month period ended 30 June 2018 due to ending this activity. Gross margin on rental activities in the six-month period ended 30 June 2019 was 75% compared to 74% in the six-month period ended 30 June 2018.

Administrative expenses

Administrative expenses (before provision for stock based program) increased by €676 to €6,148 in the six-month period ended 30 June 2019. Mark-to-market of stock based program resulted in recognition of expenses arising from share based payment of €2,619 in the six-month period ended 30 June 2019 (share price PLN 9.28) compared to income arising from share based payment of €1,373 recognized in the six-month period ended 30 June 2018.

The combined expenses increased by €4,668 to €8,767 in the six-month period ended 30 June 2019 from €4,099 in the six-month period ended 30 June 2018.

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

Net profit from revaluation of the investment properties and impairment of assets amounted to €16,482 in the six-month period ended 30 June 2019, as compared to a net profit of €23,368 in the six-month period ended 30 June 2018. Net profit from the revaluation of the investment properties reflects mainly revaluation gain on Neptun Office Center, following signing a preliminary sale agreement, Duna Tower, Galeria Jurajska, GTC Metro, following rental rate and lease contracts duration improvement, and assets under construction: Ada Mall, Green Heart as well as Matrix A following development and leasing progress. This was partially offset by devaluation of Galeria Północna due to delay in rent stabilization.

Other expense, net

Other expenses (net of other income) related to due diligence, business development activity and landbank properties amounted to €1,055 in the six-month period ended 30 June 2019 as compared to an expense of €14,153 in the six-month period ended 30 June 2018.

Foreign exchange differences gain (loss)

Foreign exchange differences loss amounted to €429 in the six-month period ended 30 June 2019, as compared to a foreign exchange gain of €294 in the six-month period ended 30 June 2018.

Financial income

Financial income amounted to €181 in the six-month period ended 30 June 2019 as compared to €158 in the six-month period ended 30 June 2018.

Financial cost

Financial cost increased by €1,925 to €16,236 in the six-month period ended 30 June 2019 as compared to €14,311 in the six-month period ended 30 June 2018 mainly due to expenses related to adoption of IFRS 16 which classifies part of the amortization of lease liability in the amount of €1,055 to finance costs combined with an increase in the average debt balance. However average debt costs has been reduced from 2.7% p.a. in the six-month period ended 30 June 2018 to 2.6% p.a. in the corresponding period of 2019.

Profit before tax

Profit before tax amounted to €51,309 in the six-month period ended 30 June 2019, as compared to profit before tax of €56,616 in six-month period ended 30 June 2018, a decreased by €5,307 mainly due to a decrease in revaluation of assets of €6,886 and an increase in finance cost of €1,925, partially offset by improvement in gross margin from operations of €6,360.

Taxation

Tax expenses amounted to €8,462 in the six-month period ended 30 June 2019. Taxation consist of €3,162 of current tax expenses and €5,300 of deferred tax expenses.

Net profit

Net profit amounted to €42,847 in the six-month period ended 30 June 2019, as compared to a net profit of €46,072 in the six-month period ended 30 June 2018. This mostly resulted from a decrease in revaluation gain of €6,886, and an increase in finance expenses of €1,925, partially offset by significant improvement in operating margin following completion and acquisition of assets of €6,360.

Item 5.5.3. Comparison of financial results for the three-month period ended 30 June 2019 with the result for the corresponding period of 2018

Revenues from rental activity

Rental and service revenues increased by €5,115 to €41,822 in the three-month period ended 30 June 2019. During this period, the Group has improved the rental revenue through completion and leasing of GTC White House in 2018, acquisition of Mall of Sofia in Q2 2018 and completion of modernization and leasing of two buildings in Green Heart complex and completion of one new building in Green Heart complex as well as opening of Ada Mall.

Cost of rental activity

Rental and service cost increased by €748 to €10,262 in the three-month period ended 30 June 2019 as a result of increased asset portfolio following completion and acquisition of assets.

Gross margin from operations

Gross margin (profit) from operations increased by €4,293 to €31,560 in the three-month period ended 30 June 2019. The gross margin (profit) on rental activities increased by €4,367 to €31,560 in three-month period ended 30 June 2019 from €27,193 in the three-month period ended 30 June 2018, mostly resulting from newly completed and acquired properties. The gross margin (profit) on residential activities decreased by €74 to €0 in the three-month period ended 30 June 2019 from €74 in the three-month period ended 30 June 2018 due to ending this activity. Gross margin on rental activities in the three-month period ended 30 June 2019 was 75% compared to 74% in the three-month period ended 30 June 2018.

Administrative expenses

Administrative expenses (before provision for stock based program) increased by €302 to €3,016 in the three-month period ended 30 June 2019. Mark-to-market of stock based program resulted in recognition of expenses arising from share based payment of €1228 in the three-month period ended 30 June 2019 (share price PLN 9.28) compared to income arising from share based payment of €13 recognized in the three-month period ended 30 June 2018. The combined expenses increased by €1,543 to €4,244 in the three-month period ended 30 June 2019 from €2,701 in the three-month period ended 30 June 2018.

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

Net profit from revaluation of the investment properties and impairment of assets amounted to €9,763 in the three-month period ended 30 June 2019, as compared to a net profit of €10,834 in the three-month period ended 30 June 2018. Net profit from the revaluation of the investment properties reflects mainly revaluation gain on Neptun Office Center, following signing a preliminary sale agreement, Duna Tower, Galeria Jurajska, GTC Metro, following rental rate and lease contracts duration improvement and assets under construction: Ada Mall, Green Heart and Advance Business Center II as well as Matrix A, following development and leasing progress. This was partially offset by devaluation of Galeria Północna due to delay in rent stabilization.

Other expense, net

Other expenses (net of other income) related to due diligence, business development activity and landbank properties amounted to €190 in the three-month period ended 30 June 2019 as compared to an expense of €1,133 in the three-month period ended 30 June 2018.

Foreign exchange differences gain (loss)

Foreign exchange differences loss amounted to €350 in the three-month period ended 30 June 2019, as compared to a foreign exchange gain of €188 in the three-month period ended 30 June 2018.

Financial income

Financial income amounted to €99 in the three-month period ended 30 June 2019 as compared to €85 in the three-month period ended 30 June 2018.

Financial cost

Financial cost increased by €1,100 to €8,250 in the three-month period ended 30 June 2019 as compared to €7,150 in the three-month period ended 30 June 2018 mainly due to expenses related to adoption of IFRS 16 which classifies part of the amortization of lease liability in the amount of €526 to finance costs combined with an increase in the average debt balance. However average debt costs has been reduced from 2.7% p.a. in the three-month period ended 30 June 2018 to 2.6% p.a. in the corresponding period of 2019.

Profit before tax

Profit before tax increased by €1,351 to €28,021 in the three-month period ended 30 June 2019, as compared to profit before tax of €26,670 in three-month period ended 30 June 2018, mainly due to improvement in gross margin from operations of €5,115, partially offset by a decrease in revaluation of assets of €1,071 and an increase in finance cost of €1,100.

Taxation

Tax expenses amounted to €4,923 in the three-month period ended 30 June 2019. Taxation consist of €1,516 of current tax expenses and €3,407 of deferred tax expenses.

Net profit

Net profit amounted to €23,098 in the three-month period ended 30 June 2019, as compared to a net profit of €21,763 in the three-month period ended 30 June 2018, mostly resulted from significant improvement in operating margin following completion and acquisition of assets of €5,115 partially offset by a decrease in revaluation of assets of €1,071 and an increase in finance cost of €1,100.

Item 5. 6. Consolidated cash flow statement

Item 5.6.1. Key items from consolidated cash flow statement

Net cash from (used in) operating activities

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

Net cash used in investing activities

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

Net cash from (used in) financing activities

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

Cash and cash equivalents

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

Item 5.6.2. Cash flow analysis

The table below presents an extract of the cash flow for the period of six months ended on 30 June 2019 and 2018:

	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	**51,904**	**41,622**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investment property	(71,215)	(59,337)
Decrease in short term deposits	2,157	15,515
Proceeds related to expropriation of land	4,917	
Decrease in escrow account		461
Sale of investment property	2,630	13,613
Purchase of subsidiary	-	(37,849)
VAT/tax on purchase/sale of investment property	(660)	1,067
Interest received	49	40
Loans repayments		813
Net cash used in investing activities	**(62,122)**	**(65,674)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	125,951	135,967
Repayment of long-term borrowings	(60,995)	(82,752)
Repayment of lease liability	(1,660)	-
Dividends paid	(38,356)	(9,752)
Interest paid	(13,993)	(13,525)
Loans origination cost	(775)	(1,180)
Loan granted to non-controlling interest		(9,393)
Decrease/(increase) in short term deposits	(11,588)	(1,967)
Net cash from (used in) financing activities	**(1,416)**	**17,398**
Net foreign exchange difference	258	(1,812)
Net increase/(decrease) in cash and cash equivalents	(11,376)	(8,466)
Cash and cash equivalents, at the beginning of the year	**80,456**	**148,746**
Cash and cash equivalents, at the end of the year	**69,080**	**140,280**

Net cash flow from operating activities was €51,904 in the six-month period ended 30 June 2019 compared to €41,622 in the six-month period ended 30 June 2018, mostly due to improved operating results following new completions and acquisition of assets.

Net cash flow used in investing activities amounted to €62,122 in the six-month period ended 30 June 2019 compared to €65,674 used in the six-month period ended 30 June 2018. Cash flow used in investing activities composed of (i) expenditure on investment properties of €71,215 related to: Ada Mall, Green Heart, Advance Business Center and Matrix. Net cash flow used in investing activities includes proceeds related to sale of non-core lands, expropriation of land in Bucharest in the amount of €4,917 and sale of landbank in the amount of €2,630.

Proceeds from long-term borrowings for the six-month period ended 30 June 2019 in the amount of €125,951 are related mainly to loans for assets under construction in the amount of €55,553, refinancing of FortyOne complex in amount of €40,000, loan related to Artico in amount of €14,577, as well as a drawdown under development facilities. Net cash flow used in financing activities amounted to €1,416 in the six-month period ended 30 June 2019, compared to €17,398 of cash flow from financing activities in the six-month period ended 30 June 2018. Cash inflow from financing activities was partially offset by repayment of long term borrowings of €60,995 compare to €82,752 in the six-month period ended 30 June 2018 and related mainly to repayment of bonds and loans.

Cash and cash equivalents as 30 June 2019 amounted to €69,080 compared to €140,280 as of 30 June 2018 (and €80,456 at the end of December 2018). The Group keeps its cash in the form of bank deposits, mostly in Euro, with various international banks.

Item 5.7. Future liquidity and capital resources

As of 30 June 2019, the Group holds cash and cash equivalent in the amount of approximately €69,080. The Group believes that its cash balances and cash generated from leasing activities of its investment properties as well as cash available under its existing and future loan facilities will fund its needs.

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

As of 30 June 2019, the Group's non-current liabilities amounted to €1,164,064 compared to €1,154,262 as of 31 December 2018.

The Group's total debt from long and short-term loans and borrowings as of 30 June 2019 amounted to €1,181,121 as compared to €1,115,347 as of 31 December 2018. The Group's loans and borrowings are mainly denominated in Euro, other currencies include a loan in HUF.

The Group's loan-to-value ratio amounted to 46% as of 30 June 2019, as compared to 45% as of 31 December 2018. The Group's strategy is to keep its loan-to-value ratio at the level not exceeding 50%.

The Group currently negotiates a number of refinancing transactions which will add free cash to the company and defer the amortization profile of its debt. Additionally, the Group expects substantial free inflow from sale of assets held for sale.

As of 30 June 2019, 94% of the Group's loans (by value) were hedged against interest fluctuations, mostly through interest rate swaps and currency swap as mentioned above.

Availability of financing

In the CEE and SEE markets, real estate development companies, including the companies of the Group, usually finance their real estate projects with proceeds from bank loans, loans extended by their holding companies or the issuance of debt securities. The availability and cost of procuring financing are of material importance to the implementation of the Group's projects and for the Group's development prospects, as well as its ability to repay existing debt. Finally, the availability and cost of financing may impact the Group's development dynamics and the Group's cash flow and net profit.

