



GLOBE TRADE CENTRE S.A.

CONSOLIDATED

**FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022**

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2022
(in thousands of Euro)

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Investment property	17	2,243,663	2,240,660
Residential landbank	19	26,610	27,002
Property, plant and equipment	16	11,141	7,834
Blocked deposits	22	11,948	11,078
Deferred tax asset	15	3,161	3,786
Derivatives	20	17,054	826
Non-current financial assets (related to investment property) measured at fair value through profit or loss	18	130,341	-
Other non-current assets		190	163
Loan granted to non-controlling interest partner	28	10,936	10,628
		2,455,044	2,301,977
Current assets			
Accounts receivables		7,913	6,161
Accrued income		4,391	3,448
Receivables from shareholders	31	-	123,425
VAT and other tax receivables	27	5,305	2,957
Income tax receivables		1,958	456
Prepayments, deferred expenses and other receivables	34	7,739	11,515
Derivatives	20	7,793	-
Short-term blocked deposits	22	13,025	14,341
Cash and cash equivalents	23	115,079	87,468
Assets held for sale	33	51,635	292,001
		214,838	541,772
TOTAL ASSETS		2,669,882	2,843,749

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2022
(in thousands of Euro)

	Note	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	31	12,920	11,007
Share premium	31	668,904	550,522
Unregistered share capital increase	31	-	120,295
Capital reserve	31	(49,311)	(49,489)
Hedge reserve	20	(7,515)	(30,903)
Foreign currency translation reserve		(2,621)	(2,570)
Accumulated profit	31	490,532	501,704
		1,112,909	1,100,566
Non-controlling interest	28	22,678	16,423
Total Equity		1,135,587	1,116,989
Non-current liabilities			
Long-term portion of long-term borrowings	29	1,189,284	1,255,114
Lease liabilities	30	41,483	38,767
Deposits from tenants	25	11,948	11,078
Long term payables	26	2,394	2,426
Share based payment liabilities	32	758	1,410
Derivatives	20	46,798	38,743
Deferred tax liabilities	15	141,176	140,145
		1,433,841	1,487,683
Current liabilities			
Current portion of long-term borrowings	29	48,571	44,337
Current portion of lease liabilities	30	388	198
Trade payables and provisions	21	41,208	31,092
Deposits from tenants	25	1,639	1,932
VAT and other taxes payables		1,828	2,222
Income tax payables		3,571	1,000
Derivatives	20	2,180	2,681
Advances received		1,069	784
Liabilities related to assets held for sale	33	-	154,831
		100,454	239,077
TOTAL EQUITY AND LIABILITIES		2,669,882	2,843,749

Globe Trade Centre S.A.
Consolidated Income Statement
for the year ended 31 December 2022
(in thousands of Euro)

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Rental revenue	10,14	123,556	130,289
Service charge revenue	10,14	43,007	41,662
Service charge costs	10,14	(47,365)	(44,356)
Gross margin from operations		119,198	127,595
Selling expenses	11	(1,768)	(1,652)
Administration expenses	12	(15,040)	(14,145)
Loss from revaluation of investment property and residential landbank	17	(29,422)	(12,867)
Other income		1,467	1,432
Other expenses	24	(2,979)	(1,062)
Profit from continuing operations before tax finance income / expense and foreign exchange differences		71,456	99,301
Foreign exchange gain / (loss), net		(2,238)	196
Finance income	13	1,412	304
Finance costs	13	(33,108)	(43,281)
Profit before tax		37,522	56,520
Taxation	15	(12,761)	(13,784)
Profit for the year		24,761	42,736
Attributable to:			
Equity holders of the Parent Company		23,411	41,651
Non-controlling interest	28	1,350	1,085
Basic earnings per share (in Euro)	35	0.04	0.09
Diluted earnings per share (in Euro)	35	0.04	0.09

Globe Trade Centre S.A.
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022
(In thousands of Euro)

	Year ended 31 December 2022	Year ended 31 December 2021
Profit/(loss) for the period	24,761	42,736
<i>Other comprehensive income for the period, not to be reclassified to profit or loss in subsequent periods, net of tax</i>	-	-
Gain/(loss) on hedge transactions	27,533	(20,356)
Income tax	(4,145)	1,383
Net gain/(loss) on hedge transactions	23,388	(18,973)
Foreign currency translation	(51)	(17)
<i>Other comprehensive income for the period, to be reclassified to profit or loss in subsequent periods, net of tax</i>	23,337	(18,990)
Total comprehensive income/(loss) for the period, net of tax	48,098	23,746
Attributable to:		
Equity holders of the Company	46,748	22,661
Non-controlling interest	1,350	1,085

Globe Trade Centre S.A.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2022
(In thousands of Euro)

	Share capital	Share premium	Unregistered share capital increase	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total
Balance as of 1 January 2022	11,007	550,522	120,295	(49,489)	(30,903)	(2,570)	501,704	1,100,5
Other comprehensive income/(loss)	-	-	-	-	23,388	(51)	-	23,3
Result for the year ended 31 December 2022	-	-	-	-	-	-	23,411	23,4
Total comprehensive income / (loss) for the period	-	-	-	-	23,388	(51)	23,411	46,7
Registered share capital increase	1,913	118,382	(120,295)	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(34,583)	(34,58
Transaction with non-controlling interest	-	-	-	178	-	-	-	1
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-
Balance as of 31 December 2022	12,920	668,904	-	(49,311)	(7,515)	(2,621)	490,532	1,112,9

	Share capital	Share premium	Unregistered share capital increase	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total
Balance as of 1 January 2021	11,007	550,522	-	(49,489)	(11,930)	(2,553)	460,053	957,6
Other comprehensive income	-	-	-	-	(18,973)	(17)	-	(18,99
Profit for the year ended 31 December 2021	-	-	-	-	-	-	41,651	41,6
Total comprehensive income / (loss) for the period	-	-	-	-	(18,973)	(17)	41,651	22,6
Unregistered share capital increase (note 30)	-	-	120,295	-	-	-	-	120,2
Dividend distribution to non-controlling interest	-	-	-	-	-	-	-	-
Balance as of 31 December 2021	11,007	550,522	120,295	(49,489)	(30,903)	(2,570)	501,704	1,100,5

Globe Trade Centre S.A.
Consolidated Statement of Cash Flows
for the year ended 31 December 2022
(In thousands of Euro)

	Note	Year ended 31 December 2022	Year ended 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) before tax		37,522	56,520
Adjustments for:			
Loss from revaluation of investment property and residential landbank	17	29,422	12,867
Foreign exchange loss/(gain), net		2,238	(196)
Finance income	13	(1,412)	(304)
Finance cost	13	33,108	43,281
Share based payment loss/(profit)	12	(652)	432
Depreciation	16	544	653
Operating cash before working capital changes		100,770	113,253
Increase in accounts receivables, prepayments and other current assets		(2,007)	(4,952)
Decrease in advances received		285	583
Increase in deposits from tenants		1,153	2,878
Increase (decrease) in trade and other payables		(1,021)	3,550
Cash generated from operations		99,180	115,312
Tax paid in the period		(11,092)	(8,885)
Net cash from operating activities		88,088	106,427
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditures on investment property and property, plant and equipment	17	(85,359)	(92,784)
Purchase of completed assets and land	17	(58,113)	(262,937)
Purchase of residential landbank	19	-	(13,300)
Sale of landbank and residential landbank	17,33	11,182	-
Sale of subsidiary, net of cash in disposed assets	9,17,33	186,163	595
Purchase of non-current financial assets	18	(130,341)	-
Decrease in short term deposits designated for investment		-	1,150
Advances received for assets held for sale		-	1,210
VAT/tax on purchase/sale of investment property		(2,376)	(614)
Interest received		1,104	28
Net cash used in investing activities		(77,740)	(366,652)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	29	6,173	706,070
Repayment of long-term borrowings	29	(52,125)	(585,323)
Interest paid and other financing breaking fees		(28,666)	(32,786)
Proceeds from issue of share capital, net of issuance costs	9,31	120,386	-
Dividend paid to shareholders	9	(33,210)	-
Repayment of lease liabilities	30	(642)	(516)
Loans origination payment		(236)	(8,147)
Dividend paid to non-controlling interest	28	(753)	(300)
Decrease/(increase) in short term deposits		(130)	5,908
Net cash from financing activities		10,797	84,906
Net foreign exchange difference, related to cash and cash equivalents		(2,699)	(44)
Net increase/ (decrease) in cash and cash equivalents		18,446	(175,363)
Cash and cash equivalents at the beginning of the period	23	96,633	271,996
Cash and cash equivalents at the end of the period	23	115,079	96,633

1. Principal activities

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

The Group’s main business activities are development and rental of office and retail space.

As of 31 December 2022 and 31 December 2021, the number of full-time equivalent working employees in the Group companies was 223 and 211, respectively.

GTC is primarily listed on the Warsaw Stock Exchange and inward listed on Johannesburg Stock Exchange.

As of 31 December 2022, the majority shareholder of the Company is GTC Dutch Holdings B.V. (“GTC Dutch”) who holds 247,461,591 shares in the Company representing 43.10% of the Company’s share capital, entitling to 247,461,591 votes in the Company, representing 43.10% of the total number of votes in GTC S.A. Additionally, GTC Holding Zrt. holds 21,891,289 shares, entitling to 21,891,289 votes in GTC S.A., representing 3.81% of the Company’s share capital and carrying the right to 3.81% of the total number of votes in GTC S.A. Ultimate shareholder of GTC Dutch Holding B.V. and GTC Holding Zrt. is Optimum Venture Private Equity Funds, which indirectly holds 269,352,880 shares of GTC S.A., entitling to 269,352,880 votes in the Company, representing 46.91% of the Company’s share capital and carrying the right to 46.91% of the total number of votes in GTC S.A.

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

Based on the power of attorney granted to GTC Dutch by Icona Securitization Opportunities Group S.A R.L. (“Icona”), who holds directly 90,176,000 shares representing 15.70% of the share capital of the Company, GTC Dutch also exercises voting rights from 90,176,000 shares belonging to Icona. As a result, Optimum Venture Private Equity Funds is entitled to 359,528,880 votes in GTC S.A. representing 62.61% of the total number of votes in the Company.

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

2. Functional and presentation currencies

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

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

3. Basis of preparation and statement of compliance

The Company maintains its books of account in accordance with accounting principles and practices employed by enterprises in Poland as required by the Polish accounting regulations. The companies outside Poland maintain their books of account in accordance with local GAAP. The consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRS.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU („EU IFRS"). At the date of authorisation of these consolidated financial statements, taking into account the EU IFRS's ongoing process of IFRS endorsement and the nature of the Group's activities, there is no relevant difference between IFRS applying to these consolidated financial statements and IFRS endorsed by the European Union.

GTC S.A. is the parent that produces consolidated financial statements at the most senior level of the Group. Based on the Management's knowledge, consolidated financial statements at the higher level of the Group, which includes the Group as a subsidiary, are not prepared.

4. Going concern

The Group's policies and processes are aimed at managing the Group's capital, financial and liquidity risks on a sound basis. The Group meets its day to day working capital requirements through the generation of operating cash-flows from rental income. Further details of liquidity risks and capital management processes are described in note 38.

As of 31 December 2022, the Group's net working capital (defined as current assets less current liabilities) was positive and amounted to EUR 114,384.

The management has analysed the timing, nature and scale of potential financing needs of particular subsidiaries and believes that there are no risks for paying current financial liabilities and cash on hand, as well as, expected operating cash-flows will be sufficient to fund the Group's anticipated cash requirements for working capital purposes, for at least the next twelve months from the date of the financial statements. Consequently, the consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least twelve months from the date of the financial statements.

Based on management's analysis, the current cash liquidity of the Company and prepared cash flow budget assumptions, the management concluded that there is no material uncertainty as to the Company's ability to continue as a going concern in the foreseeable future i.e. at least in the next 12 months from the date of this financial statements.

5. Accounting policies

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021 except for the new standards, which are effective as at 1 January 2022 (see note 6).

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

6. New standards and interpretations that have been issued

STANDARDS ISSUED AND EFFECTIVE FOR FINANCIAL YEARS BEGINNING ON OR AFTER 1 JANUARY 2022:

- Amendments to IFRS 3 Business Combinations – amendments to standard published in May 2020 relate to the applicable references to Conceptual Framework for Financial Reporting, without changes to the substance of business combinations accounting.
- Amendments to IAS 16 Property, plant and equipment – the amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognized in profit or loss.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - the amendment to IAS 37 includes a clarification as to whether the unavoidable costs under a contract exceed the expected economic benefits.
- Annual improvements to IFRSs 2018-2020 - the annual improvements contain amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and to illustrative examples to IFRS 16 Leasing. Amendments include explanations and clarify standards guidelines to recognition and valuation.

