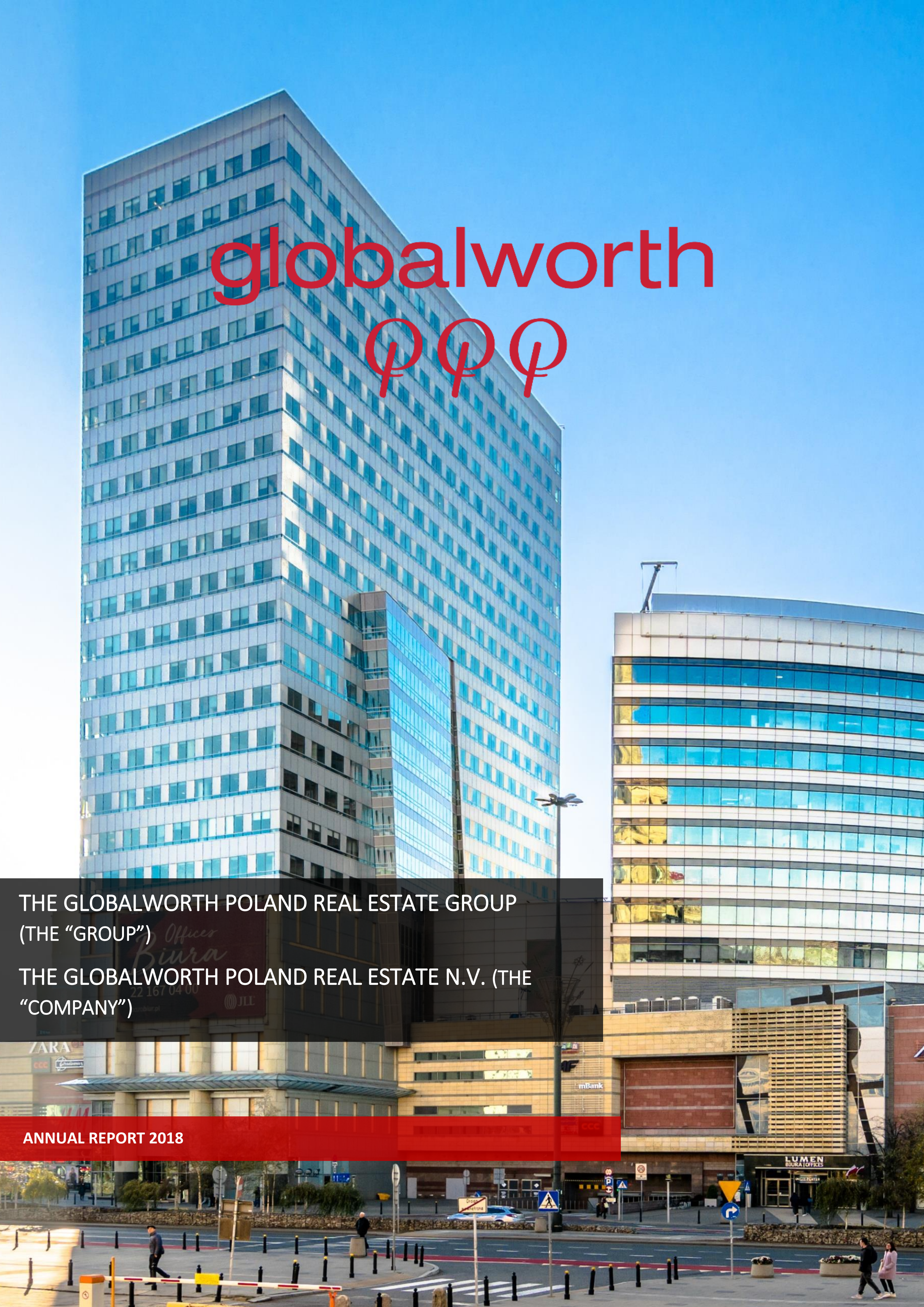

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THE GLOBALWORTH POLAND REAL ESTATE GROUP (THE "GROUP")

THE GLOBALWORTH POLAND REAL ESTATE N.V. (THE "COMPANY")

ANNUAL REPORT 2018

Contents of the Annual Report

Overview

2018 Highlights

Portfolio open market value **€1,217 million**	Net Loan-to-Value ratio **6%***
EPRA NAV **€737.075 million**	EPRA NAV per share **€1.66**
EPRA NNNAV **€705.329 million**	EPRA NNNAV per share **€1.59**
EPRA Earnings **€55.511 million**	EPRA Earnings per share **€0.18**
NAV **€705.329 million**	NAV per share **€1.59**
Gain on the valuation of property **€18.984 million**	Net operating income **€78.257 million**
	Earnings before tax **€69.186 million**

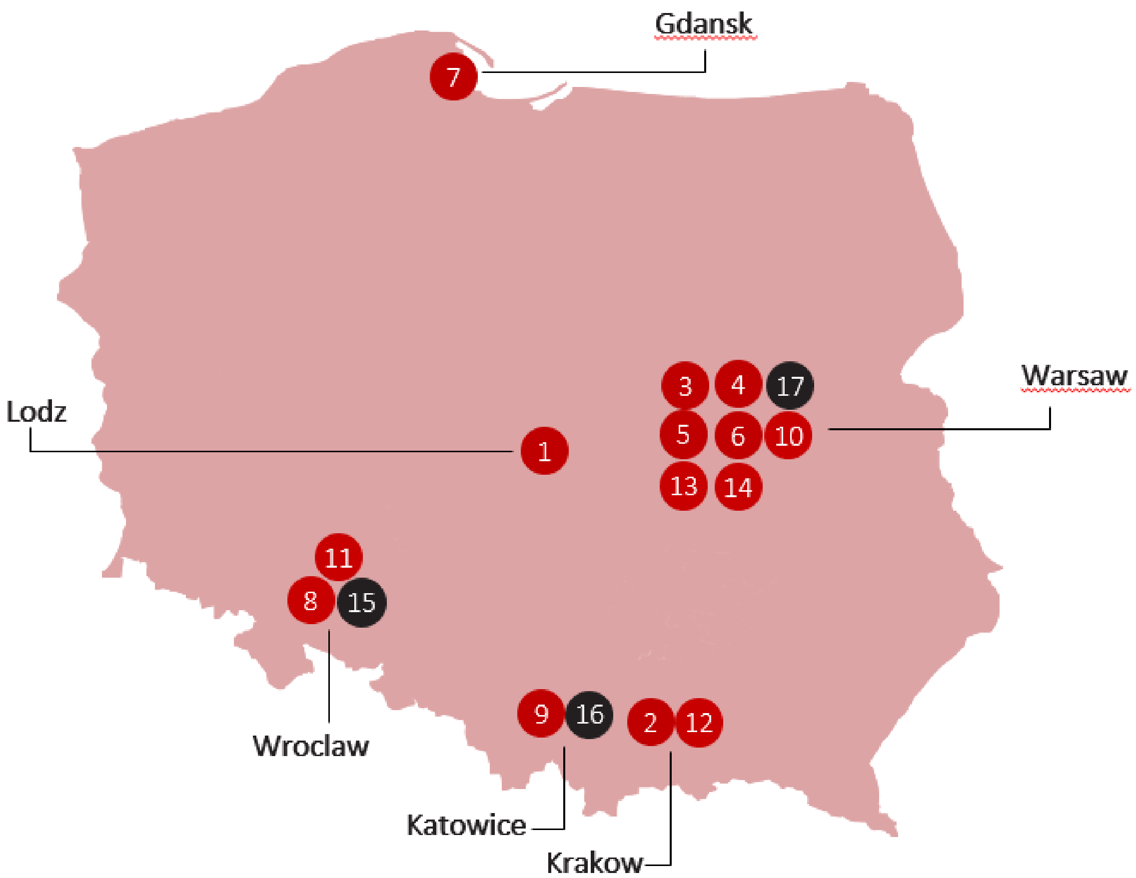
* Loan from Globalworth Finance Guernsey Limited of €392 million treated as equity in ratio calculations

- The Company raised €450 million of equity through the issue of 286,624,204 ordinary shares with a nominal value of €1.00 per share.
- Significant 35% decrease in Loan to Value Ratio from 41% in 2017 to 6% in 2018.
- 68% of financing is at fixed interest rate.
- Acquisition of five high-quality office projects for a total of €520.8 million: Skylight and Lumen, Spektrum Tower and Warta Tower in Warsaw CBD, Quattro Business Park in Krakow and West Link in Wroclaw, with total GLA of 185,800 sqm.
- Significant reduction in vacancies excluding rental guarantees, from 7.6% to 5.0% over the last 12 months.

Globalworth Poland Real Estate N.V. at a glance

Globalworth Poland Real Estate N.V. ("GPRE") is a Netherlands-incorporated company operating in a REIT-like structure, becoming in 2018 a leader in Poland's growing office property market.

Our assets are located in Poland's largest cities



1	Green Horizon	4	Nordic Park	7	Tryton	10	Warta Tower	13	Spektrum Tower	15	Renoma
2	CB Lubicz I/II	5	Bliski Centrum	8	West Gate	11	West Link	14	Skylight&Lumen	16	Supersam
3	Batory Building I	6	Philips House	9	A4 BP	12	Quattro BP			17	Hala Koszyki

Investment proposition

Going from strength to strength

DIVERSIFIED PORTFOLIO	OUTSTANDING FUNDAMENTALS AS LEADING CEE ECONOMY
• Prime locations in top Polish cities. • Office: GRI of Top 5 tenants accounts for 21% of total portfolio GRI. • Retail: GRI of Top 5 tenants accounts for 3% of total portfolio GRI.	• Continued GDP growth since 1992. • Significant EU funding available until 2020 supporting investments and further infrastructure developments. • Highly skilled workforce sustaining growth and attracting multinational corporates to Poland. • Strictly regulated and healthy banking system. • Relatively low public debt in relation to GDP.
HIGHLY VISIBLE EARNINGS AND CASH FLOWS	**SUSTAINABLE DIVIDEND PAYOUT**
• Occupancy rate of around 95.4%. • Long-term contracts with prominent tenants (WAULT at 3.9 years). • FX hedge through EUR – dominated rents. • Inflation hedge through nearly 100% index-linked rents.	• 90% of funds from operations to be paid in the form of dividends.

OUTSTANDING BLUE-CHIP TENANT BASE		ATTRACTIVE ACCESS TO PROPRIETARY GROWTH OPPORTUNITIES
Nokia TUiR WARTA S.A. Infosys Capgemini Polska Rockwell Google Poland	HP Mindspace International Paper Intel	• Successful Forward Purchase / Forward Funding for West Link preleased at 98% of total GLA, with the remaining 2% secured with 5-year master lease by Echo Investment S.A. • Right of First Offer ("ROFO") from Echo Investment for Beethovena and Browary Warszawskie development projects.
CONSERVATIVE LONG TERM EXTERNAL DEBT STRUCTURE		**HIGHLY EXPERIENCED MANAGEMENT TEAM**
• Significant deleverage of the Company with net LTV reduced to 6% (38% including loans from the subsidiary of the main shareholder) by repayment of bank debt of €233.8m; • New financing totalling €100m for four projects (no amortisation, 7-year maturity); • 68% of outstanding bank debt at fixed interest rates.		• GPRE's key managers are professionals with significant property industry experience, including the acquisition, management, modernisation and financing of property. They have a deep understanding of the projects in the Company's real estate portfolio, having been responsible for the successful revitalisation and construction of key buildings.

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Key figures

Financial information

No. of operating investments	17
GLA (sqm)	428,707
Occupancy[1]	95.4%
WAULT[2]	3.9 years
Average property's age	8.87 years

[1] Including rental guarantees.

[2] Excluding Break Options; 3.8y including Break Options.

Selected consolidated financial data

Consolidated statement of profit or loss	in € '000	
	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Net Operating Income (NOI)	78,257	31,730
Profit before net financing costs	96,005	26,671
Profit before tax	69,186	42,591
Profit for the year	64,680	31,320
Number of shares*	313,972,809	156,133,179
Profit per one share (in EUR)	0.21	0.20
Consolidated statement of cash flows	**in € '000**	
	01.01.2018-31.12.2018	**01.01.2017-31.12.2017**
Cash flows from operating activities	62,414	23,700
Cash flows from investing activities	(493,062)	(193,217)
Cash flows from financing activities	474,823	174,391
Net cash flows	44,175	4,874
Consolidated statement of financial position	**in € '000**	
	As at 31.12.2018	**As at 31.12.2017**
Total assets	1,319,051	757,216
Total equity	705,329	244,771
Non-current liabilities	555,881	304,081
Current liabilities	57,841	208,364
Number of shares	442,757,383	156,133,179
NAV per one share (in EUR)	1.59	1.57

**For the period ended 31 December 2017, due to the extraordinary increase in the number of shares mid-2017, profit per share was based on the number of shares as at 31 December 2017 instead of the weighted average for the year*

Main indicators

Financial ratios	in € '000 As at 31.12.2018	As at 31.12.2017
Balance sheet equity ratio in %	53%	32%
Net Loan-to-Value ratio (net LTV) in % excl. ICL*	6%	41%
Gross Loan-to-Value ratio (gross LTV) in % excl. ICL*	11%	45%
Net Loan-to-Value ratio (net LTV) in % incl. ICL*	38%	66%
Gross Loan-to-Value ratio (gross LTV) in % incl. ICL*	44%	69%
Funds from Operations (FFO)	52,765	16,167
Funds from Operations (FFO) per share	0.17	0.10
Normalised Funds from Operation (FFO)	55,960	20,051
Normalised Funds from Operations (FFO) per share	0.18	0.13
Adjusted Funds from Operations (FFO)	44,942	4,111
Adjusted Funds from Operations (FFO) per share	0.14	0.03
EPRA Net asset value (EPRA NAV)	737,075	264,130
EPRA Net asset value (EPRA NAV) per share	1.66	1.69
EPRA Triple Net asset value (EPRA NNNAV)	705,329	244,771
EPRA Triple Net asset value (EPRA NNNAV) per share	1.59	1.57

* ICL means related party loan

Net Loan-to-Value ratio calculated as: (Total bank loans – cash and short-term deposits as well as part of the restricted cash constituting debt service reserve account maintained at the request of the lending banks) / Investment property. (This is a non-IFRS measure).

Gross Loan-to-Value ratio calculated as: (Total bank loans / Investment property) (This is non-IFRS measure).

Net Loan-to-Value ratio (net LTV) in % incl. ICL - (Total bank loans + related party loans – cash and short-term deposits as well as part of the restricted cash constituting debt service reserve account maintained at the request of the lending banks) / Investment property (This is a non-IFRS measure).

Gross Loan-to-Value ratio (gross LTV) in % incl. ICL - (Total bank loans + related party loans / Investment property) (This is a non-IFRS measure).

Funds from Operations (FFO) calculated as: Net Rental Income – Administrative expenses – Other expenses + Other income + Finance Income (excluding non-cash elements) – Interest Expenses (excluding non-cash elements). (This is a non-IFRS measure).

Normalised Funds from Operations calculated as: FFO – one-off non-recurring items (e.g. acquisition costs, tender offer cost) (This is a non-IFRS measure).

Adjusted Funds from Operations (AFFO) calculated as: FFO – Capitalised expenses on Investment Property or Investment Property Under Construction (This is a non-IFRS measure).

EPRA Net Asset Value (EPRA NAV) calculated as: Total equity – Deferred tax assets on Investment Property + Deferred tax liabilities on Investment Property – Fair Value of financial instruments + Deferred tax on financial instruments (This is a non-IFRS measure).

EPRA Triple Net Asset Value (EPRA NNNAV) calculated as: EPRA NAV + Deferred tax assets on Investment Property - Deferred tax liabilities on Investment Property + Fair Value of financial instruments - Deferred tax on financial instruments – Fair value of debt (This is a non-IFRS measure).

For the period ended 31 December 2017, due to the extraordinary increase in the number of shares mid-2017, profit per share was based on the number of shares as at 31 December 2017 instead of the weighted average for the year

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Board of Directors

Dimitris Raptis	CEO, Executive Director (approved as CEO and Executive Director by General Meeting on 5 February 2019, previously Non-Executive Director)
Małgorzata Turek	Former CEO, Executive Director (11 September 2017 to 12 December 2018)
Rafał Pomorski	CFO, Executive Director
Ioannis Papalekas	Non-Executive Director (since 6 December 2017)
Norbert Sasse	Non-Executive Director (since 26 April 2018)
George Muchanya	Non-Executive Director (since 26 April 2018)
Maciej Dyjas	Non-Executive Director (13 March 2017 to 27 February 2018)
Nebil Senman	Non-Executive Director (13 March 2017 to 27 February 2018)
Claudia Pendred	Independent Non-Executive Director (since 11 September 2017)
Marcus M.L.J. van Campen	Independent Non-Executive Director (since 13 March 2017)
Thomas Martinus de Witte	Independent Non-Executive Director (since 13 March 2017)
Andreas Segal	Independent Non-Executive Director (13 March 2017 to 15 September 2018)

Strategic review

Our market

Key drivers

Robust macro drivers

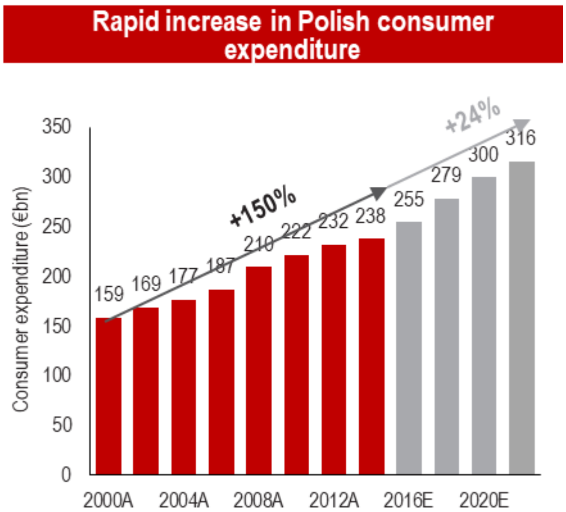
Over the recent years, the Polish economy has had relatively stable performance. This was particularly apparent in 2009, when Poland was the only European country to avoid recession.

Although since 2017 a slowdown in economic growth has been observed throughout the European Union, Poland's Gross Domestic Product grew by 5.1% in 2018 compared to 4.8% in 2017.

This acceleration of GDP growth was mainly driven by private consumption. Forecasts for the coming years predict stable growth in the economy mainly driven by a positive trade balance, a higher investment rate and private consumption.

The acceleration of economic growth in the second half of 2018 also translated into the Polish labour market, which significantly improved over the year. At the end of 2018, the registered unemployment rate was 5.8% - the lowest rate in the last 27 years.

In the past year, the Polish złoty proved to be one of the best performing currencies among emerging markets relative to the dollar and the euro. The PLN/ EUR rate has been stable in recent years and is expected to fluctuate in a relatively narrow band in the near future.



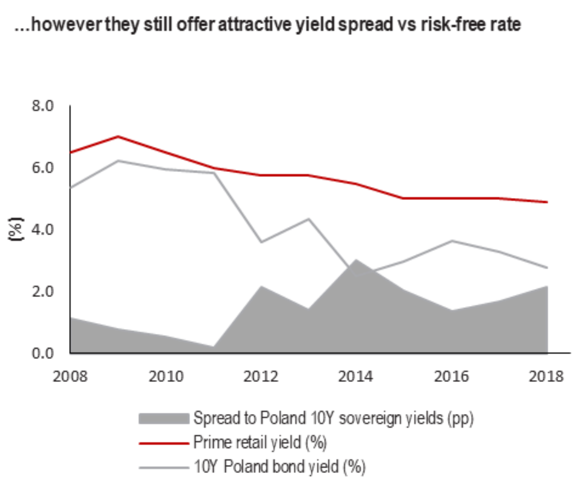
Attractive real estate market

Poland is the largest commercial real estate market in the Central and Eastern Europe region, attracting international investors with a relatively wide yield spread in spite of stability. Prime yields in all sectors have been compressed to record levels: 4.75% for prime office properties and 4.90% for prime retail assets, but this remains still attractive in comparison to Western-European countries.

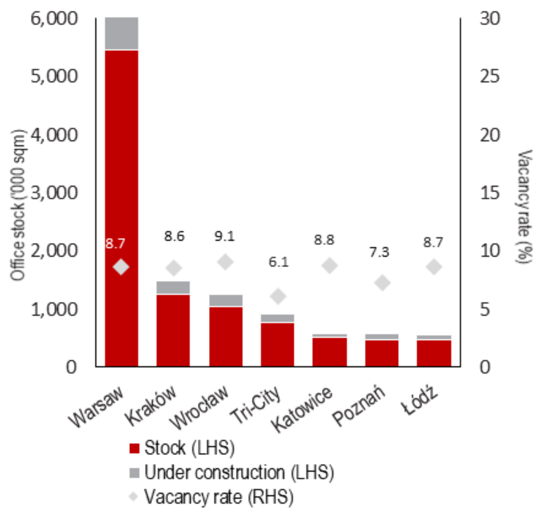
The attraction of the Polish real estate market is reflected in the volume of transactions, which have been growing consistently since the drop in 2008-09 caused by global economic turmoil. In 2018, total investment volumes exceeded €7.2 billion. The high demand for retail assets set a new record level of €2.5 billion, while the volume in the office sector increased significantly to €2.7 billion. There is an increasing share of large single assets and portfolio transactions in both the office and retail sectors.

The total supply of modern office space in Poland amounts to 10.0 million sqm, made up of 5.4 million sqm in Warsaw and 4.6 million sqm in regional cities. Despite the continuously growing stock, vacancy rates have been decreasing to relatively low levels: currently below 9% in Warsaw (5.4% for central properties) and even lower in most of the major regional cities.

Stable prime retail yield and attractive spread…

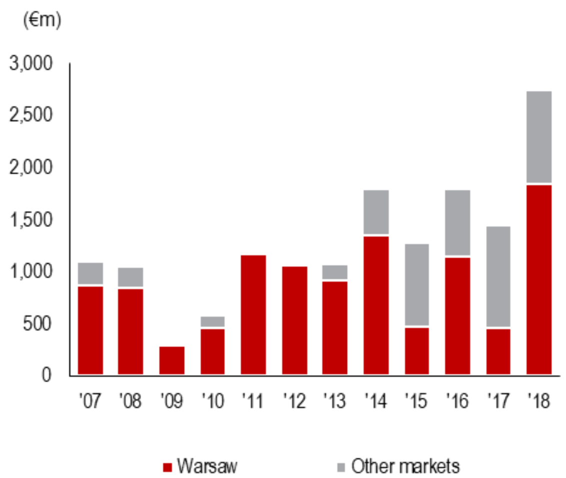


Stock and vacancy rate Q4 2018



Retail real estate investments in Poland

Office real estate investments in Poland

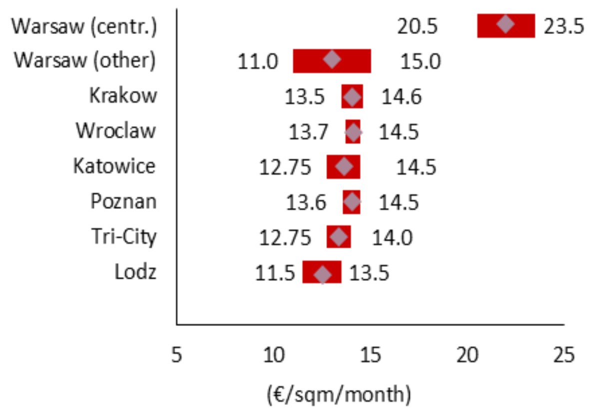


Source: JLL Research, Association of Business Service Leasers 2018

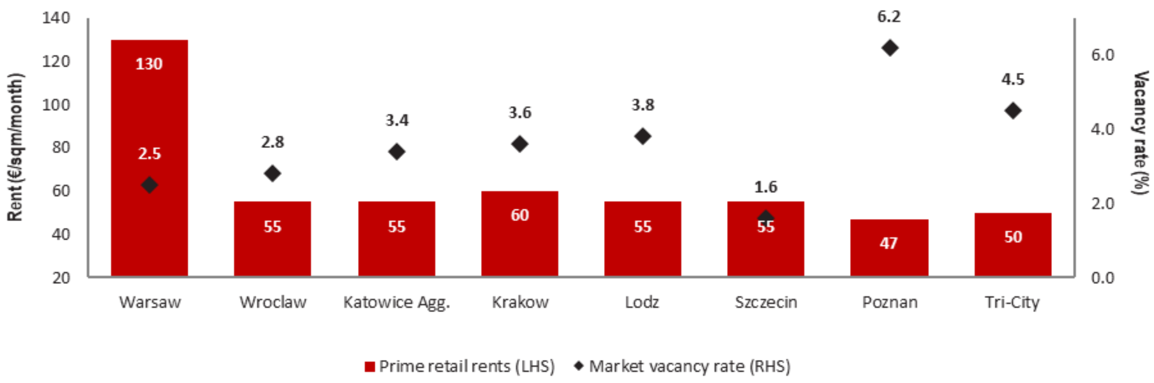
The average headline rent in prime office assets located in Warsaw's CBD remain at over €20.5 sqm/month. In other zones, rental levels vary depending on proximity to the city centre, building age and standard, and micro-location, and are typically up to €15.0 sqm/month. In most major regional cities, headline rents vary from about €13.0 to 14.5 sqm/month.

The headline rent in prime retail assets located in Warsaw can be as high as €130.0 sqm/month, but this concerns relatively small units with a good position in centrally located retail properties, incl. high-street retail units. The average prime headline rent in regional cities lies between 50.0-60.0 EUR/sqm. The average vacancy is below 3% in Warsaw and 3-4% in regional cities with some exceptions, such as Poznan which has higher vacancy rates.

Prime office rent levels Q4 2018



GPRE assets in strong sub-markets with stable rents and low vacancy rates



Our business model and strategy

A clear and proven model

Our aim is to develop our property and deliver attractive returns to shareholders both from the existing portfolio and through further acquisitions of properties meeting stringent criteria.

INPUTS	PROVEN INVESTMENT STRATEGY		OUTPUTS
Leading management platform • Proven track record • Market knowledge • Size and scale in core market	Property type →	• Pure office buildings • High-street mixed-use buildings (with office and retail components)	Shareholders: We intend to regular pay out at least 90% of funds from operations to our shareholders.
	Property quality →	• Mainly low or no need for extensive renovation • Sustainable properties with high quality standards	
Quality portfolio • Strong macro environment • Diverse and international tenant base • Long-term contracted cash flow streams	Locations →	• Central and leading/dominant non-central locations in major Polish cities	Tenants: Attractive and productive working environments.
	Yield →	• Attractive pricing enabling dividend payment to investors	Employees: Challenging and rewarding careers.
Capital discipline • Financial strength • Robust euro-dominated rental income • Strong corporate governance	Vacancy →	• Focus on lower vacancy projects up to 10% unless special angle • High solvency tenants • Balanced and covenant strong properties	GAV €1,216.8 million
Expertise & Relationships • Deep local market knowledge of our 94 colleagues, including Board of Directors (the "Board") members • Relations with leading real estate industry specialists and some of the principal financial institutions in Poland	Tenant structure →	• Good tenant mix in multi-tenant buildings • Single-tenant buildings with rather exceptionally long assets leases	GLA 428,707 sqm
	Volume and process →	• Minimum asset value of EUR10m • Focus on office properties • Clear and fast decision process	Occupancy 95.4%

Strategy in action

Globalworth Poland Real Estate N.V. invests in premium pure office and mixed-use properties at established locations in major Polish cities.Our strategy is to systematically continue to grow and optimise our portfolio. When expanding our portfolio, we strictly adhere to economic, ecological and socio-cultural criteria.

The Company believes that strong economic fundamentals will drive development of various businesses and the trend of attracting foreign business (BPO and SCC in particular) will be maintained. As a result, demand from businesses and retailers for high quality office and high-street mixed-use space will remain high, ensuring that the Company will generate stable and predictable results. With this strategy, GPRE is responding to trends and developments in the commercial property market and thus creating value.

GPRE's core strategy is based on three pillars:

1 PORTFOLIO	2 ORGANISATION	3 FINANCING
GPRE's portfolio is made up of premium office and high-street mixed-use properties. The focus is on expanding the portfolio on an ongoing basis thanks to the deep knowledge of the markets in which we operate. GPRE will work towards this goal pragmatically, without setting targets per city. The quality and the potential of the primary cities' central locations are the key factors. It is important to carefully manage the risk the size of opportunities. Our investment policy is continuously adjusted to the market situation in order to unlock the best earnings opportunities and secure future returns.	Expansion and active management of premium properties situated in central locations of major cities requires a hands-on, proactive and pragmatic organisation. Good contacts and a strong local network are indispensable. Active asset and property management ensures optimum letting of the portfolio. Employees are encouraged to creatively look for opportunities and solutions off the beaten track. For its tenants, GPRE is an organisation that speaks their language, is flexible and acts effectively. GPRE offers its employees the opportunity to be part of a compact and ambitious team.	A conservative financing strategy is necessary to realise more predictable and stable results. The Company wants to maintain a sound financing structure and finance investments with an appropriate use of borrowed funds. Therefore, GPRE aims to keep the loan-to-value ratio in the range of 35-40% and keeps its sources of financing diverse. The Company intends to keep a major part of the loan portfolio hedged against interest rate risk. As of 31 December 2018, a major part is fixed rate, and the intention of the management is to fix the interest rate for remaining loans in 2019. The future financing strategy of the Group will focus on opportunities in capital market instruments as well as available bank loan offers.

Executive management statement

2018 was the second year of operations of GPRE and the first full one. With this publication of the 2018 Annual Report, we look back on a year during which excellent progress has been made and are delighted to be able to report on a solid financial and operational twelve months for the Company. We have substantially increased our portfolio, which has resulted in us becoming the leader in the office market in Poland within less than 12 months since GREIL acquired a controlling stake in our Company.

HIGHLIGHTS OF THE YEAR

The 2018 financial year focused on the expansion of our growth strategy as we managed to almost double the value of our portfolio. To a great extent this was possible due to successful issue of new shares which were subscribed to by our controlling shareholder – Globalworth Real Estate Investments (through its subsidiary) as well as Growthpoint Properties International (Pty) Ltd ("Growthpoint"), which became the second largest shareholder in the Company. Being the biggest South African REIT, besides capital Growthpoint also contributed knowledge and relevant experience. We also managed to optimise the capital structure of the Company through a significant reduction in third-party debt, which in turn improved the sustainable free cash flow of the Group. Apart from growth of the portfolio, we also focused on expanding the organisation and management as well as further strengthening the corporate governance to ensure that we have the suitable processes and people in place to pursue our strategic goals.