Traditionally, the principal sources of financing for the Group's core business included, rental revenues, bank loans, proceeds from bonds issued by the Company and proceeds from asset disposals.

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

During the six-month period ended 30 June 2019 the Group did not grant loans of the value that exceeds 10% of its capital.

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

During the six-month period ended 30 June 2019 the Group did not grant guarantees of the value that exceeds 10% of its capital.

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

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

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

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

Shareholder	Number of shares and rights to the shares held (not in thousand)	% of share capital	Number of votes (not in thousand)	% of votes	Change in number of shares since 15 May 2019 (not in thousand)
GTC Dutch Holdings B.V.[1]	298,575,091	61.49%	298,575,091	61.49%	No change
OFE PZU Złota Jesień	50,985,513	10.50%	50,985,513	10.50%	No change
AVIVA OFE Aviva Santander[2]	37,739,793	7.77%	37,739,793	7.77%	Increase by 1,673,739
Other shareholders	98,254,725	20.24%	98,254,725	20.24%	Increase by 344,333
Total	**485,555,122**	**100.00%**	**485,555,122**	**100.00%**	Increase by 2,018,126

[1] GTC Dutch Holdings B.V. is 100% subsidiary of LSREF III GTC Investments B.V. and is related to Lone Star Real Estate Partners III L.P.
[2] Number of shares based on shareholder statement regarding a distribution of dividend.

Item 9. Shares in GTC held by members of the Management Board and the Supervisory Board

Shares held by members of the Management Board

The following table presents shares owned directly or indirectly by members of the Company's Management Board as of 22 August 2019, the date of publication of this interim report, and changes in their holdings since the date of publication of Group's last financial report (quarterly report for the three-month period ended 31 March 2019) on 15 May 2019.

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

Management Board Member	Balance as of 22 August 2019 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 15 May 2019 (not in thousand)
Thomas Kurzmann	55,000	5,500	No change
Erez Boniel	143,500	14,350	No change
Total	**198,500**	**19,850**	

Shares of GTC held by members of the Supervisory Board

The following table presents shares owned directly or indirectly by members of the Company's Supervisory Board as of 22 August 2019, the date of publication of this interim report, and changes in their holdings since the date of publication of Group's last financial report (quarterly report for the three-month period ended 31 March 2019) on 15 May 2019

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

Members of Supervisory Board	Balance as of 22 August 2019 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 15 May 2019
Alexander Hesse	0	0	No change
Olivier Brahin	0	0	No change
Jan-Christoph Düdden	0	0	No change
Mariusz Grendowicz	10,158	1,016	No change
Patrick Haerle	0	0	No change
Ryszard Koper	0	0	No change
Marcin Murawski	0	0	No change
Katharina Schade	0	0	No change
Ryszard Wawryniewicz	0	0	No change
Total	**10,158**	**1,016**	

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

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

Item 11. Proceedings before a court or public authority involving Globe Trade Centre SA or its subsidiaries the total value of the liabilities or claims of which amount to at least 10% of the Group's equity

There are no individual proceeding or group of proceedings before a court or public authority involving Globe Trade Centre SA or its subsidiaries, with the total value of liabilities or claims of 10% or more of the Company's equity.

Item 12. Key risk factors

<u>Risk Factors Relating to the Group's Business</u>

The Group's business could be affected if the general economic conditions in the countries in which the Group operates continue or worsen

A deterioration of the general economic conditions and the real estate market in the countries where the Group operates may adversely affect the willingness and ability of customers to secure financing and purchase or lease property. If such demand falls, the Group may have to sell or let its projects at a loss or may not be able to sell or let its projects at all. A potential downturn in the general economic conditions and the real estate market in Poland or other countries in which the Group operates may also lead to a drop in the market value of the Group's properties. The crisis on the financial markets may also adversely affect the Group's business in other ways, for example if tenants of the Group or the financial institutions that provide the Group with financing go bankrupt.

Any of these factors may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may fail to implement its strategy

The Group is in the process of implementing its growth strategy pursuant to which it plans to: (i) expand its portfolio by acquiring and improving yielding properties in Poland and in capital cities in countries where the Group operates, supplemented by selected, most attractive development projects in the Group's Property Portfolio; (ii) improve the efficiency of its asset management activities and maximise operating performance and efficiency; and (iii) sell its non-core assets which may allow the Group to reduce its financial leverage or obtain funds to be used for new investments.

As a result, certain properties and qualities of the portfolio may change in terms of geographic split, the ratio of the value of completed properties and the value of properties under construction, as well as the portfolio's split by asset classes (i.e. retail, office, residential and other properties). As a result, various metrics of the Group's business and recurring cash flows derived from rental income may change. Moreover, no assurance can be given that the Group's property portfolio or future investment strategies effected pursuant to the Group's strategy will enhance the value of its property portfolio and increase the Group's profitability. In particular, the success of the Group's business strategy relies on assumptions and contingencies that may prove to be partially or wholly incorrect and/or inaccurate. This includes assumptions with respect to the level of profitability of the acquisition targets to be completed in the future and investment criteria which have been developed by the Group for the purpose of achieving the expected level of returns on the acquired properties.

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

Should the Group experience these or other challenges, the Group may be unable to implement its strategy fully or at all; it may decide to change, suspend or withdraw from its strategy or development program, and it may be unable

to achieve, or it could encounter delays in achieving, the planned synergies and desired benefits from its strategy and development program. This could have a material adverse effect on the Group's business, financial condition, results of operations.

The valuation of the Group's properties is inherently uncertain, may be inaccurate and is subject to fluctuation

The Group presents the vast majority of its real estate properties at a fair value, which has been estimated by external real estate valuation experts.

The valuation of property is inherently subjective and uncertain since it is done on the basis of assumptions which may differ from actual future developments. For example, the valuation reports were prepared on the basis of certain forecasts and assumptions regarding the real estate market in geographic markets in which the Group operates.

The fair value of investment properties and the undeveloped landbank is established semi-annually (i.e. as of 30 June and 31 December of each year) by independent certified appraisers based on discounted projected cash flows from the investment properties using discount rates applicable for the relevant local real estate market or, in case of some of the real properties, using the sales comparison approach. In most instances the independent certified appraisers do not, however, prepare valuations for 31 March and 30 September of each year. Such valuations are reviewed internally and, if necessary, verified by the Company's management.

There can be no assurance that the valuations of the Group's properties (undeveloped, in progress and completed) will reflect the actual sale prices or that the estimated yield and annual rental revenue of any property will be attained, or that such valuations will not be subject to be challenged by, among others, the regulatory authorities. Forecasts may prove inaccurate as a result of the limited amount and quality of publicly available data and research regarding Poland and other markets in which the Group operates compared to mature markets. Additional factors that impact the valuation and, specifically, the planning of projects are the construction costs as estimated by the Group and established on the basis of current prices and future price forecasts, whereas the actual costs may be different. Moreover, some of the valuations are based on certain assumptions regarding future zoning decisions. Such assumptions may turn out not to be fulfilled which may result in the Group not being able to develop certain property in line with the plan. This may adversely impact the valuation of such properties in the future.

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

In addition, a decrease in the value of the real estate properties of the Group may also negatively affect the Group's covenants to maintain certain levels of loan-to-value ratios established in connection with the Group's loans incurred to finance projects and the ability of the Group to raise and service its debt funding. Each such event may have a material adverse effect on the Group's business, financial condition, results of operations.

The Group's consolidated balance sheet and income statement may be significantly affected by fluctuations in the fair market value of its properties as a result of revaluations

The Group's income generating properties and properties under development are independently revalued on at least semi-annual basis in accordance with its accounting policy. Consequently, in accordance with IAS 40 "Investment

Property" as adopted by the EU, any increase or decrease in the value of its properties accounted for in accordance with fair value models recorded as a revaluation gain or loss in the Company's consolidated income statement for the period during which the revaluation occurs. Moreover, projects under construction which cannot be reliably valued at fair value are valued at historical cost decreased by impairment, if any. Such properties are tested for impairment on, at least, a semi-annual basis. If the criteria for impairment are satisfied, a loss is recognized in the Group's consolidated income statement.

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

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

The Group's business is dependent on its ability to actively manage its assets

A core part of the Group's operations is the active management of its assets, which includes the management of vacancy rates and rent levels and the terms of executed lease agreements in the case of all commercial properties, as well as achieving the desired tenant mix in the case of retail properties. This is particularly relevant with respect to the Group's large scale commercial properties. In addition to legal constraints, the Group's ability to reduce vacancies, renegotiate rents and create a desired tenant mix is partly subject to market-related factors. Some of these factors, such as the general economic environment, consumer confidence, inflation and interest rates, and others are beyond the Group's control. During periods of recession or downturns in the economy it is more challenging for developers to attract new tenants and to retain existing ones, and the competition between developers for each tenant is much stronger. If the Group is unable to create or capture demand for its properties by, for example, improving tenant services or motivating its external sales agents, it may not be able to reduce vacancy rates or renegotiate rents as desired.

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

The Group's growth and profitability will depend on the Group's ability to identify and acquire attractive income-generating properties, efficiently manage its portfolio and develop selected projects

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

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

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

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

The Group might not receive adequate information on risks relating to, or might make errors in judgment regarding, future acquisitions of real estate

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

The Group cannot guarantee that it will continue to generate rental income at assumed levels

Rental levels of the Group's properties are generally affected by overall conditions in the economy as well as the conditions of the portfolio itself (including future acquisitions of properties and the performance of the existing portfolio), the development of the selected existing projects, their infrastructure condition, the specific properties, and the vacancy rates. All these elements are subject to various factors, some of which are outside the Group's control. In particular, due to increased competition and pressure on rents and the worsening of the financial condition of tenants, the Group may not be able to renew the expiring leases of its current properties on favorable terms and conditions (if at all) or find and retain tenants willing to enter into leases on terms that are at least as favorable as

those on which the Group has rented its properties thus far. Moreover, the Group's portfolio has included and will continue to include numerous properties with non-fixed rents tied to the turnover of the tenants. Accordingly, if the turnover of such tenants declines, the rent payable by them will also decrease. In addition, the Group has no impact on the operations of its tenants and may not be able to monitor on an ongoing basis the tenants' turnover in order to ensure that the level of turnover reflects the best and actual performance efforts of its tenants. Consequently, the amounts of rental income generated by the Group's office and retail properties in the past cannot be used to predict future rental income and there can be no assurance that rental income will develop positively in the future.

Additionally, the Group's rental income may also decrease as a result of asset disposals or acquisitions of properties with no or unsatisfactory income-generating capabilities. As part of its strategy, the Group is reorienting its portfolio and intends to acquire accretive and value-added properties and sell its non-core assets. In accordance with such strategy, that newly acquired properties are intended to be integrated with the existing portfolio and rented out in order to generate rental income for the Group. If these properties are not fully rented and/or the rental rates are agreed below the estimated rental values, the Group may not be able to realize its expected rates of return on the new acquisitions.

A less positive or negative development of rental income and profits could have a material adverse effect on the Group's business, financial condition, results of operations.

The termination or expiration of lease agreements or the inability to rent out existing unoccupied space could have lasting negative effects on the Group's profitability and on the value of the Group's portfolio

For the Group to be profitable over the long term, the income-generating properties it owns and intends to acquire in the future must be rented out without interruptions to the greatest extent possible. The same applies to maintaining the valuation of the properties the Group owns and thus the valuation of the overall portfolio. To the extent that leases are terminated or expire, the Group can give no assurance that the properties in question can be rented out again immediately. An increased vacancy rate would result in lower rental income from the management of the existing portfolio and in a lower valuation of the Group's properties and overall portfolio. Expected vacancies are already reflected in the valuation reports as of 30 June 2019. The fixed costs for maintaining vacant spaces and the lack of rental income generated by such spaces could have a material adverse effect on the Group's business, financial condition, results of operations.