The Company's assessment is that the above changes (new standards/amendments) have no material impact.

STANDARDS ISSUED BUT NOT YET EFFECTIVE:

- IFRS 17 *Insurance Contracts* (issued on 18 May 2017 and amended on 25 June 2020) – effective for financial years beginning on or after 1 January 2023.
- Amendments to IAS 1 - *Disclosure of accounting policies* and IAS 8 - *Definition of accounting estimates* (issued on 12 February 2021) — effective for financial years beginning on or after 1 January 2023.
- Amendment to IFRS 17 *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information* (issued on 9 December 2021) — effective for financial years beginning on or after 1 January 2023.
- Amendments to IAS 12: *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (issued on 7 May 2021) — effective for financial years beginning on or after 1 April 2023.

6. New standards and interpretations that have been issued (continued)

- 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 annual periods beginning on or after 1 January 2016.
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020 amended 15 July 2020 and 31 October 2022) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2024.
- 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 - effective for annual periods beginning on or after a date to be determined by the International Accounting Standards Board (IASB).
- Amendment to IFRS 16 *Leases: Lease liability in a Sale and Leaseback* (issued on 22 September 2022) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2024.

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.

The Group plans to adopt all new standards on the required effective date. The Group does not expect a significant impact on its statement of financial position and equity, but they could impact disclosures.

7 . Summary of significant accounting policies

(a) BASIS OF ACCOUNTING

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, investment property under construction (“IPUC”) if the certain condition described in note 7(c) ii are met, share based payments, non-current financial assets and derivative financial instruments that have been measured at fair value.

Key accounting principles are described below and significant judgements and estimates are presented in point 7(x) and 7(y).

(b) PROPERTY, PLANT AND EQUIPMENT

Plant and equipment consist of vehicles and equipment. Property, plant and equipment are recorded at cost less accumulated depreciation and impairment. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Reassessment of the useful life and indications for impairment is performed each quarter.

The following depreciation rates have been applied:

	Depreciation rates
Equipment	7-20%
Buildings	2%
Vehicles	20%

Assets under construction are shown at cost. The direct costs paid to subcontractors for the improvement of the property are capitalised into construction in progress. Capitalised costs also include borrowing costs, planning and design costs, construction overheads and other directly related costs. Assets under construction are not depreciated.

7 . Summary of significant accounting policies (continued)

(c) INVESTMENT PROPERTIES

Investment property comprises a land plot or a building or a part of a building held to earn rental income and/or for capital appreciation and property that is being constructed or developed for future use as an investment property (investment property under construction).

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the replacement costs if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognized in the profit or loss for the year in which it arose.

(i) Completed Investment properties

Investment properties are stated at fair value according to the fair value model, which reflects market conditions at the reporting date.

Completed investment properties were externally valued by independent appraisers as of 31 December 2022 and 31 December 2021 based on open market values (RICS Standards). Completed properties are either valued on the basis of discounted cash flow (DCF) or - as deemed appropriate – on the basis of the *income capitalisation* or *yield method*. The applied method is defined by the valuer.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use, and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property only when there is a change in use, evidenced by the end of owner occupation or commencement of a lease. Transfers are made from investment property only when there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

7 . Summary of significant accounting policies (continued)

(ii) Investment property under construction ("IPUC")

The Group revalue IPUC based on its fair value, once a substantial part of the development risks has been eliminated so fair value can be established reliably. IPUC, which does not meet this condition, is presented at a recoverable amount, not exceeding the sum of fair value of land and capitalized expenditures. The recoverable amount is determined based on a fair value, externally valued by independent appraisers.

The land is reclassified to IPUC at the moment, at which active development of this land begins (i.e. when construction works start).

The Group has adopted the following criteria to assess whether the substantial risks are eliminated with regard to particular IPUC:

- agreement with a general contractor is signed;
- a building permit is obtained;
- at least 20% of the rentable area is leased to tenants (based on the signed lease agreements and letters of intent);
- financing is secured.

The fair values of IPUC were determined as at their development stage at the end of the reporting period. Valuations were performed in accordance with RICS and IVSC Valuation Standards using the residual method approach.

The future assets' value is estimated based on the expected future income from the project, using discount rate which includes business risk, related to construction process (completion on time or within the budget). The remaining expected costs to completion are deducted from the estimated future assets value.

For projects where the completion is expected in the future, also a developer profit margin of unexecuted works was deducted from the value. The profit margin deducted is reduced when the construction is closer to completion.

7. Summary of significant accounting policies (continued)

(d) FAIR VALUE HIERARCHY OF INVESTMENT PROPERTIES

Fair value hierarchy is based on the sourced of input used to estimate the fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As of 31 December 2022, the Group made reassessment of fair value hierarchy due to significant changes on the market and in economic environment. Based on performed reassessment and analysis, the Group applied Level 3 category of fair value hierarchy for all investment property of the Group as of reporting date. Assessment of fair value classification is done periodically.

(e) INVESTMENTS IN ASSOCIATES

Investments in associates are accounted for using the equity method. The investment is carried in the statement of financial position at cost plus post-acquisition changes in the Group share of net assets of the associate.

(f) INVESTMENTS IN JOINT VENTURES

Investments in joint ventures are accounted for using the equity method. The investment is carried in the statement of financial position at cost plus post-acquisition changes in the Group share of net assets of the joint ventures.

7 . Summary of significant accounting policies (continued)

(g) LEASE ORIGATION COSTS

The costs incurred to originate a lease (mainly brokers' fees) for available rental space are added to the carrying value of investment property until the date of revaluation of the related investment property to its fair value. If as of the date of revaluation, the carrying value is higher than the fair value, the costs are recognized in the income statement.

(h) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and their disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This requirement can be fulfilled only if the occurrence of a sale transaction is highly probable and the item of assets is available for immediate sale in its present condition. The classification of an asset as held for sale assumes the intent of the entity's management to realise the transaction of sale within one year from the moment of asset classification to the held for sale category. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(i) ADVANCES RECEIVED

Advances received are deferred to the extent that they are not reflected as revenue as described below in note 7(j).

(j) RENTAL REVENUE

Rental revenues result from operating leases and are recognised as income over the lease term on a straight-line basis (according to IFRS 16 *Leases*).

(k) INTEREST AND DIVIDEND INCOME

Interest income is recognised on an accrual basis using the effective interest method that is the rate that exactly discounts estimated future cash flows through the expected life of financial instruments to the net carrying amount of the underlying financial asset or liability.

Dividend income is recognised when the shareholders' right to receive payments is established.

7. Summary of significant accounting policies (continued)

(I) CONTRACT REVENUE AND COSTS RECOGNITION

Except from rental revenue mentioned in point (j) Group has Service charge revenue stream.

Service charge represents 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. Service charge is billed on a monthly basis, based on service fee rate agreed in the contract, which represents the best estimate for a particular project. Allocation of service charge to tenants is done based on the leased area.

Heating, water, and sewage are billed separately on a monthly basis, based on leased area and rates agreed in the contract. Revenue from other services in lease agreements represent non-lease component and are accounted for using rules described below.

Service charge revenue under IFRS 15 Revenue from Contracts with Customers

Service charge revenue is recognised under IFRS 15 when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group recognises revenue from service charge over time because the customer simultaneously receives and consumes the benefits provided to them.

The Group recognizes service charge revenue under two models:

- **Acting as an agent.** Some tenants install counters for electricity. In this case, the invoices for electricity are billed through GTC entities and addressed to the tenants directly. For financial statement purposes such income and expenses are disclosed on a net basis, as GTC acts as an agent.
- **Acting as a principal.** In the other cases, all service charges are billed to GTC entities. The Group bills the tenants based on the rates in the contract on a monthly basis. By the end of the year, the Group does reconciliation of actual service charges costs vs. billed one, and then bills for deficit or return the overpayment to the tenant if it is required. For financial statement purposes such expenses are disclosed on a gross basis, as GTC acts as a principal, because it typically controls the goods or services before transferring them to the customer.

7 . Summary of significant accounting policies (continued)

(m) BORROWING COSTS

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

(n) SHARE ISSUANCE EXPENSES

Share issuance costs are deducted from equity (share premium), net of any related income tax benefits.

(o) INCOME TAXES & OTHER TAXES

The current provision for corporate income tax for the Group companies is calculated in accordance with tax regulations ruling in particular country of operations and is based on the profit or loss reported under relevant tax regulations.

7. Summary of significant accounting policies (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- in respect of deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured using the tax rates enacted to taxable income in the years in which these temporary differences are expected to be recovered or settled.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which each company of the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

At each reporting date, the Group companies re-assess unrecognised deferred tax assets and the carrying amount of deferred tax assets. The companies recognise a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

7 . Summary of significant accounting policies (continued)

The companies conversely reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset that might be utilised.

Deferred tax relating to items recognised outside profit and loss is also recognized outside profit and loss: in other comprehensive income if relates to items recognised under other comprehensive income, or in equity – if relates to items recognized in equity.

Deferred tax assets and deferred tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes that are levied by the same taxation authority.

Revenues, expenses, assets and liabilities are recognized net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable and
- receivables and payables, which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

If, according to the Group's assessment, it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group determines taxable income (tax loss), tax base, unused tax losses and unused tax credits and tax rates, after considering in its tax return the applied or planned approach to taxation.

If the Group ascertains that it is not probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group reflects the impact of this uncertainty in determining taxable income (tax loss), unused tax losses, unused tax credits or tax rates. The Group accounts for this effect using the following methods:

- determining the most probable amount – it is a single amount from among possible results or
- providing the expected amount – it is the sum of the amounts weighted by probability from among possible results.

7. Summary of significant accounting policies (continued)

(p) FOREIGN EXCHANGE DIFFERENCES

For companies with euro as a functional currency, transactions denominated in a foreign currency (including Polish Zloty) are recorded in euro at the actual exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at period-end using period-end exchange rates. Foreign currency translation differences related to valuation as of balance sheet date and settlement of monetary positions denominated in foreign currency are charged to the income statement. The following exchange rates were used for measurement purposes.

	31 December 2022	31 December 2021
PLN/EUR	4.6899	4.5994
USD/EUR	1.0654	1.1329
HUF/EUR	400.23	369.01

(q) INTEREST BEARING LOANS AND BORROWINGS AND DEBT SECURITIES

All loans and borrowings and debt securities are initially recognized at fair value, net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings and debt securities are measured at amortised cost using the effective interest rate method.

Debt issuance expenses are deducted from the amount of debt originally recognised. These costs are amortised through the income statement over the estimated duration of the loan. Debt issuance expenses represent an adjustment to effective interest rates.

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

7. Summary of significant accounting policies (continued)

(r) FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“OCI”), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 7(l) *Contract revenue and costs recognition*.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with the recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

7. Summary of significant accounting policies (continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to expected credit losses (ECL) impairment charge. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group’s financial assets at amortised cost include trade receivables, loans to associate, short-term deposits under current financial assets and cash and cash equivalents.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as valued at fair value through profit or loss unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group’s financial assets at fair value through profit or loss include non-current financial assets (related to investment property).

7 . Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

7 . Summary of significant accounting policies (continued)

(s) CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that readily convert to a known amount of cash and which are subject to an insignificant risk of changes in value.

(t) ACCOUNTS RECEIVABLES

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section *r) Financial instruments – initial recognition and subsequent measurement*.

(u) IMPAIRMENT OF NON-CURRENT NON-FINANCIAL ASSETS

The carrying value of non-financial assets not measured at fair value is periodically reviewed by the Management Board to determine whether impairment may exist. In particular, the Management Board assesses whether the impairment indicators exist.

(v) PURCHASE OF SHARES OF NON-CONTROLLING INTEREST

If the Group increases its share in the net assets of its controlled subsidiaries, the difference between the remuneration paid/to-be-paid and the carrying amount of non-controlling interest is recognised in equity attributable to equity holders of the parent.

(w) DERIVATIVES FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps and cap, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

7. Summary of significant accounting policies (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

7 . Summary of significant accounting policies (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point of time, any cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

For derivatives that do not qualify for hedge accounting, any gain or losses arising from changes in fair value are recorded directly to net profit or loss of the year.

The fair value of cross-currency interest swap, interest rate swaps and caps contracts is determined by using discounted cash flow method using observable inputs (fair value level hierarchy 2).

(x) ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with International Financial Reporting Standards requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the balance date. The actual results may differ from these estimates.

Investment property represents property held for long-term rental yields. Investment property is carried at fair value, which is established at least annually by an independent registered valuer based on discounted projected cash flows from the investment property using the discounts rates applicable for the local real estate market and updated by the Management judgment or - as deemed appropriate – on basis of the Income capitalisation or yield method. The applied methods and main assumptions are defined by the valuers and are disclosed in note 17.

The Group uses estimates in determining the amortization rates used (note 16, note 30).

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. In selecting the appropriate methods and assumptions, the Group applies professional judgment (note 18).