MARKET CONDITIONS

The CEE, and Poland in particular, saw further GDP growth during the year under review, leading to upward revisions of 2018 forecasts. With 5.1% GDP growth, Poland achieved the best result since 2007. The balanced economic growth was accompanied by increase of salaries (by 7.7%) and a reduction in the unemployment rate to the lowest level (5.7%) in over 20 years, which is third best result within European Union countries. Together with an improving infrastructure and a highly skilled workforce, these factors make Poland a very attractive investment destination.

In addition, in September 2018 Poland was promoted from emerging markets to developed markets by the global index agency FTSE Russell, being the first country in the CEE to achieve this important milestone. Due to this upgrade, the first such promotion in the past 10 years, Poland joined the group of 25 most developed economies in the world, which constitutes an important development milestone and creates further opportunities.

The Polish real estate market continues to demonstrate impressive growth, driven by an economy which has maintained a high rate of expansion. According to the largest commercial real estate agencies, total investment volume (€7.2 billion for commercial assets) hit a record high and was some 45% above the previous year. 38% of this amount (€2.7 billion) was invested into the office sector, where as usual Warsaw was the most popular market, with 67% of all office transactions. As demand exceeded supply, the vacancy rate in the CBD decreased to a record low level of 5.4%. It is expected that the trend will continue in 2019 when c. 140,000 sqm of new space (compared to 120,000 sqm in 2018) will be delivered, which should be again below demand which stood at c. 400,000 sqm in 2018.

PORTFOLIO

In 2018 we continued to implement our strategy to expand the portfolio with valuable assets acquired on attractive terms. GPRE invested over half a billion EUR into new properties including landmark assets in Warsaw such as Skylight and Lumen, Spektrum Tower and Warta Tower, as well as a modern office building in Krakow (Quattro Business Park). Besides these acquisitions, we completed the forward purchase of West Link in Wroclaw.

Alongside our acquisition programme, our day-to-day asset related activities play a key role in achieving our strategy goals. Our local management teams remain critical to our asset management success, allowing us to make our properties more tenant-friendly and to build long term relationships with our tenants.

As a result of the above, the total gross asset value of the portfolio increased by €537 million, or 79%, to €1.217 billion – almost twice as high as it was at the end of 2017. Today our total gross leasable area amounts to 428,707 sqm, of which 374,686 sqm is highly quality office space and 54,021 sqm is retail premises in mixed use assets. Although overall occupancy dropped by 3pp to 95.4%, this was mainly a result of cash settling the Rental Guarantees and NOI Guarantee provided by Oaktree Capital Management at the time of the Company's IPO. Underlying physical occupancy excluding guarantees increased by 2.6pp, to 95.0%.

The Company plans to continue expanding its property portfolio on an ongoing basis by acquiring further office properties that fit our strategy and allow us to provide sustainable cash flows in the long term.

FINANCIAL PERFORMANCE

The development of our portfolio had a positive impact on the results of our operations, net assets and our financial position and we can report substantial progress compared to the previous year. Total revenue generated from our portfolio increased by €57 million or 124%, to €103 million. This was reflected in our FFO reaching €53 million compared to €16 million in 2017, an increase of 232%. EPRA NAV rose by 179% to €737 million (€264 million in 2017), which on a per share basis is €1.66 (€1.69 in 2017).

CAPITAL STRUCTURE

In 2018, GPRE successfully placed 287 million new shares which represented €450 million of new equity. This proved that our main shareholder believes in the strategy we adopted and continues to support the Company.

As always, besides our operational activity, strengthening our conservatively leveraged balance sheet remains a priority. This is the reason that we significantly reduced debt with third parties and, at the same time, were able to maintain the blended cost of bank debt at a similar level, while average amortisation was reduced from 2.27% p.a. to 0.1% p.a. and 68% of the bank debt exposure was hedged against interest rate risk. Net LTV was further reduced to 38% (66% in 2017) and 6% excluding debt toward shareholders (41% in 2017).

DIVIDEND

In June 2018 the Company paid its first annual dividend for 2017 of PLN 0.11 per share, equivalent of €0.026. In January 2019, a first interim dividend was paid at €0.08 per share, representing the annual dividend in respect to 2018.

ENVIRONMENTAL, CORPORATE AND SOCIAL RESPONSIBILITY

The success of the Company is not only measured by its revenue and income. Profitable growth is only possible in the long run by accepting responsibility for the environment and society. At GPRE, we are committed to running a sustainable business and good corporate citizenship. This involves ensuring that we run energy efficient, green buildings and are always aware of our impact on the environment as well as the communities in which we operate. We are also committed to good corporate governance and ensure that robust governance processes and policies are in place.

As of today, properties green certified with LEED/BREAM accreditation constitute 70% of the portfolio's GAV. We are also taking this matter into account when sourcing new properties. The issue of sustainability is also taken into account in the daily management of our property portfolio by reducing the environmental impact of our real estate activities. We are up to date with compliance with all environmental requirements and invest in the modernisation and maintenance of our buildings.

As a company we are aware how important is to give back to society. Thanks to our employees we were able to fulfil our civic responsibility by supporting collaborative initiatives and participating in a number of charity social events.

TEAM

Together with the growth of our real estate portfolio we have also substantially enlarged our team, which as of the end of the year consisted of 94 professionals. What we achieved over the past 12 months was only possible as a result of their skills, commitment and motivation, for which we are extremely thankful.

To be able to accommodate the pace of growth of the Company and to increase the quality of certain services, we decided to internalise accounting functions as well the property management function in many of our properties. In addition to reorganising operational aspects, we have also implemented ERP system SAP Business One on HANA platform in order to improve our resource management and reporting capabilities.

2019 OUTLOOK

Our strategy for 2019 and for the upcoming years is to further strengthen our portfolio and our leading position in Poland. Our focus will continue to be the office segment and establishing stable and long-term relationships with the tenants in our buildings. The business environment and the communities we are active in lie at the core of our strategy. We aim to be the landlord of choice for well-established multinationals looking to expand in the CEE region.

We are confident that our profitable growth will continue in 2019. Financially and operationally we are extremely well equipped to acquire attractive office properties and further expand our portfolio this year. The economic outlook in our market is also promising.

The most important message we want to send to the Polish market is that we are a determined and committed investor and landlord with a long-term vision. We will keep looking for ways to add value. In addition, we will continue to actively manage the existing portfolio and optimise it where possible. We expect all this to yield positive results for all our shareholders.

Investment review

In 2018, GPRE completed the acquisition of five assets with a combined GAV €540.2 million as at 31 December 2018 (acquisition price €520.8 million), thereby exceeding €1.2 billion in total portfolio value and officially becoming the largest office landlord in Poland, owning more than 428,000 sqm GLA in total out of which office GLA accounts for c. 375,000 sqm.

The acquired assets include West Link in Wroclaw, Quattro Business Park in Krakow as well as Warta Tower, Spektrum Tower and the Skylight and Lumen office buildings in Warsaw.

Warta Tower, Warsaw

Warta Tower is a 22-storey office building completed in 2000 in the city centre of Warsaw, in an area currently experiencing increased development activity. Warta Tower is the headquarters of leading Polish insurance company TUiR Warta occupying 60% of the building. Total occupancy stands at 92.4%, the property GLA amounts to ca.33,700 sqm across 21 floors and offers 542 parking spaces on three underground levels. It was acquired for a total consideration of €55.0 million.

West Link, Wroclaw

In 2017, GPRE agreed the forward funding transaction for the West Link office building in Wroclaw. €18 million was transferred to the vendor in the form of the bonds subscribed for in June 2017. The transaction was financed with the issue of primary shares within the IPO process.

West Link is an office project completed in Wroclaw in Q2 2018. The total GLA of West Link amounts to 14,400 sqm. The six-storey building is located west of the city centre, next to strategic communication arteries for Wroclaw. 100% leased with Nokia as anchor tenant occupying 96% of GLA. Acquired for a total consideration of €35.8 million.

Quattro Business Park, Krakow

Quattro Business Park is a modern A-class office development comprising five buildings completed in 2010-2015. The asset is located on Bora Komorowskiego street in Krakow, surrounded by other office complex, two shopping centres, a hotel, an aqua park and a cinema multiplex. The asset offers 1,327 parking spaces and 60,200 sqm GLA. The property is 98.3% occupied with key tenants including Capgemini and Google. It was acquired for a total consideration of €139.0 million.

Spektrum Tower, Warsaw

Spektrum Tower is a high-rise office building located the heart of the Warsaw Central Business District close to ONZ Roundabout. The building offers 32,100 sqm of GLA, located on 33 levels above ground and 318 parking spaces on five underground levels. The property was completed in 2003 and underwent an extensive refurbishment in 2015 when it was converted into a multi-tenant building. The property benefits from a high occupancy of 96.8% and is leased to over 60 national and international corporates. It was acquired for a total consideration of €101.0 million.

Skylight and Lumen, Warsaw

Skylight and Lumen constitute GPRE’s latest and largest individual acquisition by GAV to-date. The property comprises two A class office buildings in central Warsaw next to the main train station, the iconic Palace of Culture and Science and in very close proximity to the prominent shopping mall Zlote Tarasy. The property offers 45.400 sqm GLA, 453 parking units and is currently 88.8%. It was acquired for a total consideration of €190.0 million.

Evolution of Portfolio

No	Asset	Acquisition Date	GAV (€million)	Cumul. GAV (€million)	Type
1	Renoma	2012	127.4	127.4	Standing at IPO
2	Batory Building I	2013	12.0	139.4	Standing at IPO
3	Philips House	2013	13.7	153.0	Standing at IPO
4	Bliski Centrum	2014	12.5	165.6	Standing at IPO
5	CB Lubicz I/II	2014	70.5	236.1	Standing at IPO
6	Nordic Park	2014	23.8	259.9	Standing at IPO
7	Green Horizon	2015	72.0	331.8	Standing at IPO
8	Supersam	2015	57.8	389.7	Standing at IPO
9	Hala Koszyki	2016	120.3	509.9	Standing at IPO
10	A4 Business Park	2017	68.6	578.5	EPP Portfolio
11	Tryton Business House	2017	56.3	634.8	EPP Portfolio
12	West Gate	2017	41.8	676.6	EPP Portfolio
13	West Link	2017 / 2018	37.0	713.6	ROFO/FP
14	Warta Tower	2018	63.1	776.7	Individual acquisition
15	Quattro Business Park	2018	141.7	918.4	Individual acquisition
16	Spektrum Tower	2018	107.2	1,025.6	Individual acquisition
17	Skylight and Lumen	2018	191.2	1,216.8	Individual acquisition

GAV as of 31 December 2018.
Acquisition date of developed projects (Hala Koszyki, Supersam) adjusted to operation start date;

Renovation and Repair Programme of Standing Properties

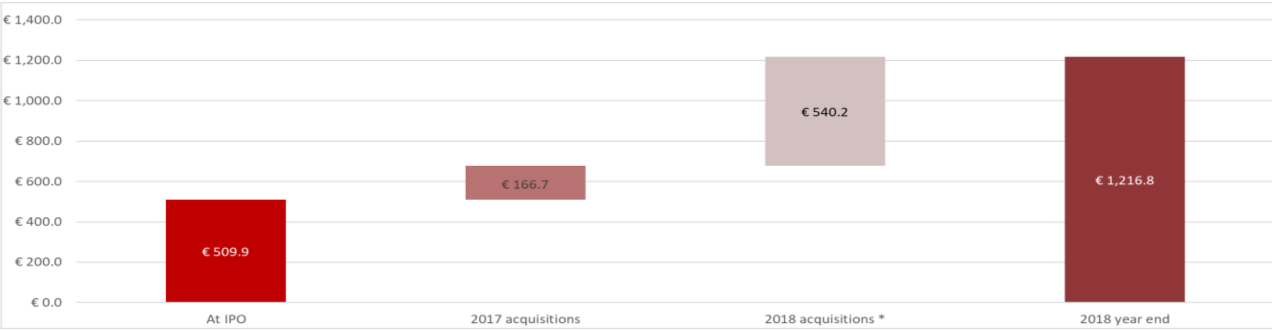
GPRE takes a long-term approach to its portfolio, looking to maximise returns over the full life cycle of its individual buildings. Continuous management and investment in our portfolio enable us to preserve value and offer best-in-class real estate space to our business partners.

Every asset has an asset management strategy. Depending on the stage in the life cycle of each of our buildings, improvements in technology and their prevailing condition, we may conduct works which extend from small scale upgrades to large scale refurbishments. Larger scale refurbishments allow us to more fully upgrade an asset, secure new leases and re-set the life clock of the property.

As part of our ongoing strategy to offer best-in-class real estate space to our business partners, the Company is continuing the improvement works on selected properties. As part of this renovation and repair program we invested a total of €7.8 million in 2018 (building CAPEX and fit-out works).

Acquisitions in 2018 (Gross Asset Value):

- €37.0 million – Forward Purchase secured in 2017 and completed in 2018 – West Link;
- €63.1 million – Warta Tower
- €141.7 million – Quattro Business Park
- €107.2 million – Spektrum Tower
- €191.2 million – Skylight and Lumen



** West Link forward funding was secured in 2017 and shown in last year's Annual Report as a 2017 acquisition. Due to completion taking place in 2018, the acquisition value by GAV attributable to West Link has been moved from 2017 to 2018 figures in the graph above.*

Leasing review

In 2018 the Company successfully negotiated the take-up or extension of c. 45,700 sqm of commercial GLA, 40,900 sqm on like-for-like ("LFL") basis (like-for-like: excluding assets acquired in 2018), which constitutes 17% of its property portfolio.

From among the new lease agreements 20,000 sqm relates to new leases and 25,700 sqm to renewals of existing leases. 38,000 sqm of leased space was signed with office tenants (20% LFL of the office-component GLA) while 7,700 sqm concerned retail tenants (14% of the retail-component GLA).

GLA – Sqm	
New Leases	11,962.4
Expansion	8,071.4
Renewal / Extension	25,652.6
Total Take Up or Extension	**45,686.4**

Contracted Rent - € million	
New Leases	2.1
Expansion	1.6
Renewal / Extension	4.5
Total Take Up or Extension	**8.2**

2018 - WALL	
New Leases	4.0
Expansion	5.8
Renewal / Extension	4.7
Total	4.8

The average occupancy ratio excluding master leases increased from 92.4% (98.5% including master leases) as of December 2017 to 95.0% as of December 2018 (95.4% including master leases). The decrease in the occupancy ratio including master leases was caused by the termination and cash settlement of the Rental Guarantee Agreements and the acquisition of buildings with slightly lower occupancies than average (Skylight and Lumen, Spektrum Tower and Warta Tower).

Contracted Rent Profile as at 31 December 2018	
Contracted Rent (€ million)	**81.8**
Tenant Origin - %	
Multinational	63.1%
National	34.1%
State Owned	2.4%
Master Lease	0.4%
Occupancy - %	**95.4%**
WALL – years	**3.9**

Due to the numerous acquisitions completed in 2018, we have managed to extend the list of blue chip, multinational tenants, strengthening the portfolio's risk profile (including Google, Capgemini, Epam in Quattro Business Park, WARTA TUiR in Warta Tower, Pernod Ricard, Mars in Skylight & Lumen and NOKIA in West Link). Adding some big names to the top 10 Tenants list means that these generate almost one third of the portfolio's

Gross Rental Income. On the other hand, we have diversified our tenants' profile by acquiring multi-tenant office schemes such as Quattro Business Park, Spektrum Tower and Skylight & Lumen.

In December 2018, GPRE settled certain master lease and net operating income ("NOI") guarantees which had been granted ahead of the GPRE initial public offering in April 2017 by its previous controlling shareholders and were due to expire in April 2022. The purpose of these guarantees was to cover previously unleased office space across GPRE's original IPO portfolio and to top up any NOI shortfall to a specified level on the retail component of GPRE's three mixed-use assets, for five years post IPO, as well as covering certain specified situations to top up rent subject to a rent-free period and other related costs. They were settled in exchange for GPRE receiving a cash settlement of €21.5 million (representing the net present value of the expected guaranteed income) to compensate the amounts due now or in the future under these agreements.

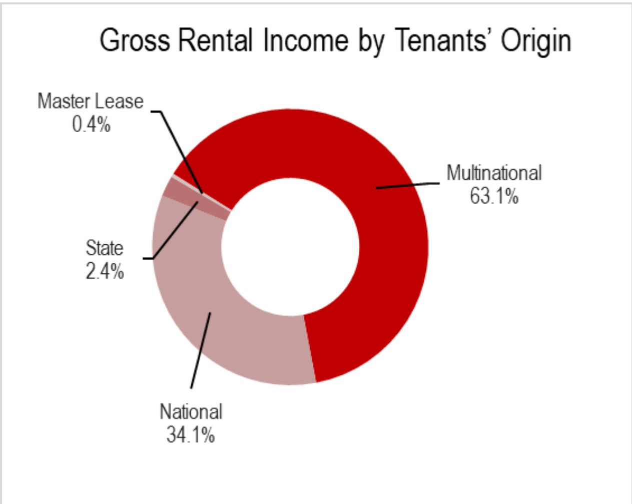
The master leases settled accounted for 1.1% of the portfolio's GLA at the time of their settlement, with the Company being confident that it will be able to lease the corresponding space in the short to medium term.

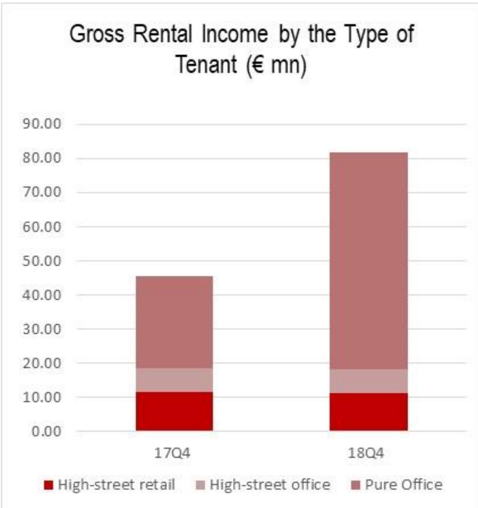
Top 10 Tenants by GRI

Tenant	GRI (€million)	Share in Portfolio's GRI
Nokia	4.8	5.8%
TUiR WARTA S.A.	4.0	4.8%
Infosys	3.7	4.5%
Capgemini Polska	3.1	3.8%
Rockwell	1.9	2.4%
Google Poland	1.6	2.0%
HP	1.6	2.0%
Mindspace	1.6	1.9%
International Paper	1.5	1.8%
Intel	1.5	1.8%
Grand Total	25.3	30.9%

In total we have 428.7k sqm of commercial GLA leased to approximately 500 tenants, the majority of which is let to national and multinational corporates which are well-known within their respective markets. GPRE's rent roll is well diversified, with the largest tenant accounting for 5.8% of contracted rents, while the top three tenants account for 15.1% and the top 10 tenants account for 30.9%, a feature which we expect to diversify further as the portfolio continues to expand.

The acquisition of pure office buildings completed in 2018 resulted in an increase of office tenants' share in the portfolio's Gross Rental Income, rising from 74% as of December 2017 to 86% as of December 2018 (jointly pure office and High-street office tenants). The tenant base remains predominated by multinational Tenants – this group generates almost two thirds of the portfolio's Gross Rental Income.



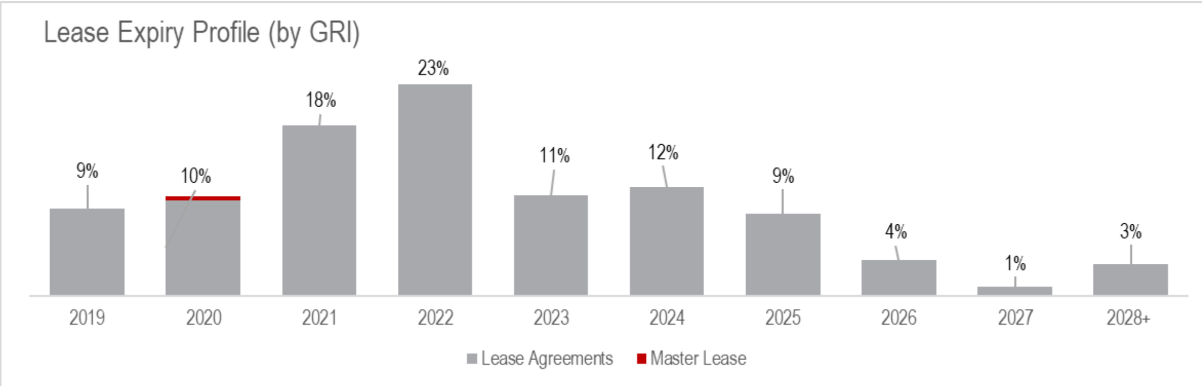


In 2018, we managed to almost fully let the office components of mixed-use assets. In Hala Koszyki a total of 4,300 sqm office space was signed, including Mindspace's expansion (2,300 sqm). In Supersam, Groupon expanded by 1,100 sqm.

The total vacancy of the portfolio acquired in December 2017 from EPP (covered with a master lease) dropped from 4,300 sqm to 1,200k sqm mainly due to Rockwell's expansion, Lux Med's new leases in A4 Business Park and new lease agreement with Cityspace in Tryton (1,000 sqm).

Furthermore, the Company has continued to improve the risk profile of its portfolio through the extension and/or expansion of leases with some of its prime tenants. The biggest leasing transaction in the portfolio in 2018 was an extension of NOKIA's lease by 14,100 sqm in West Gate, Wroclaw. In Nordic Park both Baxter and ZBP (Polish Banks Association) expanded and extended their leases by 3,600 sqm and 1,800 sqm respectively. Eurozet extended its lease in Bliski Centre (4,000 sqm).

The biggest retail leases signed in 2018 were the replacement of Jatomi Fitness by Calypso for two units in Supersam (1,800 sqm) and Renoma (1,700 sqm).



An active leasing approach towards standing assets resulted in maintaining the high WAULT of 4.2 years on LFL basis (vs 4.6 years in December 2017). Securing long term leases caused the flattening of the lease expiry profile; 80% of lease agreements expire in over two years.

Viability statement

Factors which, in the opinion of the Management Board, will influence the Group's financial performance in subsequent years include:

- future potential acquisitions including the respective financing of these acquisitions;
- regular revenue generated from the lease of space in offices and high-street mixed-use assets;
- revaluation of the fair value of investment properties owned by the Group;
- cost of sales and general and administrative expenses;
- measurement of liabilities due to bank loans at amortised cost;
- measurement of loans and cash due to changing fluctuating exchange rates;
- changes in interest rate; and
- compliance with loan covenants.

Indirect factors which can have negative influence on the Group's financial performance:

- changes in political and economic environments across the globe;
- uncertainty as to key assumptions on fiscal policy in Poland (ongoing changes to tax laws and their interpretation);
- slower than expected implementation of the REIT legislation in Poland;
- continuously increasing supply of new office buildings in the Polish real estate market;
- new retail developments in cities where the Company's high-street mixed-use assets are located;
- e-commerce impacting traditional retail in shopping centres; and
- decreasing competition in Polish banking sector due to its consolidation and "repolonisation".

Based on the assessment performed, the Board concluded that it has a reasonable expectation that the Company will be able to continue in operation and meet all its liabilities as they fall on 31 December 2019. For the details regarding best practice 1.4.3. please refer to the strategy section.

Property portfolio

Overview

Our property portfolio is diversified in terms of business and geography.

It currently comprises fourteen pure office buildings and three high-street mixed-use office and retail projects, all of which are in prime, proven locations in the centre or on the main streets of six of the largest Polish cities: Warsaw, Wroclaw, Lodz, Krakow, Katowice and Gdansk. The value of these properties was €1.217 billion at the end of 2018.

GPRE's dedicated management team oversees a high-quality diversified tenant base representing a wide array of industries and sectors, with long-term relationships translating into long-term leases.

GPRE's property portfolio features very high occupancy rates, in the region of 95.4% (95.0% excluding master leases). This directly translates into stable rental income for the company.

Green Horizon

LODZ

Green Horizon's outstanding location in the north-eastern part of Lodz's business district and the high quality of this modern office complex have attracted Polish and international businesses seeking fresh office space in an attractive area.

The complex comprises two seven-floor class A office buildings. The centre stands out for its respectful attitude towards the environment. Its two buildings have gold level LEED eco certificates. Green Horizon's most important eco-friendly solutions include energy-saving lighting and an efficient air-conditioning system that also uses cool air from outside the building. The complex is situated right next to a major traffic interchange, Rondo Solidarnosci, with convenient connections to the city centre and its showcase promenade, ul. Piotrkowska. Another attribute is the complex's close proximity to the largest campus of the University of Lodz, which creates new opportunities for getting in touch with a potential future workforce.

Location	Lodz, 106a Pomorska St.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	2012/2013
Appraised Value "As Is"	€72.0 million
GLA	33,510 sqm
Occupancy Including Rental Guarantee	98.9%
Occupancy Excluding Rental Guarantee	96.8%
Contracted Rent	€5.2 million
WAULT	4.7 years (4.3 incl. Break Options)
Selected Tenants	Infosys, Capita, PKO BP, McCormick, Skanska

CB Lubicz I/II

KRAKOW

Lubicz Business Centre consists of two modern class A buildings situated in a prestigious district of Krakow – an excellent location close to the historic Old Town, the main Krakow train station, Galeria Krakowska shopping mall and university campuses.

The complex's excellent location and top-notch office interiors make Lubicz an ideal place for companies from a variety of sectors, including banking, energy and BPO. Both of the buildings hold the prestigious BREEAM certificates at the "very good" level in the assets and building management categories. BREEAM is currently one of the most frequently used eco building evaluation methods in Europe.

The complex's strategic location near Rondo Mogilskie, one of the most important public transit interchanges in Krakow, means it is very well connected with other parts of town. Krakow-Balice International Airport is 30 minutes away.

Location	Krakow, 23 and 23a Lubicz St.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	2000 CB I/2009 CB II
Appraised Value "As Is"	€70.5 million
GLA	23,963 sqm
Occupancy Including Rental Guarantee	96.1%
Occupancy Excluding Rental Guarantee	96.1%
Contracted Rent	€4.7 million
WAULT	2.7 years
Selected Tenants	International Paper, Capita, Deutsche Bank, Santander Bank Polska

Tryton Business House

GDANSK

Tryton Business House is an office building located in one of the most characterful places in Gdansk, at the junction of Jana z Kolna and Waly Piastowskie streets, in the vicinity of the inner-city centre.

The main goal of the project was to design a metropolitan building that would ideally fit in to this part of the city while also giving it a modernistic style. A glass front elevation was used to provide this, characterised by a simple and moderate form. Tryton Business House consists of an eleven-storey tower and two lower, six-storey buildings. They are connected by walkways, which makes it possible to move about the establishment without leaving the building. Building holds the prestigious BREEAM certificates at the "Excellent" level in the assets and building management categories.

The exceptional feature of the building is its elevation. The glass sides from floor to ceiling makes the building appear lightweight and provides comfort at work by allowing large amounts of daylight in.

Location	Gdansk, 11 Jana z Kolna St.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	2016
Appraised Value "As Is"	€56.3 million
GLA	24,054 sqm
Occupancy Including Rental Guarantee	100%
Occupancy Excluding Rental Guarantee	95.4%
Contracted Rent	€3.9 million
WAULT	3.3 years
Selected Tenants	Intel, Eltel, mBank, PGS Software, Ciklum, Kainos

A4 Business Park

KATOWICE

The project is located strategically next to the A4 motorway, allowing fast and easy access to the border with Germany to the West and Ukraine to the East. In addition, within two kms is the Murckowska intersection of the A4 motorway and expressway no 86, which allows access to Tri-City to the North and the Czech Republic to the South. Moreover, the great advantage of this project is the vicinity of Trzy Stawy shopping centres and green areas. All three buildings hold the prestigious BREEAM certificates at the "very good" level.

Location	Katowice, 42 Francuska St.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	2014/2015/2016
Appraised Value "As Is"	€68.6 million
GLA	30,602 sqm
Occupancy Including Rental Guarantee	100%
Occupancy Excluding Rental Guarantee	100%
Contracted Rent	€5.1 million
WAULT	3.7 years
Selected Tenants	IBM, PKP Cargo, Rockwell

West Gate

WROCLAW

West Gate is a modern "A" class office building which offers an office area of 16,600 sqm. The project is situated at the junction of Lotnicza, Na Ostatnim Groszu, Legnicka and Milenijna streets, which guarantees a great exposure for the building. The proximity of public transport and the main traffic arteries of Wroclaw provide easy access to the city centre and very good links to the airport and the A8 motorway ring road. The building holds the prestigious BREEAM certificates at the "Excellent" level in the assets and building management categories.

Location	Wroclaw, 12 Lotnicza St.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	2015
Appraised Value "As Is"	€41.8 million
GLA	16,625 sqm
Occupancy Including Rental Guarantee	99.5%
Occupancy Excluding Rental Guarantee	99.5%
Contracted Rent	€2.9 million
WAULT	6.6 years (5.6 incl. Break Options)
Selected Tenants	Nokia, Deichamnn, Aviva, Enel Med

Nordic Park

WARSAW

Nordic Park is a modern eight-floor office building featuring timeless architectural design.

It is situated in one of Warsaw's trendiest districts, Powisle. Nordic Park is a boutique office building, meaning it is not part of a larger business complex.

The building can be seen from Most Poniatowskiego, one of the most important bridges in Warsaw, connecting the city centre with the Praga district. This interesting and convenient location means it is easy to get to the centre, where numerous government and financial institutions are located, including the Warsaw Stock Exchange. The Powisle commuter train station is located directly in front of the building.

Location	Warsaw, 8 Herberta St.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	2000
Appraised Value "As Is"	€23.8 million
GLA	9,025 sqm
Occupancy Including Rental Guarantee	87.2%
Occupancy Excluding Rental Guarantee	87.2%
Contracted Rent	€1.6 million
WAULT	3.8 years
Selected Tenants	Baxter, ZBP, Korean Cultural Centre, Vedim, Ech&W

Batory Building I

WARSAW

A modern six-floor office building on Al. Jerozolimskie, one of Warsaw's main traffic arteries.

The building's architecture pays tribute to the legendary Polish ocean liner the Stefan Batory. The location benefits from being close to the city centre, Warsaw Chopin Airport and the Warsaw bypass connecting to the A2 highway.

Al. Jerozolimskie is one of the most important office districts in Warsaw. Having undergone a revitalisation, the post-industrial area of Wlochy has been attracting office, retail and service projects for years. Batory Building I was completed in 2000 and continues to maintain high standards of office space. It is also popular among tenants, continuing to enjoy very strong occupancy levels.