The Group may be unable to fully recover the costs of operating the properties from the tenants

The majority of the Group's lease contracts are structured in a way that allow to pass on certain of the costs related to the leased property to the tenant, including marketing cost, electricity cost on common space, real estate taxes, building insurance, and maintenance. However, the Group is not able to pass on all such costs to the tenants, especially in a very competitive environment, where the Company has to offer the attractive conditions to be able to compete with the other office buildings or has to improve the conditions offered to its tenants to be able to attract a new tenant to its retail project. Deteriorating market conditions, increased competition and tenants' requirements may further limit the Group's ability to transfer such costs, in full or in part, to the tenants. The service charges of the properties may increase due to a number of factors, including an increase in the electricity costs or an increase in the maintenance cost. Moreover, if vacancy rates increase, the Company has to cover the portion of the service charge that is related to the vacant space. Some lease agreements provide for the maximum value combined rental rate and service charged paid by the tenant. In such cases, if the maintenance charges increase, the Group is unable to pass on such costs to the tenants. For example, in the case of Galleria Arad and Avenue Mall Osijek, due to the

worsening macroeconomic conditions and strong competition, the Group was unable to pass on all the maintenance costs to the tenants in the period running from their completion to their sale, and had to lease out those commercial properties at a loss.

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

The Group may be materially affected by the loss of attractive tenants

The presence of reputable tenants, especially anchor tenants, in the Group's retail projects is important for its commercial success. Such tenants play an important part in generating customer traffic and making a building a desirable location for other tenants. It may be more difficult for the Group to attract tenants to enter into leases during periods when market rents are increasing or when general consumer activity is decreasing, or if there is competition for such tenants from competing developments. In addition, the termination of a lease agreement by any significant tenant may adversely affect the attractiveness of a project. The failure of such tenant to abide by these agreements, or its bankruptcy or economic decline, may cause delays or result in a decrease in rental income (temporary or long-term), the effect of which the Group may not be able to off-set due to difficulties in finding a suitable replacement tenant. If the Group fails to renew the leases of important tenants, or to replace such tenants in a timely manner, the Group may incur material additional costs or loss of revenues, which may, in turn, have a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces competition from other owners, real estate managers and developers of commercial real estate

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

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

The Group may be subject to significant competition in seeking investments and may increase the purchase price of properties to be acquired

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

In addition, new acquisitions of existing properties at yields that the Company considers attractive may become difficult to complete. Accordingly, the implementation of the Company's strategy to make suitable investments in prime locations may be delayed or, even, become impossible.

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

The Group cannot assure profitability of its projects

The Group currently has no projects that are not profitable, however in the past the Group had a number of projects that were not primarily due to insufficient occupancy rates and rent levels. The Group cannot exclude that other projects may also start generating losses in the future. Any such development may have a material adverse effect on the Group's business, financial condition, results of operations.

The Group may not be able to sell its properties on a timely basis

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

The Group's properties may constitute collateral established in favour of entities providing external financing, which may further restrict and/or delay their transferability if the lender's consent must first be obtained. Several of the Group's projects are also held through joint ventures with third parties and may, as a result, be subject to legal and/or contractual limitations on transferability, such as first refusal and co-sale rights, or a requirement to obtain joint approval for any such sale. Such limitations could adversely affect the Group's ability to complete a transaction and to generate cash as needed through the timely sale of its projects at favourable prices or to vary its portfolio in response to economic or other conditions impacting the property value. If the Group cannot sell a particular project within a reasonable time, it may not be able to generate the cash flow it may require to service ongoing operations or invest in new projects, or it may be unable to take advantage of favourable economic conditions or mitigate the impact of unfavourable economic conditions should they arise, which could have a material adverse effect on the Group's business, financial condition, results of operations.

The Group's properties could suffer damage due to undiscovered defects or external influences

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

If a given property is currently under renovation or modernization, there can be no assurance that any space which has not been pre-leased, can be let or otherwise marketed during or following the renovation or modernization phase

on the appropriate terms and conditions. Such developments could have a material adverse effect on the Group's business, financial condition, results of operations.

Failure to obtain the required zoning or construction permits, or any other approvals in a timely manner or at all may delay or prevent the development of certain of the Group's projects

The Group cannot guarantee that any permits, consents or approvals required from various government entities in connection with existing or new development projects will be obtained by the Group in a timely manner, or that they will be obtained at all, or that any current or future permits, consents or approvals will not be withdrawn. For example, as part of its operations, the Group, may occasionally purchase land that requires rezoning or a new or amended local spatial development plan or planning permission. The issuance of a required permission cannot be guaranteed, and the Group has encountered difficulties in the past in that respect.

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

The Group may be subject to increased costs or project delays or cancellations if it is unable to hire general contractors to build its projects on commercially reasonable terms, or at all, or if the general contractors it hires fail to build the Group's projects to accepted standards, in a timely manner or within budget

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

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

The Group's reliance on general contractors and subcontractors exposes it to risks associated with the poor performance of such contractors and their subcontractors and employees and construction defects. The Group may incur losses as a result of being required to engage contractors to repair defective work or pay damages to persons

who have suffered losses as a result of such defective work. Furthermore, these losses and costs may not be covered by the Group's professional liability insurance, by the contractor or by any relevant subcontractor – in particular in the case of the architects engaged by the general contractors as both the scope of their liability and their financial strength is limited in comparison to the value of the Group's projects. If the performance of the Group's general contractors or subcontractors is substandard, this could have a material adverse effect on the Group's business, financial condition, results of operations.

The Group may face claims for defective construction and risks associated with adverse publicity, which could have an adverse effect on its competitive position

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

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

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

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

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

The Group is subject to general development risks that may increase costs and/or delay or prevent the development of its projects

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

- additional construction costs for a development project being incurred in excess of the amount originally agreed with the general contractor;
- liability to subcontractors related with bankruptcy of the general contractor;
- changes in existing legislation or the interpretation or application thereof (e.g. an increase of the rate of the goods and services tax, which impacts the demand for housing);
- actions of governmental and local authorities resulting in unforeseen changes in urban planning, zoning and architectural requirements;
- potential defects or restrictions in the legal title to plots of land or buildings acquired by the Group, or defects, qualifications or conditions related to approvals or other authorizations relating to plots of land held by the Group;
- the Group's potential inability to obtain financing on favourable terms or at all for individual projects or in the context of multiple projects being developed at the same time;
- potential liabilities relating to acquired land, properties or entities owning properties with respect to which the Group may have limited or no recourse;
- tenants' unwillingness to vacate a development site;
- obligations regarding the development of adjacent properties;
- inability to receive required zoning permissions for intended use;
- discrepancies between the planned area and the post-construction area of developments; and
- obligations relating to the preservation and protection of the environment and the historic and cultural heritage of Poland and other jurisdictions in which the Group conducts its operations, as well as other social obligations.

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

the projects to be delayed or cancelled, which may have a material adverse effect on the Group's business, financial condition, results of operations.

Without sufficient local infrastructure and utilities, the construction of the Group's projects may be delayed or cancelled, or it may be unable to realize the full expected value of its completed projects

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

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

The Group is reliant on partners and co-investment agreements for a portion of its developments and faces counterparty risks

A subsidiary of the Group may be a party to a shareholders agreement imposing some restrictions on it, including, inter alia, in relation to the disposal of its interest, and its income and capital distribution entitlements. In addition, as a shareholder, the Group may be jointly and severally liable for costs, taxes or liabilities with its co-investors and, in the event of the subsidiary default, and the Group company may be exposed to more than its proportionate share of the cost, tax or liability in question. This could have an adverse effect on the Group's business, financial condition and results of operations.

The Group is also exposed to the credit risk of its counterparties in such partnership or co-investment agreements and their ability to satisfy the terms of contracts Group companies have with them. This may have an adverse effect on the Group's business, financial condition, results of operations.

The Group may be subject to liability following the disposal of investments

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

The Group may be exposed to certain environmental liabilities and compliance costs

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

The Group may be subject to legal disputes and risks

The Group's business involves the acquisition, rental, sale and administration of properties, including under cooperation agreements that, as a matter of ordinary course of business, expose the Group to a certain amount of small-scale litigation and other legal proceedings. Legal disputes which, taken individually, are relatively immaterial, may be joined with disputes based on similar facts such that the aggregate exposure of the Group might become material to its business. Furthermore, the Group may face claims and may be held liable in connection with incidents occurring on its construction sites such as accidents, injuries or fatalities of its employees, employees of its contractors or other visitors on the sites. It is standard practice in real estate transactions for the seller to make representations and warranties in the purchase agreement concerning certain features of the property. Typically, the assurances the seller gives regarding the property in the purchase agreement do not cover all of the risks or potential problems that can arise for the Group in connection with the purchase of property by the Group. In addition, the Group may be unable, for a variety of reasons, including, in particular, the seller's insolvency, to enforce its claims under these assurances. If this were to occur, the Group may suffer a financial loss.

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

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

When leasing or selling real estate, the Group could be faced with claims for guarantees for which it does not have adequate recourse

The Group provides different types of guarantees when it leases real estate, especially with regard to legal title and the absence of defects in quality, as well as existing contamination and the portfolio of leases. The same applies to the sale of real estate. Claims could be brought against the Group for breach of these guarantees. Defects of which the Group was not aware, but of which it should have been aware, when it concluded the transaction pose a particular risk. The Group's possible rights of recourse towards the sellers of properties could fail due to the inability of the persons in question to demonstrate that they knew or should have known about the defects, due to the expiration of

the statute of limitations, due to the insolvency of the parties opposing the claim, or for other reasons. The occurrence of one or several of the aforementioned risks could have a material adverse effect on the Group's business, financial condition, results of operations.

The Group's insurance may be inadequate

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

The Group is dependent on a limited number of key members of its management

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

Shortages of qualified employees and other skilled professionals could delay the completion of the projects of the Group or increase its costs

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

Risk Factors Relating to the Group's financial condition

The Group's substantial leverage and debt service obligations are significant and could increase, adversely affecting its business, financial condition or results of operations

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

- increasing vulnerability to and simultaneously reducing flexibility to respond to downturns in the Group's business or general adverse economic and industry conditions, including adverse economic conditions in the jurisdictions in which the Group operates;
- limiting the Group's ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings;
- forcing the Group to dispose of its properties in order to enable it to meet its financing obligations, including compliance with certain covenants under loan agreements;
- requiring the dedication of a substantial portion of the Group's cash flows from operations to the payment of the principal of and interest on its indebtedness, meaning that these cash flows will not be available to fund its operations, capital expenditures, acquisitions or other corporate purposes;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the real estate market; and
- placing the Group at a competitive disadvantage compared to its competitors that are not as highly leveraged.

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

The Group may incur substantial losses if it fails to meet the obligations and requirements of its debt financing and, furthermore, the restrictions imposed by its debt financing may prevent it from selling its projects

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

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

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

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

All of the Group's real estate developments have been financed through loans, which have been provided for a limited term. The Group might not be able to renew or refinance the remaining obligations in part or at all or might have to accept less favourable terms in respect of such refinancing. If the Group is unable to renew a loan or secure refinancing, the Group could be forced to sell one or more of its office properties in order to procure the necessary liquidity. Additionally, if the Group is not able to renew certain loans, those properties which are financed through loans will become low leveraged and, as a consequence, will not be able to generate the expected returns on equity. Any combination of the above would have material adverse effects on the Group's business, cash flows, financial condition and results of operations.

The Group is exposed to changes in foreign currency exchange rates

The Group's financial statements are expressed in Euro and the Company's functional currency is the Euro. Moreover, the majority of the Group's revenues, specifically rent revenues, are expressed in Euro. However, certain of the Group's costs, such as certain construction costs, labour costs and remuneration for certain general contractors, are incurred in the currencies of the respective geographical markets, including Polish złoty, Bulgarian leva, Czech korunas, Croatian kunas, Hungarian forints, Romanian lei or Serbian dinars.

