# 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** |

| | Share Capital | Share premium | Capital reserve | Hedge reserve | Foreign currency translation reserve | Accumulated profit | Total | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| **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.

**(in thousands of Euro)**

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

The interim condensed consolidated financial statements include the financial statements of the Company and its subsidiaries listed below together with direct and indirect ownership of these entities 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

**(in thousands of Euro)**

## 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

**(in thousands of Euro)**

## 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

**(in thousands of Euro)**

## 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.

**(in thousands of Euro)**

# 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** |

**(in thousands of Euro)**

## 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** |

**(in thousands of Euro)**

## 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** |

**(in thousands of Euro)**

## 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** | |

**(in thousands of Euro)**

## 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** |

(in thousands of Euro)

## 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** |

**(in thousands of Euro)**

## 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** |

**(in thousands of Euro)**

## 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.

**(in thousands of Euro)**

## 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** |

**(in thousands of Euro)**

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

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

| | 30 June 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** |

**(in thousands of Euro)**

## 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.

**(in thousands of Euro)**

## 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** |

(in thousands of Euro)

## 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** | |

**(in thousands of Euro)**

## 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

(in thousands of Euro)

## 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.

**(in thousands of Euro)**

## 19. Capital and Reserves

<u>Share capital</u>

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

<u>Capital reserve</u>

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.

(in thousands of Euro)

## 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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**(in thousands of Euro)**

## 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.

Ernst & Young Audyt Polska
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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.

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
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