The building, part of a two-building complex, features 6,600 sqm of office space for tenants.

Location	Warsaw, 212A Jerozolimskie Av.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	2000
Appraised Value "As Is"	€12.0 million
GLA	6,610 sqm
Occupancy Including Rental Guarantee	91.9%
Occupancy Excluding Rental Guarantee	91.9%
Contracted Rent	€0.9 million
WAULT	2.7 years (2.1 incl. Break Options)
Selected Tenants	Solid Group, Impuls- Leasing, ZST, Curver

Bliski Centrum

WARSAW

This six-floor building is situated in an upscale area at the heart of Warsaw's business district. It was originally finished in 2000 and comprehensively modernised in 2005, including the installation of a modern air-conditioning system.

The building is just 400 metres from ul. Marszalkowska, one of Warsaw's most important streets, and close to Al. Jerozolimskie. Important government and financial institutions are located nearby. Bliski Centrum benefits from being close to a wide array of hotels, restaurants and infrastructure (tram and bus stops, the Metro Centrum station, and trains).

Location	Warsaw, 8 Zurawia St.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	2000
Appraised Value "As Is"	€12.5 million
GLA	4,930 sqm
Occupancy Including Rental Guarantee	96.5%
Occupancy Excluding Rental Guarantee	96.5%
Contracted Rent	€1.0 million
WAULT	7.6 years
Selected Tenants	Eurozet, E-TOTO

Philips House

WARSAW

Completed in 1999, Philips House has become a permanent fixture of Warsaw's office building landscape.

Being close to one of the capital's major traffic arteries ensures a very good connection with the city centre. The headquarters of Philips have been in the building for many years.

Al. Jerozolimskie is not merely one of the most important traffic arteries in Warsaw but also a major office district. The post-industrial district of Wlochy has been revitalised and has been attracting office projects for some time. Well-developed retail and service infrastructure can be found in the vicinity, with the shopping mall Blue City and Reduta as well as Makro Cash & Carry, E. Leclerc and other outlets.

The location benefits from being close to the city centre, Warsaw Chopin Airport and the Warsaw bypass connecting to the A2 highway.

Location	Warsaw, 195A Jerozolimskie Av.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	1999
Appraised Value "As Is"	€13.7 million
GLA	6,217 sqm
Occupancy Including Rental Guarantee	91.9%
Occupancy Excluding Rental Guarantee	91.9%
Contracted Rent	€1.1 million
WAULT	3.3 years
Selected Tenants	Philips, Trane, eConsulting

Renoma

WROCLAW

Renoma is a modern multi-functional building combining retail and services with office space, located right in the centre of Wroclaw, with modernist architecture dating back to 1930.

The Old Town and the opera house are nearby. The building stands out for its unique façade, which was completely restored during the building's modernisation and expansion in 2009. Portrait sculptures on the façade representing people from various continents were intended by the building's founders, the Wertheim brothers, to symbolise not just diversity and the foreign origin of the goods available there before the war but also–and more importantly–to emphasise openness to other people and respect for their beliefs.

Renoma today stands out not just because of its looks. Continuing its tradition, the centre combines retail offerings with the promotion of the arts and hosting of important cultural events, as well as educational and social programmes prepared for the residents of Wroclaw.

Renoma's lower floors are occupied by over 120 stores and service units, along with a restaurant section, while the upper floors are used for office space. The building is well-connected with other parts of town thanks to numerous tram and bus lines.

Location	Wroclaw, 40 Swidnicka St.
Status	Standing Property
Description	Mixed-use office & high-street retail
Ownership	100%
Year of Completion	2009
Appraised Value "As Is"	€127.4 million
GLA	40,891 sqm
Occupancy Including Rental Guarantee	91.7%
Occupancy Excluding Rental Guarantee	91.7%
Contracted Rent	€7.6 million
WAULT	3.5 years (3.4 incl. Break Options)
Selected Tenants	HP, Inditex Group, TK Maxx, LPP Group, Empik

Supersam

KATOWICE

Supersam is a modern multi-functional building combining retail and services with office space.

Located in the very centre of Katowice – the heart of the Silesian agglomeration – in a traditionally commercial part of town, close to the high street. The location is not incidental. This is where residents of the city and region have been shopping for more than 70 years. The building's architecture echoes early modernist shopping centre designs.

Supersam is not just a place for shopping and corporate headquarters, but also for promoting culture and for meetings. Supersam is thus part of a campaign promoting Katowice's image as a modern metropolis with a vast open space for its residents.

Launched at the end of 2015, the building features nearly 100 stores and service units in over 18,000 sqm of space. The remaining area is for office tenants. Businesses particularly appreciate Supersam's central location and excellent connections to other parts of town and the entire agglomeration. The building is situated near a train and bus station as well as the Spodek venue, a landmark of Katowice and Silesia.

Location	Katowice, 8 Piotra Skargi St.
Status	Standing Property
Description	Mixed-use office & high-street retail
Ownership	100%
Year of Completion	2015
Appraised Value "As Is"	€57.8 million
GLA	24,231 sqm
Occupancy Including Rental Guarantee	91.6%
Occupancy Excluding Rental Guarantee	91.6%
Contracted Rent	€3.6 million
WAULT	4.1 years (3.9 incl. Break Options)
Selected Tenants	LPP Group, Sports District, Calypso, ALDI, JAMF, Groupon

Hala Koszyki

WARSAW

Hala Koszyki is a coherent combination of historic architecture with a contemporary design. The buildings have a common technical service and are connected by underground storeys. The complex has a retail leasable area of almost 6,500 sqm and office part of almost 15,500 m2 and it includes: restored historic market hall in the central part, restored historic administration building, three office buildings, covered patio / service part at the back of the complex, intimate squares on other undeveloped spaces, including the open square from Koszykowa street. The real estate is located in the very centre of Warsaw at Koszykowa street, district Śródmieście. At a distance of about 200 m, are located Plac Konstytucji and Plac Politechniki - two of the main squares in Warsaw. Additionally, within a radius of 1,000 metres from Hala Koszyki there are all the most important elements determining the structure of this area of the city - Palace of Culture and Science, Plac Defilad, Plac Trzech Krzyży, Aleje Ujazdowskie, Łazienki Królewskie, Pole Mokotowskie and Central Station. The immediate environment is dominated by dense residential buildings partially preserved, partially rebuilt after war damage (residential houses with shops and services at the ground floor level), public buildings, hotels as well as small office buildings built in recent years. The location of Hala Koszyki in the middle of an area with such a diverse functional and spatial structure, in which all types of urban activities are represented and with good access to the communication system, makes this real estate well perceived.

Location	Warsaw, 63 Koszykowa St.
Status	Standing Property
Description	Mixed-use office & retail and leisure
Ownership	100.0%
Year of Completion	2016
Appraised Value "As Is"	€120.3 million
GLA	22,236 sqm
Occupancy Including Rental Guarantee	96.9%
Occupancy Excluding Rental Guarantee	96.9%
Contracted Rent	€6.9 million
WAULT	5.8 years (5.7 incl. Break Options)
Selected Tenants	Multimedia, Mindspace, Eneris, Big Star, Restaurant Gessler, Rossmann

West Link

WROCLAW

West Link is located west of the city centre, within the block of Lotnicza, Na Ostatnim Groszu and Legnicka Streets, a strategic communication artery for Wrocław. The corner location guarantees convenient access for public transport users (by way of several bus and tram lines) as well as drivers. City centre and Wroclaw Airport are comfortably accessible within few minutes' drive.

The location provides exceptional visibility and exposure and is very well recognized point across the city.

Location	Wroclaw, 2 Szybowcowa St.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	2018
Appraised Value "As Is"	€37.0 million
GLA	14,374 sqm
Occupancy Including Rental Guarantee	100%
Occupancy Excluding Rental Guarantee	100 %
Contracted Rent	€2.5 million
WAULT	6.2 years (5.7 incl. Break Options)
Selected Tenants	NOKIA Solutions & Networks, Hilti, Centrum rozwoju Dziecka

Warta Tower

WARSAW

The modern office tower known as "Warta Tower" is located at the City Centre West district of Warsaw. The property was completed in 2000 and offers 33.7k sqm of GLA and 542 parking spaces over 21 floors above ground and three underground levels. Its distinct features include its dark blue glazed glass and its iconic lobby with the sculpture by Barbara Falender. The property is multi-tenanted and benefits from high-occupancy rate (92.4%), with TUiR Warta S.A. (insurance company, subsidiary of Talanx International AG) as its largest tenant.

Location	Warsaw, 85 Chmielna St.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	2000
Appraised Value "As Is"	€63.1 million
GLA	33,657 sqm
Occupancy Including Rental Guarantee	92.4%
Occupancy Excluding Rental Guarantee	92.4%
Contracted Rent	€5.9 million
WAULT	2.5 years (2.4 incl. Break Options)
Selected Tenants	TUiR Warta, Lux Med., ITmagination

Quattro Business Park

KRAKOW

Quattro Business Park is a high-quality office complex of five buildings. The property is located in the north part of Krakow, 4.5-5.5km from the city centre, close to the city ring road. QBP was completed in phases between 2010 and 2015 and offers 60.2k sqm of GLA and 1,327 parking spaces in total. The property is multi-tenanted to c.50 national and multinational corporates, with Capgemini, Google and Luxoft being the largest occupiers.

Location	Krakow, 25 Bora – Komorowskiego St.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	2010-2015
Appraised Value "As Is"	€141.7 million
GLA	60,236 sqm
Occupancy Including Rental Guarantee	98.3%
Occupancy Excluding Rental Guarantee	98.3%
Contracted Rent	€10.7 million
WAULT	2.6 years
Selected Tenants	Google, Capgemini, Luxoft, Epam Systems, PerkinElmer Shared Services

Spektrum Tower

WARSAW

Spektrum Tower is a high-rise office building located the heart of the Warsaw Central Business District close to ONZ Roundabout. The building offers 32,100 sqm of GLA located on 33 levels above ground and 268 parking spaces on five underground levels. The property was completed in 2003 and underwent an extensive refurbishment in 2015 when it was converted into a multi-tenant building. The property benefits from a high occupancy of 96.8% and is leased to over 60 national and international corporates.

Location	Warsaw, 18 Twarda St.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	2003 (in 2015 extensive refurbishment was done)
Appraised Value "As Is"	€107.2 million
GLA	32,100 sqm
Occupancy Including Rental Guarantee	96.8%
Occupancy Excluding Rental Guarantee	96.8%
Contracted Rent	€6.7 million
WAULT	4.6 years (4.5 incl. Break Options)
Selected Tenants	CityFit, Ecovadis, BGŻ BNP Paribas,

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Skylight&Lumen

WARSAW

Skylight and Lumen are two office buildings located in the heart of the city centre, next to Central Railway Station. Together with adjacent Zlote Tarasy Shopping Centre they comprise an established and well recognized office-retail complex. Skylight offers office lettable area arranged from levels 5 to 22. Lumen consists of 8 stories of open office space.

Location	Warsaw, 59 Zlota St.
Status	Standing Property
Description	Multi-tenanted office building
Ownership	100%
Year of Completion	2007
Appraised Value "As Is"	€191.2 million
GLA	45,445 sqm
Occupancy Including Rental Guarantee	88.8%
Occupancy Excluding Rental Guarantee	88.8%
Contracted Rent	€11.5 million
WAULT	3.7 years (3.6 incl. Break Options)
Selected Tenants	Pernod Ricard Group (Wyborowa), InOffice, PGE, Mars, Orbis

ROFO projects

GPRE has acquired 25% stakes in two projects which are at different phases of construction, with the right to acquire the remaining interest once certain conditions have been satisfied.

- Beethovena I & II are class "A" offices project located in Warsaw comprising two, four-floor offices, which on completion will offer total GLA of 35.8k sqm. Beethovena I and II are of similar size (18.9k sqm and 16.9k sqm) and are expected to be delivered in Q2-2019 and Q3-2020 respectively. The first phase is currently pre-leased at 64% to tenants such as Havas and MasterCard among others.
- The Gatehouse Offices (previously Browary J) is a class "A" office project located in Warsaw comprising a stepped shaped "main" building extending over 11 floors and the lower 7th floor wing. The project was delivered in Q4-2018 and offers 15.7k sqm of GLA, of which 100% is leased to blue-chip office tenants (among others: Epam, L'Oreal, Sony and WeWork).

The disposal of Gatehouse Offices to a fund managed by GLL Real Estate Partners was preliminary signed in Q4 2018.

	Location	Completion Date	GLA (k sqm)	Equity Invested (€million)
Beethovena I	Warsaw	Q2-2019	18.9	2.9
Beethovena II	Warsaw	Q3-2020	16.9	2.8
The Gatehouse Offices (ex. Browary J)	Warsaw	Q4-2018	15.7	4.2
TOTAL ROFO			**51.5**	**9.9**

Governance

Corporate Governance Report

Corporate governance means a responsible approach to company management and control geared towards the creation of sustainable value added. Key aspects of good corporate governance include efficient cooperation between the executive directors and non-executive directors, respecting shareholder interests and transparent corporate communication. It is the Company's ambition to match the highest standards in the area of corporate governance. This section contains an overview of GPRE's governance structure, and the information required pursuant to the Dutch Corporate Governance Code as well as best practices of the Warsaw Stock Exchange. Deviations from the codes must be explained in accordance with the "apply or explain" practice.

Governance structure

GPRE is a public limited liability company under Dutch law, whose shares are listed and traded on the Warsaw Stock Exchange.

As of 13 March 2017, the Company was converted into a public limited company, and since then has had a one-tier board structure consisting of Executive Directors ("Executive Directors") and Non-Executive Directors ("Non-Executive Directors"). In 2018 several changes were made to the Board, as described on pages 82 and 83 of the Directors' Report. The Board is the statutory executive body (raad van bestuur) and the members are collectively responsible for the Company's management and the general affairs of the Company.

Details of all direct and indirect subsidiaries of the company as at 31 December 2018 are presented in Note 1 of the standalone financial statements.

Board of Directors

The Board of Directors comprises eight directors, two Executive and six Non-Executive Directors, of whom three are independent.

All of the Executive and Non-executive Directors, are experienced professionals with academic and practical knowledge necessary to provide advisory on issues such as:

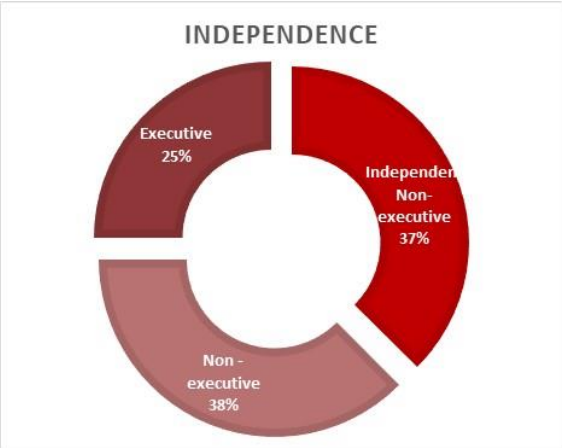
- strategy,
- transformation,
- equity,
- acquisition and disposal transactions,
- capital markets,
- standards of conduct,
- performance,
- resources,
- diversity and employment equity, and
- performance.

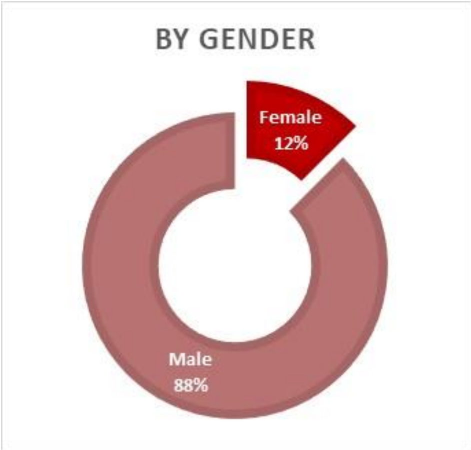
The current board's diversity in terms of professional expertise and demographics makes it a highly effective governing body. The members of the Board are descended from different demographics and represent different areas of specialisation such as real estate, finance, legal, etc.
Through the nomination and remuneration committee, the Board ensures that in nominating successive directors for appointment, the Board as a whole will continue to reflect a diverse set of professional and personal backgrounds. All nominations are made in a formal and transparent manner for investors and market. None of directors has solely power of decision making.

Management of the Company (Executive and Non-Executive Directors)

Name	Age	Gender	Nationality	Position	Member of the Board since	Scheduled for re-election
Executive Directors						
Dimitris Raptis	43	M	Greek/British	CEO, Executive Director	6 December 2017	2020
Rafał Pomorski	35	M	Polish	CFO, Executive Director	21 December 2016	Indefinite
Non-Executive Directors						
Ioannis Papalekas	42	M	Greek	Non-Executive Director	6 December 2017	2021
Norbert Sasse	54	M	South African	Non-Executive Director	26 April 2018	2022
George Muchanya	47	M	South African	Non-Executive Director	26 April 2018	2022
Claudia Pendred	60	F	British	Non-Executive Director, independent	11 September 2017	2020
Marcus M.L.J. van Campen	74	M	Dutch	Non-Executive Director, independent	Listing Date	2020
Thomas Martinus de Witte	52	M	Dutch	Non-Executive Director, independent	Listing Date	2021

The Composition of the Board of Directors





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Board Committees

The Board of Directors has delegated some tasks to specialised committees:

- Investment committee
- Audit and Risk Committee
- Nomination and Remuneration Committee.

The main task assigned to the established committees is advisory to the Board using their professional knowledge and business experience, although the Board remains collectively responsible for the fulfilment of the duties delegated to its committees.

The Non-Executive Directors shall prepare and publish a report (page 47) on its functioning and activities and of the committees during the preceding financial year. In accordance with the Articles of Association and the Board Regulations, the Board has drawn up rules on each committee's role, responsibilities and functioning. The committee regulations are incorporated in the Board Regulations as approved on 27 February 2018 and effective from this date.

Board of Directors and Committee attendance during 2018

Member		Attendance at the			
		Board Meetings	Audit and Risk Committee****	Investment Committee****	Nomination and Remuneration Committee
Dimitris Raptis*	CEO, Executive Director	9/10		4/4	2/2
Małgorzata Turek*	CEO, Executive Director	5/9			
Rafał Pomorski	CFO, Executive Director	10/10			
Ioannis Papalekas	Non-Executive Director	4/10		2/4	
Norbert Sasse	Non-Executive Director	5/6		3/3	
George Muchanya	Non-Executive Director	5/6	2/2		
Maciej Dyjas**	Non-Executive Director	0/0		0/0	1/1
Nebil Senman**	Non-Executive Director	0/0	1/1	0/0	
Claudia Pendred	Independent Non-Executive Director	10/10			1/1
Marcus M.L.J. van Campen	Independent Non-Executive Director	9/10	1/1		2/2
Thomas Martinus de Witte	Independent Non-Executive Director	8/10	4/4		1/1
Andreas Segal***	Independent Non-Executive Director	7/8	3/3		

*On 12 December 2018 M. Turek voluntarily ceased to act as an executive director and the CEO of the Company and D. Raptis was appointed as the Interim CEO of the Company until 5 February 2019 when he was approved as CEO by the General Meeting.
**On 27 February 2018 M. Dyjas and N. Senman voluntarily resigned from the functions of Non-Executive Directors of the Company, with immediate effect and on the same date N. Sasse and G. Muchanya were nominated as Non-Executive Directors of the Company, approved effectively by the General Meeting on 26 April 2018.
***On 11 September 2018 A. Segal voluntarily resigned from the position of Non-Executive Director of the Company, effective 15 September 2018.
****Investment Committee and Nomination & Remuneration Committee meetings were held during Board meetings or outside the regular meetings.

Powers, responsibilities and function

The Board may divide its duties among its members throughout special purposes committees. Tasks that have not been specifically allocated fall within the power of the Board as a whole. The Executive Directors are in particular responsible for the day-to-day management of the Company. The Non-Executive Directors shall be entrusted with the supervision of the performance of the tasks by the members of the Board. The last cannot be deprived from the Non-Executive Directors by means of an allocation of duties. In addition, both Executive Directors and Non-Executive Directors must perform such duties assigned to them. Pursuant to Dutch law and the Articles of Association, an Executive Director may not be allocated the tasks of:

(a) serving as chairperson of the Board;
(b) fixing the remuneration of a member of the Board; or
(c) nomination of members of the Board for appointment.

Nor may an Executive Director participate in the adoption of resolutions (including any deliberations in respect of such resolutions) related to the remuneration of Executive Directors.

The Board may perform all acts necessary or useful for achieving the Company's objectives, with the exception of those acts that are prohibited or expressly attributed to the General Meeting by law or by the Articles of Association. In performing its duties, the Board is required to be guided by the interests of the Company and the Group, taking into consideration the interests of the Company's stakeholders (which includes the shareholders and the Company's creditors, employees and clients) as well as the corporate social responsibility issues that are relevant to the business. The Board must submit certain important decisions to the General Meeting for approval. The lack of such approval, however, does not affect the authority of the Board or its members to represent the Company.

Subject to certain statutory exceptions, the Board as a whole is authorised to represent the Company. In addition, the Company shall be represented by 2 directors, where one of them has to be Executive Director. Pursuant to the Articles of Association, the Board is authorised, without prejudice to its responsibility, to appoint attorneys (procuratiehouders) who are authorised to represent the Company within the limits of their delegation.

Pursuant to the Articles of Association, the Board may establish one or more sets of regulations dealing with such matters as its internal organisation, the manner in which decisions are taken and any other matters concerning the Board (the "Board Regulations"). The Board Regulations shall be placed on the Company's website and applied in addition to the relevant provisions of the Articles of Association.

Key features of the Company's internal control and risk management systems with respect to the process of preparation of the financial statements of Globalworth Poland Real Estate N.V. and the Group

The Board of GPRE is responsible for the implementation and functioning of the internal control system in the process of the preparation of separate financial statements of the Company and the consolidated financial statements of the GPRE Group.

The obligation to prepare financial statements is realised in practice by the Board with the support of qualified personnel of the Finance Department.

Starting from 2017 the preparation of the annual financial statements is preceded by a meeting of the Audit and Risk Committee with independent auditors in order to determine the audit scope and plan, and to discuss potential risk areas which may have an impact on the truthfulness and fairness of the financial statements.

The preparation of the financial statements is an orderly process. Statements of Polish SPVs are prepared by an external accounting service provider MDDP Spółka z ograniczoną odpowiedzialnością Finanse i Księgowość Spółka komandytowa and Ifas spółka z ograniczona odpowiedzialnością spółka komandytowa together with the personnel of the Finance Department, in accordance with their competences and qualifications. Keeping accounting books of GPRE is outsourced and maintained by Intertrust (Netherlands B.V.) Separate financial statements of the GPRE are prepared on the basis of its books of account. The books of account of the most significant Group's subsidiaries are maintained using the finance and accounting system, Raks 2017.

Consolidated financial statements are drafted on the basis of consistent consolidation packages prepared electronically for separate companies. The process of consolidation is executed by the Department of Reporting and Consolidation of MDDP Spółka z ograniczoną odpowiedzialnością Finanse i Księgowość Spółka komandytowa and is supervised and supported by the Finance Department.

Starting from 1 January 2019, the accounting books of Polish subsidiaries (excluding IB14) are moved from external accounting service provider and kept within internal Accounting Department using the finance, accounting and operating system, SAP Business One 9.3 version for SAP HANA.

Consolidated financial statements are drafted based on the data collected in SAP, the process of consolidation is maintained by internal Finance and Accounting Departments within GPRE's structure.

The subsidiaries of the Group apply consistent accounting policies approved by the Boards of Directors of GPRE and subsidiary companies. The correctness of application of the accounting policies by individual companies is regularly monitored by the Finance Department.

The Finance Department is responsible for recommending solutions relating to modifying and updating accounting policies to comply with Warsaw Stock Exchange ("WSE") reporting requirements, as well as for implementing solutions approved by the Board of Directors.

During the preparation of the financial statements, among others, the following control activities are carried out:

- assessment of significant, non-routine transactions in terms of their effect on the financial position of the Group or the manner of their presentation in the financial statements;
- verification of the correctness of the assumptions underlying accounting estimates; comparative and substantive analyses of financial data;
- verification of the arithmetical correctness and consistency of financial data;
- analysis of disclosure completeness.

Annual financial statements are forwarded to the Chief Financial Officer for preliminary verification and then to the Board for final verification and authorisation.

Annual financial statements are subject to an audit by an independent certified auditor. Starting from 2017 an auditor meets Audit and Risk Committee before and during works as well as presents its post-audit conclusions and observations to the Audit and Risk Committee.

Holders of all securities which confer special control rights

The Company did not issue any securities that give special control rights.

Restrictions on exercising voting rights

There are no restrictions on the transfer of ownership rights to securities of GPRE.

Regulations concerning appointment or removal of the Board Members, the rights of those persons, in particular, the right to make decisions on share issue or redemption

The Board shall consist of at least one Executive Director and at least three Non-Executive Directors, provided that the Board shall be comprised of a maximum of fifteen directors and that the majority of the Board consists of Non-Executive Directors.

The General Meeting appoints the members of the Board as described below. Each Executive Director member shall be appointed or re-appointed for a period to be determined by the General Meeting. Each Non-Executive Director shall be appointed or re-appointed for a period of not more than four years provided that, unless a Non-Executive Director resigns earlier, his appointment period shall end immediately after the annual General Meeting that will be held in the fourth calendar year after the date of his appointment. Only natural persons (not legal entities) may be appointed as Non-Executive Directors.

The General Meeting may at any time dismiss or suspend any member of the Board. If the Board proposes the dismissal or suspension of a Board member to the General Meeting, the General Meeting can resolve upon such dismissal or suspension by a resolution adopted by a simple majority of the votes cast. If the Board has not made a proposal for the dismissal or suspension of a Board member, the General Meeting can only resolve upon the dismissal or suspension of such Board member by a resolution adopted by a majority of at least two thirds of the votes cast representing more than half of the issued capital. An Executive Director may also be suspended by the Board. A suspension may be discontinued at any time by the General Meeting.

If either the General Meeting or the Board has suspended a member of the Board, the General Meeting is required within three months after the suspension has taken effect to resolve either to dismiss such member, or to terminate or continue the suspension, failing which the suspension shall lapse. A resolution to continue the suspension may be adopted only once and in such event the suspension may be continued for a maximum period of three months.

The Board shall appoint one of the Non-Executive Directors to be the Chairperson of the Board.

The Non-Executive Directors shall prepare a profile of the Board's scope and composition taking into account the nature of the Company's business, its activities, and the desired expertise, experience and independence of its members. The composition of the Board shall be such that the combined experience, expertise and independence of its members meets the Board profile and enables the Board to best carry out the variety of its responsibilities and duties to the Company and the Company's stakeholders, consistent with applicable law and regulations.

Implementing changes to the Articles of Association of Globalworth Poland Real Estate N.V.

The General Meeting may resolve to amend the Articles of Association, subject to a proposal by the Board. The General Meeting may furthermore resolve to change the corporate form of the Company. A change of the corporate form shall require a resolution to amend the Articles of Association, subject to a proposal by the Board. The rights of shareholders may be changed only by amending the Articles of Association in compliance with Dutch law.

Functioning of the General Meeting of Shareholders, its fundamental powers, rights of the shareholders and the manner of exercising those rights

An annual General Meeting shall be held once every year within six months from the end of the preceding financial year. Other General Meetings are held as often as the Board deems such to be necessary.

Important matters that require approval of the General Meeting include:

- adoption of the financial statements for the last financial year;
- material changes to the Articles of Association;
- proposals relating to the appointment of Board members;
- the policy of the Company on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend);
- any proposal to pay out dividends;
- discharge of Executive Directors from liability;
- discharge of Non-Executive Directors from liability;
- each substantial change in the corporate governance structure of the company and in the compliance with Dutch Corporate Governance Code;
- the appointment of the external auditor; and
- the main conclusions of the assessment of the functioning of the external auditor.

Each shareholder shall be entitled to attend the General Meeting, to address such meeting and, to the extent applicable, to exercise his or her voting rights. Shareholders individually or jointly representing at least 3% of the issued share capital have the right to request the Board to place items on the agenda of the General Meeting. Each share entitles the holder to one vote at a General Meeting. Shareholders may vote by proxy. In the General Meeting, no voting rights may be exercised for any Share held by the Company or a subsidiary of the Company, nor for any Share for which the Company or a subsidiary of the Company holds the depositary receipts.

The meeting documents, minutes and presentations are available on the website.

Non-Executive Director’s Report

Introduction

2018 was a breakthrough year full of business success and record transactions for GPRE. The Group has not only finalised further acquisitions of high-quality office buildings, but also became the leader of the Polish office market. The dynamic growth as well as still developing structure and organization of the Group required increased and complex efforts from the Non-Executive Directors.

In the past year the Non-Executive Directors fulfilled their responsibilities of a governing body entrusted with the task of permanent supervision over the Group to the extent set forth in the provisions of the Articles of Association, Dutch Corporate Governance Code, best practices of Warsaw Stock Exchange and board regulations with the greatest of care.

Three out of six Non-Executive Directors do not qualify as independent (please refer to best practice provisions 2.1.7 to 2.1.9 of The Dutch Corporate Governance Code on page 77) within the meaning of the Dutch Code. These non-independent Executive Directors are, through their wider association with the group and its operations, considered to have unique knowledge of the group and its industry. The current board’s diversity of professional expertise and demographics make it a highly effective board with regards to GPRE’s current strategies.

Main activities of Non-Executive Directors

During the 2018 financial year the Non-Executive Directors continued their efforts overseeing the Group’s newly established organisation and strategy as well as the further implementation of its internal risk management system. They provided recommendations regarding adaptation of the corporate governance and compliance with respective laws and regulations, especially those applicable to public companies. In addition, the Non-Executive Directors conducted a professional review and inspection of the financial statements and other relevant documents, also concerning related-party transactions. The performance review of the Executive Directors and their remuneration policy were other areas of the Non-Executive Directors’ activity. There were some few changes to the Non-Executive Directors throughout the year. Those changes are listed on pages 82 and 83.

Investor relation activities

Another responsibility of the Non-Executive Directors in 2018 was to monitor the investor relations of the Group, which was fulfilled thanks to regular updates in the form of either meetings or reports on GPRE provided by several analysts. The Group’s performance in the field of investor relation in 2018 was the subject of reports prepared by specialist and delivered to Non-Executive Directors with the aim to regularly update them with the feedback from shareholders and investors.

A partnership with the Executive Directors

The Non-Executive Directors succeeded in fulfilling all their above-mentioned obligations thanks to regular cooperation with the Executive Directors.