In making the assumptions regarding the level of equity required to implement its strategic objectives, the Group used Euro as the reference currency. Additionally the majority of the investments that the Group plans to make as part of its business strategy will be expressed in Euro. Therefore, no assurance can be given that the proceeds derived and expressed in Polish zloty will suffice to meet the investment requirements of the Group's contemplated acquisition pipeline. Whilst the companies of the Group may engage in currency hedging in an attempt to reduce the impact of currency fluctuations and the volatility of returns that may result from their currency exposure by, inter alia, entering into derivatives transactions, obtaining debt financing denominated in Euro, as well as concluding agreements with contractors specifying remuneration expressed in Euro, there can be no assurance that such hedging will be fully effective or beneficial. Moreover, given the fact that certain contractors of the Group engage in hedging arrangements with respect to their remuneration on the basis of, inter alia, construction contracts, their flexibility to postpone certain phases of construction may be limited and may result in their financial distress. In addition, given that payments under most of the Group's commercial leases are expressed as the local currency equivalent of a euro-denominated amount, some of the Group's tenants, specifically those leasing retail space, may face difficulties in meeting their payment obligations under such leases as they derive revenues in their respective local currencies. Consequently, any future material appreciation of the local currencies against the Euro could significantly decrease the Group's income in terms of the local currencies and could have a material adverse effect on the Group's business, financial condition, results of operations.

The Group is subject to interest rate risk

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

The Group's business is capital intensive, and additional financing may not be available on favourable terms, on a timely basis or at all

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

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

<u>Risk Factors Relating to the Macroeconomic, Political and Legal Environment in the Markets where the Group Operates</u>

Political, economic and legal risks associated with countries in emerging markets, including CEE and SEE countries

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

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

In addition, adverse political or economic developments in neighboring countries could have a significant negative impact on, among other things, gross domestic product, foreign trade or economies in general of individual countries. The countries and the region in which the Group operates have experienced and may still be subject to potential political instability caused by changes in governments, political deadlock in the legislative process, tension and conflict between federal and regional authorities, corruption among government officials and social and ethnic unrest. In particular, the armed conflict in the territory of Ukraine and uncertainties regarding the relationship with Russia may affect the attitude of investors towards the regional real estate market and their willingness to invest in the countries neighboring with Ukraine and Russia, where the Group operates.

The Group may not be able to realise its expected rates of return if the real estate markets in CEE and SEE countries in which the Group operates become saturated and competition increases. Real estate markets may reach saturation if the supply of properties exceeds demand. Saturation in these markets would result in an increase in vacancy rates and/or a decrease in market rental rates and sale prices. As the commercial real estate markets in CEE and SEE are characterised predominantly by short-term leases, the Group expects that rental rates will decrease promptly in response to a perceived oversupply of lettable commercial space in those markets. If vacancy rates rise and/or market rental rates decrease, the Group may not be able to realise its expected rates of return on its projects or may be unable to let or sell its properties at all, which could have a material adverse effect on the Group's business, financial condition, results of operations.

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

The real estate market is cyclical

The real estate market is cyclical. Consequently, the number of projects completed by the Group has varied from year to year, depending on, among other things, general macro-economic factors, changes in the demographics of specific metropolitan areas, availability of financing and market prices of existing and new projects. Typically, growing demand results in greater expectations regarding the achieved profits and an increase in the number of new projects, as well as increased activity on the part of the Group's competitors. Because of the significant lag time between the moment a decision is taken to construct a project and its actual delivery, due in part to the protracted process of obtaining the required governmental consents and construction time, there is a risk that once a project is completed, the market will be saturated and the developer will not be able to lease or sell the project with the anticipated level of profits. An upturn in the market is typically followed by a downturn as new developers are deterred from commencing new projects due to reduced profit margins. There can be no assurance that during a downturn in the market the Group will be able to select projects which will fill actual demand during an upturn in the market. Additionally, the corporate bodies of the respective Group Companies that are expected to make certain investment decisions may not be able to properly asses the cycle of the real estate market and, consequently, accurately define the most favourable stage for completing the given investments.

All such events may have a material adverse effect on the Group's business, financial condition, results of operations.

The locations of the Group's properties are exposed to regional risks and could lose some of their appeal

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

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

Changes in tax laws or their interpretation could affect the Group's financial condition and the cash flows available to the Group

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

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

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

The related-party transactions carried out by the Group Companies could be questioned by the tax authorities

The Group Companies have carried out transactions with related parties. When concluding and performing related-party transactions, the Group Companies endeavour to take special care to ensure that such transactions comply with the applicable transfer pricing regulations. However, due to the specific nature of related-party transactions, the

complexity and ambiguity of legal regulations governing the methods of examining the prices applied, as well as the difficulties in identifying comparable transactions for reference purposes, no assurance can be given that specific Group Companies will not be subject to inspections or other investigative activities undertaken by tax authorities or fiscal control authorities. Should the methods of determining arm's-length terms for the purpose of the above transactions be challenged, this may have a material adverse effect on the business, financial standing, growth prospects, results of the Group Companies.

Changes in laws could adversely affect the Group

The Group's operations are subject to various regulations in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria and other jurisdictions in which the Group conducts business activities, such as fire and safety requirements, environmental regulations, labor laws, and land use restrictions. If the Group's projects and properties do not comply with these requirements, the Group may incur regulatory fines or damages.

Moreover, there can be no assurance that if perpetual usufruct fees in Poland are increased, the Group will be able to pass such costs onto its tenants in the form of increased service charges as such increase might lead to a given property becoming less competitive as compared to properties not situated on land subject to perpetual usufruct fees.

Furthermore, the imposition of more strict environmental, health and safety laws or enforcement policies in CEE and SEE could result in substantial costs and liabilities for the Group and could subject the properties that the Group owns or operates (or those formerly owned or operated by the Group) to more rigorous scrutiny than is currently applied. Consequently, compliance with these laws could result in substantial costs resulting from any required removal, investigation or remediation, and the presence of such substances on the Group's properties may restrict its ability to sell the property or use the property as collateral.

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

Unlawful, selective or arbitrary government actions may impact the Group's ability to secure the agreements, contracts and permits required for it to develop its projects

Government authorities in the geographical markets in which the Group operates have a high degree of discretion and may not be subject to supervision by other authorities, requirements to provide a hearing or prior notice or public scrutiny. Therefore, government authorities may exercise their discretion arbitrarily or selectively or in an unlawful manner and may be influenced by political or commercial considerations. The Group has faced administrative decisions in the past which forced it to unexpectedly change its investment plans (including limiting the scale of a project). Such discretion may have a material adverse effect on the Group's business, financial condition, results of operations.

The land and mortgage registry systems in certain of the CEE and SEE jurisdictions are non-transparent and inefficient, and the Group's properties may be subject to restitution claims

The land and mortgage registry systems in certain of the CEE and SEE jurisdictions are non-transparent and inefficient, which may, inter alia, result in delays in the land acquisition process and the registration of many plots

into one consolidated plot, which is a requirement before certain projects can be developed. This inefficiency could have a material adverse effect on the business, cash flows, financial condition, results of operations of the Group.

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

The Group's claims to the titles to investment and development properties may be subject to challenge in certain cases, and permits in relation to such properties may have been obtained in breach of applicable laws

It may be difficult or, in certain cases, impossible for the Group to establish with certainty that the title to a property has been vested in a relevant Group company due to the fact that real estate laws in Poland and other jurisdictions in which the Group operates are complicated and often ambiguous and/or contradictory and the relevant registries may not be reliable. For example, under the laws of Poland, transactions involving real estate may be challenged on many grounds, including where the seller or assignor to a given property did not have the right to dispose of such property, for a breach of the corporate approval requirements by a counterparty or a failure to register the transfer of a title in an official register, when required. Also, even if a title to real property is registered, it may still be contested. Therefore, there can be no assurance that the Group's claim to a title would be upheld if challenged. Further, it is possible that permits, authorisations, re-zoning approvals or other similar decisions may have been obtained in breach of applicable laws or regulations. Such matters would be susceptible to subsequent challenge. Similar issues may arise in the context of compliance with privatisation procedures and auctions related to the acquisition of land leases and development rights. It may be difficult, or impossible, to monitor, assess or verify these concerns. If any of these permits, authorisations, re-zoning approvals or other similar requirements were to be challenged, this may have a material adverse effect on the Group's business, financial condition, results of operations.

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

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

GTC Dutch Holdings B.V. ("GTC Dutch"), which is fully controlled by LSREF III GTC Investments B.V., is the Group's controlling shareholder as of the date of the delivery of this Report. LSREF III GTC Investments B.V, a fund specialising in real property investments, is managed by Lone Star Funds. Lone Star Funds ("Lone Star"), is a leading private equity firm that invests globally in real estate, equity, credit and other financial assets.

Lone Star's representatives may constitute the majority of the Supervisory Board and may thus control the appointment of the Management Board. Consequently, Lone Star may influence the decision making process in the Company. Accordingly, in considering any investment, business and operational matters of the Company and the most appropriate uses for the Company's available cash, the interests of Lone Star and of Lone Star Real Estate Fund III may not be aligned with the interests of the Company or of its other stakeholders.

Moreover, Lone Star and Lone Star Real Estate Fund III operate in the same market as the Group and they may compete over investments that the Group may be interested in. Any such conflicts of interest may have an adverse effect on the Group's business, financial condition, results of operations.

Furthermore, as in the case of any significant shareholder, all of the shares of the Company may be offered for sale without any restrictions and there can be no assurance as to whether or not they will be sold on the market and at which price. Such sale, or new issuance of shares, may adversely affect the price of the Company's share in the market, or an offering of the Company's shares, if any.

Because the Company is a holding company, its ability to pay dividends depends upon the ability of its subsidiaries to pay dividends and advance funds

The dividend policy is strictly connected with the general business strategy of the Group. The Group introduced a dividend policy in 2017, however the amount which may be distributed by the Company in accordance with the Polish law depends on the net profit and certain other figures reflected in the Company's stand-alone financial statements. Such figures may differ from the figures included in the Group's consolidated financial statements which are prepared in accordance with the IFRS.

As a holding company, the Company's ability to pay dividends depends upon the ability of its subsidiaries to pay dividends and advance funds to the Company. Therefore, there can be no assurance that the Company will declare or pay any dividends to its shareholders in the future. The payment and amount of any future dividends will depend on the Management Board's assessment of factors such as long-term growth and earnings trends, the need for sufficient liquidity, the need for investment in the Company's existing project portfolio, the existence of alternative investment opportunities and the Company's financial position in general. This may have a material adverse effect on the Group's business, financial condition, results of operations.

Future offerings of debt or equity securities offered by the Company may adversely affect the market price of the Shares and dilute the shareholders' interests

To finance future acquisitions, the Company may raise additional capital by offering debt or additional equity securities, including convertible notes, medium-term notes, senior or subordinated notes and ordinary shares. The issuance of equity or debt securities with conversion rights may dilute the economic and voting rights of existing shareholders, if made without granting pre-emptive or other subscription rights, or reduce the price of the Company's shares, or both. The exercise of conversion rights or options by the holders of convertible or warrant-linked bonds that the Company may issue in the future may also dilute the shareholders' interests. Holders of the Company's ordinary shares have statutory pre-emptive rights entitling them to purchase a percentage of every issuance of the Company's ordinary shares. As a result, holders of the Company's ordinary shares may, in certain circumstances, have the right to purchase ordinary shares that the Company may issue in the future in order to preserve their percentage ownership interest in the Company, thereby reducing the percentage ownership interest of other investors. Because any decision by the Company to issue additional securities depends on market conditions and

other factors beyond the Company’s control, the Company cannot predict or estimate the amount, timing or nature of any such future issuances. Thus, prospective investors bear the risk of the Company’s future offerings reducing the market price of the shares and diluting their interest in the Company.