The Group recognises deferred tax asset based on the assumption that taxable profits will be available in the future against which the deferred tax asset can be utilised. Deterioration of future taxable profits might render this assumption unreasonable (note 15).

The Group uses estimates in determining the settlement of share-based payment in cash (note 32).

7. Summary of significant accounting policies (continued)

(y) SIGNIFICANT ACCOUNTING JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgments:

The functional currency of GTC S.A. and most of its subsidiaries is euro, as the euro has a significant and pervasive impact on them:

- valuation of investment properties is carried out in EUR;
- loans and borrowings are mainly denominated in EUR. Debt in other currencies (bonds in PLN and HUF) are hedged to EUR through cross currency interest rate swaps;
- the majority of all lease contracts is denominated in the EUR.

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on such operating leases.

Significant accounting judgements related to investment property are presented in note 7(c)(ii), related to determination of IPUC valuation.

Significant accounting judgements related to market liquidity of investment property are presented in note 7(d).

The Group classifies its residential inventory to current or non-current assets, based on their development stage within the business operating cycle. The normal operating cycle in most cases does not exceed 5 years. Residential projects, which are active, are classified as current inventory. Residential projects which are planned to be completed in a period longer than the operating cycle are classified as residential landbank under non-current assets.

The Group determines whether a transaction or other event is a business combination by applying the definition of a business in IFRS 3.

Deferred tax with respect to outside temporary differences relating to subsidiaries was calculated based on an estimated probability that these temporary differences will be realized in the foreseeable future.

The Group also makes an assessment of the probability of realization of deferred tax asset. If necessary, the Group decreases deferred tax asset to the realizable value.

7 ■ Summary of significant accounting policies (continued)

(z) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of GTC and the financial statements of its subsidiaries for the year ended 31 December 2022.

The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company, using consistent accounting policies and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee.

The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if, and only if, it has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate impairment.

(aa) PROVISIONS

Provisions are recognised when the Group has present obligation (legal or assumed i.e. customarily accepted) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

7 . Summary of significant accounting policies (continued)

(ab) SHARE-BASED PAYMENT TRANSACTIONS

Amongst others, GTC remunerates key personnel by granting them rights for payments based on GTC's share price performance in PLN, in exchanges for their services ("Phantom shares"). The cost of the phantom shares is measured initially at fair value at the grant date. The liability is re-measured to fair value at each reporting date up and at the settlement date. The costs of the program during the vesting period and the effects of changes in fair value are recognized in administration expenses. The employee acquires the right to payment from phantom shares in annual tranches during the period of work / service. Costs are recognized on a straight-line basis over the vesting period for each tranche.

(ac) EARNINGS PER SHARE

Earnings per share for each reporting period is calculated as quotient of the profit for the given reporting period attributable to equity holders and the weighted average number of shares outstanding in that period.

(ad) SHORT TERM DEPOSITS

Short-term deposits include deposits related to loan agreements and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements. Deposits related to loan agreements can be used anytime (for the defined purposes upon approval of the lender), as so, they are presented within current assets.

(ae) DEPOSITS FROM TENANTS

Deposits from tenants include deposits received from tenants to secure the obligation of the tenants towards the landlord. The deposits are refundable at the end of the lease.

7 . Summary of significant accounting policies (continued)

(af) RESIDENTIAL INVENTORY AND RESIDENTIAL LANDBANK

Inventory related to residential projects under construction is stated at the lower of cost and net realisable value. The realisable value is determined using the Discounted Cash Flow method or Comparison method by independent appraisers. Costs relating to the construction of a residential project are included in the inventory.

Commissions paid to sales or marketing agents on the sale of real estate units, which are not refundable, are expensed in full when the contract to sell is secured.

The Group classifies its residential inventory to current or non-current assets based on their development stage within the business operating cycle. The normal operating cycle, in most cases, does not exceed 5 years. Residential projects, which are active, are classified as current inventory. Residential projects which are planned to be completed in a period longer than the operating cycle are classified as residential landbank under non-current assets.

(ag) LEASES

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

- **Property rented to tenants - the primary activity of GTC Group.**

For this leasing activity, GTC Group acts as a Lessor. The Group has entered into leases on its property portfolio. Leases, where the Group does not transfer substantially all the risk and benefits of ownership of the asset, are classified as operating leases.

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

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

Due to the fact that perpetual usage payments, by substance, are lease payments, they are accounted for under IFRS 16.

7 . Summary of significant accounting policies (continued)

In the consolidated financial position statements, the Group recognized a Right of Use and Lease Liabilities:

- a) Right of use of lands under perpetual usufruct is presented:
- as part of the Investment Property, with separate disclosure in a separate note;
 - as part of the residential landbank.
- b) Lease Liabilities are presented separately, as part of the short-term and long-term liabilities, with a separate disclosure.

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 at fair value). For Right of Use measured at fair value, the Group presents the amortization or the change in fair value within the profit (loss) on revaluations. Interest embedded within land leases is presented as finance expenses.

The Group entered into several other leases (low value, short term), which are exempt from IFRS 16. In such cases, the lease is expensed without balance sheet recognition. Amount of such expenses is immaterial.

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8. Investment in subsidiaries

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

Subsidiaries

Name	Holding Company	Country of incorporation	31 December 2022	31 December 2021
GTC Konstancja Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
GTC Korona S.A.	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o.	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Sterlinga Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Karkonoska Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
GTC Ortal Sp. z o.o.	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Pixel Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Handlowe Wilanow Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Management Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Corius Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Światowida Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Galeria CTWA Sp. z o.o.	GTC S.A.	Poland	100%	100%
Artico Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Hungary Real Estate Development Company Pltd. ("GTC Hungary")	GTC S.A.	Hungary	100%	100%
GTC Duna Kft.	GTC Hungary	Hungary	100%	100%
Váci út 81-85. Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartmanok Kft. (1)	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft.	Váci út 81-85. Kft.	Hungary	100%	100%
Centre Point II. Kft.	Váci út 81-85. Kft.	Hungary	100%	100%
Spiral I. Kft.	GTC Hungary	Hungary	100%	100%
Albertfalva Üzletközpont Kft.	GTC Hungary	Hungary	100%	100%
GTC Metro Kft.	GTC Hungary	Hungary	100%	100%
Kompakt Land Kft.	GTC Hungary	Hungary	100%	100%
GTC White House Kft.	GTC Hungary	Hungary	100%	100%
VRK Tower Kft.	GTC Hungary	Hungary	100%	100%

(1) Under liquidation.

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8. Investment in subsidiaries (continued)

Name	Holding Company	Country of incorporation	31 December 2022	31 December 2021
GTC Future Kft.	GTC Hungary	Hungary	100%	100%
Globe Office Investments Kft.	GTC Hungary	Hungary	100%	100%
Office Planet Kft. (1)	GTC Hungary	Hungary	-	100%
GTC Investments Sp. z o.o.	GTC Hungary	Poland	100%	100%
GTC Univerzum Projekt Kft.	GTC Hungary	Hungary	100%	100%
GTC Origine Investments Pltd. ("GTC Origine")	GTC S.A.	Hungary	100%	100%
GTC HBK Project Kft.	GTC Origine	Hungary	100%	100%
GTC VI188 Property Kft.	GTC Origine	Hungary	100%	100%
GTC FOD Property Kft.	GTC Origine	Hungary	100%	100%
G-Delta Adrssy Kft.	GTC Origine	Hungary	100%	100%
GTC KLZ 7-10 Kft.	GTC Origine	Hungary	100%	100%
GTC PSZTSZR Projekt Kft (2)	GTC Origine	Hungary	100%	-
GTC DBRNT Projekt Kft (2)	GTC Origine	Hungary	100%	-
GTC B41 d.o.o. (2)	GTC Origine	Serbia	100%	-
GTC K43-45 Property Kft. (3)	GTC Origine	Hungary	100%	-
GTC Liffey Kft. (3)	GTC Origine	Hungary	100%	-
GTC UK Real Estate Investments Ltd. (3)	GTC Origine	United Kingdom	100%	-
GTC Nekretnine Zagreb d.o.o.	GTC S.A.	Croatia	100%	100%
Euro Structor d.o.o.	GTC S.A.	Croatia	70%	70%
Marlera Golf LD d.o.o.	GTC S.A.	Croatia	100%	100%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o.	Croatia	100%	100%
GTC Matrix d.o.o. (1)	GTC S.A.	Croatia	-	100%
GTC Seven Gardens d.o.o.	GTC S.A.	Croatia	100%	100%
Towers International Property S.R.L.	GTC S.A.	Romania	100%	100%
Green Dream S.R.L.	GTC S.A.	Romania	100%	100%
Aurora Business Complex S.R.L.	GTC S.A.	Romania	100%	100%
Cascade Building S.R.L. (1)	GTC S.A.	Romania	-	100%
City Gate Bucharest S.R.L.	GTC S.A.	Romania	100%	100%
Venus Commercial Center S.R.L.	GTC S.A.	Romania	100%	100%
City Gate S.R.L.	GTC S.A.	Romania	100%	100%
City Rose Park S.R.L.	GTC S.A.	Romania	100%	100%
Deco Intermed S.R.L.	GTC S.A.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L. (4)	GTC S.A.	Romania	75%	66.7%

(1) Sold (please refer to note 9).

(2) Acquired (please refer to note 9). Accounted as an asset acquisition not a business combination.

(3) Newly established wholly-owned subsidiary.

(4) Acquisition of non-controlling interest.

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8. Investment in subsidiaries (continued)

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

(1) Sold (please refer to note 9).

(2) Newly established wholly-owned subsidiary.

(3) GTC S.A. holds 100% shares through a wholly-owned subsidiary GTC Hungary, which has 70% of shares and remaining 30% is held directly by GTC S.A.

9. Events in the period

MANAGEMENT BOARD CHANGES AND OTHER CORPORATE EVENTS

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

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

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

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

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

On 19 February 2022, the Company received notification from GTC Dutch Holdings B.V. with its registered office in Amsterdam, the Netherlands (the "Seller") and Icona Securitization Opportunities Group S.à r.l. acting on behalf of its compartment Central European Investments with its registered office in Luxembourg, Grand Duchy of Luxembourg (the "Buyer") that the Seller and the Buyer entered into a preliminary share purchase agreement relating to the acquisition by the Buyer from the Seller of 15.7% of the shares in the Company.

9. Events in the period (continued)

However, pursuant to the notification, the Buyer and the Seller agreed that the shareholders' agreement will constitute an acting in concert agreement within the meaning of Articles 87(1)(5) and 87(1)(6) in connection with Article 87(3) of the Act of 29 July 2005 on Public Offerings and the Conditions for the Introduction of Financial Instruments to the Organised Trading System and Public Companies (the "Act on Public Offering") on joint policy towards the Company and exercising of voting rights on selected matters in an agreed manner. Also, pursuant to the assignment agreement, the Buyer will, among others, transfer to the Seller its voting rights attached to the Shares and grant the power of attorney to exercise voting rights attached to the shares. The assignment agreement expires in case either call or put option under the call and put option agreement is exercised and/or in case of a material default under the transaction documentation. On 1 March 2022, the Company received notification that the transaction was completed, and the Buyer acquired 15.7% of the shares in the Company.

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

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

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

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

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

9. Events in the period (continued)

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

On 14 June 2022, the Company's shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 160.8 million (EUR 34.4 million). On 18 October 2022, dividend to shareholders was paid in the amount of EUR 33.2 million.

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

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

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

On 12 September 2022, the Company received notification on a change in the shareholding of the Company. Pursuant to the Notification, as a result of completion of the intra-group corporate reorganization Global Debt Strategy S.à r.l. ("GDS") being a subsidiary of Alpine Holding Korlátolt Felelősségű Társaság ("Alpine"), directly acquired from GTC Holding control over 100% of the shares of GTC Dutch Holdings B.V. As a result of the transaction Alpine holds indirectly (i.e. through GDS, which in turn indirectly holds through GTC Dutch Holdings B.V) 43.10% of GTC's shares. For more details please see current report no 40/2022.

ACQUISITIONS AND DEVELOPMENTS

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

9. Events in the period (continued)

On 4 February 2022, GTC Origine Investments Pltd, a wholly-owned subsidiary of the Company, acquired 100% holding of G-Epsilon PSZTSZR Kft. ("GTC PSZTSZR Projekt Kft") from a company related to the majority shareholder of the Company, which owns a land plot of 25,330 sqm in Budapest with existing six old buildings for a consideration of EUR 9.9 million. The Group is refurbishing the existing buildings and once refurbished, the project will provide a 14,000 sqm new Class A office campus. Due to the nature of transaction, the transaction was treated as asset deal.

On 11 February 2022, GTC Origine Investments Pltd., a wholly-owned subsidiary of the Company, acquired from Groton Global Corp Napred company ("GTC B41 d.o.o.") in Belgrade holding a land plot of 19,537 sqm for a consideration of EUR 33.8 million.