In 2018 extensive discussions took place between the Executive Directors and Non-Executive Directors concerning the monitoring of the capital and financing structure, the further implementation of the risk and control framework, working with the external auditor and current state of affairs. At the organisational level it was a demanding year due to further asset acquisitions and the adaptation of the Group to its rapid growth and newly obtained position as leader in the Polish office market.

The Executive Directors as well as other top management of the Group provided Non-Executive Directors with regular, prompt and comprehensive reports on business developments, strategy and prospects for the future, including risks and opportunities, policies and risk management. Any deviations to the plans and budgets were discussed in detail. All significant transactions and decisions were discussed with Non-Executive Directors and examined by them in detail.

Evaluation external auditor

EY was appointed as the Group external auditor for the year 2018. The Board and the chairman of the Audit and Risk Committee discusses relevant matters, accounting treatment for more complex transactions, changes in tax environment and any one-off events at least twice a year with the external auditor.

Adoption of the 2018 consolidated financial statement and approval of separate financial statements of the Company

On 21 March 2019 in the presence of the auditor, during the Audit and Risk Committee meeting, Non-Executive Directors examined and discussed in detail consolidated and standalone financial statements as at 31 December 2018, together with the Directors' report and the proposal for appropriation of profits. The auditor reported on the key results of the audit and answered all the questions of Non-Executive Directors, which led to the recommendation of the financial statements by the Audit and Risk Committee for the approval by the Board. Non-Executive Directors accepted the recommendation of the Audit and Risk Committee and approved standalone and consolidated financial statements which were therefore adopted. The Non-Executive Directors accepted the proposal of Executive Directors as to the appropriation of the net retained profits. The payment of the annual dividend was covered by the interim dividend distributed on 31 January 2019. For details please refer to Note 5 of Standalone Financial Statements of Globalworth Poland Real Estate N.V. on page 162.

Self-assessment of Non-Executive Directors

Non-Executive Directors annually carried out an evaluation of their own performance. The evaluation was conducted on the basis of feedback from investors, executive management team and staff, collected during several operating meetings or phone conferences over 2018. The conclusion of the evaluation with respect to the 2018 financial year was that the Non-Executive Directors managed to meet all the goals set for the year, that cooperation within and with the committees is at high levels, that the Board operates independently and that it is adequately resourced for its tasks. The preparations for meetings by the Executive Directors and the collaboration meet the high standards and requirements.

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Nomination and Remuneration Committee Report

The information below constitutes the report of the Nomination and remuneration committee in respect of the year 2018. The committee is an independent statutory committee, to which duties are delegated by the Board.

Committee members and attendance

The Chairman of the committee is appointed by the Board and the members are appointed by the Board, in consultation with the Chairman of the committee. The committee shall have a minimum of two members. All members of the committee shall be Non-Executive Directors with the majority of the members (including chairman) being independent.

The Board has established the Nomination and remuneration committee comprising of:

- Dimitris Raptis (Chairman)
- Claudia Pendred
- Marcus M.L.J. van Campen

With respect to the changes within the composition of the Board of Directors, on 27 February 2018 Dimitris Raptis replaced Maciej Dyjas on the position of the member and chairman of the Nomination and remuneration committee, once Claudia Pendred replaced Thomas M. de Witte on the position of member of the committee.

During 2018 there were no separate meetings of the committee however there were certain matters on which committee members deliberated either during Board meetings or outside such meetings. Main items that have been discussed by the committee were:

- 2018 variable remuneration in the form of short-term incentives for Executive Directors and key managers within the group;
- appointment of chief investment officer for the group and nomination of former chief investment officer for the position of chief operating officer;
- proposal of the candidate for the position of Executive Director and chief executive officer to be appointed by the general meeting;
- enhancing corporate governance by an implementation of the number of new policies;
- general discussions about human resources needs within the group in the light of the rapid growth;
- new remuneration policy aligned with and supporting the Company's business development to be established and introduced.

All the committee members were actively participating in the deliberations and valuably contributed to the outcome.

Duties of the committee

The responsibilities of the Nomination and remuneration committee include:

- advising the Board on the exercise of its duties regarding the remuneration policy;
- preparing proposals for the Board on the topics mentioned above;
- preparing the remuneration report;
- drawing up selection criteria and appointment procedures for Board members;
- periodically assessing the size and composition of the Board members and the functioning of the individual members; and
- making proposals for appointments and re-appointments.

The procedure for appointments to the Board is formal and transparent, free from any dominance of any one particular shareholder. Any new appointees are required to possess the necessary skills to contribute meaningfully to board deliberations and to enhance board composition in accordance with recommendations, legislation, regulations and best practice.

The emoluments of the Non-Executive Directors are a matter for the Board. No Director may be involved in any decisions as to his own emoluments.

The committee is mandated by the board to authorise the remuneration and incentivisation of all employees, including Executive Directors. In addition, the committee recommends directors' fees payable to Non-Executive Directors and members of board sub-committees.

The Company Secretary shall take minutes of the meeting. The minutes shall be adopted in the same meeting or in the next meeting of the Nomination and Remuneration Committee and shall be signed by the chairperson of the Nomination and remuneration Committee and the Company Secretary. A copy of the minutes will be sent to the Board.

Remuneration Policy for Members of the Board

The remuneration policy shall be aimed in attracting, motivating and retaining highly qualified executives and rewarding board members with balanced and competitive remuneration, while aligning with the short-term operational objectives of the Company leading to longer term value creation. The policy shall promote the achievement of strategic goals as well as promote ethical culture and responsible corporate governance.

The remuneration of the Executive Directors shall be determined by the Board with due observance of the remuneration policy adopted by the General Meeting (as summarised below). Executive Directors may not take part in the decision-making process in respect of the remuneration of Executive Directors. A proposal with respect to a remuneration scheme in the form of Shares or rights to Shares is submitted by the Board to the General Meeting for its approval. This proposal must set out at least the maximum number of Shares or rights to Shares to be granted to Executive Directors and the criteria for granting or amendment. Non-Executive Directors may not receive Shares and/ or options or similar rights to acquire Shares as part of their remuneration.

When formulating remuneration policy Nomination and Remuneration Committee considered Executive Directors view on their own remuneration.

Remuneration components

Remuneration of Executive Directors consists of following elements:

- fixed annual base salary;
- variable remuneration;
- fringe benefits;

Remuneration of Non-Executive Directors consists of following elements:

- fixed annual base salary;
- salary for committee membership;
- costs reimbursement;

Fixed annual base salary

Executive Directors

The Executive Directors are entitled to a base salary. The base salary of the Executive Directors is determined based on experience and expertise of Nomination and Remuneration Committee and the Board of Directors considering tasks assigned to Executive Directors and overall strategy of the Group.

Non-Executive Directors

The current annual compensation of the Non-Executive Directors is as follows:

- Non-Executive Director: €20,000; and
- Membership committee of the Board of Directors: €5,000 (per committee).

Variable remuneration

Executive Directors

Existing remuneration policy provides for variable remuneration for Executive Directors in the form of short-term incentives which are determined by the Board and the Nomination and Remuneration Committee with observance of the performance of Executive Directors throughout the year and realisation of assumed business targets. Main business targets for 2018 included:

- growth of the portfolio – increasing the size of the portfolio added to the diversification and stability of an income;
- share capital increase – new equity allowed to pursue expanding strategy and improved balance sheet structure;
- increase occupancy ratio across portfolio on like-for-like basis – reducing vacancies across the portfolio increased revenue and reduced void costs;
- refinancing of selected bank loans and hedging against interest rate risk – by completing these tasks average maturity of the debt was increased and interest rate risk has been significantly reduced;
- rebranding of the Company – the campaign supported the recognition and positive perception of the GPRE brand on the market;
- strengthening corporate governance – this increased overall compliance and transparency of the Company;
- insourcing of property management and accounting functions – integration of these functions provided better quality of output, increase data security and allows cost savings in a long term.

All the above targets were well achieved.

Variable remuneration for 2018 of CEO and CFO (as presented in the table below) amounted to 41% and 102% respectively. According to experience and expertise of Nomination and Remuneration Committee such levels properly incentivise Executive Directors.

Pension and fringe benefits

Executive Directors

The Executive Directors are not entitled to any pension contributions. The Executive Directors are entitled to expense allowances and reimbursement of costs.

During 2018 there were no such benefits awarded to Executive Directors with exception to reimbursement of travel and similar expenses.

Non-Executive Directors

The Non-Executive Directors are entitled to reimbursement of costs.

Adjustments to variable remuneration

Pursuant to Dutch law, the variable remuneration of managing directors may be reduced or managing directors may be obliged to repay (part of) their remuneration to the company if certain circumstances apply, which are summarised below.

Pursuant to Dutch law, the Board may adjust the variable remuneration to an appropriate level if payment of the variable remuneration were to be unacceptable according to the criteria of reasonableness and fairness. In addition, the Board will have the authority under Dutch law to recover from an Executive Director any variable remuneration awarded based on incorrect financial data in respect of underlying targets or other circumstances of which the variable remuneration is dependent.

Service and severance agreements

Set out below are the material terms of the management contracts of the Executive Directors. In 2018 there were no severance payments. Variable remuneration awarded to CEO is related with her performance during the year under review. She voluntarily resigned from CEO position and left the Company, so her variable remuneration does not constitute severance payment.

Dimitris Raptis

Dimitris Raptis, the Company's Executive Director and CEO is simultaneously holding positions of deputy chief executive officer and chief investment officer within Globalworth Real Estate Investment Ltd, i.e. the group to which main shareholder of GPRE belongs to, thus he is not entitled to receive director's ordinary remuneration or severance payment from any Group entity.

Rafał Pomorski

Rafał Pomorski, the Company's Executive Director and CFO entered into a management and/or employment contract with the Company and/ or its subsidiary (the "CFO Contracts"). The CFO Contracts was entered into for an unspecified term and each party have a right to terminate the CFO Contracts with six months' notice (unless terminated by the Company with immediate effect for cause).

The CFO Contracts provide for Rafał Pomorski's non-compete obligations during the term of the CFO Contracts, as well as for 12 months following their termination. During the non-compete period following the termination of the CFO Contracts, Rafał Pomorski is entitled to receive monthly base remuneration for each month of the non-compete period. Severance payments shall not exceed annual fixed salary and will not be paid should the termination of the contract be initiated by the Executive Director or be a result of serious culpable or negligent behaviour of the Executive Director.

Directors' Remuneration (Amounts in EUR)				
Director	Management Remuneration	Committee Remuneration	Bonuses and other variable pay	Total
Executive Directors				
Mr Dimitris Raptis	-	-	-	-
Mr R. Pomorski	114,023	-	116,279	230,302
Subtotal	**114,023**	**-**	**116,279**	**230,302**
Former Executive Directors				
Ms M. Turek	198,668	-	81,395	280,063
Subtotal	**198,668**	**-**	**81,395**	**280,063**
(Non-) Executive Directors				
Mr I. Papalekas	-	-	-	-
Mr N. Sasse	-	-	-	-
Mr G. Muchanya	-	-	-	-
Ms C. Pendred	20,000	4,206	-	24,206
Mr T.M. de Witte	20,000	5,000	-	25,000
Mr M.M.L.J. van Campen	20,000	5,671	-	25,671
Subtotal	**60,000**	**14,877**	**-**	**74,877**
Former Non-Executive Directors				
Mr A. Segal	14,137	3,534	-	17,671
Mr. M. Dyjas	3,178	1,589	-	4,767
Mr. N. Senman	3,178	1,589	-	4,767
Subtotal	**20,493**	**6,712**	**-**	**27,205**
Grand Total	**393,184**	**21,589**	**197,674**	**612,447**

Ioannis Papalekas, Norbert Sasse and George Muchanya being directors nominated by direct shareholders of GPRE (Globalworth and Growthpoint) are not entitled to receive director's ordinary remuneration. Dimitris Raptis was appointed as CEO on 5 February 2019, previously being Non-Executive Director. As he is employed by Globalworth, he is also not entitled to receive director's ordinary remuneration from entities other than Globalworth. Remuneration of Rafał Pomorski increased compared to prior year in line with the initial remuneration policy adopted prior IPO and described in the prospectus.

Reference group and market positioning

The Company offers a remuneration package that is deemed to be appropriate and competitive both for Executive Directors and Non-Executive Directors. To define comparative labour market, a reference group can be created, consisting of companies that are comparable to the Company in terms of type of the business, size and complexity, data transparency and geographical area. Taking into account all the criteria there are no other Dutch companies focussing on office real estate assets in Poland with similar value of portfolio that could serve as comparable to GPRE thus market positioning has not been performed.

Scenario analysis

The Dutch Code requires that the Board of Directors analyses the possible outcomes of the variable remuneration components and their impact on the Executive Board's total remuneration. This analysis is conducted at least once every three years. In cases not covered by the remuneration policy, the Board of Directors decides. Any decision must match the principles and intent of the remuneration policy as closely as possible. Where necessary, the Board of Directors will inform the Annual General Meeting. The new remuneration policy is under development with an aim to be implemented in 2019. The current remuneration policy as adopted prior IPO of the Company does not provide for specific performance indicators that are measurable in order to determine specific amount of variable remuneration of Executive Directors thus it is not possible to perform scenario analysis. The revised remuneration policy which will be adopted in 2019 shall be specific enough to allow for scenario analysis.

Internal pay ratios

The Dutch Code requires Dutch listed companies to consider the pay ratios between Executive Directors and other employees within the group when determining the remuneration policy for Executive Directors, and to disclose the ratios within annual report.

Due to the fact that the Group developed rapidly throughout 2018 also increasing number of employees significantly over this period, it is reasonable to calculate the ratio based on fix remuneration of CEO and CFO (which was stable month to month over respective years under review) in December 2018 and also taking into account median of all employees remuneration in the same month.

The 2018 pay ratios for the Company are 6 for CEO and 3 for CFO (5 and 3 in 2017 respectively). The ratio for CEO is calculated for the former CEO who left the Company as of the end of 2018. The ratios are relatively stable year to year as the salary of Executive Directors is. Additionally, slight increase is not visible due to rounding. As the Company was formed in December 2016 it is not possible to analyse the development of the ratios over the previous years.

Audit and Risk Committee Report

The information below constitutes the report of the Audit and Risk Committee in respect of the year 2018. The Committee is an independent statutory committee, to which duties are delegated by the Board.

The Board has established the Audit and Risk Committee comprising of:

- Andreas Segal (Chairman) till 15 September 2018
- Thomas De Witte (Chairman from 15 September 2018)
- George Munchanya
- Marcus M.L.J. van Campen

On 11 September 2018 Andreas Segal resigned from the position of Non-Executive Director of the Company, with effect from 15 September 2018. On 14 September 2018, the Board appointed Marcus M.L.J. van Campen as a member of Audit and risk committee and Thomas de Witte as Chairman of the committee.

The Chairman of the Committee is appointed by the Board and the members are appointed by the Board, in consultation with the Chairman of the Committee. The Committee shall have a minimum of two members. All members of the Committee shall be Non-Executive Directors with relevant financial experience with the majority of the members (including Chairman) being independent.

The responsibilities of the Audit and Risk Committee comply with best practice provision 1.5.1 of the Dutch Code and include:

1. Financial Reporting:
    - monitoring the integrity of the consolidated financial statements and any formal announcements regarding financial performance;
    - reviewing and reporting to the Board on the significant issues and judgements made in the preparation of the Group's published financial statements, preliminary announcements and other financial information having regard to matters communicated by the independent auditors; and
    - assessing whether the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.
2. Controls and Safeguards:
    - keeping under review the effectiveness of the Company's internal controls and risk management systems;
    - reviewing the Company's arrangements for its employees to the Board and the Committee discuss the outcome of the valuation raise concerns, in confidence, about possible wrongdoing in process and the details of each property on a semi-annual basis. The financial reporting or other matters and ensuring that these management liaise with valuers on a regular basis and meet them on arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;
    - considering annually whether there is a need for the Company to have its own internal audit function; and
    - approving any transactions with related parties.
3. External Audit:
    - reviewing the effectiveness of the external audit process and the auditor's independence;
    - considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Company's independent auditor;
    - developing and implementing a policy on the engagement of the external auditor to supply non-audit services; and
    - reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

The Audit and Risk Committee meets at least three times a year. Executives and managers responsible for finance and the external auditors attend the Audit and Risk Committee meetings. The Audit and Risk Committee is responsible for reviewing the finance function of the Company on an annual basis.

The Company Secretary shall take minutes of the meeting. The minutes shall be adopted in the same meeting or in the next meeting of the Audit and Risk Committee and shall be signed by the chairperson of the committee and the Company Secretary. A copy of the minutes will be sent to the Board.

Activities of the Committee

During the year ended 31 December 2018 and up to the date of this report the Committee has been active in the three key areas presented below:

1. *Financial Reporting*

- reviewed the Annual Report for the year ended 31 December 2018 prior to their approval by the Board;
- reviewed the Interim Report and unaudited interim consolidated financial statements for the half year ended 30 June 2018 prior to their approval by the Board;
- reviewed the Quarterly Reports.

The Committee contacts the Board on regular basis during the process of preparation of the Annual Report and consolidated financial statements.

On each stage of the audit, the Committee keeps contact with the auditor, including audit planning, identification of most significant issues and risks (both operational and financial, which are likely to have an impact on the Group's financial statements) and selection the following as the most significant issues impacting the Company's financial statements and Annual Report disclosures:

- investment property valuation process;

Valuations for investment property are prepared by an external valuers: CBRE Sp. z o.o. and Knight Frank Sp. z o.o. The valuation of the investment property is inherently subjective, requiring significant estimates and assumptions by the valuer. Errors in the valuation could have a material impact on the Group's net assets value. Further information about the portfolio and inputs to the valuations are set out in Note 4 of the consolidated financial statements.

The Board and the Committee discuss the outcome of the valuation process and the details of each property on a semi-annual basis.

The management liaise with valuers on a regular basis and meet them on a semi-annual basis prior to the finalisation of the portfolio valuation.

The external auditor has access to the external valuer and comments on the key assumptions used in the valuations performed and movements on property values. 100% of the portfolio was externally valued as of the end of 2018.

- accounting for business acquisitions and disposals;

The Committee notes that there is judgement involved in identifying and valuing the consideration given and the fair value of the assets acquired in a business combination, or in the acquisition of assets. The Committee also notes that there is judgement involved in the accounting for disposals, particularly around the valuation of the consideration receivable. In 2018 there were new acquisitions of five projects: Skylight and Lumen, Spektrum Tower, Warta Tower, Quattro Business Park and West Link. The Company assumed that the value determined by an external valuer (Knight Frank) best reflects the market value of these properties at the end of 2018.

- use of the going concern principle as a basis for preparation of the financial statements;

The Committee has considered management's assessment and conclusion of continuing to use the going concern assumption as a basis of preparation of the Company's financial statements, as supported by detailed cash flow projections for the period up to 30 June 2020 and supporting documentation. Following their review of the

Management's assessment, the Committee concurred with Management's conclusion to continue using the going concern assumption as a basis of preparation of the Company's financial statements.

- underlying cash flow projections and sensitivity analysis supporting the viability statement; and
- compliance with the fair, balanced and understandable principle.

The Committee has reviewed the Company's Annual Report and financial statements for the year ended 31 December 2018 and has advised the Board that, in its opinion, the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's performance, operating model and strategy.

2. *Controls and Safeguards*

- reviewed the risk matrix used to identify and monitor the significant risks encountered by the Group, as well as the analysis underlying the viability report;
- reviewed the principal risks and uncertainties identified by Management and the update thereof during 2018, presented on pages 70-74 of the Annual Report;
- performed an assessment of the internal controls of the Group and in particular the controls over the most significant financial reporting risks:
  The Audit and Risk Committee reviewed the report on controls over identified significant financial reporting risks, prepared by Management and submitted to the Audit and Risk Committee by the Company's Chief Financial Officer. The Audit and Risk Committee concluded that, although some improvements with respect to the closing procedures can be made, the related internal control environment is adequate considering the current size and activities of the Company and its subsidiaries; and
- considered whether there is a need for an internal audit function:
  The Committee does not consider at present for there to be a need for an internal audit function, given the size of the Group and the fact that its internal control procedures are still under development so as to align these to the level of continuous development of the Group's activities.

3. *External Audit*

The Committee held regular meetings and discussions with the external auditor:

- The Audit and Risk Committee held discussions with the auditor at the planning phase and at the end of the audit at the reporting stage, before the approval of the Company's consolidated financial statements and Annual Report for the year ended 31 December 2018.
- At the planning stage of the audit for the year ended 31 December 2018, the Chairman of the Committee met the auditor in November 2018. During this meeting the draft audit plan was presented, reviewed and discussed, as well as a discussion held regarding the risks on which the audit would be focusing. Findings from half year review were also discussed during the meeting. The auditor explained that the risks the audit would focus on were the following:
  - Valuations of investment properties;
  - Significant acquisitions and transactions;
  - Revenue recognition; and
  - Management override on estimations and manual adjustments.

Assessed the independence and objectivity of the external auditor

Ernst & Young Accountants LLP has been appointed as the Company's independent auditor in April 2018.

The Committee considers the reappointment of the external Auditor, including rotation of the audit partner.

In addition, the external Auditor is required to rotate the audit partner responsible for the Group's audit every five years.

The auditor has confirmed to the Audit and Risk Committee its independence of the Group.

The independence and objectivity of the independent auditor is reviewed by the Committee, which also reviews the terms under which the independent auditor is appointed to perform non-audit services.

Audit Fees and Non-Audit Services

The table below summarises the remuneration of Ernst & Young LLP and other entities of EY during the year ended 31 December 2018.

	Ernst & Young Accountants LLP €'000	Associated Ernst & Young Companies €'000	Total €'000
Audit fees Annual Report	145	145	290
Audit fees in relation to the secondary public offering	84	102	186
Other audit fees	-	239	239
Total	**229**	**486**	**715**

The Committee has reviewed the level of audit fees of the external auditor for the year ended 31 December 2018 and has considered that they are in line with the Group's level of development and non-recurring tasks that occurred in 2018.

The Committee reviewed the effectiveness of the external auditor and recommended its reappointment to the Board.

For the year ended 31 December 2018 the Committee reviewed the effectiveness of the external auditors. Furthermore, the Chairman of the Audit and Risk Committee discussed with the external auditor in March 2019 their final findings on the audit of the Annual Report and consolidated financial statements for the year ended 31 December 2018 and their draft audit opinion thereon.

Local statutory audits of individual subsidiary companies are also required in some jurisdictions in which the Group operates. EY Poland carries out these audits in Poland.

Following this review, the Committee recommended to the Board that Ernst & Young Accountants LLP be reappointed as external auditors for the year ending 31 December 2019.

For any questions on the activities of the Committee not addressed in this report, a member of the Audit and Risk Committee remains available to attend each Annual General Meeting to respond to such questions.

Investment Committee Report

The Board has established the Investment committee comprising of:

- Ioannis Papalekas (Chairman)
- Dimitris Raptis
- Norbert Sasse

Throughout the year 2018 there were five members of Investment Committee: Ioannis Papalekas, Dimitris Raptis, Norbert Sasse, Maciej Dyjas and Nebil Senman. On 27 February 2018 Maciej Dyjas and Nebil Senman resigned from their functions. With respect to the changes within composition of the Board of Directors and the Committee please refer to pages 82 and 83 of consolidated financial statements.

The Chairman of the Committee is appointed by the Board and the members are appointed by the Board, in consultation with the Chairman of the Committee. The Committee shall have a minimum of two members. All members of the Investment Committee must be Non-Executive Directors. All of the members are experienced professionals with track record of successfully realised investments in the real estate market.

The responsibilities of the Investment Committee mainly include:

a. considering suitable acquisitions, which fit within the company's business strategy; and;

b. making final decisions regarding acquisitions and disposals to be made by the company, acting under a delegated mandate from the Board.

The Investment Committee meets on an ad hoc basis as may be required in order to fulfil its mandate. In 2018 the Investment Committee met several times in order to consider suitable acquisition proposals and make final decisions regarding investments in the name of the Company.

During the year there were four committee meetings. The meetings are generally held at the office of the Company, but may also take place elsewhere or by means of a conference call, video-conference, or similar communications equipment provided that all members of the Investment Committee participating in the meeting can hear each other and none of them has objected to this way of decision-making. After each meeting all recommendations were presented to the Board for consideration.

The convocation notices of an Investment Committee meeting are given by e-mail, fax or mail, at such time that all the members of the Investment Committee are given opportunity to participate in and prepare themselves for the meeting ultimately eight days in advance. In urgent cases, the chairperson of the Investment Committee may determine that the meeting shall be convened upon shorter notice, but in any case, no later than two business days before the meeting. Any notice of the Investment Committee meeting shall contain the agenda for the meeting. The agenda stating the matters for decision, shall be drawn up by the Chairperson of the Investment Committee. The other information and decision material for the meeting shall be circulated as soon as possible, but in any case, no later than two business days before the meeting.

The Company Secretary shall take minutes of the meeting. The minutes shall be adopted in the same meeting or in the next meeting of the Investment Committee and shall be signed by the Chairperson of the Investment Committee and the Company Secretary. A copy of the minutes will be sent to the Board.

Sustainability Report

Introduction

GPRE with its strategy aims to add value for its shareholders, tenants, suppliers and staff, as well as to local communities. GPRE aims to do business while adhering to strict business ethics and corporate social responsibility which we believe adds and sustains long-term value for the Company, our shareholders, the community and the environment. The Company and its subsidiaries, in conducting its business activities, undertake to comply with all laws and regulations regarding use of land and protection of the natural environment. The Company and its subsidiaries are not a party to any pending proceedings regarding potential environmental protection violations.

Environmental aspects

We continue to focus on investing in environmentally friendly properties. Creating an environment in which people want to work and be associated with is a key objective for Globalworth Poland Real Estate N.V. There is no better way to achieve this than by building a "greener" and more environmentally-friendly portfolio. The Company focuses on investments that either have received green accreditation or have the potential to receive it in the future. Building a sustainable portfolio is also a commitment to our partners and our shareholders to create value for the long term. During the year 2018 we have significantly increased the number of certified investments in our portfolio, most of which were awarded Excellent/Very Good or equivalent grade:

- CB Lubicz – BREEAM;
- Green Horizon – LEED;
- West Gate – BREEAM;
- A4 Business Park – BREEAM;
- Tryton Business House – BREEAM;
- Warta Tower – BREEAM;
- Quattro Business Park – BREEAM;
- Skylight – BREEAM;
- Lumen – BREEAM;
- Green Horizon - LEED;
- Spektrum Tower - BREEAM.

All other assets in the portfolio are currently in certification/recertification process.

Corporate social responsibility

The Company's quality is founded upon best-in-class properties. Our portfolio consists of attractive upscale properties situated in the centre of or on the main streets of the largest Polish cities.

We recognise the commercial benefits of operating in this type of surroundings and at the same time we recognise our responsibility to the communities we are a part of and society. We believe that the best and most efficient way to give back is through what we hold most valuable – our people and our properties.

GPRE's employees have the opportunity and are encouraged to propose and participate in social events of their choice. Below are some most significant CSR events we organised and took part during the past year.

- Poland Charity Real Estate Beach Volleyball Tournament 2018 – A record breaking PLN 767 thousand was raised at the ninth Charity Real Estate Beach Volleyball Tournament, which took place on 2nd August at La Playa Music Bar in Warsaw. 56 teams and 392 players took part in the tournament, while the entire event was attended by approximately 2,000 people. Honorary patronage for the event was overseen by the Polish Volleyball Federation. The event's grand total of PLN 667 thousand, raised from team registration fees with additional PLN 100 thousand later added by GPRE, has been donated in its entirety to Stowarzyszenie Rodziców i Przyjaciół Dzieci Niewidomych i Słabowidzących "Tęcza" (Rainbow Association of Parents and Friends of the Blind and Visually Impaired Children).

- School kit for an Orphanage in Otwock – At the beginning of September 2018, we prepared school kit (comprising most needed equipment to start a new year at school) for over a dozen kids from Orphanage in Otwock.
- Transfer of office furniture for an orphanage in Otwock – We continue supporting Otwock orphanage by providing essential furniture.
- Warsaw Business Run 2018 - PLN 1,774 thousand donated by companies to fulfil the dreams of people after amputations. 3,322 runners in Warsaw and a total of 22,476 people in different cities in Poland ran over 4 km in their teams to support people with disabilities, but also to promote an active lifestyle and integrate the local community with business. 10 runners in two teams of GPRE's employees joined the cause.
- Cooperation with Students Science Club of real estate and investment – Workshops, lectures, financial support for students from Warsaw School of Economics – the oldest school of economics in Poland is a great opportunity to show to young people what can they expect from the future. People from different departments of Globalworth Poland Real Estate N.V. presented the nature of their work and difficult situations they must resolve.
- Saint Nicholas Day – Saturday 8th of December was a magical Day in the GPRE Warsaw office. Children from Socio-therapeutic Day-room „Ochotka" and employees' kids took part in workshops on gingerbread decorating and creating Christmas decorations. Santa Claus gave Christmas gifts to every child and everyone could ring the bell, hold Santa's beard and make a dream come true.

Through the platform of our three mixed-used properties, we organised a number of events in 2018 including:

- Renoma shopping centre:
  - Rooftop Summer Cinema– movie screens about European capital cities
  - Renomowany Jazz – cyclic jazz concerts on the rooftop
  - Wro Fashion Foto – promotion of young local photographers
- Supersam shopping centre:
  - Football Fan Zone
  - DHS was named as a "Friend of children 2018" by NGO "Association for help dedicated for children"
- Hala Koszyki mixed-use:
  - Klasyka na Koszykach - Classic piano concerts held in cooperation with our tenant – Julian Cochran Foundation.
  - Mała klasyka na Koszykach - Musical classes for kids. In cooperation with Julian Cochran Foundation.
  - Linia Prosta – Second edition of #LiniaProsta action. We supported the first Warsaw training apartment for people with Down syndrome and people with mental disability.

Personnel and organisation

Globalworth Poland Real Estate N.V. actively work together with tenants, partners and the community to identify ways to improve the effectiveness and efficiency of properties. Active management of our properties ensures that they operate according to their specifications. Creating and actively managing a premium city office and high-street mixed-use portfolio requires a hands-on, proactive and pragmatic organisation. The Company's contacts and a strong local network are indispensable. Direct contacts with tenants and a horizontal organisation ensure fast response times. The Company offers employees the opportunity to work for a medium-scale ambitious organisation dedicated to creating a high-quality sustainable portfolio leased to blue-chip tenants. Employees play a crucial role in the transformation into a high-quality portfolio and therefore in the effective execution of the strategy. It is important for GPRE to rally its employees and get everybody to jointly move forward.