GLOBE TRADE CENTRE S.A.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 June 2019 TOGETHER WITH INDEPENDENT AUDITORS` REVIEW REPORT

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Financial Position
as of 30 June 2019
(in thousands of Euro)

	Note	30 June 2019 (unaudited)	31 December 2018 (Audited)
ASSETS			
Non-current assets			
Investment property	8	2,201,839	2,113,068
Residential landbank		13,365	12,698
Property, plant and equipment		7,991	6,712
Deferred tax asset		380	52
Other non-current assets		120	129
		2,223,695	**2,132,659**
Loan granted to non-controlling interest partner	9	10,414	10,282
Total non-current assets		**2,234,109**	**2,142,941**
Assets held for sale	11	**121,152**	**76,196**
Current assets			
Accounts receivables		6,590	4,449
Receivables related to expropriation of land	17	-	4,917
Accrued income		731	1,066
VAT receivable	12	5,816	5,156
Income tax receivable		776	1,233
Prepayments and deferred expenses		5,583	1,401
Short-term deposits	10	48,540	39,109
Cash and cash equivalents		69,080	80,456
		137,116	**137,787**
TOTAL ASSETS		**2,492,377**	**2,356,924**

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Financial Position
as of 30 June 2019
(in thousands of Euro)

	Note	30 June 2019 (unaudited)	31 December 2018 (audited)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	19	11,007	10,960
Share premium		550,522	546,711
Capital reserve	19	(36,054)	(36,054)
Hedge reserve		(7,140)	(4,542)
Foreign currency translation		1,440	1,680
Accumulated profit		498,099	496,996
		1,017,874	**1,015,751**
Non-controlling interest	9	4,780	5,044
Total Equity		**1,022,654**	**1,020,795**
Non-current liabilities			
Long-term portion of long-term borrowing	14	925,477	993,453
Lease liability	15	45,929	-
Deposits from tenants		12,360	10,375
Long term payable		2,523	3,045
Provision for share based payment		7,152	4,533
Derivatives		6,653	3,736
Provision for deferred tax liability		144,552	139,120
		1,144,646	**1,154,262**
Liabilities directly associated with asset held for sale	11	**20,080**	-
Current liabilities			
Investment and trade payables and provisions	13	63,953	50,499
Current portion of long-term borrowing	14	235,564	121,894
Current portion of lease liability	15	106	-
VAT and other taxes payable		2,332	1,636
Income tax payable		422	1,114
Derivatives		1,969	1,887
Advances received	16	651	4,837
		304,997	**181,867**
TOTAL EQUITY AND LIABILITIES		**2,492,377**	**2,356,924**

Globe Trade Centre S.A.
Interim Condensed Consolidated Income Statement
for the six-month period ended 30 June 2019
(in thousands of Euro)

	Note	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)	Three-month period ended 30 June 2019 (unaudited)	Three-month period ended 30 June 2018 (unaudited)
Rental revenue		60,963	53,360	31,689	27,380
Service revenue		20,319	19,202	10,133	9,327
Residential revenue		-	4,578	-	963
Service costs		(20,171)	(18,521)	(10,262)	(9,514)
Residential costs		-	(3,868)	-	(889)
Gross margin from operations		**61,111**	**54,751**	**31,560**	**27,267**
Selling expenses		(735)	(1,195)	(367)	(720)
Administration expenses	6	(8,767)	(4,099)	(4,244)	(2,701)
Profit from revaluation/impairment of assets	8	16,482	23,368	9,763	10,834
Other income		287	407	4	244
Other expenses		(585)	(2,757)	(194)	(1,377)
Profit (loss) from continuing operations before tax and finance income / (expense)		**67,793**	**70,475**	**36,522**	**33,547**
Foreign exchange differences gain/ (loss), net		(429)	294	(350)	188
Finance income		181	158	99	85
Finance cost	7	(16,236)	(14,311)	(8,250)	(7,150)
					-
Profit before tax		**51,309**	**56,616**	**28,021**	**26,670**
Taxation	18	(8,462)	(10,544)	(4,923)	(4,907)
Profit (loss) for the period		**42,847**	**46,072**	**23,098**	**21,763**
Attributable to:					
Equity holders of the Company		42,682	45,591	23,099	21,533
Non-controlling interest	9	165	481	(1)	230
Basic earnings per share (in Euro)	21	0.09	0.10	0.05	0.05

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Comprehensive Income
for the six-month period ended 30 June 2019
(in thousands of Euro)

	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)	Three-month period ended 30 June 2019 (unaudited)	Three-month period ended 30 June 2018 (unaudited)
Profit (loss) for the period	**42,847**	**46,072**	**23,098**	**21,763**
Gain (loss) on hedge transactions	(2,999)	(1,440)	(1,887)	31
Income tax	401	313	263	18
Net gain (loss) on hedge transactions	(2,598)	(1,127)	(1,624)	49
Foreign currency translation	(240)	(1,585)	(351)	(1,379)
Net other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods	**(2,838)**	**(2,712)**	**(1,975)**	**(1,330)**
Total comprehensive income for the period, net of tax	**40,009**	**43,360**	**21,123**	**20,433**
Attributable to:				
Equity holders of the Company	39,844	42,879	21,124	20,203
Non-controlling interest	165	481	(1)	230

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Changes in Equity
for the six-month period ended 30 June 2019
(in thousands of Euro)

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2019	**10,960**	**546,711**	**(36,054)**	**(4,542)**	**1,680**	**496,996**	**1,015,751**	**5,044**	**1,020,795**
Other comprehensive income	-	-	-	(2,598)	(240)	-	(2,838)	-	(2,838)
Profit / (loss) for the period ended 30 June 2019	-	-	-	-	-	42,682	42,682	165	42,847
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(2,598)**	**(240)**	**42,682**	**39,844**	**165**	**40,009**
Distribution of dividend	**-**	**-**	-	-	-	(41,579)	(41,579)	(429)	(42,008)
Issuance of shares	47	3,811	-	-	-	-	3,858		3,858
Balance as of 30 June 2019 (unaudited)	**11,007**	**550,522**	**(36,054)**	**(7,140)**	**1,440**	**498,099**	**1,017,874**	**4,780**	**1,022,654**
Balance as of 1 January 2018	**10,651**	**520,504**	**(36,054)**	**(2,365)**	**2,323**	**441,977**	**937,036**	**4,226**	**941,262**
Other comprehensive income	-	-	-	(1,127)	(1,585)	-	(2,712)	-	(2,712)
Profit / (loss) for the period ended 30 June 2018	-	-	-	-	-	45,591	45,591	481	46,072
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(1,127)**	**(1,585)**	**45,591**	**42,879**	**481**	**43,360**
Distribution of dividend						(36,183)	(36,183)	-	(36,183)
Issuance of shares	309	26,207	-	-	--	-	26,516	-	26,516
Balance as of 30 June 2018 (unaudited)	**10,960**	**546,711**	**(36,054)**	**(3,492)**	**738**	**451,385**	**970,248**	**4,707**	**974,955**

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Cash Flows
for the six-month period ended 30 June 2019
(in thousands of Euro)

	Note	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
		(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		51,309	56,616
Adjustments for:			
Loss/(profit) from revaluation/impairment of assets		(16,482)	(23,368)
Share of loss (profit) of associates and joint ventures			-
Profit on disposal of assets			
Foreign exchange differences loss/(gain), net		429	(294)
Finance income		(181)	(158)
Finance cost		16,236	14,311
Share based payment (income) / expenses		2,619	(1,373)
Depreciation and amortization		302	266
Operating cash before working capital changes		**54,232**	**46,000**
Increase in trade receivables, prepayments and other current assets		(1,551)	(1,158)
Decrease/ (increase) in inventory			3,755
Increase/(decrease) in advances received		(620)	(1,567)
Increase in deposits from tenants		1,985	(92)
Increase/(decrease) in trade and other payables		1,020	(693)
Cash generated from operations		**55,066**	**46,245**
Tax paid in the period		(3,162)	(4,623)
Net cash flows from operating activities		**51,904**	**41,622**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property		(71,215)	(59,337)
Decrease in short term deposits		2,157	15,515
Proceeds related to expropriation of land	17	4,917	
Purchase of subsidiary			(37,846)
Purchase of completed assets and land			-
Decrease/(Increase) in Escrow accounts for purchase of assets			461
Sale of investment property	11	2,630	13,613
VAT on purchase/sale of investment property		(660)	1,067
Interest received		49	40
Loans repayments			813
Net cash flows from/(used in) investing activities		**(62,122)**	**(65,674)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	14	125,951	135,967
Repayment of long-term borrowings	14	(60,995)	(82,752)
Repayment of lease liabilities		(1,660)	-
Dividends paid		(37,927)	(9,752)
Dividends paid to non-controlling interest		(429)	-
Interest paid		(13,993)	(13,525)
Loans origination cost		(775)	(1,180)
Loan granted to non-controlling interest		-	(9,393)
Decrease/(increase) in blocked deposits	10	(11,588)	(1,967)
Net cash from/(used in) financing activities		**(1,416)**	**17,398**
Effect of foreign currency translation		**258**	**(1,812)**
Net increase / (decrease) in cash and cash equivalents		**(11,376)**	**(8,466)**
Cash and cash equivalents at the beginning of the period		**80,456**	**148,746**
Cash and cash equivalents at the end of the period		**69,080**	**140,280**

Principal activities

Globe Trade Centre S.A. (the “Company” or “GTC”) and its subsidiaries (“GTC Group” or “the Group”) are an international real-estate corporation. The Company was registered in Warsaw on 19 December 1996. The Company’s registered office is in Warsaw, Poland at Komitetu Obrony Robotników (previously 17 Stycznia) 45a Street. The Company owns through subsidiaries, joint ventures and associates commercial and residential real estate companies with a focus on Poland, Budapest, Bucharest, and Belgrade. Additionally, the Company operates in Zagreb and Sofia. There is no seasonality in the business of the Group companies.

The major shareholder of the Company is GTC Dutch Holdings B.V. (“LSREF III”), controlled by Lone Star, a global private equity firm, which held 298,575,091 shares 61.49% of total share as of 30 June 2019.

Events in the period

Completion of investments

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

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

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

Issuance of bonds and refinance

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

On 14 February 2019, Midroog (Israel-based credit rating agency accredited by the State of Israel) assigned an A2.il rating with a stable outlook for repayment capability of debt that the Company might raise in Israel, in the amount of up to € 70 million.

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

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

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

Principal activities (continued)

Sale of Assets

In February 2019, the Group signed a term sheet for the sale of GTC White House office building in Budapest. The preliminary sale agreement was signed in June 2019 with transaction closing scheduled for Q4 2019. Accordingly, as of 30 June 2019 and 31 December 2018, the asset was presented within the assets held for sale, with a total fair value of Euro 70 million.

In June 2019, the Company signed preliminary agreement for the sale of the company that holds Neptun Office Center, Gdansk (see note 11). Accordingly, as of 30 June 2019 the asset was presented within the assets held for sale, with a total fair value of Euro 44.237 million. The bank loan was presented within liabilities held for sale, with a total book value of Euro 20.080 million.

Distribution of dividend

In May 2019, the Company's shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 178.9 million (Euro 41.6 million). In June 2019, the Company issued 2,018,126 series N Shares to the Company's shareholders who elected to receive the dividend in shares (Euro 4 million), and paid dividend in cash in the amount of Euro 37.6 million to the remaining shareholders.

2. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by EU.

At the date of authorisation of these consolidated financial statements, taking into account the EU's ongoing process of IFRS endorsement and the nature of the Group's activities, there is no difference between International Financial Reporting Standards applying to these consolidated financial statements and International Financial Reporting Standards endorsed by the European Union.
The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements and the notes thereto for the year ended 31 December 2018, which were authorized for issue on 20 March 2019. The interim financial results are not necessarily indicative of the full year results.

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

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

As of 30 June 2019, the Group's net working capital (defined as current assets less current liabilities) was negative and amounted to Euro 167.9 million as some loans that are expected to be refinanced were temporarily classified as current liabilities. The Group signed preliminary sale agreements and consider offers it received for the sale of few assets (see note 11). Those assets are presented within Assets held for sale, in the amount of Euro 121.1 million.