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

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

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

On 9 August 2022, a subsidiary of the Company entered into an agreement concerning a transaction involving a joint venture investment into an innovation park in County Kildare, Ireland (the "Transaction"). The Transaction involves an investment of approximately EUR 115 million into the Kildare Innovation Campus. The project involves other international professional investors acting through a Luxemburg partnership advised by Icona Capital, an entity from the same group as GTC's minority partner (for more details please refer to note 18).

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

In October 2022, the Group has completed a Class A office building in Belgrade, Serbia – GTC X.

In December 2022, the Group has completed a Class A office building in Sofia, Bulgaria – Sofia Tower 2.

9. Events in the period (continued)

DISPOSAL OF SUBSIDIARIES

On 12 January 2022, GTC Group finalized sale of the entire share capital of Serbian subsidiaries: Atlas Centar d.o.o. Beograd, Demo Invest d.o.o. Novi Beograd, GTC BBC d.o.o., GTC Business Park d.o.o. Beograd, GTC Medjunarodni Razvoj Nekretnina d.o.o. Beograd and Commercial and Residential Ventures d.o.o. Beograd and Hungarian company Office Planet Kft. (which has 70% in shares of sold Serbian entities), following the satisfaction of customary conditions precedent. For details please refer to note 33.

On 28 July 2022, GTC has sold Cascade Building S.R.L., a wholly-owned subsidiary of the Company owning Cascade Office Building in Bucharest (4,211 sqm) for EUR 10.3 million. Net proceeds from sale of subsidiary were EUR 9.6 million.

On 30 November 2022, GTC has sold GTC Matrix d.o.o. a wholly-owned subsidiary of the Company owning a portfolio of two A-class office buildings in Zagreb – Matrix A and B for EUR 52.2 million. Net proceeds from sale of GTC Matrix d.o.o. were EUR 51.3 million.

DISPOSAL OF ASSETS

On 19 July 2022, GTC FOD Property Kft., a wholly-owned subsidiary of the Company, signed a sale and purchase agreement, concerning the sale of the office building Forrest Office Debrecen owned by the subsidiary. The selling price under the agreement is HUF 19.1 billion (an equivalent of EUR 47.7 million as at 31 December 2022). The transaction was closed on 30 January 2023.

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

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

On 13 May 2022, GTC SA signed an amendment agreement to the revolving facility agreement dated 29 October 2021. As a result, the available amount of unsecured revolving credit facility was increased to EUR 94 million. As of balance sheet date, credit facility was not used.

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

9. Events in the period (continued)

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

On 4 November 2022, GTC SA repaid partially bonds issued under ISIN code PLGTC0000318 (one-third of total issue) in the amount of EUR 17,100 (PLN 73,333) – including hedge component.

Impact of the situation in Ukraine on GTC Group

Since the start of the war in Ukraine on 24 February 2022, even though the Group does not conduct any activities in the territory of Ukraine, Russia or Belarus, it cannot be ruled out that the current geopolitical situation in Europe triggered by this war, which has resulted in a number of macroeconomic consequences for Poland and other European countries, may also have an impact on the Group's operations. The continuation of the war, its scale and further course of military operations may cause an extension of the set of economic sanctions imposed thus far, further disruption in supply chains, limited availability of subcontractors and a general increase in the prices of materials resulting from, among others, rising energy prices, which in turn may translate into significant costs of the implementation of investments carried out by the Group. A significantly higher and volatile costs of energy (severe energy crunch because of steep cuts in natural gas supplies from Russia following the outbreak of the Russia-Ukraine conflict) and general uncertainties related to the impact of the war in Ukraine on both global and the SEE/CEE economy and the deterioration of the global and regional economies may adversely impact the economic situation of the Group.

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

Effects of climate-related matters on financial statements

The climate and environmental risks are subject to risk management and the Risk Management Policy. The role of the Management is to supervise corporate risk, define the scope of risk management, define directions for the development of the risk management system, and determine acceptable risk exposure levels. The Group analysed potential impact of the climate-related matters and concluded that the climate-related matters do not significantly affect these Consolidated Financial Statements.

10. Revenue from operations and Service charge costs

Rental income includes variable rental revenue based on tenants' turnover for the year ended 31 December 2022 of EUR 5,887 (2021: EUR 4,976). The remaining revenue is based on fixed contractual rental fees.

The Group has entered into various operational lease contracts on its property portfolio in Poland, Romania, Croatia, Serbia, Bulgaria, and Hungary. The commercial property leases typically include clauses to enable the periodic upward revision of the rental charge according to European Consumer Price Index (CPI).

Future minimum rental revenue under operating leases (not discounted lease payments) from completed projects are as follows (in millions of euro):

	31 December 2022	31 December 2021
Within 1 year	124	111
Within 2 year	108	88
Within 3 year	79	64
Within 4 year	57	45
Within 5 year	38	33
Within 6 year	24	18
More than 6 years	33	18
Total	463	377

Most of the revenue from operations is earned predominantly on the basis of amounts denominated in, directly linked to, or indexed by reference to the EUR.

Service charge revenue includes income from charging maintenance costs to tenants. Service charge is billed on a monthly basis, based on the agreed rate from the contract with standard payment terms.

Service charge costs comprise of remuneration costs of EUR 2,690 (2021: EUR 2,145) and third party services, material and energy usage and other operating costs.

11. Selling expenses

Selling expenses comprise of the following:

	Year ended 31 December 2022	Year ended 31 December 2021
External services - advertising and marketing	573	424
Payroll and related expenses	1,195	1,228
Total	1,768	1,652

12. Administration expenses

Administration expenses comprise of the following:

	Year ended 31 December 2022	Year ended 31 December 2021
Remuneration and other employee benefits	9,149	9,002
Audit and valuations	1,250	755
Legal, tax, IT and other advisory	1,817	1,306
Office and insurance expenses	1,532	1,167
Travel expenses	440	242
Supervisory board remuneration fees	248	187
Depreciation	544	653
Investors relations and other expenses	712	401
Total before share based payment	15,692	13,713
Share based payment	(652)	432
Total	15,040	14,145

13. Finance income and finance expense

Finance income comprises of the following:

	Year ended 31 December 2022	Year ended 31 December 2021
Interest on deposits and other	1,104	28
Interest on loan granted to non-controlling interest	308	276
Total	1,412	304

13. Finance income and finance expense (continued)

Finance expense comprises of the following:

	Year ended 31 December 2022	Year ended 31 December 2021
Interest expenses (on financial liabilities that are not fair valued through profit or loss), banking costs and other charges	(28,914)	(31,841)
Finance costs related to lease liability	(1,853)	(1,938)
Early prepayment costs	-	(5,102)
Amortization of long-term borrowings raising costs	(2,341)	(4,400)
Total	(33,108)	(43,281)

The weighted average interest rate (including hedges) on the Group's loans (excluding loans related to assets held for sale) as of 31 December 2022 was 2.21% p.a. (2.16% p.a. as of 31 December 2021).

14. Segmental analysis

	Year ended 31 December 2022	Year ended 31 December 2021
Rental income from office sector	75,064	90,876
Service charge revenue from office sector	24,720	26,439
Rental income from retail sector	48,492	39,413
Service charge revenue from retail sector	18,287	15,223
Total	166,563	171,951

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

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

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14. Segmental analysis (continued)

Segment analysis of rental income and costs for the year ended 31 December 2022 and 31 December 2021 is presented below:

Year ended 31 December 2022				
Portfolio	Rental revenue	Service charge revenue	Service charge costs	Gross margin from operations
Poland	49,922	18,291	(19,087)	49,126
Belgrade	7,899	2,543	(2,967)	7,475
Hungary	34,455	12,801	(13,438)	33,818
Bucharest	8,465	2,346	(3,399)	7,412
Zagreb	10,635	4,024	(4,434)	10,225
Sofia	12,180	3,002	(4,040)	11,142
Total	123,556	43,007	(47,365)	119,198

Year ended 31 December 2021				
Portfolio	Rental revenue	Service charge revenue	Service charge costs	Gross margin from operations
Poland	47,043	16,775	(17,959)	45,859
Belgrade	25,923	7,632	(8,139)	25,416
Hungary	25,898	7,793	(7,762)	25,929
Bucharest	12,022	2,997	(3,100)	11,919
Zagreb	9,519	3,706	(4,209)	9,016
Sofia	9,884	2,759	(3,187)	9,456
Total	130,289	41,662	(44,356)	127,595

Segment analysis of assets and liabilities as of 31 December 2022 is presented below:

	Real estate (**)	Cash and deposits	Other	Total assets	Loans, bonds and leases	Deferred tax liabilities	Other	Total liabilities
Poland	874,148	28,348	20,895	923,391	277,675	61,293	14,678	353,646
Belgrade	175,662	4,824	2,372	182,858	815	3,085	8,039	11,939
Hungary	746,985	17,159	24,834	788,978	269,596	19,427	15,355	304,378
Bucharest	179,310	6,454	1,626	187,390	9,389	11,957	2,818	24,164
Zagreb	125,117	5,598	11,960	142,675	43,680	16,352	5,554	65,586
Sofia	199,360	4,571	1,185	205,116	71	8,716	6,883	15,670
Other	30,648	410	456	31,514	2,345	-	13	2,358
Non allocated (*)	-	72,688	135,272	207,960	684,252	20,346	51,956	756,554
Total	2,331,230	140,052	198,600	2,669,882	1,287,823	141,176	105,296	1,534,295

(*) Loans, bonds and leases comprise mainly of bonds issued by GTC S.A., GTC Hungary and GTC Aurora Luxembourg S.A. Other liabilities comprise mainly of derivatives payable in the amount of EUR 46,798, related to bonds in HUF.

Other assets represent mainly non-current financial assets in Ireland (EUR 117.7 million) and in Luxembourg (EUR 12.6 million).

(**) Real estate comprise of investment property, residential landbank, assets held for sale and value of buildings and related improvements presented within property, plant and equipment (including right of use).

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14. Segmental analysis (continued)

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

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

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

(**) Real estate comprise of investment property, residential landbank and value of buildings and related improvements presented within property, plant and equipment.

Financial data prepared for the purposes of management reporting, on which segment reporting is based, are based on the same accounting principles that are used in the preparation of the consolidated financial statements of the Group.

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15. Taxation

The major components of tax expense are as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Current corporate and capital gain tax expense	12,621	5,656
Deferred tax expense / (income)	140	8,128
Total	12,761	13,784

The Group companies are subject to taxes in the following jurisdictions: Poland, Serbia, Romania, Hungary, Bulgaria, Cyprus, Croatia and Luxembourg. The Group does not constitute a tax group under local legislation. Therefore, every company in the Group is a separate taxpayer.

The reconciliation between tax expense and accounting profit multiplied by the applicable tax rates is presented below:

	Year ended 31 December 2022	Year ended 31 December 2021
Accounting profit before tax	37,522	56,520
Taxable expenses at the applicable tax rate in each country of activity	5,866	7,756
Tax effect of expenses that are not deductible in determining taxable profit	2,261	2,095
Commercial property tax	89	46
Tax effect of foreign currency differences	829	211
Withholding tax	536	584
Unrecognised deferred tax asset on losses in current year	2,422	3,092
Other	758	-
Tax expense / (income)	12,761	13,784

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15. Taxation (continued)

The components of the deferred tax balance were calculated at a rate applicable when the Group expects to recover or settle the value of the asset or liability. Net deferred tax assets comprise the following:

	As of 1 January 2021	Credit / (charge) to income statement	As of 31 December 2021	Credit / (charge) to income statement	Credit / (charge) to equity	31 December 2021
Financial instruments (*)	14,385	3,105	17,490	3,135	(997)	
Tax loss carried forwards	6,682	(2,629)	4,053	(601)	-	
Basis differences in non-current assets (***)	965	643	1,608	742	50	
Accruals	1,046	535	1,581	(470)	-	
Netting (**)	(22,462)	1,516	(20,946)	(3,302)	818	
Net deferred tax assets	616	3,170	3,786	(496)	(129)	

Net deferred tax liability comprises of the following:

	As of 1 January 2021	Credit / (charge) to income statement	Credit / (charge) to equity	Reclassified to liabilities related to assets held for sale	As of 31 December 2021	Credit / (charge) to income statement	Credit / (charge) to equity	Disposal
Financial instruments (*)	(19,486)	(6,297)	1,383	3,000	(21,400)	(1,603)	(3,181)	
Basis differences in non-current assets (***)	(136,206)	(3,485)	-	-	(139,691)	(1,811)	-	
Netting (**)	22,462	(1,516)	-	-	20,946	3,770	(835)	
Net deferred tax liability	(133,230)	(11,298)	1,383	3,000	(140,145)	356	(4,016)	

(*) Mostly unrealized interest, foreign exchange differences and valuation of derivatives.