The year 2018 was marked by organisational changes which were aimed at enabling Globalworth Poland Real Estate N.V. to reach the goal of becoming a landlord and employer of first choice. During this time, we internalised our property management, legal and accounting activities. It was an ambitious and demanding task to attract and keep the best talents, especially in today's highly competitive labour market. The below table reflects the scale of our growth.

Total Number of Employees During the Year

Total number of Staff as at 31 December 2017:	**41***
Number of females hired in 2018:	38
Number of males hired in 2018:	25
Number of Staff hired in 2018:	63
Number of females as at 31 December 2018:	50
Number of males as at 31 December 2018:	44
Total number of Staff as at 31 December 2018:	94*

* Including Non-Executive Directors

In order to provide the best service to our tenants and at the same time to create opportunities for our employees to develop professionally, over the course of 2018 the Company organised various training sessions covering subjects such as:

- General Data Protection Regulation and its implications;
- Recent tax regulations and their impact on real estate business;
- the Code of Conduct training;
- SAP – ERP class system introduced throughout the Group.

Additionally, each department in the organisation has the possibility to choose and attend training sessions tailored to specific needs.

All our employees have the possibility to enter a private health care plan and extend the coverage to their immediate family members. In 2018, the Company also arranged a sports benefit package, giving participating employees access to a variety of sport and leisure facilities.

Shareholders & Stakeholders Relations

The trust of our shareholders and stakeholders is essential to the success of the Company. The dialogue and transparency with stakeholders, among whom shareholders are of particular significance, is a key aspect of Company's operations. The Company pursues a regular and constructive dialogue with its current and potential shareholders to provide objective information about the Company's current operations and strategic goals.

In this context the following ways of communications are used:

- organizing regular meetings with current and prospective shareholders;
- participation in the real estate industry and general business-related events gathering both shareholders and business partners;
- road shows to discuss the key business developments and strategy; and
- distribution of current and periodic reports as well as relevant press releases to the shareholders.

In 2018 the Company distributed 32 current reports as well as 4 periodic reports (Standalone Financial Statement of Globalworth Poland Real Estate N.V. for 2017, Consolidated Financial Statements of Globalworth Poland Real Estate N.V. Group for 2017, Consolidated interim condensed financial statements for the three month period ended 31 March 2018, Consolidated condensed interim financial report for the period ended 30 June 2018 and Consolidated condensed interim financial report for period ended 30 September 2018). All the reports were published on the Company's website.

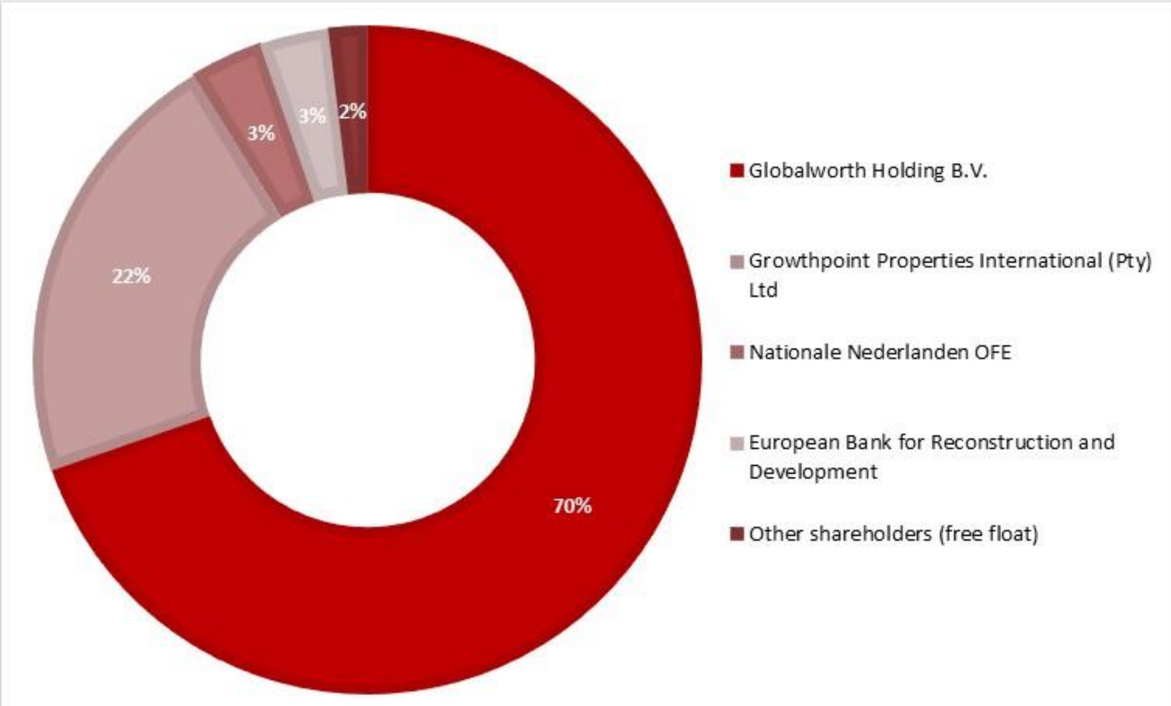
In the near future the Company would like to implement or continue to operate:

- Press conferences to announce financial results;
- Ad-hoc conference calls/queries from the market players (concerning Company's performance, strategy, finances;
- One-on-one meetings with funds and analysts, during investor conferences;

- Surveying of the Company's image as seen by capital market players.

GPRE Shares

Shareholders with direct or indirect ownership of significant blocks of shares as of 31 December 2018



According to the information available to GPRE, the shareholding structure of the Company as of 31 December 2018 was as follows:

Shareholders	Number of shares	Par value per share [EUR]	Value of share capital [EUR]	Percentage of share capital and total votes at general meeting
Globalworth Holding B.V.	308,622,859	1	308,622,859	69.71%
Growthpoint Properties International (Pty) Ltd	95,541,401	1	95,541,401	21.58%
Nationale Nederlanden OFE	15,600,000	1	15,600,000	3.52%
European Bank for Reconstruction and Development	14,807,000	1	14,807,000	3.34%
Other shareholders	8,186,123	1	8,186,123	1.85%
Total	442,757,383		442,757,383	100.00%

From the balance sheet date to the Consolidated Financial Statements publication date Globalworth Holding B.V. acquired:

- 16,504,828 shares from Nationale Nederlanden OFE (investor's accumulated 904,828 shares since the last notification to the Company),
- 14,807,000 shares from European Bank for Reconstruction and Development,
- 3,377,921 shares from other shareholders.

The Team

CEO
Dimitris Raptis

CFO – *Rafał Pomorski*
- **Finance & Controlling** – Tomasz Jelinowski, +7 people
- **Accounting** – Małgorzata Koc, +11 people
- **Human Resources** – Magdalena Rapacka-Wojdat

Head of Investments – *Łukasz Duczkowski*
- Investments, Divestments, Portfolio Reporting & Valuations, +3 people

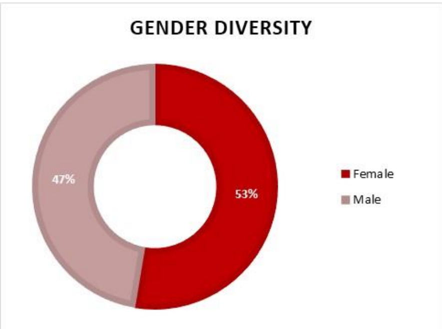
COO – *Artur Apostoł*
- **Legal** – Judyta Sawicka, +5 people
- **Asset Management, Property Management & Facility Management** – Remigiusz Królikowski, +30 people
- **Technical (developments, redevelopments, fit-out & retro-fits)** – Grzegorz Podlasek, +9 people
- **IT** – Robert Pysiak, +1 person
- **General/Office Administration** – Izabela Zalewska/Katarzyna Aniszewska, +2 people

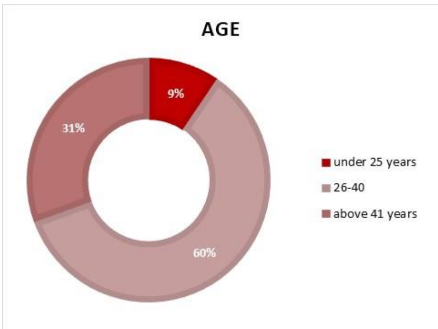
Commercial Director* – *Grzegorz Strutyński*
- **Leasing** – Karol Klin, +6 people
- **Marketing & Public Relations*** – TBD

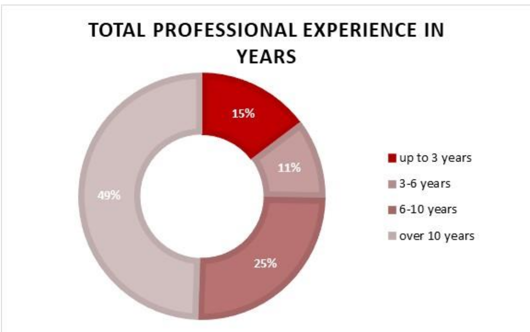
Note:
**Joined the Company on 1 March 2019*

DIVERSITY

An important pillar of each organization is to attract and retain people within its structure, improve the best talents and give satisfaction to each employee. The Group policy regarding employment is focused on hiring the best candidates regardless of gender, age or ethic group. Information connected with the diversity of the team is specified below:







Directors' Report

Responsibility statement

The Board is responsible for the preparation and fair presentation of the Group annual financial statements of Globalworth Poland Real Estate N.V. comprising the consolidated and standalone statement of financial position at 31 December 2018, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 1 January 2018 to 31 December 2018 and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), IFRS as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code the Directors' Report in accordance with Part 9 of Book 2 of the Dutch Civil Code (including the broad outline of the corporate governance of the company and compliance with the Dutch Corporate Governance Code).

The Board is also responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these group annual financial statements. During 2018 The Board did not recognise any failings in the effectiveness of the internal risk management and control systems. For details please refer to Risk management section on page 68.

Code of Conduct

In December 2018, the Code of Conduct was put in place and will be reviewed regularly going forward. The Code of Conduct is a fundamental document for the Group. It contains the principles that are considered as primary for all employees at all levels and grades. The Code of Conduct is a guide designed to help all entities within the Group to connect with the values and provide expectations for everyday behaviour. The Code of Conduct contains direction on how to conduct ourselves as GPRE employees when interact with each other, our customers, the communities in which the Company operate, and other stakeholders. It is the place to start when facing an ethical dilemma, and it provides information on whom to contact when in case of questions or concerns.

The Code of Conduct is based on the Company's values, which are a set of beliefs that govern our actions. The values commit all employees to act with the highest levels of ethics, and to conduct business in a responsible and sustainable way.

Directors' report

The Directors present their Annual Report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

The Board of Directors states that to the best of its knowledge:

- the internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies (as described in Risk Report, Strategic Review section);
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis (as disclosed in the Note 1.4 of the consolidated financial statements) and
- the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report (as disclosed in the Note 1.4 of the consolidated financial statements).

To the best of the Board of Directors knowledge:

- the financial statements provide a fair view of the assets, liabilities, financial position and profit or loss of the issuer and of the companies included in the consolidation taken as a whole; and
- the Directors' Report provides a fair view of the situation on the balance sheet date and of developments during the financial year of the Company and of its affiliated companies whose information has been included in its financial statements, together with a description of the main risks the issuer faces.

Overview and Company's structure

GPRE is a Dutch-based real estate company that follows the REIT formula and the leading owner of office space in Poland. The Group's portfolio comprises at high quality pure offices as well as high-street mixed-use office and retail projects, all of which are in prime, proven locations in the centre or on the main streets of six of the largest Polish cities: Warsaw, Wroclaw, Lodz, Krakow, Katowice and Gdansk.

The Group owns and operates 374,686 sqm office GLA and 54,021 sqm mixed-use GLA. The total value of these properties is €1.217 billion at the end of 2018. During the financial year ended 31 December 2018, 185,812 sqm GLA was added due to completed acquisitions. The Company's team has grown significantly during 2018 to adequately support the growth of its operations, and currently comprises 94 professionals with expertise in accounting, architecture, asset and property management, finance, investments, law, leasing, HR, IT and administration.

GPRE is listed and traded on the Warsaw Stock Exchange. A list of participations, joint ventures and suchlike of the Group is included in the notes to the financial statements on pages 91-98 and following.

As of 13 March 2017, the Company was converted into a public limited company, and since then has had a one-tier board structure consisting of Executive Directors ("Executive Directors") and Non-Executive Directors ("Non-Executive Directors"). In 2018 several changes were made to the Board, as described on pages 82 and 83 of the Directors' Report. The Board is the statutory executive body (raad van bestuur) and the members are collectively responsible for the Company's management and the general affairs of the Company.

Long-term value creation strategy

GPRE's long-term strategy is to invest in premium pure office and mixed-use properties at established locations of major Polish cities. The aim is to develop our property portfolio and deliver attractive returns to shareholders both in the form of dividends and capital appreciation through the ongoing asset management of the existing portfolio and through further acquisitions of properties meeting our criteria. The key elements of GPRE's growth strategy are as follows:

- ✓ Attractive dividend policy

We intend to regularly pay out at least 90% of funds from operations to our shareholders.

- ✓ Precise investment strategy

The Company plans ongoing investment in properties that meet strictly defined criteria. GPRE is primarily interested in the office sector in central locations in key Polish cities. The Group targets buildings of high technical quality, good environmental credentials, with a diversified tenant base or an anchor tenant with a long-term lease. The Company focuses on properties that offer attractive income streams and where value can be added through asset management.

The Company believes that strong economic fundamentals will drive the development of various businesses and the trend of attracting foreign business (BPO and SCC in particular) will be maintained. As a result, demand from businesses and retailers for high quality office and retail space will remain high, ensuring that the Company will generate stable and predictable results. With this strategy GPRE is responding to trends and developments in the commercial property market and creates value as such.

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Acquisitions and disposals

During the extremely busy year ended 31 December 2018 the Group has concluded following acquisitions of entities (100% shares) owning following buildings:

Date of acquisition	Investment property	sqm GLA	location
14 March 2018	Warta Tower	33,657	Warsaw, Poland
25 May 2018	West Link	14,374	Wroclaw, Poland
21 June 2018	Quattro Business Park	60,236	Krakow, Poland
12 July 2018	Spektrum Tower	32,100	Warsaw, Poland
20 December 2018	Skylight&Lumen	45,445	Warsaw, Poland

During 2018 there were no disposals completed by the Group.

Financial overview

Highlights

- Significant growth in revenues and NOI up by €56,904 thousand and €46,527 thousand, respectively, resulting mainly from the settlement of RGA and NOIGA, the new acquisitions completed during 2018 and leasing progress.
- Significant growth in EBITDA up by 260% compared to 2017.
- EPRA NAV as at 31 December 2018 increased by 179% from 31 December 2017 mainly due to the issue of new shares following a SPO and the results for 2018, offset by the declared and paid out dividend for 2017 and the declared interim dividend for 2018 paid in January 2019.
- Solid financing structure with an average cost of bank debt of 2.22% and an average maturity of slightly below seven years.

Revenues and Profitability

- Revenue reached €102,709 thousand in 2018 (124% higher than in 2017).
- NOI also increased significantly in 2018, following the increase in total revenues to reach a total of €78,257 thousand (2017: €31,730 thousand), a significant improvement of 147% or €46,527 thousand over 2017 figures.
- EBITDA amounted to €96,005 thousand (2017: €26,671 thousand).
- EPRA earnings amounted to €55,511 thousand in 2018 (2017: €15,594 thousand), representing an increase of €39,917 thousand over 2017.
- Increased finance costs in 2018, up by 186%, resulted mainly from a new loan granted by a related party of the main shareholder to finance new acquisitions.
- Decreased finance income in 2018 by 98% resulted mainly from the change of functional currency from PLN to EUR. In 2017, the balance consisted mainly of foreign exchange differences (€24,633 thousand out of €25,479 thousand total finance income in 2017).
- Earnings before tax of €69,186 thousand increased as compared to 2017 (€42,591 thousand) mainly as a result of higher revenue income (2018: €102,709 thousand as compared to 2017: €45,805 thousand) and the effect of fair value remeasurement of investment property (2018: €18,984 thousand as compared to 2017: €3,199 thousand). Additionally, net financing costs increased by €42,739 thousand due to the change of the financing structure and functional currency from PLN to EUR.

Portfolio Valuation

The significant capex spent activity in 2018 (c. €7,823 thousand of investments on standing assets) influenced the value of our portfolio positively, leading to a gain in OMV of €18,984 thousand.

Shareholders' Equity

On 31 December 2018, total equity amounted to €705,329 thousand (31 December 2017: €244,771 thousand).

The number of shares increased during the year from 156,133,179 to 442,757,383.

Total Assets and NAV

Total assets at 31 December 2018 amounted €1,319,051 thousand and increased by 74% from 31 December 2017.

EPRA NAV at 31 December 2018 (€737,075 thousand) increased by 179% from 31 December 2017 (€264,130 thousand), however, EPRA NAV per share was impacted following the capital raise and as at 31 December 2018 amounted to €1.66 per share, lower by c. 2% compared to 31 December 2017 (€1.69 per share).

Cash Flows

Cash and cash equivalents at 31 December 2018 (€72,746 thousand) increased by c. 110% compared to 31 December 2017 (€34,685 thousand).

Cash generated from operating activities during the year (including termination of RGA and NOIGA amounted to €20.3 million) amounted to €62,414 thousand, representing an outstanding increase of 163% as compared to 2017.

Financing

Average cost of bank debt at the level of 2.22% (2017: 2.24%) and average maturity of 6.9 years (2017: 7.2 years).

LTV at the level of 6% (considering shareholder loans as equity) compared to 41% in 2017.

Outlook

Poland is the largest and most mature commercial real estate market in the CEE, and its strong and expanding economy has positively impacted the commercial real estate market, with investment activity of €7.2 billion in 2018 (total investment in CEE amounts to €13.2 billion), the highest since its peak in 2006. In September 2018, Poland left the FTSE Emerging All Cap Index and was reclassified to Development Markets. Being the first post-soviet CEE country to be promoted to Developed Market category. Investment volumes have been increasing over the past several years, and 2018's activity represented an annual rise of over 40%, with international investors being the most active in the market. The retail and office sectors have been the principal beneficiaries of this investment, with significant interest in logistics and hotel properties.

Dynamics

- Strong country performance and macro outlook, positively impacting the real estate sector.
- Expansion of operations from national and multi-national corporates driving demand for new office space.
- Growing supply for office space in the Polish market (Warsaw and regional cities) with most of the projects announced or under construction to be delivered in the medium term.
- Need for workforce at a time of low unemployment driving demand for high quality space to attract and retain employees.

Opportunities

- Establishing long-term partnerships with high quality national and multinational tenants ensuring sustainable cash flow generation.
- Leveraging existing relationships with high quality corporates in our portfolio to improve effectiveness of our asset management.
- Investing in new opportunities – developments and standing properties – as the market continues to grow, supported by the expanding economy.
- Contraction of yields which remain above those of other more mature western European markets as the economy expands at a faster comparative pace.

Challenges

- Addressing low unemployment rate which may impact economic growth in the future.
- Effectively managing the real estate portfolio at a time when the majority of new supply is delivered to the market (2-3 years).

Constantly increasing competition between investors and a low interest rate environment driving yield contraction as the economy expands. The demand for high quality, environmentally friendly properties with good connectivity (particularly for offices) remains strong.

Risk profile and risk management

The Board is responsible for the Company's system of internal control and for maintaining and reviewing its effectiveness.

The Board presents the principal risks profile on pages 70 to 73 of the Annual Report.

The Board has considered four main groups of risks which the Company has to face: business, property, financial & liquidity and regulatory. The below table consists of a description of risks, impact and the mitigation.

The risk management and control system form an integral part of the business operations and the reporting and aim to ensure with a reasonable degree of certainty that the risks to which the company is exposed are identified adequately and controlled.

The Board assesses the organisation and the functioning of the internal risk management and control systems that support that organisation on a continuous basis. The system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and, as such, can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Risk management system comprises of the following steps:

1. *Identify*

The Board and the Audit and Risk Committee identify risks with input from the key management of the Group. The Group follows an objectives-based risk identification strategy to identify key principal risks for each reporting period. Any event or factor that may endanger the achievement of the short and long-term goals partly or completely is identified as a risk.

2. *Evaluate*

Once risks have been identified, they are assessed as to their potential severity of impact on the Group's performance (a negative impact on financial results) and to the probability of occurrence, that is risk indexation.

3. *Respond*

Once risks have been identified and evaluated, one or a combination of the following techniques are used to manage each particular risk:

- avoid (eliminate, withdraw from, or not become involved);
- control (optimise – mitigate);

- share (outsource or insure); and
- retain (accept and budget).

The selection of a particular response strategy depends upon the magnitude of the impact, probability of occurrence, existing internal and external controls.

4. Monitor

The initial risk management strategy may not address all issues as expected. Therefore, the Board will reassess, at each quarterly meeting, whether the previously selected controls are still applicable and effective, and the possible risk level changes in the business environment.

Main risks and risk mitigation

Financial & liquidity risk

RISK	IMPACT	MITIGATION
Currency risk The Group's functional currency is Euro, the property valuations are expressed in Euro, and the majority of the Group's revenues, specifically rent revenues, are expressed in Euro, while the Group's external debt is also expressed in Euro, which provides it with a natural hedge. There are certain of the Group's costs incurred in Polish zloty such as: some maintenance and modernization costs, labour and part of the advisory costs.	Significant fluctuations may lead to significant realised foreign exchange losses.	Since variations of exchange rates significantly affect the value of prospective cash flows (purchase of foreign currencies, disbursement of loan tranches), the Group might consider taking recourse to the available derivatives, such as forwards or FX options. The Group also manages foreign currency risk by using natural hedging. The sensitivity analysis of FX risk is presented in the Note 23ai of the Consolidated Financial Statements. **Risk considered as low.**
Liquidity risk Liquidity risk constitutes refinancing risk thus risk of a fulfilment of existing obligations to pay when due.	The potential impact is that the Company suffers reputational damage or that additional financing costs arise, which may lead to a lower direct result.	Proactive asset and cash management, quarterly review of budgets and comparison to actuals, the strategy and the result of planning process are the tools used for the early identification of the future liquidity needs. The Group verifies its liquidity on a regular basis. Current financing structure is characterised by long average maturity, well spread expiry dates and relatively low LTV. Additionally, there are some cash reserves maintained in case unforeseen liquidity constraints are incurred. **Risk considered as moderate.**
Interest rate risk The Group finances its operating activities to a large extent using borrowings on which part of the interest is calculated based on floating interest rates. For loans in Euro the applicable rate is EURIBOR. The development of interest rates is therefore of high significance to the Group.	Interest rate risks are caused by interest rate fluctuations that may result in rising financing costs, leading to a lower direct result.	The interest rate risk is mitigated by hedging instruments available on the market (fixed rates, IRS) to reduce the part financed with floating rates. The Group also plans to keep indebtedness at relatively low level. Additionally, the vast majority of its leases include an indexation that is linked to the consumer price index announced by Eurostat. The sensitivity analysis of interest rate risk is presented in the Note 23aii of the Consolidated Financial Statements. **Risk considered as low.**

Breach of loan covenants	May negatively affect the Group's relationship with financing banks, may have going concern implications, and affect, negatively, its ability to raise further debt financing at competitive interest rates.	The Group monitors on a regular basis its compliance with loan covenants and has increased its resources on monitoring in the area of loan contractual terms (including covenants) compliance. **Risk considered as moderate.**

Business risk

RISK	IMPACT	MITIGATION
Exposure to the Economic Environment in Poland	A negative trend in the economic activity in Poland may affect the Group's tenants and potential new tenants and in turn can exert downward pressure on rent rates.	A significant number of the Group's tenants are subsidiaries of multinational groups with either insignificant exposure to developments in the Poland economy and/or very sound financial standing. The Group also ensures that long-term leases are signed with new tenants and that current leases are renewed prior to their expiry for a longer term and at index-linked rental rates, so as to minimise the risk of possible negative variations in rent rates over the short and medium term. **Risk considered as low.**
Changes in the Political or Regulatory Framework in Poland or the European Union	The Group was set up to carry out investments in the Central Europe region, focusing first on property investments in Poland. It is therefore exposed to political and regulatory framework changes that may occur in this region.	The Group's Executives Directors frequently monitor political or regulatory developments in the Poland market through their own observation and also by frequent reviews of available third-party reports on the developments in Poland as well as by participation in relevant workshops and trainings. In cases when changes in regulations occur, appropriate action is taken so as to maintain compliance with applicable regulations in Poland. **Risk considered as moderate.**
Competition The Polish real estate market is currently characterized by competition between local, regional, national and international investors.	The Group has been faced with a wide range of competitors in all areas of its business activities.	The advantage of the Group is that it offers a unique Polish pure office and high-street mixed-use platform with an aim to make regular dividend distributions. The Group portfolio is well diversified with properties centrally located in major cities in Poland. Additionally, the Group has long term experience in property management and good market awareness. **Risk considered as moderate.**

Property Risks

RISK	IMPACT	MITIGATION
Vacancy risk The risk occurs when the property cannot be leased at a reasonable price or at all. Additionally, the risk may result from tenants reducing the leased space or being able to effect reductions in the rent for economic reasons.	Such developments can have negative impact on the planned income from letting activities and consequently on the valuation of properties.	To mitigate the risk the Group has adopted a focused acquisition strategy that contains stringent criteria for further acquisitions. All future acquisitions are targeted to consist of pure office assets, which are located in central micro-locations or business hubs of leading cities in Poland and which will not require extensive renovation. The Company is planning to only purchase assets with a good tenant mix in multi-tenant buildings or single-tenant buildings with long leases, primarily focusing on buildings with vacancies of less than 15% with high solvency tenants. Additionally, the risk is minimised by regular monitoring of the market and tenants' financial standing, continuously monitoring of expiring lease agreements, concluding long-term rental agreements as well as ongoing discussions with tenants and early identification and fulfilment of tenant requirements. Moreover, the properties are regularly monitored and quality of the buildings is improved. **Risk considered as low.**
Property valuation risk The fair value of the portfolio is subject to fluctuations due to external and property-related factors. Main external factors are the market rents and interest rates as well as general demand for properties as an asset class.	Any error or negative trend in valuations of properties would significantly impact the results (NAV and EPS) of the Group.	The values of the properties are internally reviewed on a quarterly basis using the DCF method. The portfolio is also semi-annually measured by independent reputable external experts in order to identify adverse developments as soon as possible. The sensitivity analysis of the significant unobservable inputs used to fair value measurement, is presented in the Note 23 of the Consolidated Financial Statements. **Risk considered as low.**
Acquisition of Properties	Inability to execute the Group's plan of investing in high-quality assets would affect the Group's objectives of maximisation in NAV and EPS.	The Group's management team have a proven track record of acquiring high quality assets at attractive price levels in relation to comparable transactions on the market, partially through the funding capacity allowing for quick senior debt-free acquisitions. The team remains in close contact with leading European real estate agents present in Poland ensuring constant access to all potential

		sellers. The team takes the lead in negotiations with sellers of properties and puts in place safeguards (involvement of legal, financial, tax, commercial and technical third-party reputable and experienced due diligence advisers) and ensures that the agreements are concluded within a short period of time. **Risk considered as moderate.**

Regulatory Risks

RISK	IMPACT	MITIGATION
Change in fiscal and tax regulations	Adverse changes in favourable taxation provisions in the jurisdictions the Group's legal entities operate in would negatively affect its net results.	The Group, through engaging professional tax advisors on a regular basis in all the jurisdictions where its legal entities operate, monitors very closely the upcoming changes in tax legislation and that all steps are taken to ensure compliance. Through regular tax compliance monitoring and implemented policies in this area the Group ensures that the tax risks are minimised. **Risk considered as moderate.**

Risk appetite

The Company's objective is to invest in properties in order to realise predictable and stable results in the long term and contribute to the liveability and safety of historical inner-cities. Those goals are achieved by execution of a three-pillar strategy: (i) portfolio consisting of mainly premium properties, (ii) a hand's on, proactive and pragmatic organisation and (iii) a conservative financing strategy.

The execution of this strategy inevitably involves risks. However, the risk appetite within the strategy is conservative, due to the fact that the Company focuses entirely on the best located properties in selected primary cities. The quality of assets (micro-location, tenants' mix and their financial standings, technical characteristics, etc.) is preferred over growth of the property portfolio. Operational risks are minimised through internal processes in place (approval matrixes, compliance and procurement standards) which are based on best market practices. The Company's financial policy is best characterised as conservative (this includes also commercial insurance coverage) due to low leverage. Strong financial position profile is important in order to remain attractive for debt investors.

The risk appetite on compliance is nil: all laws and regulations must be strictly adhered to. The Company has formulated clear guidelines for this and laid them down in various codes and regulations.

Concluding – the Company's overall risk appetite is conservative, which is fully in line with its objective of generating more predictable and stable long-term results.

Current or planned improvements to the entity's risk management system

The Board of Directors assesses the organisation continuously and the functioning of the internal risk management and control systems that support that organisation. The outcome of these assessments and any significant appropriate actions are discussed with the Audit and risk committee together with the strategy and risks. The internal control framework is regularly reviewed by the Audit and risk committee.

In view of the limited complexity of daily transactions and the short internal communication lines, the absence of a separate internal audit department is deemed to be acceptable in terms of risk management.

Corporate governance and internal controls

Corporate governance code

Application of the Corporate Governance Code of the Warsaw Stock Exchange and the Dutch Corporate Governance Code to the Company

On 9 December 2003, the Dutch Corporate Governance Committee, also known as the Tabaksblat Committee, released the Dutch Corporate Governance Code (the Dutch Code). With effect from 1 January 2009, the Dutch Code has been amended by the Monitoring Committee. On 8 December 2016, the Monitoring Committee published the revised Dutch Code. The revised Dutch Code – "comply or explain mandatory" - has entered into force as of 1 January 2017. The Dutch Code contains principles and best practice provisions for management boards, non-executive boards, shareholders and general meetings of shareholders and audit and financial reporting. GPRE complies with the principles and most best practice provisions stipulated in this code and, where it does not comply with them, this is included in section "Deviations from the Dutch Corporate Governance Code" in Directors' Report starting from page 76.

In accordance with the WSE rules, GPRE, as a public company listed on the WSE, should observe the principles of corporate governance set out in the WSE best practices. The WSE best practices is a set of recommendations and rules of procedure for governing bodies of publicly-listed companies and their shareholders. The WSE rules and resolutions of the WSE management board and its council set forth the manner in which publicly-listed companies disclose information on their compliance with corporate governance rules and the scope of information to be provided. If a certain rule is not complied with by a publicly-listed company on a permanent basis or has been breached incidentally, such publicly-listed company is required to disclose this fact in the form of a current report. Furthermore, a publicly-listed company is required to attach to its annual report information on the scope in which it complied with the WSE best practices in a given financial year.