The management has analysed the timing, nature and scale of potential financing needs of particular subsidiaries and believes that cash on hand, as well as expected operating cash-flows will be sufficient to fund the Group's anticipated cash requirements for working capital purposes, for at least the next twelve months from the balance sheet date. Consequently, the consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least 12 months from the balance sheet date.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018 (see Note 7 to the consolidated financial statements for 2018), except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. No changes to comparative data or error corrections were made (except of the matter described in note 22).

Standards issued and effective for financial years beginning on or after 1 January 2019:

- IFRS 16 Leases (issued on 13 January 2016) - effective for financial years beginning on or after 1 January 2019;
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) - effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) - effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) – effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) – effective for financial years beginning on or after 1 January 2019;
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) – effective for financial years beginning on or after 1 January 2019;

The Company's assessment is that above changes (new standards/ amendments) has no material impact, except of the impact of IFRS 16, as described below:

IFRS 16 Leases

In January 2016, the IASB issued the final version of International Financial Reporting Standard 16 *Leases* ("IFRS 16"). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessor provide relevant information that faithfully represents those transactions:

- IFRS 16 requires lessees to recognise most long term leases on their balance sheets. Lessor accounting is substantially unchanged to the existing accounting under IAS 17 Leases.
- Lessees have a single accounting model for all leases, with certain exemptions.
- It requires the disclosure of new information about leases that hasn't previously been required.

There are two types of leases in GTC group that are subject to IFRS 16 and affect the financial statements.

- Leasing property to tenants - Primary activity of GTC Group.

For this leasing activity, GTC Group acts as a Lessor. As was mentioned previously, a lessor accounting under IFRS 16 is substantially unchanged, therefore we do not expect any influence on the Group.

- Leases of lands under perpetual usufruct where the Group acts as Lessee

3. Significant accounting policies and new standards, interpretations and amendments (continued)

Perpetual usage payments are payments, which are done in advance or in arrears on an annual or monthly basis within define period (from 33 to 87 years). Perpetual usage payments are done in Poland, Croatia, Romania and Serbia.

Due to the fact that perpetual usage payments, by substance, are treated as lease payments, payments are to be considered under IFRS 16.

In the consolidated financial position statements the Group recognized, on 1 January 2019, a Right-of-Use and Lease Liabilities in an amount of Euro 47 million as following:

Right of use of lands under perpetual usufruct in the amount of 46 million is presented as part of the Investment Property, with separate disclosure in a separate note.

Right of use of lands under perpetual usufruct in the amount of 1 million is presented as part of the residential landbank.

Lease Liabilities is in the amount of 47 million presented separately, as part of the Short term and Long term Liabilities, with a separate disclosure.

In the Consolidated Income Statement the Group used to present the lease payments for completed assets within the Operating expenses and for landbank within Other expenses. Under IFRS 16 the Group presents the amortization of Right-of-Use or the change in fair value of Right-of-Use within the profit (loss) on Revaluations. Interest embedded within land leases is presented as Finance expenses.

The Right of Use of lands under perpetual usufruct is amortized over the lease period (for cost method) or valued using the fair value approach (for investment properties valued in fair value).

The Group transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior year figures were not adjusted.

The Group entered into several other leases. Those leases are immaterial, thus are not treated in accordance with IFRS 16. Additionally, the Group has decided not to apply the new guidelines to leases whose term will end within twelve months of the date of initial application. In such cases the lease is accounted as short term lease.

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3. Significant accounting policies and new standards, interpretations and amendments (continued)

Standards issued but not yet effective:

- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021;
- *Amendments to References to the Conceptual Framework in IFRS Standards* (issued on 29 March 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendment to IFRS 3 *Business Combinations* (issued on 22 October 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8: *Definition of Material* (issued on 31 October 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2020.

The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union.

4. Investment in Subsidiaries, Associates and Joint Ventures

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

Subsidiaries

Name	Holding Company	Country of incorporation	30 June 2019	31 December 2018
GTC Konstancja Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Korona S.A.	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o.	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Neptune Gdansk Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Sterlinga Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Karkonoska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Ortal Sp. z o.o.	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Pixel Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Handlowe Wilanow Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Management sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Corius sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Światowida sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments Sp. z o.o. s.k.a.	GTC S.A.	Poland	100%	100%
GTC Galeria CTWA Sp. z o.o.	GTC S.A.	Poland	100%	100%
Artico Sp. z o.o	GTC S.A.	Poland	100%	100%
Julesberg Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
Jowett Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
GTC Hungary Real Estate Development Company Ltd. ("GTC Hungary")	GTC S.A.	Hungary	100%	100%
GTC Duna Kft.	GTC Hungary	Hungary	100%	100%
Vaci Ut 81-85 Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartmanok Kft. ("Riverside") (1)	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft. ("Centre Point I")	GTC Hungary	Hungary	100%	100%
Centre Point II. Kft.	GTC Hungary	Hungary	100%	100%
Spiral I.Kft.	GTC Hungary	Hungary	100%	100%
Spiral II Hungary. Kft.	GTC Hungary	Hungary	100%	100%
River Loft Apartmanok Ltd. (2)	GTC Hungary	Hungary	-	100%
SASAD Resort Kft. ("Sasad")	GTC Hungary	Hungary	100%	100%
Albertfalva Üzletközpont Kft. ("formerly Szeremi Gate")	GTC Hungary	Hungary	100%	100%
GTC Metro Kft.	GTC Hungary	Hungary	100%	100%
Kompakt Land Kft	GTC Hungary	Hungary	100%	100%
GTC White House Kft. ("formerly GTC Renaissance Plaza Kft.")	GTC Hungary	Hungary	100%	100%
VRK Tower Kft	GTC Hungary	Hungary	100%	100%
Amarantan Ltd.	GTC Hungary	Hungary	100%	100%

(1) Under liquidation

(2) Liquidated

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

Name	Holding Company	Country of incorporation	30 June 2019	31 December 2018
GTC Nekretnine Zagreb d.o.o.("GTC Zagreb")	GTC S.A.	Croatia	100%	100%
Euro Structor d.o.o.	GTC S.A.	Croatia	70%	70%
Marlera Golf LD d.o.o.	GTC S.A.	Croatia	80%	80%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o	Croatia	80%	80%
GTC Matrix d.o.o.	GTC S.A.	Croatia	100%	100%
GTC Seven Gardens d.o.o.	GTC S.A.	Croatia	100%	100%
Towers International Property S.R.L.	GTC S.A.	Romania	100%	100%
Galleria Shopping Center S.R.L. (formerly "International Hotel and Tourism S.R.L.") (1)	GTC S.A.	Romania	-	100%
Green Dream S.R.L.	GTC S.A.	Romania	100%	100%
Aurora Business Complex S.R.L	GTC S.A.	Romania	71.5%	71.5%
Cascade Building S.R.L	GTC S.A.	Romania	100%	100%
City Gate Bucharest S.R.L.	GTC S.A.	Romania	100%	100%
Mablethompe Investitii S.R.L. (2)	GTC S.A.	Romania	100%	100%
Venus Commercial Center S.R.L.	GTC S.A.	Romania	100%	100%
Beaufort Invest S.R.L.	GTC S.A.	Romania	100%	100%
Fajos S.R.L.	GTC S.A.	Romania	100%	100%
City Gate S.R.L.	GTC S.A.	Romania	100%	100%
City Rose Park SRL (previously Complexul Residential Colentina S.R.L.)	GTC S.A.	Romania	100%	100%
Deco Intermed S.R.L.	GTC S.A.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L.	GTC S.A.	Romania	66.7%	66.7%

(1) Sold

(2) Under liquidation

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

Name	Holding Company	Country of incorporation	30 June 2019	31 December 2018
NRL EAD	GTC S.A.	Bulgaria	100%	100%
Advance Business Center EAD	GTC S.A.	Bulgaria	100%	100%
GTC Yuzhen Park EAD ("GTC Yuzhen")	GTC S.A.	Bulgaria	100%	100%
Dorado 1 EOOD	GTC S.A.	Bulgaria	100%	100%
GTC Medj Razvoj Nekretnina d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
GTC Business Park d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial and Residential Ventures d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Demo Invest d.o.o. Novi Beograd	GTC S.A.	Serbia	100%	100%
Atlas Centar d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial Development d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Glamp d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
GTC BBC d.o.o	GTC S.A.	Serbia	100%	100%
Europort Investment (Cyprus) 1 Limited	GTC S.A.	Cyprus	100%	100%
Europort Ukraine Holdings 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Ukraine LL	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Project Ukraine 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%

Investment in Associates and Joint Ventures

Name	Holding Company	Country of incorporation	30 June 2019	31 December 2018
CID Holding S.A. ("CID") (1)	GTC S.A.	Luxembourg	35%	35%

(1) Under liquidation

5. Segmental analysis

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:

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

Segment analysis of rental income and costs for the six month period ended 30 June 2019 and 30 June 2018 is presented below:

	2019			2018		
Portfolio	**Revenues**	**Costs**	**Gross margin**	**Revenues**	**Costs**	**Gross margin**
Poland	38,223	(10,116)	28,107	41,839	(14,208)	27,631
Belgrade	11,705	(2,720)	8,985	9,814	(2,196)	7,618
Budapest	12,398	(3,046)	9,352	10,633	(2,348)	8,285
Bucharest	8,580	(1,586)	6,994	8,589	(1,769)	6,820
Zagreb	5,369	(1,846)	3,523	5,469	(1,757)	3,712
Sofia (*)	5,007	(857)	4,150	796	(111)	685
Total	**81,282**	**(20,171)**	**61,111**	**77,140**	**(22,389)**	**54,751**

Segment analysis of rental income and costs for the three month period ended 30 June 2019 and 30 June 2018 is presented below:

	2019			2018		
Portfolio	**Revenues**	**Costs**	**Gross margin**	**Revenues**	**Costs**	**Gross margin**
Poland	19,253	(5,187)	14,066	19,461	(6,204)	13,257
Belgrade	6,799	(1,436)	5,363	5,024	(1,072)	3,952
Budapest	6,211	(1,527)	4,684	5,337	(1,222)	4,115
Bucharest	4,330	(783)	3,547	4,311	(918)	3,393
Zagreb	2,731	(949)	1,782	2,741	(876)	1,865
Sofia (*)	2,498	(380)	2,118	796	(111)	685
Total	**41,822**	**(10,262)**	**31,560**	**37,670**	**(10,403)**	**27,267**

(*) Income relates to the Mall of Sofia, which was acquired on 31 May 2018.