(**) Within a particular company, deferred tax assets are accounted separately from deferred tax liabilities as they are independent in their nature. However, as they represent a netting of assets and liabilities between the same parties, they are netted off for the purpose of the presentation in financial statements.

(***) Related to difference between book value and tax value of investment properties.

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

15. Taxation (continued)

The enacted tax rates in the various countries were as follows:

Tax rate	Year ended 31 December 2022	Year ended 31 December 2021
Poland	19%	19%
Hungary	9%	9%
Bulgaria	10%	10%
Serbia	15%	15%
Croatia	18%	18%
Romania	16%	16%
Cyprus	12.5%	12.5%
Luxembourg	24.94%	24.94%

Future benefit for deferred tax assets has been reflected in these consolidated financial statements only if it is probable that taxable profits will be available when timing differences that gave rise to such deferred tax asset reverse.

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.

On 15 July 2016, amendments were made to the Polish Tax Ordinance to introduce the provisions of the General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. The implementation of the above provisions enables Polish tax authority to challenge arrangements realized by tax remitters as restructuring or reorganization.

Tax settlements may be subject to inspections by tax authorities. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

15. Taxation (continued)

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

Withholding tax (WHT)

The package of changes introduced to the Polish tax law regulations starting from January 2022 has limited the original scope of the application of pay and refund mechanism (settlement of WHT in relation to payments exceeding PLN 2 million (EUR 0,4 million) per annum for each taxpayer). Under new rules, the conditional exemption from WHT or application of the reduced tax rate stipulated in the applicable double tax treaty (DTT) is restricted in terms of the passive payments (i.e. dividends, interest, license fees) in the amount exceeding PLN 2 million per annum made with respect to foreign related entities. In such cases the tax remitter is obliged to automatically collect the tax at a statutory domestic rate (19% or 20%) regardless of the fulfilment of the conditions allowing the application of the exemption or the reduced rate on the basis of the local law or DTT.

There is no significant impact of above change on consolidated financial statements.

Limitation of tax depreciation of commercial buildings

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

There is no significant impact of above change on consolidated financial statements.

The Group companies have tax losses carried forward as of 31 December 2022 available in the amount of EUR 161 million (EUR 249 million as of 31 December 2021). The expiry dates of these tax losses as of 31 December 2022 are as follows: within one year - EUR 25 million, between 2-5 years - EUR 88 million, afterwards – EUR 48 million. As of 31 December 2022, the Group has not recognized deferred tax assets for tax losses carried forward in amount of EUR 129 million (EUR 217 million as of 31 December 2021), as the Group believes that these losses will not be utilized within claim period.

16. Property, plant, and equipment

The movement in property, plant, and equipment for the year ended 31 December 2022 was as follows:

	Buildings and related improvements	Right of use assets*	Equipment and software	Vehicles	Total
Gross carrying amount					
As of 1 January 2022	8,155	171	1,840	779	10,945
Additions	997	2,430	429	696	4,552
Transfers	-	-	364	-	364
Disposals and other decreases	(740)	(171)	(90)	(83)	(1,084)
As of 31 December 2022	8,412	2,430	2,543	1,392	14,777
Accumulated Depreciation					
As of 1 January 2022	1,233	129	1,362	387	3,111
Charge for the period	243	61	41	199	544
Transfers	-	-	261	-	261
Disposals and other decreases	(17)	(129)	(87)	(47)	(280)
As of 31 December 2022	1,459	61	1,577	539	3,636
Net book value as of 31 December 2022	6,953	2,369	966	853	11,141

* Mainly relates to building and related improvement.

16. Property, plant, and equipment

The movement in property, plant, and equipment for the year ended 31 December 2021 was as follows:

	Buildings and related improvements	Right of use assets	Equipment and software	Vehicles	Total
Gross carrying amount					
As of 1 January 2021	7,599	302	1,909	900	10,710
Additions	1,864	-	192	223	2,279
Reclassified to assets held for sale	(819)	-	(31)	(9)	(859)
Disposals and other decreases	(489)	(131)	(230)	(335)	(1,185)
As of 31 December 2021	8,155	171	1,840	779	10,945
Accumulated Depreciation					
As of 1 January 2021	1,057	97	1,345	426	2,925
Charge for the period	295	93	162	103	653
Reclassified to assets held for sale	(82)	-	(11)	(8)	(101)
Disposals and other decreases	(37)	(61)	(134)	(134)	(366)
As of 31 December 2021	1,233	129	1,362	387	3,111
Net book value as of 31 December 2021	6,922	42	478	392	7,834

17. Investment property

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

Investment property can be split up as follows:

	31 December 2022	31 December 2021
Completed investment property	2,002,871	1,929,979
Investment property under construction	51,487	132,410
Investment property landbank	150,406	139,843
Right of use of lands under perpetual usufruct (IFRS 16)	38,899	38,428
Total	2,243,663	2,240,660

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17. Investment property (continued)

The movement in investment property for the periods ended 31 December 2022 and 31 December 2021 was as follows:

	Right of use of lands under perpetual usufruct (IFRS 16)	Completed investment property	Investment property under construction	Landbank	Total
Carrying amount as of 1 January 2021	42,679	1,879,173	62,909	140,367	2,125,128
Capitalised expenditure	-	25,499	51,477	3,656	80,632
Purchase of completed assets and land	-	310,627	-	15,457	326,084
Adjustment to fair value / (impairment)	-	(17,305)	7,860	(2,026)	(11,471)
Revaluation of right of use of lands under perpetual usufruct	(416)	-	-	-	(416)
Reclassified to assets held for sale	(3,724)	(266,763)	-	(1,352)	(271,839)
Reclassified to residential landbank	-	-	-	(5,500)	(5,500)
Reclassified from landbank to under construction	-	-	10,164	(10,164)	-
Classified to assets for own use, net	-	(1,252)	-	-	(1,252)
Disposal of land	-	-	-	(595)	(595)
Decrease	(745)	-	-	-	(745)
Foreign exchange differences	634	-	-	-	634
Carrying amount as of 31 December 2021	38,428	1,929,979	132,410	139,843	2,240,660
Capitalised expenditure	-	17,017	72,454	2,721	92,192
Purchase of completed assets and land	-	8,029	10,156	40,334	58,519
Reclassification (1)	-	182,300	(161,219)	(21,081)	-
Adjustment to fair value / (impairment)	-	(25,362)	(2,314)	674	(27,002)
Revaluation of right of use of lands under perpetual usufruct	(541)	-	-	-	(541)
Reclassified to assets held for sale (2)	(1,398)	(47,700)	-	(3,198)	(52,296)
Increase	2,427	-	-	-	2,427
Disposal of land (3)	-	-	-	(8,887)	(8,887)
Sale of completed building (4)	-	(61,392)	-	-	(61,392)
Foreign exchange differences	(17)	-	-	-	(17)
Carrying amount as of 31 December 2022	38,899	2,002,871	51,487	150,406	2,243,663

(1) Completion of Pillar building in Hungary in Q1 2022 (EUR 112m), Glamp in Serbia (EUR 50.4m) and Sofia Tower in Sofia (EUR 19.9m) in Q4 2022. Moreover, commencement of Center Point III construction (transfer from landbank to IPUC).

(2) Please refer also to note 33 *Assets held for sale*.

(3) Sale of land plots in Poland.

(4) Sale of Cascade and Matrix buildings – please refer also to note 9 *Events in the period*.

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

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17. Investment property (continued)

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

	Year ended 31 December 2022	Year ended 31 December 2021
Capitalized expenditure (including purchase of completed assets and land)	150,711	406,716
Change in payables and provisions related to investing activities	(9,807)	56
Change in receivables related to investing activities	(794)	6,758
Loan on acquisition GTC Univerzum Projekt Kft. (previously: Winmark Kft.)	-	(58,000)
Expenditures related to residential landbank	1,335	-
Purchase of property, plant and equipment	2,027	191
Paid expenditures in line with cash flow statement	143,472	355,721

Fair value and impairment adjustment consists of the following:

	Year ended 31 December 2022	Year ended 31 December 2021
Adjustment to fair value of completed investment properties	(25,362)	(17,305)
Adjustment to the fair value of investment properties under construction	(2,314)	7,860
Reversal of impairment/(Impairment) adjustment	674	(2,026)
Total adjustment to fair value / (impairment) of investment property	(27,002)	(11,471)
Adjustment to fair value/(Impairment) of assets held for sale	(152)	(941)
Revaluation of right of use of lands under perpetual usufruct (including residential landbank)	(580)	(455)
Impairment of residential landbank	(1,688)	-
Total recognised in profit or loss	(29,422)	(12,867)

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17. Investment property (continued)

Segment analysis of adjustment to fair value of completed investment properties is presented below:

	Year ended 31 December 2022	Year ended 31 December 2021
Poland	(30,016)	(16,637)
Belgrade	10,505	(444)
Hungary	(1,442)	5,470
Bucharest	(3,477)	(1,599)
Zagreb	2,447	92
Sofia	(3,379)	(4,187)
Total adjustment to fair value of completed assets	(25,362)	(17,305)

Completed assets are valued using discounted cash flow (DCF) method. Completed investment properties are externally valued by independent appraisers at year end and middle year based on open market values (RICS Standards).

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

Portfolio	Book value	GLA thousand sqm	Average Occupancy %	Actual Average rent Euro/ sqm/m	Average ERV* Euro/ sqm/m	Average Yield** %
	'000 Euro					
Poland retail	442,700	114	95%	21.5	21.6	6.2%
Poland office	356,438	195	80%	14.7	14.2	7.7%
Belgrade retail	90,000	34	100%	18.7	21.0	8.5%
Belgrade office	50,400	18	94%	18.0	18.2	7.2%
Hungary office	583,948	198	87%	16.8	16.3	6.0%
Hungary retail	20,700	6	89%	18.1	18.5	6.0%
Bucharest office	163,785	62	74%	18.8	17.8	6.3%
Zagreb retail	84,800	28	98%	21.7	22.3	8.3%
Zagreb office	14,800	7	96%	15.5	14.9	8.4%
Sofia office	113,600	52	89%	16.0	15.3	7.9%
Sofia retail	81,700	23	97%	22.3	23.1	7.2%
Total	2,002,871	737	87%	17.7	17.3	6.8%

(*) ERV- Estimated Rent Value (the open market rent value that a property can be reasonably expected to attain based on characteristics such as a condition of the property, amenities, location, and local market conditions).

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

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17. Investment property (continued)

Assumptions used in the fair value valuations of completed assets as of 31 December 2021 are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Average Yield**
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m	%
Poland retail	443,000	113	94%	20.8	20.7	6.0%
Poland office	373,639	196	87%	14.2	14.2	7.7%
Belgrade retail	90,700	35	96%	18.0	22.3	7.9%
Hungary office	505,437	192	97%	15.5	15.5	6.7%
Hungary retail	21,600	6	90%	17.4	18.4	5.6%
Bucharest office	171,985	67	66%	18.2	17.9	5.6%
Zagreb retail	85,400	28	99%	21.3	21.7	8.2%
Zagreb office	61,918	28	92%	14.6	14.7	7.3%
Sofia office	95,800	44	84%	14.5	14.8	6.7%
Sofia retail	80,500	23	96%	19.7	23.4	6.4%
Total	1,929,979	732	90%	16.5	16.9	6.7%

(*) ERV- Estimated Rent Value (the open market rent value that a property can be reasonably expected to attain based on characteristics such as a condition of the property, amenities, location, and local market conditions).

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

As of 31 December 2022, all investment properties under construction were valued using residual method, by independent appraisers at year end and middle year based on open market values (RICS Standards).

Information regarding investment properties under construction as of 31 December 2022 is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Budapest (Center Point III)	19,500	36
Budapest (Rose Hill Business Campus)	17,000	15
Zagreb (Matrix C)	14,987	11
Total	51,487	62

17. Investment property (continued)

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

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

Investment property landbank are valued using residual or comparison methods, by independent appraisers at year end and middle year based on open market values (RICS Standards).