The corporate governance code of the Warsaw Stock Exchange and the Dutch Code are mainly based upon the same or at least comparable principles of good corporate governance. However, in view of its listing on the Warsaw Stock Exchange, the Company shall apply the corporate governance code of the Warsaw Stock Exchange and, therefore, it does comply with the Dutch Code to the extent that the Dutch Code does not deviate from the corporate governance code of the Warsaw Stock Exchange.

Detailed analysis of deviations from Dutch Corporate Governance Code are presented as a part of Directors' report on pages 76-80.

Non-Compliance with the Corporate Governance Code of the Warsaw Stock Exchange

The practices where the Company is not in compliance with the Corporate Governance Code of the Warsaw Stock Exchange are the following:

Dividend payment date

Detailed principle No. IV.Z.16. of the Corporate Governance Code of the Warsaw Stock Exchange (i) requires that the dividend record date and the dividend payment date should be set so as to ensure that the period between them is no longer than 15 business days; and (ii) provides that a longer period between these dates requires a justification.

The Company cannot guarantee that it will adhere to the above principle since in accordance with Article 29.2 of the Articles of Association, unless the Board determines another date of payment, distributions on Shares shall be made payable within thirty days after they have been declared.

Real-time broadcasts of the General Meeting

Detailed principle No. IV.Z.2. of the Corporate Governance Code of the Warsaw Stock Exchange provides that if it is justified by the shareholder structure, the company should ensure publicly available real-time broadcasts of general meetings. Pursuant to recommendation No. IV.R.2, if it is justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

(i) real-life broadcast of the general meeting;
(ii) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting; and

The Company cannot guarantee that the above principles will be implemented but will in each case analyse the Company's shareholding structure and the expectations of the shareholders which will have been communicated to it and will review whether ensuring publicly available real-time broadcasts of the general meetings is justified.

Non-Compliance with the Dutch Corporate Governance Code

The practices where the Company is not in compliance with the Dutch Code are the following:

Composition and size

Best practice provision 2.1.1:

The supervisory board should prepare a profile, taking account of the nature and the activities of the enterprise affiliated with the company. The profile should address:

(i) the desired expertise and background of the non-executive board members;

(ii) the desired diverse composition of the non-executive board, referred to in best practice provision 2.1.5;

(iii) the size of the non-executive board; and

(iv) the independence of the non-executive board members.

Globalworth Poland Real Estate N.V.'s does not comply entirely with this point. Profile of the non-executive board are posted on the company`s website but their do not contain all required information.

Best practice provision 2.1.5:

The supervisory board should draw up a diversity policy for the composition of the management board, the supervisory board and, if applicable, the executive committee. The policy should address the concrete targets relating to diversity and the diversity aspects relevant to the company, such as nationality, age, gender, education and work background.

The Company has published the Code of Conduct stating equal treatment and opportunities to everyone, without regard to appearance, ethnicity, national origin, religion or belief, gender, sexual orientation, gender identity or expression, age, disability, marital or family status, or any other characteristics protected by laws and regulations. The same policy is applicable to the Board of Directors. The Company's gender diversity policy does not relate to the executive committee and does not address concrete targets relating to nationality, age education and work background.

Referring to best practice 2.1.6., GPRE recognises the benefits of diversity, including gender balance. However, the company feels that gender is only one part of diversity. Board members will continue to be selected on the basis of wide-ranging experience, backgrounds, skills, knowledge and insights. The company continues to strive for more diversity in both on the higher management level as well as in the Board. Nevertheless, there are no specific target of ratios mentioned in the Dutch Code.

The current board's diversity of professional expertise and demographics make it a highly effective board with regards to long-term as well as short-term strategies of the Company. The company undertakes to use its best endeavours to ensure that the percentage of female representation on the Board improves over time; and is considered each time a new appointment to the Board of directors is being sought.

Best practice provision 2.1.7:

The composition of the non-executive board is such that the members are able to operate independently and critically vis-à-vis one another, the management board, and any particular interests involved. In order to safeguard its independence, the non-executive board is composed in accordance with the following criteria:

(i) any one of the criteria referred to in best practice provision 2.1.8, sections i. to v. inclusive should be applicable to at most one non-executive board member;

(ii) the total number of non-executive board members to whom the criteria referred to in best practice provision 2.1.8 are applicable should account for less than half of the total number of non-executive board members; and

(iii) for each shareholder, or group of affiliated shareholders, who directly or indirectly hold more than ten percent of the shares in the company, there is at most one non-executive board member who can be considered to be affiliated with or representing them as stipulated in best practice provision 2.1.8, sections vi. and vii.

Three out of six Non-Executive Directors do not qualify as independent within the meaning of the Dutch Code. These non-independent Executive Directors are, through their wider association with the group and its operations, considered to have unique knowledge of the group and its industry. The current board's diversity of professional expertise and demographics make it a highly effective board with regards to GPRE's current strategies.

Best practice provision 2.2.1:

A management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time, which reappointment should be prepared in a timely fashion. The diversity objectives from best practice provision 2.1.5 should be considered in the preparation of the appointment or reappointment.

At present, the Company does not fully comply with the Dutch Act on management and supervision. The Board of Directors continues to strive to achieve a balanced composition of the Board in terms of gender, but it will continue to select members primarily on the basis of expertise, experience, background and skills. Additionally, one of the current Executive Directors (Rafał Pomorski) is appointed for an indefinite term. The purpose thereof is to safeguard the continuity of the Company and its Group Companies. It will be however changed upon implementation revised remuneration policy in 2019.

Organisation of the non-executive board and reports

Best practice provision 2.3.1:

The division of duties within the non-executive board and the procedure of the non-executive board should be laid down in the terms of reference. The non-executive board's terms of reference should include a paragraph dealing with its relations with the management board, the general meeting, the employee participation body (if any) and the executive committee (if any). The terms of reference should be posted on the company's website.

GPRE has adopted the Board's terms of reference but Non-Executive Director tasks are split into different categories. The terms of references are not posted on the company`s website.

Best practice provision 2.3.2:

If the supervisory board consists of more than four members, it should appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee. Without prejudice to the collegiate responsibility of the non-executive board, the duty of these committees is to prepare the decision-making of the non-executive board. If the non-executive board decides not to establish an audit committee, a remuneration committee or a selection and appointment committee, the best practice provisions applicable to such committee(s) should apply to the entire non-executive board.

GPRE has combined the remuneration committee and selection and appointment committee into one nomination and remuneration committee. Due to the size of the company it does not believe to be efficient to maintain a separate remuneration committee and selection and appointment committee.

Best practice provision 2.3.7:

The vice-chairman of the supervisory board should deputise for the chairman when the occasion arises.

No formal vice-chairman has been appointed. If the chairman is not available to attend a board meeting, in practice one of the other independent Non-Executive Directors will chair the meeting.

Preventing conflicts of interest

Best practice provision 2.7.3:

A conflict of interest may exist if the company intends to enter into a transaction with a legal entity:

(i) in which a member of the management board or the supervisory board personally has a material financial interest; or

(ii) which has a member of the management board or the supervisory board who is related under family law to a member of the management board or the supervisory board of the company.

A management board member should report any potential conflict of interest in a transaction that is of material significance to the company and/or to such management board member to the chairman of the supervisory board and to the other members of the management board without delay. The management board member should provide all relevant information in that regard, including the information relevant to the situation concerning his spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree.

A supervisory board member should report any conflict of interest or potential conflict of interest in a transaction that is of material significance to the company and/or to such supervisory board member to the chairman of the supervisory board without delay and should provide all relevant information in that regard, including the relevant information pertaining to his spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. If the chairman of the supervisory board has a conflict of interest or potential conflict of interest, he should report this to the vice-chairman of the supervisory board without delay.

The supervisory board should decide, outside the presence of the management board member or supervisory board member concerned, whether there is a conflict of interest.

GPRE for the most part complies with this provision, except that no formal chairman and vice-chairman has been appointed. If the chairman of the Board has a conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, in practice he shall report this immediately to the chairman of the Audit and Risk Committee and/or another Non-Executive Director.

Best practice provision 2.7.5:

All transactions between the company and legal or natural persons who hold at least ten percent of the shares in the company should be agreed on terms that are customary in the market. Decisions to enter into transactions with such persons that are of material significance to the company and/or to such persons should require the approval of the non-executive board. Such transactions should be published in the management report, together with a declaration that best practice provision 2.7.5 has been complied with.

On 18 December 2017 the Company entered into short-term corporate loan agreement (the "First facility") in the amount of €165 million granted by Globalworth Finance Guernsey Limited ("GFGL"), a related entity. On 8 March 2018 the Company signed Annex No. 1 increasing the principal by €55 million for acquisition of certain assets. On 13 June 2018 the GFGL Loan was repaid in total.

On 16 April 2018, the Company concluded a second loan facility at fixed interest rate with GFGL in the amount of €400 million divided into two available tranches (the "Second facility"):

- Tranche A in the amount of €233 million;
- Tranche B in the amount of €167 million.

The Company has agreed with GFGL to apply the borrowed amounts towards the acquisition of certain assets and refinancing of the existing financial indebtedness of the Company and its subsidiaries. The loans will bear fixed interest from the date of utilization at a level of 5% p.a., which will be accrued on the loan balance and due at repayment date (the date falling 7 years from the first each of tranche utilization date). The arrangement fee for the loans is equal to 1% of the available amount of the loan and it is accrued on the loan balance and due at repayment. The Second facility provides for certain undertakings, representations and events of default customary for financing of such type. The loan is measured at amortised cost using the effective interest rate method.

On 20 April 2018, the Company drawn down a net amount of €229.3 million under the Second Facility (Tranche A). On 13 June 2018 the Company repaid two loans: the entire amount of the First facility and part of the Second facility in the total amount of €300 million. On 21 June 2018 the Company drew down Tranche B of the Second facility in the amount of €74 million.

On 30 October 2018 the Company signed Annex to the Second facility increasing the facility by Tranche C in the amount of €180 million. On 12 December 2018 the Company drawn down a net amount of €150 million under the Second Facility (Tranche C).

Remuneration policy – management board

Best practice provision 3.1:

The remuneration policy applicable to management board members should be clear and understandable, should focus on long-term value creation for the company and its affiliated enterprise, and take into account the internal pay ratios within the enterprise. The remuneration policy should not encourage management board members to act in their own interest, nor to take risks that are not in keeping with the strategy formulated and the risk appetite that has been established. The supervisory board is responsible for formulating the remuneration policy and its implementation.

The existing remuneration policy as adopted prior IPO of the Company does not address all requirements of the Dutch Code. New renumeration policy is being prepared and shall be adopted by the Board and presented to the General Meeting for approval in 2019. New remuneration policy shall be fully compliant with the Dutch Code by i.a. being benchmarked to the market and including measurable performance indicators with proper weights assigned allowing for scenario analysis.

Provision of information

Best practice provision 4.2.2:

The company shall formulate an outline policy on bilateral contacts with the shareholders and publish this policy on its website.

GPRE has not adopted a bilateral contact policy yet but expects to adopt this in 2019. Upon adoption GPRE will publish the bilateral contact policy on the company's website at www.globalworth.pl.

Best practice provision 4.2.3:

Analyst meetings, analyst presentations, presentations to institutional or other investors and press conferences should be announced in advance on the company's website and by means of press releases. Analysts' meetings and presentations to investors should not take place shortly before the publication of the regular financial information. All shareholders should be able to follow these meetings and presentations in real time, by means of webcasting, telephone or otherwise. After the meetings, the presentations should be posted on the company's website.

The Company is still working on ability for shareholders to follow analyst meetings, presentations to (institutional) investors and press conferences in real time by means of webcasting, telephone or otherwise, since, considering the Company's size, it would create an excessive burden to provide such facilities. In this respect the Company does not comply with best practice provision 4.2.3 of the Dutch Code. The Company shall regularly examine whether it is desirable to provide those facilities and possibly amend its policy in this respect. In accordance with best practice provision 4.2.3 of the Dutch Code, the Company shall announce meetings with analysts, presentations to analysts, presentations to (institutional) investors and press conferences in advance on the Company's website and by means of press releases. After the meetings, the presentations shall be posted on the Company's website.

Casting votes

Best practice provision 4.3.3:

The general meeting of shareholders of a company not having statutory two tier status (structuurregime) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the non-executive board and/or a resolution to dismiss a member of the management board or of the non-executive board by an absolute majority of the votes cast. It may be provided that this majority should *represent a given proportion of the issued capital, which proportion may not exceed one third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.*

The Articles of Association provide that the Board may make binding nominations. The general meeting can overrule the binding nature of a nomination by a 2/3 majority of the votes cast, representing at least 50% of the issued share capital. Furthermore, the Articles of Association provide that the general meeting may only adopt a resolution to suspend or dismiss a member of the Board (i) at the proposal of the Board by a simple majority of votes cast and (ii) without such proposal by a 2/3 majority votes cast, representing at least 50% of the issued share capital.

These provisions deviate from best practice provision 4.3.3: The purpose of these provisions is to safeguard the continuity of the Company and its Group companies.

One-tier governance structure

Best practice provision 5.1.3:

The chairman of the management board should not be an executive director or former executive director of the company and should be independent within the meaning of best practice provision 2.1.8.

On December 21, 2017, Mr Krych has resigned from the position of Non-Executive Chairman of the Board. During 2018, the shareholders throughout the Nomination and remuneration committee looking for the candidate to fulfil the position of the Chairman, in the meantime the position was covered by different members of the Board depending on the tasks to be addressed.

Composition of the Board of Directors

The Directors of the Company as at the date of this report were:

Name and position	Bio
Dimitris Raptis **Chief Executive Officer,** **Executive Director**	Dimitris Raptis is the Deputy Chief Executive Officer and Chief Investment Officer of Globalworth Real Estate Investments Ltd. Dimitris joined Globalworth in November 2012, following 16 years of experience in the financial services and real estate investment management industries with Deutsche Bank, the last 12 years as a senior member of the real estate investment management group of Deutsche Bank's Asset and Wealth Management division ('RREEF'). From 2008 to 2012, Dimitris was Managing Director and European Head of Portfolio Management for RREEF Opportunistic Investments (ROI). In this role he was responsible for overseeing ROI's acquisitions across Europe as well as managing ROI's pan-European real estate investment portfolio consisting of 40 investments with a gross asset value in excess of €6 billion. From 2000 to 2008, Dimitris was a senior member of the team responsible for originating, structuring and executing real estate investments, with a main focus on the French, Italian and South-Eastern European markets with an enterprise value in excess of €5.5 billion across all major asset classes.
Rafał Pomorski **Chief Financial Officer**	Rafał Pomorski is an experienced finance and accounting professional. In 2015 - 2016, he was responsible for finance at Griffin Real Estate, a leading and dynamically growing investment group operating in Central and Eastern Europe's commercial real estate market. From 2011, he worked as finance manager at MGPA, a private equity firm investing on the property market, a position he held until 2015, also after MGPA was acquired by BlackRock in 2013. His professional career began in 2007 at PwC's audit department, where he remained until 2010. In 2007, Rafał Pomorski obtained a master's degree in economics from Maria Curie-Skłodowska University in Lublin. He became a member of the Association of Chartered Certified Accountants in 2016.
Ioannis Papalekas **Non-Executive Director**	Ioannis Papalekas is the Founder & Chief Executive Officer of Globalworth Real Estate Investment Ltd. Ioannis has nearly 20 years of real estate investment and development experience, predominantly in Romania, having created one of the most successful real estate development and investment groups in the Romanian real estate market. He is experienced in the acquisition, master planning, development, reconstruction, refurbishment, operation and asset management of land and buildings across all major asset classes in Romania. Ioannis has been responsible for the development of more than 400k sqm of commercial (office, retail and logistics) space and 1,000 residential units in Romania.
Norbert Sasse **Non-Executive Director**	Mr Sasse has nearly 30 years of experience in real estate and corporate finance. Norbert is the Chief Executive Officer of Growthpoint Properties (GRT), South Africa's largest real estate REIT, which he was instrumental in growing its portfolio to over ZAR 130 billion (c.€8bn), and holding investments in South Africa, Australia and the CEE. Norbert was also involved in establishing SAREIT[1]. Prior to GRT he spent 10 years with EY Corporate Advisory and Investec Corporate Finance. He is also a Chartered Accountant. [1] South African Real Estate Association.
George Muchanya, **Non-Executive Director**	Mr Muchanya has over 20 years of experience in real estate, consulting and banking. George is responsible for Corporate Strategy at Growthpoint Properties (GRT) and is a member of the Executive Committee. Having started his career as an engineer, he moved into banking in 2000 in South Africa and the UK, and then into a global management consulting firm. Since joining GRT in 2005, George has focused on M&A and been involved its expansion in Australia, the CEE and the acquisition of the V&A in South Africa.

Claudia Pendred Non-Executive Director	Ms Claudia Pendred over 25 years of experience of investments and financing throughout Central and Eastern Europe, South Eastern Europe and North Africa. Previously she was a Director for Property & Tourist at the European Bank for Reconstruction and Development (EBRD), where she expanded the bank’s property activities into new countries and new products. Before that she was the EBRD Director for Romania and was based in Bucharest. Prior to the EBRD, Ms Pendred worked at N.M. Rothschild & Sons, where most recently she was Director of Corporate Finance, focused on Central and Eastern Europe. Earlier on, she worked at J. Henry Schroder Wagg & Co in their International Finance Department and before that she worked with the World Bank in Washington DC. Ms Pendred is and has been on several Boards and Investment Committees including various property funds. Ms Pendred holds an MBA from INSEAD Business School, an MA from Harvard University and a BA from the University of Oxford.
Marcus M.L.J. van Campen Non-Executive Director, Independent Member	Mr van Campen currently serves as the director of Astarta Holding NV in Amsterdam, a company listed on the Warsaw Stock Exchange, which is active in the agricultural sector in Ukraine; the director of Ovostar Union NV in Amsterdam, also quoted on WSE, a very successful company in the field of eggs, egg products and poultry; and the director of the European subsidiaries (outside Italy) of Salvatore Ferragamo Spa in Florence, Italy, one of the principal players in the luxury sector in Europe. Mr van Campen began his professional career at Océ van der Grinten NV (1968-1976). In the period from 1976-2002, Mr van Campen served as the general counsel at Amstelland NV (currently AM NV). Marcus van Campen has extensive knowledge in the field of construction, real estate and project development, including in the financing thereof. Mr van Campen has extensive experience in corporate governance matters, monitoring activities carried out by financial supervision authorities such as the AFM, and in transparency requirements. Marcus van Campen holds a Master’s degree in law from University of Nijmegen, the Netherlands.
Thomas De Witte Non-Executive Director, Independent Member	Thomas de Witte holds the position of Chief Financial and Risk Officer (CFRO) at Frasers Property Europe, previously Geneba Properties N.V., Geneba Properties has been acquired in 2017 by Frasers Property Limited, a Singaporian listed multi-national real estate company. He joined the company in September 2015 with key responsibilities for finance, reporting and risk management. Prior to that he spent 12 years at Vastned Group, a group of Euronext-listed real estate companies. As CFO at Vastned Group Mr. de Witte played a key role in managing the reporting, treasury and financing of the group. He was responsible for taxes, IT and human resources. From 1991 until 2003 he worked for Arthur Andersen Accountants, and, after it was acquired, for Deloitte & Touche Accountants. He is also a member of the supervisory board and chairman of the audit committee of Staedion, a housing association in The Hague. Additionally, he is a member of the Raad van Toezicht and chairman of the financial commission of Koninklijke Diergaarde Blijdorp (Rotterdam Zoo). He is a member of CFO Executive Global Network and Finanza Rijnmond. Thomas de Witte holds master’s degrees in business economics and Dutch law from the Erasmus University of Rotterdam, where he also completed a postgraduate accountancy (CPA) course.

Changes in the Board of Directors in 2018

On 26 April 2018 the general meeting appointed Norbert Sasse and George Muchanya as Non-Executive Directors of the Company, both for a term until immediately after the annual general meeting of the Company held in 2022.

On 11 September 2018 the Board received the resignation of Andreas Segal, a non-executive director of the Company, who is standing down to focus on other business interests following his appointment as CEO of Gateway Real Estate AG, effective 15 September. Mr Segal left with the Board’s thanks for his contribution.

On 12 December 2018 the Chief Executive Officer of the Company, Ms Małgorzata Turek voluntary ceased to act as an executive director, the Chief Executive Officer of the Company.

On 12 December 2018, the Board nominated Mr Dimitris Raptis, the current Non-Executive Director of the Company, to be appointed as an executive director, the Chief Executive Officer, of the Company. The General Meeting approved the nomination on 5 February 2019.

Internal controls

One of the main Company's responsibility is to provide investors and shareholders with reliable financial information, due to this aim, the Company maintain system of financial and operational internal control supported by newly incorporated SAP Business One.

The Board is responsible for establishing and maintaining the Company's system of internal control and for maintaining and reviewing its effectiveness.

The system of internal control is designed to ensure that transactions are executed and recorded in accordance with appropriate level of authorisation, that the assets are protected against material losses, unauthorised acquisition, use or disposal.

The internal control system includes:

- documented organisation structure
- division of responsibilities
- policies and procedures established within each department and entity being part of the Group and throughout the Group
- careful selection, training and development of people

The internal control system is the subject to constants monitoring and improvement in order to determine any eventual gaps. In case of recognised deficiencies corrective actions are addressed and taken.

The Board of Directors, operating through the Audit and Risk Committee, supervises the financial reporting process and internal control systems. The Company, under the lead of the Audit and Risk Committee performs an annual assessment, as to whether in the absence of an internal audit department, adequate alternative measures have been taken to ensure the effectiveness of the internal control system. Due to the size and complexity of the company's operations, the Board is of the opinion that the current company's controlling structure provides adequate insight into its operations.

The company introduced a tailored internal risk management and control system, for details regarding compliance with internal control system due to preparation of the consolidated financial statements please refer to the part of Governance report titled "Key features of the Company's internal control and risk management systems with respect to the process of preparation of the financial statements of GPRE and the GPRE Group" on page 44 of Annual Report.

Directors' interest and interest in contracts

There have been no transactions with a potential conflict of interest reported by any of Directors in 2018. None of the Directors holds any interests in the Company and no loans were issued to members of the Board.

Other

Results and Dividends

The results for the year are set out in the consolidated statement of comprehensive income on page 85 of the Annual Report.

On 26 April 2018 the AGM of the Company resolved to distribute the amount of PLN 0.11 per share, being equivalent of €0.026 per share, to the Company's shareholders. The dividend has been paid in July 2018. On 21 December 2018 the Company declared to distribute an interim dividend for 2018 and established 3 January 2019 as the record date and 31 January 2019 as the payment date of an interim dividend. The amount of an interim dividend per share amounted to €0.08, therefore the Company as at 31 December 2018 includes €35,421 thousand as other payables (including withholding tax in the amount of €668 thousand).

The dividend policy will, however, be reviewed from time to time and any future dividends will be paid taking into account several factors concerning the Company, including the Company's prospects, future profits, cash requirements, financial standing, level of liquidity ratios, expansion plans as well as the laws and regulations pertaining to this subject in order to make the decision.

All shares carry equal rights to dividends (and advance dividend payments, respectively) and entitle the holders to participate in the Company's profit from the date of their purchase and the dividend date is set after the date of purchase (or registration) of the shares.

Going Concern

As disclosed in Note 1.4 of the consolidated financial statements, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the consolidated financial statements as the Company expects to have access to adequate financial resources to continue in operational existence for the foreseeable future.

Supply of Information to the Board

The Board meetings are the principal source of regular information for the Board, enabling it to determine policy and to monitor performance and compliance. Each Director has direct access to the company secretary and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

Delegation of Functions

The Board has contractually delegated to external agencies the custodial services and the accounting services of the Company and some of its subsidiaries. Each of these contracts were entered into after full and proper consideration of the quality and cost of services offered.

Auditors

The auditors, Ernst & Young Accountants LLP, have indicated their willingness to continue in office. Accordingly, a resolution for their reappointment will be proposed at the forthcoming AGM.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December 2018 € '000	2017 € '000
Revenue	7	**102,709**	45,805
Operating expenses	8	**(24,452)**	(14,075)
Net operating income		**78,257**	31,730
Administrative expenses	9	**(6,407)**	(7,821)
Fair value movement	3, 4	**18,984**	3,199
Other expenses		**(566)**	(721)
Other income		**274**	284
Gain/(loss) from valuation of financial instruments	18	**5,463**	-
		17,748	(5,059)
Profit before net financing costs		**96,005**	26,671
Net financing costs			
– Finance cost	11	**(27,317)**	(9,559)
– Finance income	10	**498**	25,479
		(26,819)	15,920
Profit before tax		**69,186**	42,591
Income tax (expenses)	12	**(4,506)**	(11,271)
Profit for the year		**64,680**	31,320
Attributable to:			
Equity holders of the parent		**64,680**	31,320
Earnings per share (basic and diluted) in €*:		**0.21**	0.20
EPRA Earnings per share (basic and diluted) in €:**		**0.18**	0.10

**EPRA Earnings – Profit after tax attributable to the equity holders of the Company, excluding investment property revaluation, gains, losses on investment property disposals and related tax adjustment for losses on disposals, bargain purchase gain on acquisition of subsidiaries, acquisition costs, changes in the fair value of financial instruments and associated close-out costs and the related deferred tax impact of adjustments made to profit after tax. (This is non-IFRS measure).*

***EPRA Earnings per share - EPRA Earnings divided by the basic or diluted weighted number of shares outstanding for the period and at the year for comparative data due to the first operating year of the Group where change in average number of shares was not adequate. (This is non-IFRS measure).*

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Year ended 31 December 2018 € '000	2017 € '000
Profit for the year	**64,680**	31,320
Other comprehensive income transferable later to the profit/(loss):		
Foreign currency translation reserve	**-**	10,313
Other comprehensive income/(loss)	**-**	10,313
Total comprehensive income/(loss) for the year, net of tax	**64,680**	41,633
Comprehensive income attributable to:		
Equity holders of the parent	**64,680**	41,633

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2018	2017
		€ '000	€ '000
ASSETS			
Non-current assets			
Investment property	3	1,216,790	680,130
Available for sale financial assets		-	5,897
Other financial assets	18	2,828	-
Other long-term assets		378	47
Other receivables		-	69
Long-term restricted cash	24	-	2,958
		1,219,996	689,101
Current assets			
Short-term loans		-	60
Trade and other receivables	21	13,238	10,634
Income tax receivable		193	1
Debentures	17	-	18,389
Available for sale financial assets		-	4,346
Other financial assets	18	12,878	-
Cash and cash equivalents	0	72,746	34,685
		99,055	68,115
TOTAL ASSETS		1,319,051	757,216

	Note	As at 31 December 2018 € '000	2017 € '000
EQUITY AND LIABILITIES			
Equity			
Issued share capital	24	442,757	156,133
Share premium		199,884	44,026
Other reserves		8,121	8,121
Foreign currency translation reserve		5,171	5,171
Net assets attributable to shareholders	24	-	–
Retained earnings		49,396	31,320
Equity attributable to equity holders of the parent		705,329	244,771
Non-current liabilities			
Bank loans	19	135,124	278,690
Other borrowings	19	392,233	–
Deferred tax liability	12	17,363	19,020
Deferred consideration payable		694	-
Guarantees retained from contractors	20, 23	666	537
Deposits from tenants	20, 23	9,801	5,834
		555,881	304,081
Current liabilities			
Bank loans	19	3,686	26,202
Other borrowings	19	-	165,413
Guarantees retained from contractors	20, 23	1,088	508
Trade and other payables	20, 23	48,169	15,238
Deposits from tenants	20, 23	1,853	270
Income tax payable		3,045	733
		57,841	208,364
TOTAL EQUITY AND LIABILITIES		1,319,051	757,216
		€	€
NAV per share		1.59	1.57
Diluted NAV per share		1.59	1.57
EPRA NAV per share		1.66	1.69

Net Asset Value (NAV) Per Share (This is non-IFRS measure)
Equity attributable to equity holders of the company divided by the number of Ordinary shares in issue at the period end.

EPRA NAV Per Share (This is non-IFRS measure)
EPRA NAV divided by the diluted number of original shares in issue at the year or period end. (This is non-IFRS measure)

Net Assets Value (NAV) (This is non-IFRS measure)
Equity attributable to equity holders of the company and/or net assets value.

EPRA Net Assets (EPRA NAV) (This is non-IFRS measure)
Net assets per the statement of financial position, excluding the mark-to-market on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations excluding goodwill.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued share capital	Share premium	Foreign currency translation reserve	Net assets attributable to shareholders	Other reserves	Retained earnings	Total
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
1 January 2017		45	–	(5,142)	41,334	–	–	36,237
Profit for the year		–	–	–	–	–	31,320	31,320
Other comprehensive income		–	–	10,313	–	–	–	10,313
Total comprehensive income		–	–	10,313	–	–	31,320	41,633
Shares issued for capital		156,088	44,026	–	–	–	–	200,114
The reorganisation of the Group		–	–	–	(41,334)	8,121	–	(33,213)
At 31 December 2017	24	156,133	44,026	5,171	–	8,121	31,320	244,771
At 1 January 2018		156,133	44,026	5,171	–	8,121	31,320	244,771
Profit for the year		-	-	-	-	-	64,680	64,680
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	64,680	64,680
Operations with shareholders		-	-	-	-	-	-	-
Issue of share capital		286,624	155,858	-	-	-	-	442,482
Dividend paid or declared		-	-	-	-	-	(46,604)	(46,604)
At 31 December 2018	24	442,757	199,884	5,171	-	8,121	49,396	705,329

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2018 € '000	2017 € '000
Profit/(loss) before tax		**69,186**	**42,591**
Adjustments to reconcile profit before tax to net cash flows			
Fair value movement on investment property		(18,984)	(3,199)
Gain/(loss) from valuation of financial instruments		(5,459)	-
Net financing (income)/costs		26,243	(16,469)
Operating profit before changes in working capital		**70,986**	**22,923**
Operating activities			
Decrease/(increase) in trade and other receivables		731	(3,609)
(Decrease)/increase in trade and other payables		(3,773)	2,671
Movements in deposits from tenants and other deposits		(562)	2,052
VAT settlements		444	1,066
Other items		(1,209)	(1,444)
Income tax paid		(4,203)	41
Cash flows from operating activities		**62,414**	**23,700**
Investing activities			
Capital expenditure on investment property		(15,634)	(14,621)
Rental Guarantee Payment (CAPEX)		4,580	3,986
Payment for acquisition of subsidiaries less cash acquired	26	(482,143)	(155,151)
Dividend received		-	3
Movements in loans granted		20	(27,466)
Interest received		115	32
Cash flows from investing activities		**(493,062)**	**(193,217)**
Financing activities			
Proceeds from share issuance		450,000	29,129
Payment of transaction costs on issue of shares		(7,517)	-
Dividend paid		(11,183)	-
Bank loan proceeds		67,611	11,098
Bank loan repayments		(236,067)	(8,702)
Proceeds from borrowings		508,300	164,194
Repayment of borrowings		(287,107)	(1,118)
Payment of other financing costs		(5,671)	–
Interest paid		(12,587)	(7,337)
Change in restricted cash		9,044	(12,873)
Cash flows from financing activities		**474,823**	**174,391**
Net increase/(decrease) in cash and cash equivalents		**44,175**	**4,874**
Cash and cash equivalents at the beginning of the period		15,657	10,010
Translation differences		(29)	773
Cash and cash equivalents at the end of the period	22	**59,803**	**15,657**

SECTION I: BASIS OF PREPARATION

This section contains the Group's significant accounting policies that relate to the financial statements as a whole. Significant accounting policies and related management's estimates, judgements and assumptions in application of those policies specific to each note are included with that note. Accounting policies relating to non-material items are not included in these financial statements.