5. Segmental analysis (continued)

Segment analysis of assets and liabilities as of 30 June 2019 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans ,bonds and leases	Deferred tax liability	Other	Total liabilities
Poland	1,042,793	34,683	4,911	1,082,387	535,252	73,278	15,982	624,512
Belgrade	411,913	25,135	8,104	445,152	206,004	16,079	31,262	253,345
Budapest	362,281	16,827	2,482	381,590	109,882	11,728	10,917	132,527
Bucharest	218,520	9,050	1,074	228,644	113,793	11,826	5,274	130,893
Zagreb	147,404	4,301	11,490	163,195	54,627	17,190	8,357	80,174
Sofia	148,470	6,266	3,081	157,817	70,597	7,443	10,545	88,585
Other	11,880	7	13	11,900	-	-	1,184	1,184
Non allocated	-	21,351	341	21,692	143,247	7,008	8,248	158,503
	2,343,261	**117,620**	**31,496**	**2,492,377**	**1,233,402**	**144,552**	**91,769**	**1,469,723**

Segment analysis of assets and liabilities for the years ended 31 December 2018 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans and bonds	Deferred tax liability	Other	Total liabilities
Poland	1,003,436	13,557	6,544	**1,023,537**	493,664	72,078	16,555	**582,297**
Belgrade	359,089	11,984	2,468	**373,541**	142,242	14,279	17,486	**174,007**
Budapest	354,760	14,096	1,269	**370,125**	113,132	11,304	11,855	**136,291**
Bucharest	214,450	13,030	6,176	**233,656**	109,685	11,082	9,955	**130,722**
Zagreb	136,424	3,995	11,029	**151,448**	48,000	16,776	8,896	**73,672**
Sofia	128,547	3,920	1,665	**134,132**	64,044	7,213	3,225	**74,482**
Other	10,910	11	-	**10,921**	-	-	1,184	**1,184**
Non allocated	-	58,972	592	**59,564**	150,951	6,388	6,135	**163,474**
Total	**2,207,616**	**119,565**	**29,743**	**2,356,924**	**1,121,718**	**139,120**	**75,291**	**1,336,129**

6. Administration expenses

Administration expenses for the period of six-months ended 30 June 2018 and 30 June 2019 comprises the following amounts:

	Six-month period ended 30 June 2019	**Six-month period ended 30 June 2018**	**Three-month period ended 30 June 2019**	**Three-month period ended 30 June 2018**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Administration expenses	6,148	5,472	3,016	2,714
Expenses /(income) arising from provision for share based payment (*)	2,619	(1,373)	1,228	(13)
	8,767	**4,099**	**4,244**	**2,701**

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

7. Finance costs

Finance costs for the period of six-months ended 30 June 2019 and 30 June 2018 comprises the following amounts:

	Six-month period ended 30 June 2019	**Six-month period ended 30 June 2018**	**Three-month period ended 30 June 2019**	**Three-month period ended 30 June 2018**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Finance costs related to loans and bonds	15,181	14,311	7,724	7,150
Finance costs related to lease liability	1,055	-	526	-
	16,236	**14,311**	**8,250**	**7,150**

8. Investment Property

The investment properties that are owned by the Group are office and shopping center space, including property under construction:

Investment property can be split up as follows:

	30 June 2019	31 December 2018
	(unaudited)	(audited)
Completed investment property	1,947,542	1,791,910
Investment property under construction	97,192	190,051
Investment property landbank at cost	112,478	131,107
Right of use of lands under perpetual usufruct	44,627	-
Total	**2,201,839**	**2,113,068**

The movement in investment property for the periods ended 30 June 2019 (unaudited) and 31 December 2018 (audited) was as follows:

	Right of Use of land	Level 2	Level 3	Total
Carrying amount as of 1 January 2018	**-**	**1,381,290**	**555,551**	**1,936,841**
Hierarchy level reclassification	-	30,300	(30,300)	-
Capitalised subsequent expenditure	-	30,582	82,524	113,106
Purchase of completed buildings	-	6,799	9,649	16,448
Purchase of subsidiaries holding land plots	-	-	96,784	96,784
Adjustment to fair value / (impairment)	-	107	40,018	40,125
Land Disposals	-	-	(11,694)	(11,694)
Classified to assets held for sale	-	(70,000)	(6,884)	(76,884)
Foreign exchange differences	-	(1,761)	103	(1,658)
Carrying amount as of 31 December 2018	**-**	**1,377,317**	**735,751**	**2,113,068**
Capitalised subsequent expenditure	-	5,908	74,496	80,404
Recognition of right of use of lands under perpetual usufruct	45,362			45,362
Prepaid right of use of lands under perpetual usufruct	(506)			(506)
Adjustment to fair value / (impairment)		7,926	8,153	16,079
Amortization of right of use of lands under perpetual usufruct	(193)			(193)
Classified to assets for own use, net		(899)	(301)	(1,200)
Classified to assets held for sale (Neptun Office Center)	(237)	(44,000)	(6,914)	(51,151)
Foreign exchange differences	201	(304)	79	(24)
Carrying amount as of 30 June 2019	**44,627**	**1,345,948**	**811,264**	**2,201,839**

8. Investment Property (continued)

Fair value and impairment adjustment consists of the following:

	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018	Three-month period ended 30 June 2019	Three-month period ended 30 June 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Adjustment to fair value of completed investment properties	6,965	(1,187)	5,592	338
Adjustment to fair value of Investment properties under construction	8,675	22,499	4,355	11,067
Reversal of impairment/(Impairment) adjustment	439	2,056	439	(571)
Total adjustment to fair value / (impairment) of investment property	**16,079**	**23,368**	**10,386**	**10,834**
Impairment of residential landbank	(541)	-	(541)	-
Adjustment of assets held for sale (*)	1,145	-	-	-
Amortization of right of use of lands under perpetual usufruct (including on residential landbank)	(201)	-	(82)	-
Total	**16,482**	**23,368**	**9,763**	**10,834**

(*) Galeria Bucharest land in Romania

Assumptions used in the valuations of completed assets as of 30 June 2019 (unaudited) are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Fair Value Hierarchy Level
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m	
Poland retail	510,030	113	93%	21.5	22.2	2
Poland office	399,348	196	88%	14.4	14.0	2
Belgrade retail	135,600	34	97%	20.7	21.9	3
Belgrade office	228,381	104	98%	16.5	16.4	3
Budapest office	246,144	125	98%	12.5	13.5	2
Bucharest office	190,426	67	96%	18.6	19.4	2
Zagreb retail	104,813	34	99%	20.6	20.3	3
Sofia retail	98,400	33	98%	20.9	20.9	3
Sofia office	34,400	16	98%	13.9	14.1	3
Total	**1,947,542**	**722**	**94%**	**16.8**	**17.0**	

8. Investment Property (continued)

Assumptions used in the valuations of completed assets as of 31 December 2018 (audited) are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV (*)	Fair Value Hierarchy Level
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m	
Poland retail	516,930	113	94%	21.1	22.0	2
Poland office	432,610	212	89%	14.2	14.1	2
Belgrade office	211,782	97	94%	16.0	16.5	3
Budapest office	237,740	125	98%	12.3	12.5	2
Bucharest office	190,036	67	94%	18.8	19.4	2
Zagreb retail	104,812	34	95%	20.6	20.3	3
Sofia retail	98,000	33	98%	19.8	20.4	3
Total	**1,791,910**	**681**	**93%**	**16.3**	**16.6**	

Information regarding investment properties under construction as of 30 June 2019 (unaudited) is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Belgrade (Green Heart N1, N3)	36,730	19
Sofia (ABC II)	15,670	18
Budapest (Pillar)	16,355	29
Zagreb (Matrix I, Matrix II)	28,437	21
Total	**97,192**	**87**

Information regarding to investment properties under construction as of 31 December 2018 is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Belgrade (Ada Mall, Green Heart N1, N2, N3)	140,980	59
Sofia (ABC I, ABC II)	30,547	33
Zagreb (Matrix I, Matrix II)	18,524	21
Total	**190,051**	**113**

8. Investment Property (continued)

Information regarding book value of investment property landbank for construction as of 30 June 2019 and 31 December 2018 is presented below:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Poland	37,772	39,270
Serbia	6,718	5,510
Hungary	24,348	38,921
Romania	14,750	13,895
Croatia	13,690	12,600
Total	**97,278**	**110,196**

Information regarding book value of investment property landbank (long term pipeline) as of 30 June 2019 and 31 December 2018 is presented below:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Poland	7,969	12,351
Hungary	3,400	4,500
Bulgaria	1,800	1,800
Ukraine	2,031	2,260
Total	**15,200**	**20,911**
Grand Total	**112,478**	**131,107**

9. Non-controlling interest

The Company's subsidiary that holds Avenue Mall (Euro Structor d.o.o.) has granted in year 2018 its shareholders a loan, pro-rata to their stake in the subsidiary. The loan principle and interest shall be repaid by 30 November 2022. In the event that Euro Structor renders resolution for 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 2019 (unaudited) is presented below:

	Avenue Mall	Non-core projects	Total
NCI share in equity	23,604	(18,824)	4,780
Loans received from NCI	-	9,919	9,919
Loans granted to NCI	(10,414)		(10,414)
Total as of 30 June 2019	**13,190**	**(8,905)**	**4,285**
NCI share in profit / (loss)	**658**	**(493)**	**165**

10. Short term deposits

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

In March 2019, an amount of Euro 28.1 million was drawn from the Ada Mall (Belgrade) construction loan, and deposited temporarily in order to settle contractual commitments related to the construction of this project.

11. Assets and liabilities held for sale

Assets held for sale comprises the following:

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	30 June 2019	31 December 2018
Neptun Office Center in Gdansk	44,237	-
GTC Whitehouse office building Budapest	70,000	70,000
Mikolowska landbank, Katowice	3,881	-
Karkonoska landbank, Wroclaw	3,034	-
Spiral 2 land plot in Budapest	-	2,630
Galeria Bucharest land plot	-	3,566
Balance the end of the period	**121,152**	**76,196**

Liabilities held for sale in the amount of Euro 20,080 thousand comprise the outstanding bank loan in the company, which holds Neptun Office Center in Gdansk.

12. VAT and other tax receivable

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

13. Trade and other payables

The balance of trade and other payables increased from Euro 50.4 million to Euro 64.0 million in the six months period ended 30 June 2019.

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

14. Long-term loans and bonds

	30 June 2019	31 December 2018
Bonds mature in 2018-4/2019	-	15,799
Bonds 1019	28,959	28,959
Schuldschein 1219	15,183	15,023
Bonds 0320	18,671	18,673
Bonds 0620	40,066	40,070
Bonds 1220	10,116	10,117
Bonds 0321	20,737	20,737
Bonds 0422	9,514	-
Loan from OTP (GTC)	-	1,573
Loan from Santander (Globis Poznan)	14,837	15,084
Loan from Santander (Korona Business Park)	44,101	44,756
Loan from PKO BP (Pixel)	20,239	20,577
Loan from Santander (Globis Wroclaw)	22,407	22,754
Loan from ING (Nothus and Zephirus)	9,332	9,332
Loan from Berlin Hyp (Corius)	10,549	10,721
Loan from Pekao (Sterlinga)	15,925	16,188
Loan from Pekao (Neptun Office Center)	-	20,411
Loan from Pekao (Galeria Polnocna)	192,404	194,904
Loan from PKO BP (Artico)	14,469	-
Loan from Pekao (Galeria Jurajska)	85,912	87,680
Loan from Berlin Hyp (UBP)	28,675	29,140
Loan from ING (Francuska)	21,847	22,117
Loan from OTP (Centre Point)	41,031	42,042
Loan from CIB (Metro)	15,003	15,554
Loan from Erste (Spiral)	21,750	22,586
Loan from Erste (GTC White House)	7,607	7,904
Loan from OTP (Duna)	24,444	25,046
Loan from Erste (GTC House)	11,328	11,718
Loan from Erste (19 Avenue)	23,002	23,499
Loan from Societe General (BBC)	22,193	22,595
Loan from Raiffeisen Bank (Green Heart)	43,551	31,812
Loan from Raiffeisen Bank (Forty one)	39,074	26,075
Loan from Intesa Bank (Ada Mall)	63,150	26,543
Loan from Erste (Citygate)	76,652	78,204
Loan from Banca Transilvania (Cascade)	4,238	4,612
Loan from Alpha Bank (Premium)	16,385	17,101
Loan from OTP (Mall of Sofia)	58,354	59,582
Loan from Erste (Matrix)	6,420	-
Loan from UniCredit (ABC)	12,243	4,462
Loan from Zagrabecka Banka (AMZ)	47,000	48,000
Loans from NCI	9,919	9,768
Deferred issuance debt expenses	(6,246)	(6,371)
	1,161,041	**1,115,347**

14. Long-term loans and bonds (continued)

Long-term loans and bonds have been separated into the current portion and the long-term portion as disclosed below:

	30 June 2019	31 December 2018
Current portion of long term loans and bonds:		
Bonds mature in 2018-4/2019	-	15,799
Bonds 1019	28,959	28,959
Schuldschein 1219	15,183	15,023
Bonds 0320	18,671	175
Bonds 0620	40,066	70
Bonds 1220	12	13
Bonds 0321	243	243
Bonds 0422	74	-
Loan from OTP (GTC)	-	1,573
Loan from Santander (Globis Poznan)	449	15,084
Loan from Santander (Korona Business Park)	1,437	1,395
Loan from PKO BP (Pixel)	677	677
Loan from Berlin Hyp (UBP)	930	930
Loan from Pekao (Galeria Jurajska)	85,912	3,544
Loan from Santander (Globis Wroclaw)	693	693
Loan from ING (Nothus and Zephirus)	9,332	9,332
Loan from Berlin Hyp (Corius)	342	342
Loan from Pekao (Sterlinga)	525	525
Loan from Pekao (Neptun Office Center)	-	662
Loan from PKO BP (Artico)	363	-
Loan from Pekao (Galeria Polnocna)	5,000	5,000
Loan from ING (Francuska)	540	540
Loan from OTP (Centre Point)	2,044	2,033
Loan from Erste (GTC White House)	342	476
Loan from OTP (Duna)	1,218	1,211
Loan from CIB (Metro)	1,140	1,115
Loan from Erste (Spiral)	1,442	1,415
Loan from Erste (GTC House)	781	781
Loan from Erste (19 Avenue)	994	994
Loan from Raiffeisen Bank (Green Heart)	1,913	914
Loan from Societe General (BBC)	805	805
Loan from Raiffeisen Bank (Forty one)	1,853	1,302
Loan from Intesa Bank (Ada Mall)	3,158	664
Loan from OTP (Mall of Sofia)	2,457	2,457
Loan from UniCredit (ABC)	1,394	804
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	2,000	2,000
Loan from Erste (Matrix)	230	-
Loan from Alpha Bank (Premium)	1,025	1,025
Loan from Banca Transilvania (Cascade)	240	240
Loan from Erste (City Gate)	3,120	3,079
	235,564	**121,894**

14. Long-term loans and bonds (continued)

	30 June 2019	31 December 2018
Long term portion of long term loans and bonds:		
Bonds 0320	-	18,498
Bonds 0620	-	40,000
Bonds 1220	10,104	10,104
Bonds 0321	20,494	20,494
Bonds 0422	9,440	-
Loan from Santander (Globis Poznan)	14,388	-
Loan from Santander (Korona Business Park)	42,664	43,361
Loan from PKO BP (Pixel)	19,562	19,900
Loan from Santander (Globis Wroclaw)	21,714	22,061
Loan from Berlin Hyp (Corius)	10,207	10,379
Loan from Pekao (Sterlinga)	15,400	15,663
Loan from Pekao (Neptun Office Center)	-	19,749
Loan from Pekao (Galeria Polnocna)	187,404	189,904
Loan from PKO BP (Artico)	14,106	-
Loan from Pekao (Galeria Jurajska)	-	84,136
Loan from Berlin Hyp (UBP)	27,745	28,210
Loan from ING (Francuska)	21,307	21,577
Loan from OTP (Centre Point)	38,987	40,009
Loan from CIB (Metro)	13,863	14,439
Loan from OTP (Duna)	23,226	23,835
Loan from Erste (Spiral)	20,308	21,171
Loan from Erste (GTC White House)	7,265	7,428
Loan from Erste (GTC House)	10,547	10,937
Loan from Erste (19 Avenue)	22,008	22,505
Loan from Raiffeisen Bank (Green Heart)	41,638	30,898
Loan from Intesa Bank (Ada mall)	59,992	25,879
Loan from Societe General (BBC)	21,388	21,790
Loan from Raiffeisen Bank (Forty one)	37,221	24,773
Loan from Erste (City Gate)	73,532	75,125
Loan from Banca Transilvania (Cascade)	3,998	4,372
Loan from Alpha Bank (Premium)	15,360	16,076
Loan from OTP (Mall of Sofia)	55,897	57,125
Loan from UniCredit (ABC)	10,849	3,658
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	45,000	46,000
Loan from Erste (Matrix)	6,190	-
Loans from NCI	9,919	9,768
Deferred issuance debt expenses	(6,246)	(6,371)
	925,477	**993,453**

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.

14. Long-term loans and bonds (continued)

In its financing agreements with banks, the Company undertakes to comply with certain financial covenants that are listed in those agreements; the main covenants are: maintaining a Loan-to-Value and Debt Service Coverage ratios in the company that holds the project.

In addition, substantially, all investment properties and IPUC that were financed by a lender have been pledged to secure the long-term loans from banks. Unless otherwise stated, fair value of the pledged assets exceeds the carrying value of the related loans.

The movement in long term loans and bonds for the years ended 30 June 2019 and 31 December 2018 was as follows:

	30 June 2019	31 December 2018
Balance as of the beginning of the year (excluding deferred debt expenses)	**1,121,718**	**1,040,979**
Drawdowns	125,951	191,224
Repayments	(60,995)	(162,104)
First to be consolidated	-	53,052
Change in accrued interest	41	(169)
Capitalization of interest	811	1,554
Foreign exchange differences	(159)	(2,818)
Balance as of end of the year (excluding deferred debt expenses)	**1,187,367**	**1,121,718**

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

	30 June 2019 (unaudited)	31 December 2018 (audited)
First year	261	148
Second year	169	268
Third year	172	219
Fourth year	223	142
Fifth year	135	133
Thereafter	319	300
	1,279	**1,210**

15. Lease liability and Right of Use of land

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

The balance of Right of Use of land as of 30 June 2019 was as follows:

	Completed investment property	Investment property under construction	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Assets held for sale	Total
Country							
Poland	11,431	-	22,882	-	-	237	34,550
Romania	6,599	-	-	-	-	-	6,599
Serbia	3,254	461	-	-	-	-	3,715
Croatia	-	-	-	1,199		-	1,199
Hungary					90		90
Balance as of 30 June 2019	**21,284**	**461**	**22,882**	**1,199**	**90**	**237**	**46,153**

The balance of lease liability as of 30 June 2019 was as follows:

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

	Completed investment property	Investment property under construction	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Assets held for sale	Total	Discount rate
Country								
Poland	11,431	-	22,775	-	-	237	34,443	4.2%
Romania	6,599	-	-	-	-	-	6,599	5.7%
Serbia	3,254	461	-	-	-	-	3,715	7.6%
Croatia	-	-	-	1,207	-	-	1,207	4.4%
Hungary	-	-	-	-	71	-	71	3.9%
Balance as of 30 June 2019	**21,284**	**461**	**22,775**	**1,207**	**71**	**237**	**46,035**	

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

The movement in Right of Use of land for the six months ended 30 June 2019 and year ended 31 December 2018 was as follows:

	30 June 2019	31 December 2018
Balance as of 31 December 2018	**-**	**-**
Recognition of Right of Use asset for lands under perpetual usufruct (*)	46,580	-
Recognition of Right of Use for property plant and equipment	94	
Amortization of right of use	(223)	-
Prepaid right of use of lands under perpetual usufruct	(506)	-
Foreign exchange differences	208	-
Balance as of 30 June 2019	**46,153**	**-**

The movement in lease liability for the six months ended 30 June 2019 and year ended 31 December 2018 was as follows:

	30 June 2019	31 December 2018
Balance as of 31 December 2018	**-**	**-**
Recognition of lease liability for lands under perpetual usufruct (*)	46,580	-
Recognition of Right of Use for property plant and equipment	94	
Payments of leases	(1,660)	-
Change in provision for disputable amounts of perpetual usufruct	(352)	-
Change in accrued interest	914	-
Foreign exchange differences	459	-
Balance as of 30 June 2019	**46,035**	**-**

(*) IFRS 16 was adopted on 1 January 2019

16. Advance received

Advances received comprises the following amounts:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Sale of investment properties landbank	-	3,817
Rental income received in advance	651	1,020
	651	**4,837**

17. Receivables related to expropriation of land

An amount of Euro 4.9 million was approved by the Romanian State to be paid to the Group as compensation for expropriated land in Bucharest and recognized as receivable as of December 31, 2018. The amount was paid to the Group on January 11, 2019.

18. Taxation

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These frequent changes result in there being little point of reference, inconsistent interpretations not consistent and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax settlements and other areas of activity (e.g. customs or foreign currency related issues) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Group's countries than in countries that have a more established taxation system.

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

19. Capital and Reserves

Share capital

As at 30 June 2019, the shares structure was as follows:

Number of Shares	Share series	Total value in PLN	Total value in Euro
139,286,210	A	13,928,621	3,153,995
1,152,240	B	115,224	20,253
235,440	B1	23,544	4,443
8,356,540	C	835,654	139,648
9,961,620	D	996,162	187,998
39,689,150	E	3,968,915	749,022
3,571,790	F	357,179	86,949
17,120,000	G	1,712,000	398,742
100,000,000	I	10,000,000	2,341,372
31,937,298	J	3,193,729	766,525
108,906,190	K	10,890,619	2,561,293
10,087,026	L	1,008,703	240,855
13,233,492	M	1,323,349	309,049
2,018,126	N	201,812	47,329
485,555,122		**48,555,511**	**11,007,473**

Shareholders who as at 30 June 2019 held above 5% of the Company shares were as follows:

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

Capital reserve

Capital reserve represents a loss attributed to non-controlling partners of the Group, which crystalized once the Group acquired the non-controlling interest in the subsidiaries of the Group.

20. Phantom shares

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

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

Strike (PLN)	Blocked	Vested	Total
6.11	2,001,200	7,120,000	9,121,200
7.02	50,000	100,000	150,000
8.96	90,000	45,000	135,000
Total	**2,141,200**	**7,265,000**	**9,406,200**

As at 30 June 2019, phantom shares outstanding were as follows:

Last exercise date	Strike (in PLN)	Number of phantom shares
30/06/2020	6.11	460,800
31/12/2020	7.02	150,000
30/06/2021	6.11	2,589,600
01/07/2021	6.11	404,800
15/08/2021	6.11	3,036,000
31/12/2021	6.11	1,412,000
31/12/2021	8.96	105,000
30/06/2022	6.11	1,218,000
30/06/2022	8.96	30,000
Total		**9,406,200**

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21. Earnings per share

Basic and diluted earnings per share were calculated as follows:

	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018	Three-month period ended 30 June 2019	Three-month period ended 30 June 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period attributable to equity holders (euro)	42,682,000	45,591,000	23,099,000	21,533,000
Weighted average number of shares for calculating basic earnings per share	483,748,843	471,473,315	483,958,363	472,630,272
Basic earnings per share (euro)	0.09	0.10	0.05	0.05

There have been no potentially dilutive instruments as at 30 June 2019, 30 June 2018.

22. Restatement

The Company changed the presentation of investment property in its statement of financial position as of 31 December 2018 as following:

	31 December 2018	31 December 2018
	(restated)	(reported)
Investment property	2,113,068	1,981,961
Investment property landbank	-	131,107

23. Subsequent events

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

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

In July 2019, the Group and OTP signed a loan agreement, which refinanced the existing loan agreement of Duna Tower and Center Point in Budapest. The total loan of the project increased by the amount of Euro 27 million to Euro 93 million.

In August 2019, the Group and Erste signed a new loan agreement in the amount of Euro 11.7 million construction loan to be increased by Euro 2.8 million refinance top up after completion (conditions are agreed), for the construction and refinance of Matrix II.

24. Release date

The interim condensed consolidated financial statements were authorised for the issue by the Management Board on 21 August 2019.

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

To the Shareholders and Supervisory Board of Globe Trade Centre S.A.

Introduction

We have reviewed the interim condensed consolidated financial statements of Globe Trade Centre S.A. Capital Group ('the Group'), for which the holding company is Globe Trade Centre S.A. (the 'Company'), located in Warsaw, at Komitetu Obrony Robotników 45A street, including: the interim condensed consolidated statement of financial position as at 30 June 2019, the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2019 and notes ('the interim condensed consolidated financial statements').

The Company's Management is responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('standard'). A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

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Sąd Rejonowy dla m.st. Warszawy w Warszawie, XII Wydział Gospodarczy Krajowego Rejestru Sądowego, KRS: 0000481039, NIP: 526-020-79-76

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A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Other matters

On 21 August 2019 we also reported separately on the interim condensed consolidated financial statements of Globe Trade Centre S.A. for the same period, prepared in accordance with IAS 34 using Polish zloty as the presentation currency.

Warsaw, 21 August 2019

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
Reg. No. 130

Jaroslaw Dac
Certified Auditor
No. 10138