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

	31 December 2022	31 December 2021
Poland	38,850	48,526
Hungary	55,103	65,846
Serbia	34,461	-
Romania	7,402	7,200
Bulgaria	4,060	4,657
Croatia	10,530	13,614
Total	150,406	139,843

17. Investment property (continued)

Inter-relationship between key unobservable inputs and fair value measurements of completed assets for the discounted cash flow (DCF) method in the year ended 31 December 2022:

	Estimated change	Estimated total Fair Value of completed assets following the change
	millions EUR	millions EUR
Increase of 5% in ERV	92	2,095
Decrease of 5% in ERV	(92)	1,911
Increase of 25bp in Cap rates	(50)	1,953
Decrease of 25bp in Cap rates	53	2,056

The following table presents the significant unobservable inputs used in the fair value measurement of investment property under construction for the residual method in the year ended 31 December 2022:

Significant unobservable inputs	Range
Estimated rental value (ERV)	14.0 - 18.5 EUR/sqm /month
Capitalisation rate (Cap rate)	5.8 - 7.3%
Hard costs	1,200 - 1,700 EUR/sqm/GLA

Inter-relationship between key unobservable inputs and fair value measurements of investment property under construction for the residual method in the year ended 31 December 2022:

	Estimated change	Estimated total Fair Value of IPUC following the change
	millions EUR	millions EUR
Increase of 5% in ERV	9	60
Decrease of 5% in ERV	(9)	42
Increase of 25bp in Cap rates	(7)	44
Decrease of 25bp in Cap rates	7	58
Increase of 5% in expected construction costs	(6)	45
Decrease of 5% in expected construction costs	6	57

17. Investment property (continued)

The following table presents the significant unobservable input used in the fair value measurement of investment property landbank for the residual method in the year ended 31 December 2022:

Significant unobservable inputs	Range
Capitalisation rate (Cap rate)	6 - 7.8%

Inter-relationship between key unobservable inputs and fair value measurements of investment property landbank for the residual method in the year ended 31 December 2022:

	Estimated change millions EUR	Estimated total Fair Value of landbank following the change millions EUR
Increase of 25bp in Cap rates	(6)	44
Decrease of 25bp in Cap rates	6	56

Inter-relationship between key unobservable inputs and fair value measurements of investment property landbank for the comparable method in the year ended 31 December 2022:

	Estimated change millions EUR	Estimated total Fair Value of landbank following the change millions EUR
Increase of 5% in price	5	105
Decrease of 5% in price	(5)	95

18. Non-current financial assets (related to investment property) measured at fair value through profit or loss

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

As of 31 December 2022 financial data of the Luxembourg securitization vehicle were as below:

	millions EUR
Total assets	475
Total liabilities	58
Equity	417

Kildare Innovation Campus, located outside of Dublin, extends over 72 ha (of which 34 ha is undeveloped). There are nine buildings that form the campus (around 101,685 sqm): six are lettable buildings with designated uses including industrial, warehouse, manufacturing and office/lab space. In addition, there are three amenity buildings, comprising a gym, a plant area, a campus canteen, and an energy center. The campus currently generates around EUR 6,260 gross rental income per annum. A masterplan has been prepared whereby the site and the campus are planned to be converted into a Life Science and Technology campus with a total of approximately 135,000 sq m. GTC's investment is protected by customary investor protection mechanisms in case of certain significant project milestones are not achieved in a satisfactory manner.

As of reporting date, the master plan which regulates the planning and permitting process for the future conversion of the site into a life science park and technology campus has not been submitted yet and it is under currently planning phase.

As of the reporting date the Group with the support of an external appraiser has prepared a valuation on the financial instrument which confirms the fair value as of 31 December 2022.

18. Non-current financial assets (related to investment property) measured at fair value through profit or loss (continued)

As of 31 December 2022 fair value of financial instrument is presented below:

	millions EUR
Estimated future cash flows assuming successful completion of the project	163
Discount factor to reflect the risk relating to obtaining permit and its timing – 27.5%	(35)
Fair Value of financial instrument	118

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

	Total Fair Value of Estimated future cash flows assuming successful completion of the project
	millions EUR
Increase of 5% in estimated net rent	180
Decrease of 5% in estimated net rent	146
Increase of 10% in estimated net rent	197
Decrease of 10% in estimated net rent	129

	Total Fair Value of Financial instrument (Ireland)
	millions EUR
Increase of 5 p.p. in permitting factors	126.4
Decrease of 5 p.p. in permitting factors	110.0
Increase of 10 p.p. in permitting factors	134.5
Decrease of 10 p.p. in permitting factors	101.9
Increase of 5% of expected capital expenditure to obtain the permit	117.4
Decrease of 5% of expected capital expenditure to obtain the permit	117.9
Increase of 10% of expected capital expenditure to obtain the permit	117.0
Decrease of 10% of expected capital expenditure to obtain the permit	118.2

18. Non-current financial assets (related to investment property) measured at fair value through profit or loss (continued)

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

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

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

	31 December 2022	31 December 2021
Notes (Ireland)	117,641	-
Units (Trigal)	12,627	-
Other	73	-
Total	130,341	-

19. Residential landbank

The movement in residential landbank for the year ended 31 December 2021 and 31 December 2022 was as follows:

	Residential landbank	Total
Carrying amount as of 1 January 2021	10,094	10,094
Revaluation of right of use of lands under perpetual usufruct	(39)	(39)
Capitalized expenditure	300	300
Acquisition	13,300	13,300
Reclassified to assets held for sale	(2,153)	(2,153)
Reclassified from investment properties (note 17)	5,500	5,500
Carrying amount as of 31 December 2021	27,002	27,002
Revaluation of right of use of lands under perpetual usufruct	(39)	(39)
Capitalized expenditure	1,335	1,335
Acquisition	-	-
Reversal of impairment/(impairment)	(1,688)	(1,688)
Carrying amount as of 31 December 2022	26,610	26,610

The carrying amount of residential landbank as of 31 December 2022 refers to non-core land plots designated for residential development in Croatia, Hungary and Romania.

20. Derivatives

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

Derivatives are presented in financial statements as below:

	31 December 2022	31 December 2021
Non-current assets	17,054	826
Current assets	7,793	-
Non-current liabilities	(46,798)	(38,743)
Current liabilities	(2,180)	(2,681)
Total	(24,131)	(40,598)

20. Derivatives (continued)

The movement in derivatives for the years ended 31 December 2022 and 31 December 2021 was as follows:

	31 December 2022	31 December 2021
Fair value as of the beginning of the year	(40,598)	(19,260)
Charged to other comprehensive income	27,533	(20,356)
Charged to profit or loss (*)	(11,066)	(1,841)
Reclassified to liabilities related to assets held for sale	-	859
Fair value as of the end of the year	(24,131)	(40,598)

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

The movement in hedge reserve in equity for the years ended 31 December 2022 and 31 December 2021 was as follows:

	31 December 2022	31 December 2021
Hedge reserve as of the beginning of the year	(30,903)	(11,930)
Charged to other comprehensive income	16,467	(22,197)
Realized in the period (charged to profit or loss) (*)	11,066	1,841
Total impact on other comprehensive income	27,533	(20,356)
Income tax on hedge transactions	(4,145)	1,383
Hedge reserve as of the end of the year	(7,515)	(30,903)

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

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

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

20. Derivatives (continued)

Derivatives as of 31 December 2022 and 31 December 2021 consists mainly of IRS and cross-currency interest rate swaps.

Instruments	Measurement	Rate range for interest	Currency rate for SWAP
IRS (EURIBOR 3M)	Fair value	(-0.3%) – (-0.09%)	N/A
SWAP (fixed to fixed / HUF)	Fair value	0.92% - 0.99%	360.33 - 367.66
SWAP (WIBOR 6M / PLN)	Fair value	4.02%	4.2845

Instruments	Nature of hedge item	Nominal amount of hedge item	Currency	31 December 2022	Nominal amount of hedge item	Currency	31 December 2021
IRS (EURIBOR 3M)	Loans	315	mEUR	23,643	347	mEUR	595
SWAP (fixed to fixed / HUF)	Bonds	59,400	mHUF	(46,798)	59,400	mHUF	(36,403)
SWAP (WIBOR 6M / PLN)	Bonds	147	mPLN	(2,180)	220	mPLN	(3,844)
Other derivatives				1,204			(946)
Total				(24,131)			(40,598)

For more information regarding derivatives, see note 38.

21. Trade payables and provisions

The balance of trade and other payables increased from EUR 31,092 to EUR 41,208 in the year ended 31 December 2022.

As of 31 December 2022 payables related to investment activity amounted to EUR 26 million (as of 31 December 2021: EUR 16 million).

22. Blocked deposits

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

Blocked deposits related to contractual commitments include mostly tenants' deposit account, security account and capex accounts.

23. Cash and cash equivalents

Cash balance consists of cash in banks and cash in hand. Cash at banks earns interest at floating rates based on periodical bank deposit rates. Except for minor amounts, all cash is deposited in banks.

All cash and cash equivalents are available for use by the Group. GTC Group cooperates mainly with banks with investment ranking above BBB-. The major bank, where Group deposits 26% of cash and cash equivalents and blocked deposits is financial institution with credit rating A+. Second bank with major Group's deposits (25%) is institution with credit rating BBB-. Group monitors ratings of banks and manage concentration risk by allocating deposits in multiple financial institutions (over 10).

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

	31 December 2022	31 December 2021
Cash at banks and on hand	115,079	87,468
Cash at banks related to assets held for sale	-	9,165
Cash and cash equivalents at the end of the period	115,079	96,633

24. Other expenses

Other expenses relate mainly to one-off expenses as well as unrecoverable VAT and maintenance costs related to undeveloped land.

25. Deposits from tenants

Deposits from tenants represent amounts deposited by tenants to guarantee their performance of their obligations under tenancy agreements. Deposits from tenants that shall be returned within a year are presented within current liabilities. Deposits are mostly located in banks with investment ranking above BBB-.

26. Long term payables

Long term payables consist of long term commitments related to the purchase of office building and development of infrastructure.

27. VAT and other tax receivable

VAT and other tax receivable represent VAT receivable on the purchase of assets and due to development activity.

28. Non-controlling interest

The Company's subsidiary that holds Avenue Mall (Euro Structor d.o.o.) has granted in 2018 its shareholders a loan, pro-rata to their stake in the subsidiary. The loan principal and interest shall be repaid by 30 December 2026. In the event that Euro Structor renders a resolution for the distribution of dividend, Euro Structor has the right to set-off the dividend against the loan. In case a shareholder will sell its stake in Euro Structor, the loan shall be due for repayment upon the sale.

Loans were granted and received on market terms.

Summarized financial information of the material non-controlling interest as of 31 December 2022 is presented below:

	Euro Structor d.o.o.	Non-core projects	Total
Non-current assets	136,389	-	136,389
Current assets	5,838	752	6,590
Total assets	142,227	752	142,979
Equity	81,861	(5,638)	76,223
Non-current liabilities	58,555	6,389	64,944
Current liabilities	1,811	1	1,812
Total equity and liabilities	142,227	752	142,979
Revenue	11,012	-	11,012
Profit /(loss) for the year	4,649	2,231	6,880
Other comprehensive profit/(loss)	-	-	-
NCI share in equity	24,558	(1,880)	22,678
Loan granted to NCI	(10,936)	-	(10,936)
Loan received from NCI	-	2,441	2,441
NCI share in profit / (loss)	1,395	(45)	1,350

In 2022 dividend was distributed to non-controlling interest in amount of EUR 753.

28. Non-controlling interest (continued)

Summarized financial information of the material non-controlling interest as of 31 December 2021 is presented below:

	Euro Structor d.o.o.	Non-core projects	Total
Non-current assets	135,878	2,833	138,711
Current assets	4,155	380	4,535
Total assets	140,033	3,213	143,246
Equity	79,722	(22,483)	57,239
Non-current liabilities	59,204	24,612	83,816
Current liabilities	1,107	1,084	2,191
Total equity and liabilities	140,033	3,213	143,246
Revenue	10,182	-	10,182
Profit /(loss) for the year	4,374	(683)	3,691
Other comprehensive profit/(loss)	-	-	-
NCI share in equity	23,917	(7,494)	16,423
Loan granted to NCI	(10,628)	-	(10,628)
Loan received from NCI	-	8,760	8,760
NCI share in profit / (loss)	1,312	(227)	1,085

Dividend distributed to non-controlling interest in amount of EUR 900 for 2021 was set-off against loan granted to NCI. Remaining amount of EUR 300 was paid.