1. Basis of Preparation

The consolidated financial statements of the Group include consolidated financial data as of 31 December 2018 and for the year ended 31 December 2018 in relation to the consolidated profit or loss account, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement.

The comparative data include consolidated financial data as of 31 December 2017 and for the year ended 31 December 2017 in relation to the consolidated profit or loss account, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement.

Unless indicated otherwise, all financial data in the Group's consolidated financial statements have been presented in thousands of EUR.

The accumulated profit contains results of the entities within the Group since 1 January 2018 to 31 December 2018.

1.1. Corporate information

Globalworth Poland Real Estate N.V. Group (further "**the Group**" or "**GPRE Group**") owns and manages yielding real estates throughout Poland. On 31 December 2018 the Group is composed of the entities presented below in Note 1.2

On 21 December 2016, Globalworth Poland Real Estate N.V. ("**the Company**") (formerly known as Griffin Premium RE.. N.V.) was incorporated with the aim to become a holding company to the Group for the purpose of creating a real estate platform to be then listed on Warsaw Stock Exchange. With effect from 3 March 2017 Globalworth Poland Real Estate N.V. became the legal parent of entities' operations which were previously directly and indirectly controlled and managed by Griffin Topco II S.á r.l. ("**GT II**") and Griffin Topco III S.á r.l. ("**GT III**") following a reorganisation as described in the Note 1.3

As a result of the settlement of the tender offer on 6 December 2017 Globalworth Real Estate Investments Ltd group ("**Globalworth Group**"), through its fully controlled entity, became the major shareholder of the Company.

Company's shares are listed on the Warsaw Stock Exchange since 13 April 2017.

1.2. Structure of the Group

The main area of business activities of the Group is to manage an unique Polish pure office and high-street mixed-use platform. The Group focuses its operational activities on the active management of its tenant base, closely monitoring the Polish real estate market to ensure that the current portfolio meets the expectations of its current and future tenants.

The principal activity of Globalworth Poland Real Estate N.V. as the parent company is the holding of interests in and rendering management and advisory services to other companies in the Group.

Execution by the Company of the advisory, management and financial functions serves to:

- supervise of the implementation of the Group's strategy;
- ensure a quick flow of information across the Group;
- strengthen the efficiency of cash and financial management of individual entities;
- strengthen the market position of the Group as a whole.

These Consolidated Financial Statements of the Group comprise the Company and the other entities mentioned below (the "**Entities**"):

Globalworth Poland Real Estate N.V. – a private limited liability company, with its registered office at Claude Debussylaan 15, 1082MC Amsterdam. On 21 December 2016, the company was registered in the Netherlands Chamber of Commerce Business Register under the number 67532837.

Akka SCSp – a special limited partnership established and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 6, rue Eugene Ruppert, L-2453 Luxembourg, registered in the Luxembourg Register of Commerce and Companies under the number B201.731.

The entity was liquidated on 31 August 2018. As a result of liquidation, the shares of Nordic Park Offices Spółka z ograniczoną odpowiedzialnością Sp. k. owned by Akka SCSp were transferred to Akka RE Sp. z o.o.

Charlie SCSp – a special limited partnership established and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 6, rue Eugene Ruppert, L-2453 Luxembourg, registered in the Luxembourg Register of Commerce and Companies under the number B199.336.

The entity was liquidated on 26 February 2019. As a result of liquidation, the shares of Lamantia Spółka z ograniczoną odpowiedzialnością Sp. k. owned by Charlie SCSp were transferred to Charlie RE Sp. z o.o.

December SCSp – a special limited partnership established and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 6, rue Eugene Ruppert, L-2453 Luxembourg, registered in the Luxembourg Register of Commerce and Companies under the number B205.185.

The entity was liquidated on 28 February 2019. As a result of liquidation, the shares of Dom Handlowy Renoma Spółka z ograniczoną odpowiedzialnością Sp. k. owned by December SCSp were transferred to December RE Sp. z o.o.

Griffin Premium RE Lux S.à r.l. – a private limited liability company, with its registered office at 6, rue Eugene Ruppert, L-2453 Luxembourg. On 17 January 2017, the company was registered in the Register of Commerce and Companies under the number B211834.

IB 14 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych – The Fund operates on the basis of Investment Funds and Management of Alternative Investment Funds Act of 27 May 2004 (Journal of Laws of 2016, Item 1896, as amended). On 20 November 2015, the Fund was entered in the register of Investment Funds maintained by the Regional Court (Sąd Okręgowy) in Warsaw, 7th Civil Registry Division, under No. RFi 1250.

A4 Business Park Sp. z o.o. (formerly: A4 Business Park Iris Capital Spółka z ograniczoną odpowiedzialnością Sp. k.) – company acquired by the Group on 22 December 2017. Registered office is located at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 614852.

The company is the owner of the office building located in Katowice known as "A4 Business Park".

On 3rd September 2018, the company's legal form was changed from limited partnership into limited liability company, with the reference KRS number 747264.

Akka RE Sp. z o.o. – a company in the form of limited liability company existing under the laws of the Republic of Poland, with its registered office at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in Register of Businesses of the National Court Register maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 594695.

Bakalion Sp. z o.o. – Registered office is located at Marszałkowska 142 Street, Warsaw, Poland. The Company was formed on the basis of a Notarial Deed drawn up on 19 December 2012. The Company is registered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 446054.

The company owns two office buildings located in Kraków known as "Centrum Biurowe Lubicz I and II".

Centren Sp. z o.o. – Registered office is located at Marszałkowska 142 Street, Warsaw, Poland. The Company was formed on the basis of a Notarial Deed drawn up on 4 February 2013. The Company is registered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 465417.

The company owns an office property located in Lodz called "Green Horizon".

Charlie RE Sp. z o.o. – a company in the form of limited liability company existing under the laws of the Republic of Poland, with its registered office at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in Register of Businesses of the National Court Register maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 594818.

December RE Sp. z o.o. – a company in the form of limited liability company existing under the laws of the Republic of Poland, with its registered office at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in Register of Businesses of the National Court Register maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 594700.

Dolfia Sp. z o.o. – Registered office is located at Marszałkowska 142 Street, Warsaw, Poland. The Company was formed on the basis of a Notarial Deed drawn up on 19 December 2012. The Company is registered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 445995.

The company owns an office property located in Warsaw, known as "Batory Office Building I".

Dom Handlowy Renoma Sp. z o.o. – Registered office is located at Marszałkowska 142 Street, Warsaw, Poland. The Company was formed on the basis of a Notarial Deed drawn up on 8 January 2015 as Sebrena Sp. z o.o. On 18 June 2015 its name was changed into Dom Handlowy Renoma Sp. z o.o. The Company is registered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 545107. The company is a general partner to Dom Handlowy Renoma Spółka z ograniczoną odpowiedzialnością Sp. k.

Dom Handlowy Renoma Spółka z ograniczoną odpowiedzialnością Sp. k. – Registered office is located at Marszałkowska 142 Street, Warsaw, Poland. The Company was formed on the basis of a Notarial Deed drawn up on 27 November 2009. On 2 December 2015 DH Renoma Sp. z o.o. changed its legal form into Dom Handlowy Renoma Sp. z o.o. Sp.k. The Company was entered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register on 28 January 2015, with the reference KRS number 589297. The company is the owner of the high-street mixed-use building located in Wrocław known as "Renoma".

DH Supersam Katowice Sp. z o.o. – Registered office is located at Marszałkowska 142 Street, Warsaw, Poland. The Company was formed on the basis of a Notarial Deed drawn up on 15 October 2010. The Company is registered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 382110. The company is the owner of the high-street mixed-use building located in Katowice known as "Supersam".

Ebgaron Sp. z o.o. – Registered office is located at Marszałkowska 142 Street, Warsaw, Poland. The Company was formed on the basis of a Notarial Deed drawn up on 19 December 2012. The Company is registered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 446794.

The company owns an office property located in Warsaw, known as "Bliski Center".

Elissea Investments Sp. z o.o. - company acquired by the Group on 25 May 2018. Registered office is located Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in the Register of Businesses of the national Court Register maintained by District Court in Warsaw, XII Business Department of the National Court Register, with reference KRS number 591180. The company is a limited partner to West Link Spółka z ograniczoną odpowiedzialnością Sp. k.

Emfold investments Sp. z o.o. – company acquired by the Group on 22 December 2017 – a company in the form of limited liability company existing under the laws of the Republic of Poland, with its registered office at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in Register of Businesses of the National Court Register maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 590437. The company is a shareholder of Tryton Business Park Spółka z ograniczoną odpowiedzialnością.

Gold Project Sp. z o.o. (formerly: Haola Sp. z o.o.) - company acquired by the Group on 30 July 2018. Registered office is located Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in the Register of Businesses of the national Court Register maintained by District Court in Warsaw, XII Business Department of the National Court Register, with reference KRS number 728002. The company is a limited partner to Gold Project Spółka z ograniczoną odpowiedzialnością Sp. j.

Gold Project Spółka z ograniczoną odpowiedzialnością Sp. j. (formerly: Złote Tarasy Tower Warsaw III S. à r.l. Sp. j.) - company acquired by the Group on 21 December 2018. Registered office is located Złota 59 Street, Warsaw, Poland. The Company was entered in the Register of Businesses of the national Court Register maintained by District Court in Warsaw, XII Business Department of the National Court Register, with reference KRS number 568638.

The company is the owner of two office buildings located in Warsaw known as "Skylight and Lumen".

GPRE Management Sp. z o.o. – acquired by the Group in January 2017 – an entity in the form of limited liability company existing under the laws of the Republic of Poland, with its registered office at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in Register of Businesses of the National Court Register maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 602904.

GPRE Property Management Sp. z o.o. (formerly: Mokulele Sp. z o.o.) - company acquired by the Group on 29 March 2018. The company in the form of limited liability company existing under the laws of the Republic of Poland, with its registered office at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in Register of Businesses of the National Court Register maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 717733.

Hala Koszyki Sp. z o.o. – Registered office is located at Marszałkowska 142 Street, Warsaw, Poland.

The Company was formed on the basis of a Notarial Deed drawn up on 30 September 2011. The Company is registered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 399453.

The company is the owner the complex of three office and one retail buildings located in Warsaw known as “Hala Koszyki”.

Iris Capital Sp. z o.o. – company acquired by the Group on 22 December 2017 – a company in the form of limited liability company existing under the laws of the Republic of Poland, with its registered office Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in Register of Businesses of the National Court Register maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 406675. The company is a shareholder of A4 Business Park Sp. z o.o.

Lamantia Spółka z ograniczoną odpowiedzialnością Sp. k. – Registered office is located at Marszałkowska 142 Street, Warsaw, Poland. The Company was formed as a result of the conversion of Cyrion Sp. z o.o. into Lamantia Sp. z o.o. Sp.k. on the basis of the resolution of Extraordinary General Shareholders Meeting of 8 December 2015. The registration of the conversion was made on 21 December 2015. The Company is registered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 593148.

The company owns an office property located in Warsaw called “Philips House”.

Lamantia Sp. z o.o. – Registered office is located at Marszałkowska 142 Street, Warsaw, Poland. The Company was formed on the basis of a Notarial Deed drawn up on 8 January 2015. The Company is registered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 551021. The company is a general partner to Lamantia Spółka z ograniczoną odpowiedzialnością Sp.k.

Light Project Sp. z o.o. (formerly: Myconos Project Sp. z o.o., Kumula Sp. z o.o.) - company acquired by the Group on 30 July 2018. Registered office is located Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in the Register of Businesses of the national Court Register maintained by District Court in Warsaw, XII Business Department of the National Court Register, with reference KRS number 728107. The company is a general partner to Gold Project Spółka z ograniczoną odpowiedzialnością Sp. j.

Lima Sp. z o.o. – company acquired by the Group on 25 April 2017 – a company in the form of limited liability company existing under the laws of the Republic of Poland, with its registered office at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in Register of Businesses of the National Court Register maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 654807.

Luapele Sp. z o.o. - company acquired by the Group on 8 June 2018. The company in the form of limited liability company existing under the laws of the Republic of Poland, with its registered office at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in Register of Businesses of the National Court Register maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 728639.

Nordic Park Offices Sp. z o.o. – Registered office is located Marszałkowska 142 Street, Warsaw, Poland. The Company was formed on the basis of a Notarial Deed drawn up on 4 February 2016. The Company is registered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 602816. The company is a general partner to Nordic Park Offices Spółka z ograniczoną odpowiedzialnością Sp.k.

Nordic Park Offices Spółka z ograniczoną odpowiedzialnością Sp. k. – Registered office is located at Marszałkowska 142 Street, Warsaw, Poland. The Company was formed as a result of the conversion of Kafue Investments Sp. z o.o. into Nordic Park Offices Sp. z o.o. Sp.k. on the basis of the resolution of Extraordinary General Shareholders Meeting of 15 April 2016. The registration of the conversion was made on 11 May 2016. The Company is registered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 617700.

The company owns an office property located in Warsaw called “Nordic Park”.

Ormonde Sp. z o.o. – company acquired by the Group on 22 December 2017 – a company in the form of limited liability company existing under the laws of the Republic of Poland, with its registered office at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in Register of Businesses of the National Court Register maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 403662. The company is a shareholder of Tryton Business Park Spółka z ograniczoną odpowiedzialnością.

Quattro Business Park Sp. z o.o. (formerly: Blackwyn Investments Sp. z o.o.) - company acquired by the Group on 21 June 2018. Registered office is located Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in the Register of Businesses of the national Court Register maintained by District Court in Warsaw, XII Business Department of the National Court Register, with reference KRS number 480970.

The company is the owner of the office building located in Warsaw known as “Quattro Business Park”.

Spektrum Tower Sp. z o.o. - company acquired by the Group on 12 July 2018. Registered office is located Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in the Register of Businesses of the national Court Register maintained by District Court in Warsaw, XII Business Department of the National Court Register, with reference KRS number 307303.

The company is the owner of the office building located in Warsaw known as “Spektrum Tower”.

Tryton Business Park Sp. z o.o. (formerly: Emfold investments Spółka z ograniczoną odpowiedzialnością Sp. k.) – company acquired by the Group on 22 December 2017. Registered office is located at Marszałkowska 142 Street, Poland. The Company was entered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 611695.

The company is the owner of the office building located in Gdańsk known as “Tryton Business House”.

On 28 August 2018, the company’s legal form was changed from limited partnership into limited liability company, with the reference KRS numer 746244.

Wagstaff Investments Sp. z o.o. – company acquired by the Group on 22 December 2017 – a company in the form of limited liability company existing under the laws of the Republic of Poland, with its registered office at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in Register of Businesses of the National Court Register maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 404848. The company is a general partner to West Gate Wrocław Spółka z ograniczoną odpowiedzialnością Sp. k.

On 2 January 2019, the company became a shareholder of West Gate Investments Sp. z o.o. as a consequence of the change of legal form of the subsidiary.

Warta LP Sp. z o.o. (formerly: Kumu Sp. z o.o.) – company acquired by the Group on 21 February 2018. Registered office is located Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in the Register of Businesses of the national Court Register maintained by District Court in Warsaw, XII Business Department of the National Court Register, with reference KRS number 716976. The company is a shareholder of Warta Tower Investments Sp. z o.o.

Warta Tower Sp. z o.o. (formerly: Kohala Sp. z o.o.) - company acquired by the Group on 21 February 2018. Registered office is located Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in the Register of Businesses of the national Court Register maintained by District Court in Warsaw, XII Business Department of the National Court Register, with reference KRS number 718648. The company is a shareholder of Warta Tower Investments Sp. z o.o.

Warta Tower Investments Sp. z o.o. (formerly: Warta Tower Spółka z ograniczoną odpowiedzialnością Sp. k.) – company acquired by the Group on 14 March 2018. Registered office is located Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in the Register of Businesses of the national Court Register maintained by District Court in Warsaw, XII Business Department of the National Court Register, with reference KRS number 536989.

The company is the owner of the office building located in Warsaw known as "Warta Tower".

On 28th August 2018, the company's legal form was changed from limited partnership into limited liability company, with the reference KRS numer 745615.

West Gate Wrocław Sp. z o.o. – company acquired by the Group on 22 December 2017 – a company in the form of limited liability company existing under the laws of the Republic of Poland, with its registered office at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in Register of Businesses of the National Court Register maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 412286. The company is a limited partner to West Gate Wrocław Spółka z ograniczoną odpowiedzialnością Sp. k.

On 2 January 2019, the company became a shareholder of West Gate Investments Sp. z o.o. as a consequence of the change of legal form of the subsidiary.

West Gate Wrocław Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Echo – West Gate Spółka z ograniczoną odpowiedzialnością Sp. K.) – company acquired by the Group on 22 December 2017. Registered office is located at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 615824.

The company is the owner of the office building located in Wrocław known as "West Gate".

On 2 January 2019 the company's legal form was changed from limited partnership into limited liability company, with the reference KRS number 764928. The company changed its name into West Gate Investment Sp. z o.o. pararelly.

West Link Sp. z o.o. (formerly Projekt Echo – 114 Sp. z o.o.) – company acquired by the Group on 25 May 2018. Registered office is located Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in the Register of Businesses of the national Court Register maintained by District Court in Warsaw, XII Business Department of the National Court Register, with reference KRS number 580707. The company is a general partner to West Link Spółka z ograniczoną odpowiedzialnością Sp. k.

West Link Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: West Gate II – Projekt Echo – 114 Spółka z ograniczoną odpowiedzalnościąaaa Sp. k.) – company acquired by the Group on 25 May 2018. Registered office is located Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in the Register of Businesses of the national Court Register maintained by District Court in Warsaw, XII Business Department of the National Court Register, with reference KRS number 619132.

The company is the owner of the office building located in Warsaw known as "West Link".

Wetherall Investments Sp. z o.o. – company acquired by the Group on 22 December 2017 – a company in the form of limited liability company existing under the laws of the Republic of Poland, with its registered office at Marszałkowska 142 Street, Warsaw, Poland. The Company was entered in Register of Businesses of the National Court Register maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference KRS number 405166. The company is a shareholder of A4 Business Park Sp. z o.o.

Entity	Registered office	As at 31 December 2018 %	Consolidation method
Globalworth Poland Real Estate N.V. (parent company)	Amsterdam /The Netherlands	100	full
Akka SCSp (liquidated on 31 August 2018)	Luxembourg/Luxembourg	100	full
Charlie SCSp (liquidated on 26 February 2019)	Luxembourg/Luxembourg	100	full
December SCSp (liquidated on 28 February 2019)	Luxembourg/Luxembourg	100	full
Griffin Premium RE Lux S.à r.l.	Luxembourg/Luxembourg	100	full
IB 14 FIZ Aktywów Niepublicznych	Warsaw/Poland	100	full
A4 Business Park Sp. z o. o.	Warsaw/Poland	100	full
Akka RE Sp. z o.o.	Warsaw/Poland	100	full
Bakalion Sp. z o.o.	Warsaw/Poland	100	full
Centren Sp. z o.o.	Warsaw/Poland	100	full
Charlie RE Sp. z o.o.	Warsaw/Poland	100	full
December RE Sp. z o.o.	Warsaw/Poland	100	full
Dolfia Sp. z o.o.	Warsaw/Poland	100	full
Dom Handlowy Renoma Sp. z o.o.	Warsaw/Poland	100	full
Dom Handlowy Renoma Spółka z ograniczoną odpowiedzialnością Sp. k.	Warsaw/Poland	100	full
DH Supersam Sp. z o.o.	Warsaw/Poland	100	full
Ebgaron Sp. z o.o.	Warsaw/Poland	100	full
Elisea Investments Sp. z o.o.	Warsaw/Poland	100	full
Emfold investments Sp. z o.o.	Warsaw/Poland	100	full
Gold Project Sp. z o.o.	Warsaw/Poland	100	full
Gold Project Spółka z ograniczoną odpowiedzialnością Sp. j.	Warsaw/Poland	100	full
GPRE Management Sp. z o.o.	Warsaw/Poland	100	full
GPRE Property Management Sp. z o.o.	Warsaw/Poland	100	full
Hala Koszyki Sp. z o.o.	Warsaw/Poland	100	full
Iris Capital Sp. z o.o.	Warsaw/Poland	100	full

Lamantia Sp. z o.o.	Warsaw/Poland	100	full
Lamantia Spółka z ograniczoną odpowiedzialnością Sp. k.	Warsaw/Poland	100	full
Light Project Sp. z o.o.	Warsaw/Poland	100	full
Lima Sp. z o.o.	Warsaw/Poland	100	full
Luapele Sp. z o.o.	Warsaw/Poland	100	full
Nordic Park Offices Sp. z o.o.	Warsaw/Poland	100	full
Nordic Park Offices Spółka z ograniczoną odpowiedzialnością Sp. k.	Warsaw/Poland	100	full
Ormonde Sp. z o.o.	Warsaw/Poland	100	full
Quattro Business Park Sp. z o.o.	Warsaw/Poland	100	full
Spektrum Tower Sp. z o.o.	Warsaw/Poland	100	full
Tryton Business Park Sp. z o.o.	Warsaw/Poland	100	full
Wagstaff Investments Sp. z o.o.	Warsaw/Poland	100	full
Warta LP Sp. z o.o.	Warsaw/Poland	100	full
Warta Tower Sp. z o.o.	Warsaw/Poland	100	full
Warta Tower Investments Sp. z o.o.	Warsaw/Poland	100	full
West Gate Wrocław Sp. z o.o.	Warsaw/Poland	100	full
West Gate Wrocław Spółka z ograniczoną odpowiedzialnością Sp. k. (since 2 January 2019 West Gate Investments Sp. z o.o.)	Warsaw/Poland	100	full
West Link Sp. z o.o.	Warsaw/Poland	100	full
West Link Spółka z ograniczoną odpowiedzialnością Sp. k.	Warsaw/Poland	100	full
Wetherall Investments Sp. z o.o.	Warsaw/Poland	100	full

All Polish entities listed above (excluding IB 14 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych) change their register address from Marszalkowska 142 Street, Warsaw into Twarda 18 Street, Warsaw.

Management Board of Globalworth Poland Real Estate N.V.

Dimitris Raptis	-	CEO, Executive Director (approved as CEO and Executive Director by General Meeting on 5 February 2019, previously Non-Executive Director)
Małgorzata Turek	-	CEO, Executive Director (since 11 September 2017 till 12 December 2018)
Rafał Pomorski	-	CFO, Executive Director
Ioannis Papalekas	-	Non-Executive Director (since 6 December 2017)
Norbert Sasse	-	Non-Executive Director (since 26 April 2018)
George Muchanya	-	Non-Executive Director (since 26 April 2018)
Maciej Dyjas	-	Non-Executive Director (since 13 March 2017 till 27 February 2018)
Nebil Senman	-	Non-Executive Director (since 13 March 2017 till 27 February 2018)
Claudia Pendred	-	Independent Non-Executive Director (since 11 September 2017)
Marcus M.L.J. van Campen	-	Independent Non-Executive Director (since 13 March 2017)
Thomas Martinus de Witte	-	Independent Non-Executive Director (since 13 March 2017)
Andreas Segal	-	Independent Non-Executive Director (since 13 March 2017 till 15 September 2018)

1.3. Reorganisation

Globalworth Poland Real Estate N.V. was established in the Netherlands on 21 December 2016. At the date of its incorporation, the Company was a dormant company with no activities with Griffin Netherlands II N.V. ("**GN II**") and GT Netherlands III N.V. ("**GTN III**") being its shareholders.

During the period from December 2016 to March 2017, a reorganisation took place where, through the number of steps comprising sales and in-kind contributions of shares and loans, the Company became the holding company for those Entities that belonged to the Group at that time (the "**Reorganisation**").

After the Reorganisation, the Company holds investments in IB 14 FIZAN, Akka RE Sp. z o.o., Charlie RE Sp. z o.o., December RE Sp. z o.o. and Griffin Premium RE Lux S.à r.l. and those entities hold (directly or indirectly) shares in all remaining Entities. The Reorganisation was conducted under common control and accounted for using the pooling of interest method. Net assets of companies were compared to value of mutual investments in subsidiaries – difference was presented in equity. Other transactions with related parties are described in Note 29.

1.4. Basis of Preparation and Compliance

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Accounting books and records underlying these financial statements are maintained in accordance with Polish Accounting Standards.

The Consolidated Financial Statements have been prepared on a going concern basis, applying a historical cost basis, except for:

- investment property;
- other financial assets (till 31 December 2017 classified as financial instruments available for sale).

The Company's Board used its best judgment in the selection of the applicable standards, as well as measurement methods and principles for the different items of the Consolidated Financial Statements. The significant accounting policies adopted are set out in the relevant notes to the financial statements and consistently applied throughout the periods presented except for the new and amended IFRS, see Note 30, which were adopted on 1 January 2018.

These consolidated financial statements are prepared in Euro ("EUR" or "€"), rounded to the nearest thousand unless otherwise indicated, being the functional currency of the Company.

For further information regarding the functional and presentation currency please refer to Measurement of items denominated in foreign currencies in Note 23ai.

1.5. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the Group) for the year ended 31 December 2018.

The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company, using consistent accounting policies. Subsidiaries are fully consolidated (refer to Note 27) from the date of acquisition, being the date on which the Group obtains control (refer to Note 27), and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the period from the date of obtaining control till 31 December 2018. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The parent controls an entity, if the parent has:

- power over this entity,
- exposure, or rights, to variable returns from its involvement with the entity, and
- the ability to use its power over the entity to affect the amount of its returns.

The Company reassesses whether it controls the entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Any changes in the shareholding structure of the parent company that do not result in a loss of control over subsidiary company are recognised as equity transactions. In such cases, in order to reflect changes in the relative interest in a subsidiary, the Group adjusts the carrying amount of the controlling and non-controlling interest.

All differences between the value of the adjustment to the non-controlling interest and the fair value of the consideration paid or received are taken to the shareholders' equity and allocated to the owners of the parent. The consolidated financial statements incorporate the assets, liabilities, income, expenses and cashflows of the Group and all entities controlled by the Group. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Intercompany transactions, balances and unrealised profits or losses between the Group companies are eliminated on consolidation.

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

Measurement of items denominated in foreign currencies

The Group's Consolidated Financial Statements are presented in euro ("EUR" or "€") being the functional currency of all entities within the Group for the year ended 31 December 2018 (the presentation currency for year ended 31 December 2017). From 1 January 2018 the Entities have changed the functional currency from PLN to EUR, due to the following reasons:

1) The Group intended to refinance part of its portfolio including recently acquired properties which effectively took place in the first half-year of 2018. All new loans are denominated in EUR;
2) Previously, the Group had loans denominated both in EUR and PLN, while after transfer of all loans receivables to GPRE Management Sp. z o.o. during 2017, the loans were converted to EUR and now the Group has solely loans denominated in EUR;
3) EUR is the currency of real estate business in Europe. Rents are usually denominated in EUR although in Poland albeit determined in EUR they are usually invoiced and paid in PLN. Valuations of commercial real estates are prepared in EUR and debt financing is also maintained in EUR;
4) All cash flow projections are prepared only in EUR and majority of planned transactions will be performed in EUR.

   a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income ("OCI") or profit or loss are also recognised in OCI or profit or loss, respectively).

b) Exchange rates used

Exchange rates used to recalculate transactions and balances are as follows:

PLN/EUR	2018	2017
Year ended 31 December	4.3000	4.1709
Average for the year	4.2617	4.2583

2. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's financial statements in conformity with IFRS requires management to make certain judgements, estimates and assumptions that affect reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, including contingent liabilities.

Further additional significant accounting judgements, estimates and assumptions are disclosed in the following notes to the financial statements:

- Investment Property, see Note 3 and Fair value measurement and related estimate and judgements, see Note 4;
- Commitments (operating leases commitments), see Note 6;
- Taxation, see Note 12;
- Trade and other receivables, see Note 21;
- Functional currency, see Note 1.5;
- Debentures (Forward Purchase Agreement), see Note 17;
- Other financial assets (ROFO), see Note 18.
- Financial risk management see Note 23.

SECTION II: INVESTMENT PROPERTY

3. Investment property

Policy

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property comprises freehold land, freehold buildings and land held under perpetual usufruct (approach is the same as for freehold properties).

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is stated at fair value. Fair value is based on valuation methods such as discounted cash flows projections and recent market comparable adjusted, if necessary, for differences in the nature, location or condition of the specific asset.

Valuations are performed as of the statement of financial position date by professional valuers, who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. This value corresponds to the price that a third-party investor would be disposed to pay in order to acquire each of the properties making up the portfolio of assets and in order to benefit from their rental income.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise. In order to avoid double counting, the assessed fair value is adjusted by the carrying amount of any accrued income (if any outstanding at the statement of financial position date) resulting from the spreading of lease incentives and/or minimum lease payments.

Subsequent expenditure is recognised as addition to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Consolidated Statement of Profit or Loss (Operating expenses) during the financial period in which they are incurred.

GT II and GT III Rental and NOI Guarantee

As at 31 December 2017, the fair value of the investment properties is also determined by the Rental Guarantee Agreements ("**RGA**") and NOI Guarantee Agreement ("**NOIGA**") concluded between respective Group's entities ("**Beneficiaries**") and Griffin Topco II S.á r.l. ("**GT II**") and Griffin Topco III S.á r.l. ("**GT III**") (jointly "**Guarantors**") as well as EPP.