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29. Long-term loans and bonds

	31 December 2022	31 December 2021
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	31,495	48,166
Green bonds mature in 2027-2030 (HU0000360102)	99,010	107,389
Green bonds mature in 2028-2031 (HU0000360284)	49,866	54,056
Green bonds mature in 2026 (XS2356039268)	503,784	503,263
Bonds 0422 (PLGTC0000292)	-	9,520
Loan from Santander (Globis Poznan)	15,693	16,323
Loan from Santander (Pixel)	18,322	19,011
Loan from Santander (Globis Wroclaw)	13,501	20,675
Loan from Berlin Hyp (Corius)	9,500	9,500
Loan from Pekao (Sterlinga)	14,088	14,613
Loan from PKO BP (Artico)	12,828	13,338
Loan from Erste and Raiffeisen (Galeria Jurajska)	110,375	115,250
Loan from Berlin Hyp (UBP)	35,000	41,543
Loan from Santander (Francuska)	17,950	18,625
Loan from OTP (Centre Point)	46,055	47,862
Loan from UniCredit Bank (Pillar)	57,000	50,827
Loan from OTP (Duna)	35,715	37,116
Loan from Erste (HBK)	10,873	10,775
Loan from Erste (Váci Greens D)	23,688	24,438
Loan from OTP (Ericsson/evosoft Hungary)	80,000	80,000
Loan from Erste (V188)	16,268	16,225
Loan from Zagrebacka Banka (Avenue Mall Zagreb)	42,500	42,500
Loans from NCI	2,441	8,760
Deferred issuance debt expenses	(8,097)	(10,324)
Total	1,237,855	1,299,451

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

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29. 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:

	31 December 2022	31 December 2021
Current portion of long-term loans and bonds:		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	31,495	16,278
Green bonds mature in 2027-2030 (HU0000360102)	72	72
Green bonds mature in 2028-2031 (HU0000360284)	397	397
Green bonds mature in 2026 (XS2356039268)	5,877	5,918
Bonds 0422 (PLGTC0000292)	-	9,520
Loan from Santander (Globis Poznan)	629	629
Loan from Santander (Pixel)	690	690
Loan from Berlin Hyp (UBP)	-	870
Loan from Erste and Raiffeisen (Galeria Jurajska)	4,875	4,875
Loan from Santander (Globis Wroclaw)	-	693
Loan from Pekao (Sterlinga)	525	525
Loan from PKO BP (Artico)	510	510
Loan from Santander (Francuska)	676	676
Loan from OTP (Centre Point)	1,807	1,807
Loan from OTP (Duna)	1,401	1,401
Loan from Erste (Váci Greens D)	750	750
Loan from Erste (HBK)	98	-
Loan from Erste (V188)	43	-
Deferred issuance debt expenses	(1,274)	(1,274)
Total	48,571	44,337

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29. Long-term loans and bonds (continued)

	31 December 2022	31 December 2021
Long term portion of long-term loans and bonds:		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	-	31,888
Green bonds mature in 2027-2030 (HU0000360102)	98,938	107,317
Green bonds mature in 2028-2031 (HU0000360284)	49,469	53,659
Green bonds mature in 2026 (XS2356039268)	497,907	497,345
Loan from Santander (Globis Poznan)	15,064	15,694
Loan from Santander (Pixel)	17,632	18,321
Loan from Santander (Globis Wroclaw)	13,501	19,982
Loan from Berlin Hyp (Corius)	9,500	9,500
Loan from Pekao (Sterlinga)	13,563	14,088
Loan from PKO BP (Artico)	12,318	12,828
Loan from Erste and Raiffeisen (Galeria Jurajska)	105,500	110,375
Loan from Berlin Hyp (UBP)	35,000	40,673
Loan from Santander (Francuska)	17,274	17,949
Loan from OTP (Centre Point)	44,248	46,055
Loan from OTP (Duna)	34,314	35,715
Loan from Erste (HBK)	10,775	10,775
Loan from Erste (Váci Greens D)	22,938	23,688
Loan from OTP (Ericsson/evosoft Hungary)	80,000	80,000
Loan from Erste (V188)	16,225	16,225
Loan from UniCredit Bank (Pillar)	57,000	50,827
Loan from Zagrebacka Banka (Avenue Mall Zagreb)	42,500	42,500
Loans from NCI	2,441	8,760
Deferred issuance debt expenses	(6,823)	(9,050)
Total	1,189,284	1,255,114

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

29. Long-term loans and bonds (continued)

As securities for the bank loans, the banks have mortgage over the assets and security deposits together with assignment of the associated receivables and insurance rights.

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

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

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

For further information please refer also to note 38.

As at 31 December 2022, the Group continue to comply with the financial covenants set out in their loan agreements and bonds' terms and conditions.

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29. Long-term loans and bonds (continued)

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

	31 December 2022	31 December 2021
Balance as of the beginning of the year	1,299,451	1,261,292
Drawdowns	6,173	706,070
Repayments	(52,125)	(585,323)
Reclassified to liabilities related to assets held for sale	-	(142,369)
Loan on acquisition of GTC Univerzum Projekt Kft.	-	58,000
Conversion of loan from NCI to equity	(5,887)	-
Change in accrued interest	41	6,531
Change in deferred issuance debt expenses	2,227	(3,486)
Foreign exchange differences	(12,025)	(1,264)
Balance as of end of the year	1,237,855	1,299,451

30. Lease liability and Right of Use

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

The balance of Right of Use as of 31 December 2022 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
Poland	14,425	16,723	-	-	31,148
Romania	6,948	-	-	-	6,948
Serbia	-	803	-	-	803
Croatia	-	-	1,064	-	1,064
Other	-	-	-	2,369	2,369
Balance as of 31 December 2022	21,373	17,526	1,064	2,369	42,332

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30. Lease liability and Right of Use of assets (continued)

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

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

The balance of lease liability as of 31 December 2022 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total	Discount rate
Poland	14,425	15,992	-	-	30,417	4.2%
Romania	6,948	-	-	-	6,948	5.7%
Serbia	-	815	-	-	815	7.6%
Croatia	-	-	1,180	-	1,180	4.4%
Other	-	-	-	2,511	2,511	3.0%
Balance as of 31 December 2022	21,373	16,807	1,180	2,511	41,871	

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30. Lease liability and Right of Use of assets (continued)

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

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total	Discount rate
Poland	10,730	20,339	-	-	31,069	4.2%
Romania	6,646	-	-	-	6,646	5.7%
Serbia	-	-	-	-	-	7.6%
Croatia	-	-	1,204	-	1,204	4.4%
Bulgaria	-	-	-	30	30	4.5%
Hungary	-	-	-	16	16	3.9%
Balance as of 31 December 2021	17,376	20,339	1,204	46	38,965	

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

The movement in Right of Use for the year ended 31 December 2022 and 31 December 2021 was as follows:

	2022	2021
Balance as of 1 January	39,572	44,024
Recognition / (derecognition) of Right of Use asset for lands under perpetual usufruct and other assets	4,815	(745)
Revaluation and amortization of right of use	(641)	(531)
Reclassification to assets held for sale	(1,398)	(3,724)
Foreign exchange differences	(16)	548
Balance as of 31 December	42,332	39,572

30. Lease liability and Right of Use of assets (continued)

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

	2022	2021
Balance as of 1 January	38,965	43,054
Recognition / (derecognition) of lease liability for lands under perpetual usufruct and other assets	4,815	(745)
Payments of leases	(642)	(516)
Change in provision	(358)	970
Change in accrued interest	752	(658)
Reclassification to liabilities related to assets held for sale	(1,342)	(3,724)
Foreign exchange differences	(319)	584
Balance as of 31 December	41,871	38,965

The group pays an annual amount of EUR 2,056 (EUR 2,120 in 2021) as lease payment (principal and interest) for lands under perpetual usufruct. Payment of leases in table above relates only to principal repayment.

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31. Capital and Reserves

SHARE CAPITAL

As at 31 December 2022, the shares structure was as follows:

Number of Shares	Share series	Total value	
		in PLN	in EUR
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	201,813	47,329
88,700,000	O	8,870,000	1,912,439
574,255,122		57,425,512	12,919,912

All shares are entitled to the same rights.

Shareholders who as at 31 December 2022, held above 5% of the Company shares were as follows:

- GTC Dutch Holdings B.V
- Icona Securitization Opportunities Group S.A R.L.
- Powszechne Towarzystwo Emerytalne PZU S.A. (managing Otwarty Fundusz Emerytalny PZU "Złota Jesień")
- Powszechne Towarzystwo Emerytalne Allianz Polska S.A. (managing jointly Allianz OFE, Allianz DFE and Drugi Allianz OFE)

CAPITAL RESERVE

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

31. Capital and Reserves (continued)

SHARE ISSUE

On 29 June 2021, the Annual General Meeting adopted a resolution regarding the capital increase of up to 20% of the existing share capital. As per the Annual General Meeting authorization, the Management launched the capital increase via the accelerated book building in December 2021. The subscription agreements with the shareholders participating in the offer of O series bearer shares were signed on 20-21 December 2021. As a result the Company issued 88,700,000 series O bearer shares. The capital increase and new Articles of Association were registered by the National Court Register on 4 January 2022 and the funds were transferred to the Company's account. The O series bearer shares were admitted to trading on the respective stock exchange on 26 January 2022.

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

In Q1 2022 the Group reclassified unregistered share capital to share capital of EUR 1,913 and share premium of EUR 118,382 after share capital increase was registered (please refer to note 9).

DISTRIBUTION OF THE 2021 PROFIT

On 14 June 2022, the Annual General Meeting adopted a resolution regarding distribution of profit for the financial year 2021. Based on resolution EUR 34,583 (PLN 160,791) were distributed to the Company's shareholders in the form of a dividend and the remaining amount was left with the Company as retained profits.

32. Provision for share based payments

PHANTOM SHARES

Certain key management personnel of the Group is entitled to specific cash payments resulting from phantom shares in the Group (the "Phantom Shares"). The company uses binomial model to evaluate the fair value of the phantom shares. The input data includes date of valuation, strike price, and expiry date.

32. Provision for share based payments (continued)

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

As at December 31, 2022, the Group's share based payment liabilities amounted to EUR 758 (as at December 31, 2021 EUR 1,410). The gain recognized in the income statement amounted to EUR 652 (in 2021: loss of EUR 432).

As at 31 December 2022, phantom shares issued were as follows:

Strike (PLN)	Granted	Vested	Total
5.75 - 5.95	946,500	2,531,600	3,478,100
6.03 – 6.31	-	468,000	468,000
6.42 – 6.69	1,850,000	175,000	2,025,000
Total	2,796,500	3,174,600	5,971,100

As at 31 December 2021, phantom shares issued were as follows:

Strike (PLN)	Granted	Vested	Total
6.03	-	827,416	827,416
6.11	-	100,000	100,000
6.23	2,891,000	1,292,100	4,183,100
6.31	-	250,000	250,000
Total	2,891,000	2,469,516	5,360,516

The Phantom shares (as presented in above table) have been provided for assuming cash payments will be materialized, as the Company assesses that it is to be settled in cash.

Last year of exercise date	Number of phantom shares
2023	2,205,600
2025	1,875,000
Other*	1,890,500
Total	5,971,100

* From one to twelve months after agreement termination.

32. Provision for share based payments (continued)

The number of phantom shares were changed as follows:

Number of phantom shares as of 1 January 2022	5,360,516
Granted during the period*	2,742,000
Expired	(1,599,000)
Exercised during the period	(532,416)
Number of phantom shares as of 31 December 2022	5,971,100

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

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

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

	31 December 2022	31 December 2021
Serbian completed office portfolio	-	287,816
Forest Office Debrecen	47,700	-
Romanian landbank	680	2,833
Landbank in Poland	3,255	-
Croatian landbank	-	1,352
Total	51,635	292,001

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

	31 December 2022	31 December 2021
Serbian completed office portfolio	-	153,621
Romanian landbank	-	1,080
Croatian landbank	-	130
Total	-	154,831

The balance of assets held for sale and liabilities related to assets held for sale decreased significantly mainly due to the closing transaction on disposal of Serbian entities (*for details please refer to note 9*) and selling land plots in Romania and Croatia.

The purchase price on disposal of Serbian entities was calculated on an enterprise value basis, based on a property value of aggregate EUR 267.6 million and considered repayment of external loans of EUR 142.4 million. Net proceeds from sale of Serbian completed office portfolio were EUR 125,112 (net of cash in disposed assets of EUR 10,475).

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

On 19 July 2022 GTC FOD Property Kft., a wholly-owned subsidiary of the Company, signed a sale and purchase agreement, concerning the sale of the office building in Debrecen. Transaction was closed in January 2023 (*for details please refer to Subsequent event note*).

34. Prepayments, deferred expenses and other receivables

The balance of prepayment and deferred expenses decreased from EUR 11,515 to EUR 7,739 in the year ended 31 December 2022.

The majority of the decrease relates to completion of Pillar project in Hungary.

35. Earnings per share

Basic earnings per share were calculated as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Profit/(loss) for the period attributable to equity holders (in EUR)	23,411,000	41,651,000
Weighted average number of shares for calculating basic earnings per share	574,255,122	487,742,245
Basic earnings per share (in EUR)	0.04	0.09

There have been no potentially dilutive instruments as at 31 December 2022 and 31 December 2021.

36. Related party transactions

Transactions with the related parties are arm's length transactions.

The transactions and balances with related parties are presented below:

In 2022, Group acquired several assets for the total consideration of EUR 30.2 million from companies related to the majority shareholder of the Company. For further details please refer to note 9 *Events in the period*.

	Year ended 31 December 2022	Year ended 31 December 2021
Transactions		
Rental revenue*	2,801	1,869
Service charge revenue*	599	418
Balances		
Accounts receivables*	2,063	795
Receivables from shareholders	-	123,425
Accrued income*	286	1,250
Long term payable**	1,000	1,027
Trade payables and provisions**	343	959

(*) *Rental revenue and Service charge revenue in relation to rental guarantees provided by sellers, entities related to the majority shareholder. All were collected after December 31st 2022.*

(**) *In relation to purchase price retention from the seller, an entity related to the majority shareholder.*

Management and Supervisory Board GTC S.A. remuneration for the year ended 31 December 2022 amounted to EUR 1.8 million and 177,000 phantom shares were vested.

Management and Supervisory Board GTC S.A. remuneration for the year ended 31 December 2021 amounted to EUR 2 million and 260,000 phantom shares were vested.

37. Commitments, contingent liabilities and guarantees

COMMITMENTS

As of 31 December 2022 (and as at 31 December 2021), the Group had commitments contracted for in relation to future capital expenditures on investment properties without specified date, amounting to EUR 116.5 million (EUR 29.7 million as at 31 December 2021). These commitments are expected to be financed from available cash and current financing facilities, other external financing or future instalments under already contracted sale agreements and yet to be contracted sale agreements.

GUARANTEES

As of 31 December 2022 and 31 December 2021 there were no guarantees given to third parties.

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

CROATIA

In relation to the Marlera Golf project in Croatia, part of the land is held on a lease basis from the State. There is furthermore a Consortium agreement with the Ministry of Tourism of Croatia (Ministry) which includes a deadline for the completion of a golf course that has expired in 2014. If the deadline is not met, then the Ministry has the right to terminate the Consortium agreement which might automatically trigger the termination of the Land Acquisition Agreements, as well as collateral activation and damages claims. Prior to 2014, the Company has taken active steps to achieve an extension of the period for completing the project. In February 2014, the Company received a draft amendment from the Ministry expressing its good faith and intentions to prolong the abovementioned timeline however, the amendment was not formalized since then. Since formalization of the amendment is not at the sole discretion of the Group, the Management has decided to revalue the freehold asset in assuming no development of the golf course project. Furthermore, as a prudential measure, the Management has also written off the related collateral in the amount of EUR 1 million provided to the Ministry as a guarantee for completing the golf course. As of 31 December 2022 the book value of the investment in Marlera Golf project was assessed by an independent valuer at EUR 6.8 million.

38. Financial instruments and risk management

The Group's principal financial instruments comprise bank and shareholders' loans, bonds, hedging instruments, trade payables, and other long-term financial liabilities. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets such as trade receivables, loans granted, derivatives, cash and short-term deposits.

The main risks arising from the Group's financial instruments are cash flow interest risk, liquidity risk, foreign currency risk and credit risk.

INTEREST RATE RISK

The Group exposure to changes in interest rates that are not offset by hedge relates primarily to the Group's long-term debt obligations and loans granted. No other financial instruments, which are subject for interest rate risk.

The Group's policy is to obtain finance bearing variable interest rates. To manage the interest rate risk in a cost-efficient manner, the Group enters into interest rate swaps, swap currency or cap transactions.

The Group's loans are nominated or swapped into Euro.

As at 31 December 2022, 95% of the Group's long-term loans and bonds is hedged (as at 31 December 2021 – 94%).

For 2022, a 50bp increase in EURIBOR rate would lead to EUR 343 change in result before tax (2021: EUR 486 change in result before tax).

On 7 July 2022, the Act on crowdfunding for business and support for borrowers was adopted which provides the basis for changing the WIBOR and WIBID benchmarks in Poland. As a follow up of legislative changes, in September 2022, the Steering Committee of the National Working Group for benchmark reform accepted the Roadmap for the replacement of WIBOR and WIBID benchmarks with WIRON index. The details regarding the replacement will be published in 2023, in the form of the Regulation of the Minister of Finance which will define the adjustment spread and the date from which the replacement applies. According to the Roadmap, the publication of old WIBOR/WIBID rates will cease in 2025.

38. Financial instruments and risk management (continued)

FOREIGN CURRENCY RISK

The Group enters into transactions in currencies other than the functional currency of the Group's subsidiaries. Therefore, it hedges the currency risk by either matching the currency of the inflow, outflow and cash and cash equivalent with that of the expenditures. It is element of hedge accounting policy of the Group.

Exchange rates as of 31 December 2022 and 2021 were as following:

	31 December 2022	31 December 2021
PLN/EUR	4.6899	4.5994
HUF/EUR	400.23	369.01

The table below presents the sensitivity of profit (loss) before tax due to changes in foreign exchange rates:

	2022 PLN/Euro				2021 PLN/Euro			
Rate/Percentage of change	5.1589 (+10%)	4.9244 (+5%)	4.4554 (-5%)	4.2209 (-10%)	5.0593 (+10%)	4.8294 (+5%)	4.3694 (-5%)	4.1395 (-10%)
Cash and blocked deposits	(3,895)	(1,948)	1,948	3,895	(3,709)	(1,855)	1,855	3,709
Trade and other receivables	(314)	(157)	157	314	(1,006)	(503)	503	1,006
Trade and other payables	1,289	644	(644)	(1,289)	1,608	804	(804)	(1,608)
Land leases	3,042	1,521	(1,521)	(3,042)	3,107	1,553	(1,553)	(3,107)
Total	122	60	(60)	(122)	-	(1)	1	-

The Group does not see any currency risk related to bonds denominated in PLN and HUF as they are hedged. Exposure to other currencies and other positions in the statement of financial position is not material.

The potential theoretical impact on the currency exposure whether the Group would have not hedged the PLN bonds and the HUF Bonds is as following:

Percentage of change in FX rate	(-10%)	(+10%)
Bonds in PLN	(3,150)	3,150
Bonds in HUF	(14,900)	14,900

38. Financial instruments and risk management (continued)

CREDIT RISK

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation. To manage this risk, the Group periodically assesses the financial viability of its customers. The Group does not expect any counter parties to fail in meeting their obligations. The Group has no significant concentration of credit risk with any single counterparty or Group counterparties.

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that those will not meet their payment obligations. As of reporting date we don't have material impaired receivables.

With respect to loan granted to non-controlling interest it was assessed in Stage 1 as defined by IFRS 9 *Financial instruments*.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, and blocked deposits, the Group's exposure to credit risk equals the carrying amount of these instruments.

The maximum exposure to credit risk as of the reporting date is the full amount presented.

There are no material financial assets as of the reporting dates, which are overdue and not impaired. There are no significant financial assets impaired.

LIQUIDITY RISK

As at 31 December 2022, the Group holds cash and cash equivalents (as defined in IFRS) in the amount of approximately EUR 115 million. As described above, the Group attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) debt servicing of its existing assets portfolio; (ii) capex; and (iii) development of commercial properties. Such funding will be sourced through available cash, operating income, sales of assets and refinancing. The Management Board believes that based on its current assumptions, the Group will be able to settle all its liabilities for at least the next twelve months.

38. Financial instruments and risk management (continued)

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

	31 December 2022	31 December 2021
First year (*)	76	127(**)
Second year	65	148
Third year	149	99
Fourth year	774	144
Fifth year	76	821
Thereafter	206	236
Total	1,346	1,575

(*) Repaid during 12 months from reporting date.

(**) Including EUR 54m liabilities related to assets held for sale

The above table does not contain payments relating to the market value of derivative instruments. The Group hedges significant parts of the interest risk related to floating interests rate with derivative instruments. Management plans to refinance some of the repayment amounts.

Repayments of long-term derivatives are scheduled as follows (million EUR)
(the amounts are not discounted):

	31 December 2022	31 December 2021
1 – 4 years	-	-
Fifth year	3	-
Thereafter	44	39
Total	47	39

All derivative instruments mature within 1-10 years from the balance sheet date.

38. Financial instruments and risk management (continued)

Long term finance lease represents lease payments for land subject to perpetual usufruct payments with maturity of 33 - 87 years. The Group pays an annual amount of EUR 2,056 (EUR 2,120 in 2021) as lease payment (principal and interest) for lands under perpetual usufruct.

Maturity dates of current financial liabilities as of 31 December 2022 were as following:

	Total	Overdue	Up to a month	1-3 months	3 months – 1 year
Trade payables and provisions	41,208	308	9,600	18,427	12,873
Current portion of long-term borrowing	48,571	-	140	2,966	45,465
Deposits from tenants	1,639	-	177	136	1,326
Current portion of lease liabilities	388	-	279	56	53
Derivatives	2,180	-	-	-	2,180
Total	93,986	308	10,196	21,585	61,897

Maturity dates of current financial liabilities as of 31 December 2021 were as following:

	Total	Overdue	Up to a month	1-3 months	3 months – 1 year
Trade payables and provisions	31,092	521	6,476	17,386	6,709
Current portion of long-term borrowing	44,337	-	-	3,825	40,512
Deposits from tenants	1,932	-	161	483	1,288
Current portion of lease liabilities	198	-	21	127	50
Derivatives	2,681	-	-	654	2,027
Total	80,240	521	6,658	22,475	50,586

38. Financial instruments and risk management (continued)

FAIR VALUE

As of 31 December 2022, 78% of all bank loans bears floating interest rate (79% as of 31 December 2021). However, as of 31 December 2022, 87% of these loans are hedged (81% as of 31 December 2021).

As of 31 December 2022, 5% of all bonds bears floating interest rate (7% as of 31 December 2021). However, as of 31 December 2022, 100% of these bonds are hedged (100% as of 31 December 2021).

For information related to loans granted/received from non-controlling interest please refer to note 28.

Due to the recent significant increase of an interest rates where the Group operates, the fair value of the HUF Bonds significantly differs from its carrying value. It is due to the fact that all the HUF bonds as of the 31 December 2022 bear a fixed interest rate until maturity, however these bonds are hedged with cross-currency interest rate swaps.

Market value and fair value of bonds as of 31 December 2022 is presented below:

Series of bonds	Market value and fair value (in million EUR)
Bonds mature in 2023 (Poland) (PLGTC0000318) ¹	31.6
Green bonds mature in 2027-2030 (HU0000360102) ²	45.1
Green bonds mature in 2028-2031 (HU0000360284) ²	21.3
Green bonds mature in 2026 (XS2356039268) ³	367.0

Fair value of all other financial assets/liabilities is close to the carrying value.

For the fair value of investment property, please refer to note 17.

FAIR VALUE HIERARCHY

As at 31 December 2022 and 2021, the Group held several derivatives carried at fair value in the statement of financial position.

¹ Fair value at level 1 - <https://gpwcatalyst.pl/notowania-obligacji-obligacje-korporacyjne>

² Fair value at level 2 was calculated based on assumption of market interest rate of 15%.

³ Fair value at level 1 - <https://www.boerse-frankfurt.de/bond/xs2356039268-gtc-aurora-luxembourg-s-a-2-25-21-26>

38. Financial instruments and risk management (continued)

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Valuations of derivatives are considered as level 2 fair value measurements. During the year ended 31 December 2022 and 31 December 2021, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements in respect to financial instruments.

PRICE RISK

The Group is exposed to fluctuations in the real estate markets in which it operates. These can have an effect on the Group's results (due to changes in the market rent rates and in occupancy of the leased properties).

Further risks are described in the Management Report as of 31 December 2022.

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to provide for operational and value growth while prudently managing the capital and maintaining healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and adjusts it to dynamic economic conditions. While observing the capital structure, the Group decides on leverage policy, loans raising and repayments, investment or divestment of assets, dividend policy, and capital raise, if needed.

No changes were made in the objectives, policies, or processes during the years ended 31 December 2022 and 31 December 2021.

The Group monitors its gearing ratio, which is Gross Project and Corporate Debt less Cash & Deposits, divided by its real estate investment value. The Group's long-term strategy is to keep its loan-to-value ratio ("LTV") at a level of 40 per cent, however in case of acquisitions the Company may deviate temporarily. As of 31 December 2022, LTV was 45.6%.

39. Subsequent events

On 19 July 2022, GTC FOD Property Kft., a wholly-owned subsidiary of the Company, signed a sale and purchase agreement, concerning the sale of the office building owned by the subsidiary. The selling price under the Agreement is HUF 19.1 billion (ca. EUR 47.7 million as of 31 December 2022). As of 30 January 2023 the full purchase price (ca. EUR 49.2 million) was paid and the transaction was completed.

On 31 March 2023, GTC Origine Zrt., a wholly-owned subsidiary of the Company, signed a quota transfer agreement to acquire 100% holding of Tiszai Fény Alfa Kft, which owns 9 newly developed solar power plants with installed nominal capacity of max 0.5 MW each, operating in Tiszafüred, Hungary for a consideration of HUF 2.4 billion (ca EUR 6.4m). The project shall be financed partially by a bank facility in the amount of EUR 2.6 million. The transaction is expected to close in Q2 2023.

40. Approval of the financial statements

The financial statements were authorised for the issue by the Management Board on 24 April 2023.