On 9 March 2017 respective subsidiaries of the Company and GT II and GT III concluded Rental Guarantee Agreements in respect of Batory Building I, Nordic Park, Philips House, Green Horizon, CB Lubicz, Bliski Centrum, Hala Koszyki, Renoma, Supersam ("**Beneficiaries**") properties as well as and NOI Guarantee Agreement in respect of Hala Koszyki, Supersam and Renoma ("**NOIGA Beneficiaries**"). Pursuant to RGA budgeted fit-out costs and outstanding general capex works regarding premises that were not leased or pre-leased by 13 April 2017 (the "**Offering Date**") are covered by the RGA. Moreover in accordance with the agreements each holder of title to the asset will receive the headline rent and the average amount of service charges for office part of the building that is not leased to third parties within a period of five years from the date of the Offering Date, receive the rent under the signed lease agreement in the full amount (without rent free period effect) and receive the leasing and agent fees related to the leasing of the property as well as agent fees related to the new leases in the negotiations of which the guarantor was not involved. Additionally, the entity recognizes annual revenue resulting from the NOIGA, according to which the GT II (as guarantor) is obliged to pay to the NOIGA Beneficiaries an amount equal to difference between the assumed NOI, amounting to €11.5 million p.a. ("**Assumed NOI**") and the actual NOI, calculated on the basis of rental income, operating expenses, overdue payments provision and refundable tenants' incentives. As a result, RGA and NOIGA are included in the valuation as they are part of entities future cashflows.

GT II and GT III which are the guarantors in accordance with all the agreements specified above, belong to the Oaktree Capital Management, a leading global alternative investment management firm with assets under management worth of USD 124 billion as of September 2018. Furthermore, a support letter was signed by Oaktree European Principal Fund III, LP and Oaktree European Principal Fund III (Parallel), LP ("**Oaktree Funds**") on 2 October 2017 (the "**Letter**"). In accordance with the Letter GT III and GT II, Guarantors of RGA and NOIGA, were obliged to open and maintain a bank account with an initial amount of €15 million exclusively for the purposes of making payments due by any Guarantor to any of NOIGA Beneficiaries under and in accordance with the terms of RGA and NOIGA. The Guarantors obligation was executed on 23 January 2018 by signing of an Escrow Agreement resulting in opening of an escrow account with €15 million deposit. Additionally, pursuant to the Letter, Oaktree Funds are obliged to provide financial support to the Guarantors in case they fail to make guaranteed payments, following reduction of the escrow account to zero. All terms of the Letter remain in full force and effect until 2 April 2020.

In the face of the reputation of ultimate parent of the Guarantors as well as the Letter, the Group regards there is no risk with respect to the creditworthiness of the Guarantors and its impact on the investment property valuation.

On 21 December 2018 the Company and NOIGA Beneficiaries entered into an NOI Guarantee Termination and Settlement Agreement with GT II (the "**NOI Guarantee Termination Agreement**"). Under the NOI Guarantee Termination Agreement: (i) the parties thereto have agreed to terminate an NOIGA entered into between the Guarantor and the NOIGA Beneficiaries on 9 March 2017, as amended, on the date of payment by the Guarantor of the settlement amount referred to below on the terms and conditions set out in the NOI Guarantee Termination Agreement; and (ii) the NOI Guarantor has agreed to pay to the NOI Beneficiaries the aggregate settlement amount of €10,000,000 as a one-off payment for any and all amounts due now or in the future under the NOI Guarantee.

On the same date, the Company and Beneficiaries entered into a Rental Guarantee Termination and Settlement Agreement with Guarantors (the "**Rental Guarantee Termination Agreement**"). Under the Rental Guarantee Termination Agreement: (i) the parties thereto have agreed to terminate all individual rental guarantee agreements entered into between one of the Guarantors and, in each instance, a certain Beneficiary on 9 March 2017 (the "**Rental Guarantees**") on the date of payment by the Rental Guarantors of the settlement amount referred to below on the terms and conditions set out in the Rental Guarantee Termination Agreement; and (ii) the Guarantors have agreed to pay to the Beneficiaries the aggregate settlement amount of €11,469,950 as a one-off payment for any and all amounts due now or in the future under the Rental Guarantees.

The compensation amounted to €10,000,000 (for NOIGA) and €11,469,950 (for RGA) is recognised in profit or loss statement, in line "Revenues" as one-off payments received in December 2018.

As at 31 December 2018, the fair value of the investment properties is not affected by neither RGA nor NOIGA.

EPP Rental Guarantee

On 22 December 2017, Echo Polska Properties (Cyprus) PLC, as the guarantor and A4 Business Park Sp. z o.o. (formerly: A4 Business Park - Iris Capital spółka z ograniczoną odpowiedzialnością spółka komandytowa) ("**A4 Business Park**"), Tryton Business Park Sp. z o.o. (formerly: Emfold Investments spółka z ograniczoną odpowiedzialnością Sp.k.) ("**Tryton Business House**") and West Gate Wrocław Sp. z o.o. Sp. k. (formerly: Echo – West Gate Sp. z o.o. Sp. k., since 2 January 2019 West Gate Investment Sp. z o.o.) ("**West Gate**") as beneficiaries, entered into rental guarantee agreements in connection with the purchases of the A4 Business Park, Tryton Business House and West Gate properties (the "**EPP Rental Guarantees**"). The guarantees with A4 Business Park Sp. z o.o. and Tryton Business Park Sp. z o.o. were entered into for a term of three years in relation to premises that were not leased or pre-leased by 22 December 2017. Pursuant to each EPP Rental Guarantee, the beneficiary will:

(i) receive the headline rent and the average amount of service charges (subject to annual reconciliation and also including any void costs arising from the lack of a tenant due to ongoing refurbishment or fit-out works) for each part of the building that is not leased to third parties within a period of three years starting from 22 December 2017;

(ii) receive the rent under both signed and new lease agreements in the full amount, i.e. all amounts of rent reductions or rent-free periods under such lease agreements will be covered by the rental guarantee;

(iii) receive the agent fees related to the new leases in the negotiations of which the guarantor was not involved, and

(iv) receive all amounts equal to budgeted fit-out costs with respect to new lease agreements. The guarantees with A4 Business Park, Tryton Business House and West Gate Wrocław were entered into for a limited term in relation to specific leases with key tenants (A4 Business Park Sp. z o.o. for three years, West Gate Wrocław Sp. z o.o. Sp. k. (since 2 January 2019 West Gate Investment Sp. z o.o.) for five years and Tryton Business Park Sp. z o.o. for three years).

Pursuant to each EPP Rental Guarantee, the beneficiary will receive the headline rent and service charge amount under such specific lease agreement within a period of five years starting from 22 December 2017 (i.e. the EPP Rental Guarantee will cover such amounts in case of earlier termination of lease agreement, break option utilization, lease expiry prior to the end of guaranteed period). Under the EPP Rental Guarantees, the guarantor is allowed to seek new tenants. The beneficiaries paid to the guarantor a one-off fee for the execution of the EPP Rental Agreements, included in the acquisition price of the EPP portfolio.

Changes in fair values are recorded in the Consolidated Statement of Profit or Loss within "Fair value movement".

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount and transaction costs and are recognised within Fair value movement on investment property in the Consolidated Statement of Profit or Loss.

Land acquired for development and future use as investment property is initially presented as investment property under construction and accounted for at cost. This includes all plots of land held by the Group on which no construction or development has started at the balance sheet date. If the Company begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

	Investment property € '000
At 1 January 2018	680,130
Asset deal	507,808
Capital expenditures	7,823
Agent fees	532
Rent free period incentive	1,513
Fair value movement on investment property	18,984
At 31 December 2018	1,216,790

	Investment property € '000
At 1 January 2017	470,380
Asset deal	163,635
Capital expenditures	12,056
Agent fees	892
Rental guarantee	133
Rent free period incentive	110
Fair value movement on investment property	3,199
Foreign currency translation	29,725
At 31 December 2017	680,130

4. Fair Value Measurement and Related Estimates and Judgements

Fair Value measurement

The Group measures derivatives, financial assets and investment properties at fair value at each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either on the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

There were no changes in valuation techniques during 2018 and 2017.

All assets and liabilities, for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy (described as follows), based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Consolidated Financial Statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of investment property is classified at Level 3 of the fair value hierarchy.

Significant accounting judgements, estimates and assumptions

Investment properties comprises completed property that is held to earn rentals owned by Entities, grouped together due to the same risks, hierarchy level and valuation method for both classes of investment property (high-street mixed-use properties and office buildings). Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

The fair value of yielding fixed income properties is determined by appraisers. Further details of the judgements and assumptions made are described below.

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

Discount rates used to estimate the fair value as at 31 December 2018 ranged from 4.84% to 10.32% (as at 31 December 2017 ranged from 5.46% to 8.87%).

Fair value hierarchy

The following tables show an analysis of the fair values of investment property recognised in the statement of financial position by level of the fair value measurement hierarchy:

	Fair value measurement using				
	Quoted prices in active markets (Level 1) €'000	Significant observable inputs (Level 2) €'000	Significant unobservable inputs (Level 3) €'000	Total €'000	Total gain or (loss) in the period in the statements of profit or loss €'000
31 December 2018					
Investment property	–	–	**1,216,790**	**1,216,790**	**18,984**
Total	–	–	**1,216,790**	**1,216,790**	**18,984**
31 December 2017					
Investment property	–	–	680,130	680,130	3,199
Total	–	–	680,130	680,130	3,199

Sensitivity analysis on Significant Inputs

The Group has conducted the sensitivity analysis of the significant unobservable inputs used to fair value measurement, the details to the analysis for each reporting period are presented in the tables below:

	€0.5 change in rental value per month, per sqm		25 bps change in market yield	
As of 31 December, 2018	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000
Investment property	**30,680**	**(30,380)**	**(50,280)**	**54,550**
Total	**30,680**	**(30,380)**	**(50,280)**	**54,550**
As of 31 December, 2017	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000
Investment property	16,148	(16,184)	(28,237)	26,128
Total	16,148	(16,184)	(28,237)	26,128

Valuation technique

The fair value of completed investment properties is determined using a discounted cash flow ("DCF") method.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The basis for determining the fair value of Group's property portfolio is the market-based technique of measurement, which allow to estimate amount for which a property could be exchanged on the date of valuation, under current market conditions between market participants in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, i.e. acted in their economic best interest.

Fair value calculated using cash flow projections is based on the terms of the lease agreements and, in case of vacancy on the rent that is considered would be obtainable on an open market letting as at the date of valuation. Valuation fees are not related to the property value and valuation results. The valuation by the professional appraiser takes account of lease incentives, agent fees, property interests, financial leasing related to perpetual usufruct of land compensations and letting fees. The fair value of investment property reflects, among others, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

The investment property portfolio is valued by the independent valuer at least annually. The valuations were performed by CBRE Sp. z o.o. and Knight Frank Sp. z o.o., both being accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13.

Transfers between hierarchy levels

There were no transfers between Levels 1, 2 or 3 during 2018 and 2017.

Gains recorded in the Consolidated Statement of Profit or Loss for the year ended 31 December 2018 for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amounted to €18,984 thousand and were presented in the Consolidated Statement of Profit or Loss in line Fair value movement on investment property. Gains recorded in the Consolidated Statement of Profit or Loss for the year ended 31 December 2017 for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amounted to €3,199 thousand and were presented in the Consolidated Statement of Profit or Loss in line Fair value movement on investment property.

All gains and losses recorded in the Consolidated Statement of Profit or Loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property (completed and under construction) held at the end of the reporting period.

5. Advances for Investment property

In the reporting periods ended 31 December 2018 and 31 December 2017 there were no advances to contractors for investment properties under development and advances for land and other property acquisitions.

6. Commitments

Commitments for Investment Property Under Construction

As at 31 December 2018 the Group had agreed construction contracts with third parties and is consequently committed to future capital expenditure in respect of investment property completed of €3.5 million (2017: €2.9 million) and had committed with tenants to incur fit-out works of €5.3 million (2017: €7.3 million).

Operating Leases Commitments

Policy

The determination of whether an arrangement is, or contains, a lease, is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases; see Note 7 for policies on revenue recognition for properties under operating leases and related costs.

Judgements Made for Properties Under Operating Leases

The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the investment properties leased to third parties, therefore, accounts for these leases as operating leases.

The Group adopted a standard of lease agreement including following provisions:

- rental payments denominated in EUR, with rent adjustments following annual inflation index;
- fixed lease term, up to 10 years with an extension option;
- rent payment secured by a deposit or a guarantee.

The commercial property leases typically have lease terms between 5 and 10 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

Lease agreements with a rent-free period or a reduced rent period are required to have the rent expense to a tenant or rental income to a landlord recognised on a straight-line basis over the lease term based on the total rental payments. This condition does not apply to the agreements with rent-free periods covered by the Rental Guarantee Agreement.

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

Year ended 31 December	2018 € '000	2017 € '000
Within 1 year	**77,852**	44,715
After 1 year, but not more than 5 years	**192,768**	140,433
More than 5 years	**38,227**	27,770
	308,847	212,918

SECTION III: FINANCIAL RESULTS

This section includes the results and performance of the Group, including the net asset value and EPRA net asset value. This section also includes details of the Group's tax credits in the year and deferred tax assets and liabilities held at the year end. The section quantifies the financial impact of the operations for the year. Further analysis on operations is described in the Financial Review section on pages 66 and 67 of the Annual Report.

7. Revenue

From 1 January 2018 the Group introduced IFRS 15. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group disaggregates revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The standard requires entities to exercise judgment, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Policy

a) Rental Income

Rental income is measured at the fair value of the consideration received or receivable, except for contingent rental income which is recognised when it arises. The value of rent-free periods and all similar lease incentives is spread on a straight-line basis over the term of the lease (on condition that the rent-free period stated in the agreement is not covered by the Rental Guarantee Agreement).

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished. If the annual lease rent increases as a result of a price index to cover inflationary cost, then the policy is not to spread the amounts but to recognise them when the increase takes place (applied prospectively when the right to receive it arises). The amount received from tenants to terminate non-cancellable operating leases are recognised in the statement of profit or loss when the right to receive them arise.

On 21 December 2018 the Company, NOIGA Beneficiaries and Beneficiaries entered into the NOI Guarantee Termination Agreement and the Rental Guarantee Termination Agreement respectively. The total amount of the compensation amounted to €10,000,000 (for NOIGA) and €11,469,950 (for RGA) is recognised in profit or loss statement, in line "Revenues" as one-off payments received in December 2018.
The rental income is excluded from requirements of IFRS 15.

b) Service Charge Income

Income arising from service charges and expenses recoverable from tenants is recognised in the time the service or good is provided.

To fulfil requirements of IFRS 15 the Group establish a model helping with revenue recognition procedure related to identified lease agreements with specific conditions such as:

A. the tenant pays the rent only, excluding the cost of service charge – 5 lease agreements recognised; or
B. the tenant pays service charge only, excluding rent – 2 lease agreements recognised.

In order to determine whether the Group is acting as principal or agent, it assesses the primary responsibility for providing the goods or services, inventory risk and discretion in establishing prices. The Group has concluded that it is the principal in all its revenue arrangements since it is the primary obligor and it has pricing latitude. Revenues from electricity, heating and water reinvoicing are presented gross in line Service charge below.

The Group considers impact of IFRS 15 as immaterial.

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Year ended 31 December	2018 € '000	2017 € '000
Rental income	79,452	32,278
Service charge	22,279	11,897
Marketing income	545	567
Other income	433	1,063
Total revenues	102,709	45,805

	For the period	
	1.01.2018- 31.12.2018 € '000	1.01.2017- 31.12.2017 € '000
High street segment:		
Rental income	31,079	17,348
Service charge income	7,600	6,851
Marketing income	545	567
Other income	247	976
	39,471	25,742
Office segment:		
Rental income	48,373	14,930
Service charge income	14,679	5,046
Marketing income	-	-
Other income	186	87
	63,238	20,063
	102,709	45,805

The total rents and income from NOI and rental guarantees recognised as income during the year amount to €25,581 thousand (2017: €7,658 thousand) out of which €20.3 million results from the effect of the settlement of termination of RGA and NOIGA (2017: €0 thousand).

c) Sale of completed property

A property is regarded as sold when a control is transferred to the buyer or the real estate has been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

8. Operating Expenses

Policy

a) Service Costs

Service costs paid, as well as those borne on behalf of the tenants, are included under direct property expenses. Reclaiming them from tenants is presented separately under revenue.

b) Works Carried Out on Properties

Works carried out which are the responsibility of the building's owner and which do not add any extra functionality to, or enhance significantly, the standard of comfort of the building are considered as current expenditure for the period and recorded in the income statement as expenses.

Year ended 31 December	2018 € '000	2017 € '000
Utilities	(9,164)	(5,148)
Property administration	(9,872)	(5,488)
Real estate taxes	(4,056)	(2,322)
Marketing services	(1,005)	(1,117)
Other property related costs	(355)	-
Total operating expenses	(24,452)	(14,075)

Operating expenses analysis by revenue and non-revenue generating properties

Year ended 31 December	2018 € '000	2017 € '000
Property expenses arising from investment property that generated rental income	(24,452)	(14,075)
Total property expenses	(24,452)	(14,075)

9. Administrative Expenses

Policy

Administrative expenses are expensed as incurred with the exception of expenditure on long-term developments and direct investment property purchase transaction costs, see Note 3. Subsidiary acquisition costs, which are accounted for as asset deal, are capitalised on Investment Property. The decrease in the administrative expenses compared to the previous year mainly results from the number of non-recurring items like IPO and tender offer in 2017.

Administrative expenses Year ended 31 December	2018 € '000	2017 € '000
Legal and consulting costs	(2,911)	(5,529)
Asset management services	-	(532)
Salaries and wages	(442)	(171)
Accounting, secretarial and administration costs	(1,509)	(873)
Audit and non-audit services	(629)	(105)
Post, telecommunication, office expenses and office supplies	(299)	(247)
Taxes and other fees	(458)	(153)
Other	(159)	(211)
Total administrative expenses	(6,407)	(7,821)

10. Finance income

Interest income

Interest income is recognised as it accrues using the effective interest rate method. Interest income is included in finance income in the Consolidated Statement of Profit or Loss.

The decrease of financial income comparing to previous year mainly results from change of functional currency – on 1 January 2018 the Group has changed functional currency from PLN into EUR.

Year ended 31 December	2018 € '000	2017 € '000
Bank interest	100	86
Interest from loans to related parties	-	19
Other financial assets interest	-	342
Debentures interest	295	387
Foreign exchange differences	-	24,633
Other financial income	103	12
Total finance income	498	25,479

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11. Finance Cost

Policy

Borrowing costs associated with direct expenditure on properties under development or undergoing major refurbishment are capitalised. When borrowings are associated with specific developments, the amount capitalised is the gross interest less finance income (if any) incurred on those borrowings. Interest is capitalised as from the commencement of the development work until the date of practical completion. Arrangement fees are amortised over the term of the borrowing facility. All other borrowing costs are expensed in the period in which they occur.

Year ended 31 December	2018	2017
	€ '000	€ '000
Interest:	(19,446)	(8,820)
Bank borrowings	(7,187)	(7,679)
Loans from related parties*	(12,165)	(1,103)
Other interest expenses	(94)	(38)
Foreign exchange differences	(527)	–
Bank charges	(70)	(563)
Early loan repayment fees**	(2,836)	–
Arrangement fees from related parties loans	(4,377)	–
Other financial costs	(61)	(176)
Total financial cost	(27,317)	(9,559)

**refers to the loan granted by Globalworth Finance Guernsey Limited, for details please refer to Note 19.*
*** of which 1,978 results from the prepayment of the loan granted by Globalworth Finance Guernsey Limited, for details please refer to Note 19.*

12. Taxation

The Group is subject to income and capital gains taxes in different jurisdictions. Significant judgement is required to determine the total provision for current and deferred taxes.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which the determination is made.

In 2018 Polish tax authorities introduced the minimum tax applied to income from ownership of certain high-value fixed assets at a rate of 0.035 percent per month of the initial value of the asset that exceeds PLN10 million (€2.33 million).

Starting from 2019, there are two amendments implemented regarding minimum tax:

- the tax is applied only to parts of a property that are subject to a lease or tenancy agreement, with vacant parts of properties to be removed from the scope of the tax;
- the entity has a right to apply for the refund of previously paid tax, which was not deducted from income tax calculated on general principles. The tax authorities shall refund the tax once no irregularities are identified in:
  - the amount of tax liability or loss shown in the annual tax return;
  - the amount of tax on the revenues from buildings.

The verification will be subject in particular to whether the costs of debt financing related to the purchase or construction of the building, as well as other revenues and costs have been determined on market terms.

Tax and other settlements may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system. 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.

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rules (GAAR). GAAR are targeted to prevent origination and use of fictitious legal structures set up to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realising tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of artificial activities subject to GAAR. New regulations will require considerably greater judgment in assessing tax effects of individual transactions.

The GAAR clause should be applied to the transactions performed after clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realised or continue to be realised. The implementation of the above provisions will enable Polish tax authority challenge such arrangements realised by tax remitters as restructuring or reorganization.

The Group accounts for current and deferred tax assets and liabilities based on the requirements of IAS 12 Income taxes, based on taxable profit (tax loss), taxable base, carry-forward of unused tax losses and carry-forward of unused tax credits, and tax rates, while considering the assessment of uncertainty related to tax settlements. If uncertainty exists as to whether and to what extent tax authority will accept individual tax treatments of made transactions, the Group discloses these settlements while accounting for uncertainty assessment.

The Group presents amount relating to minimum income tax in line "Income tax (expenses)" in Consolidated Statement of Profit or Loss.

Current income tax

Policy

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated Statement of Profit or Loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Policy

Deferred income tax is provided using the temporary difference approach, which focuses on the difference between the carrying amount of an asset or liability in the financial statements and its tax base.

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

- when 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 accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, when 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 income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward of unused tax credits or unused tax losses can be utilised, except:

- when 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 arrangements, 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.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an investment property measured at fair value a rebuttable presumption exists that it's carrying amount will be recovered through sale.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are only recognised subsequently when new information about facts and circumstances require this. If that new information is revealed during the measurement period the adjustment is treated as a reduction in goodwill (as long as it does not exceed goodwill). Otherwise, it is recognised in profit or loss.

Significant accounting judgements, estimates and assumptions

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of transactions and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded.

Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group Company's domicile.

In Poland, the tax position is open to further verification for five years. Some entities of the Group in Poland are currently under tax audits for the fiscal year 2017.

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

Year ended 31 December	2018 € '000	2017 € '000
Income tax expense		
Current income tax expense	(6,163)	4
Deferred income tax expense	1,657	(11,275)
	(4,506)	(11,271)

Reconciliation of tax expense and the accounting profit multiplied by Poland's tax rate for 2018 and 2017 is, as follows:

Year ended 31 December	2018 € '000	2017 € '000
Profit/(loss) before income tax	69,186	42,591
Expected taxation charge at the tax rate 25%/19%/9%	(17,297)	(9,712)
Effect of:		
Minimum income tax on investment properties	(1,022)	-
Income not subject to tax	9,671	156
Expenses not deductible for tax purposes	(5,099)	(1,114)
Adjustments relating to differences on tax rates applicable for the Group Companies	12,842	2,524
Adjustments for companies not obliged to calculate income tax	(3,016)	(1,474)
Tax losses from prior years from which no deferred tax asset was recognised	(162)	-
Impairment of deferred tax asset on expired tax losses	(423)	-
Reversal of impairment deferred tax asset on not expired tax losses	-	(1,651)
Tax (charge)/credit	(4,506)	(11,271)

Due to restructuring in 2017 the Dutch company has become the parent company of the Group and under Dutch Tax Law the corporate income tax amounts to 25%.

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
Net - Deferred Tax Liability	31 December 2018 € '000	31 December 2017 € '000	1.01.2018-31.12.2018 € '000	1.01.2017-31.12.2017 € '000
Acquired under asset deal:	-	-	-	(239)
Deferred tax	-	-	-	(239)
Valuation of investment property at fair value	31,746	19,304	(12,442)	(5,206)
Other taxable temporary differences	(1,157)	(291)	866	337
Interest and exchange rate differences accrued	(9,644)	2,201	11,845	(6,762)
Deferred income	(19)	-	19	-
Valuation of financial instruments at fair value	865	56	(809)	(93)
Recognised unutilized tax losses	(4,428)	(2,250)	2,178	688
	17,363	19,020	1,657	(11,275)

As at 31 December 2018 the Group has tax losses that arose in Poland that are available for 5 years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of tax losses in amount of €14,255 thousand (2017: €3,074 thousand) as they are not probable to be used to offset taxable profits in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other convincing evidence of recoverability in the near future.

Expiry year	2019	2020	2021	2022	2023	TOTAL
Fiscal year	2014	2015	2016	2017	2018	
Available tax losses (€million)	-	-	10	11	3	24

13. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the Profit/(loss) for the year attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding at the end of the financial year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding at the end of the financial year plus the number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

On 27 February 2018 the Board of Directors of Globalworth Poland Real Estate N.V. decided to propose to the general meeting of the Company the approval of a private placement of €400 million (with an over-allotment option in the case of significant investor demand) at an expected pricing at or around prevailing EPRA NAV per share (a net asset value per share calculated in accordance with European Public Real Estate Association methodology) offered to selected investors, including, among others, the major shareholders of the Company and the major shareholders of Globalworth Real Estate Investments Limited (the "**Private Placement**"). On 13 June 2018 the Company announced the total number of the new Company's shares under or in connection with a private placement of the Company's shares. The result of the Private Placement was as follows:

- 95,541,401 of the shares were allotted to Growthpoint Properties International (PTY) Ltd.
- 191,082,803 of the shares were allotted to Globalworth Holding B.V.

Sale price per one such share equalled to €1.57. The total amount of the shares issued under the Private Placement amounts to 286,624,204 and the total increase of capital amounts to €450,000 thousand. Share capital increased of €286,624 thousand and the remaining part (€163,375 thousand) increase the share premium. Additionally, part of expenses (€7,517 thousand) reduced share premium as a cost for equity raise.

On 26 April 2018 the Annual General Meeting of Globalworth Poland Real Estate N.V. resolved to distribute an amount of PLN 0.11 per share, being equivalent of €0.026, to the Company's shareholders. The dividend has been paid in July, 2018. On 21 December 2018 the Company declared to distribute an interim dividend and established 3 January 2019 as the record date regarding the Interim Dividend and 31 January 2019 as the payment date of the Interim Dividend. The amount of the Interim Dividend per share amounts to €0.08, therefore the Company as at 31 December 2018 includes as other payables Interim Dividend in the amount of €35,421 thousand.

The authorized share capital amounts to €600,000 thousand divided into €600,000 thousand authorised shares. All shares have a nominal value of €1. As per 31 December 2018, 442,757,383 shares have been placed and fully paid up. The share capital is considered fully paid-up for tax purposes.

The following table reflects the Profit/(loss) for the year and number of shares outstanding used in the basic and diluted EPS computations:

Date	Event	Note	Number of shares issued € '000	% of the period	Weighted average € '000
2017-01-01	**At the beginning of the year**		**45**	**100**	**45**
	Shares issued for:				
2017-01-27	Shares issued in exchange for assets contribution within Group reorganisation		67,604	93	62,788
2017-01-27	Shares issued in exchange for assets contribution within Group reorganisation		66,270	93	61,550
2017-02-28	Shares issued in exchange for assets contribution within Group reorganisation		11	84	9
2017-02-28	Shares issued in exchange for assets contribution within Group reorganisation		1	84	1
2017-03-03	Shares issued in exchange for assets contribution within Group reorganisation		1	83	1
2017-03-29	Shares issued within IPO		22,201	76	16,909
2017-12-31	**Shares in issue at year end (basic)**		**156,133**		**141,303**
2017-12-31	**Shares in issue at year end (diluted)**		**156,133**		**141,303**
2018-01-01	**At the beginning of the year**		**156,133**	**100**	**156,133**
2018-06-14	**Shares issued within private placement**		**286,624**	55	**157,840**
2018-12-31	**Shares in issue at year end (basic)**	24	**442,757**		**313,973**
2018-12-31	**Shares in issue at year end (diluted)**		**442,757**		**313,973**

The following table reflects the reconciliation between earnings as per the statement of profit or loss and EPRA earnings:

	2018 € '000	2017 € '000
Earnings attributable to equity holders of the Company (IFRS)	64,680	31,320
ROFO bonds valuation under IFRS 9	(5,463)	-
Fair value movement of investment property	(18,984)	(3,199)
Loan close-put costs	2,836	-
Foreign exchange differences relating to bank loans	-	(17,348)
Deferred tax charge in respect of valuation of investment property at fair value	12,442	4,821
EPRA earnings	55,511	15,594
EPRA earnings per share (basic and diluted) in €	0.18	0.10

The following table reflects the net assets used in the NAV share computation:

	2018 € '000	2017 € '000
Net assets attributable to equity holders of the Company	705,329	244,771
Deferred tax liabilities related to investment property	31,746	19,304
Deferred tax related to financial instruments	-	55
EPRA NAV	737,075	264,130
EPRA NAV per share (basic and diluted) in €	1.66	1.69

14. Profit sharing

On 26 April 2018 the annual general meeting of the Company resolved to distribute the amount of PLN 0.11 per share, being equivalent of €0.026, to the Company's shareholders. The dividend has been paid in July 2018. On 21 December 2018 the Company decided to distribute an interim dividend for 2018 and established 3 January 2019 as the record date and 31 January 2019 as the payment date of an interim dividend. The amount of an interim dividend per share equals to €0.08, therefore the Company as at 31 December 2018 includes €35.4 million as other payables (including withholding tax in the amount of €668 thousand).

15. Audit fee

In the year ended 31 December 2018 and 31 December 2017 the audit fee expenses amounted to:

	Ernst & Young Accountants LLP		Associated Ernst & Young Companies		Total	
	2018 € '000	2017 € '000	2018 € '000	2017 € '000	2018 € '000	2017 € '000
Audit fees Annual Report	145	78	145	104	290	182
Audit fees in relations to subsequent public offering	84	-	102	108	186	108
Other audit fees	-	18	239	147	239	165
Total	229	96	486	359	715	455

16. Employment structure

As of 31 December 2018 and 31 December 2017 the employment structure was as follows:

	2018	2017
Management Board of the parent company	8	10
Management Board of the subsidiaries	7	5
Other employees and co-workers	79	27
Total	94	42

SECTION IV: FINANCIAL ASSETS AND LIABILITIES

This section focuses on financial instruments, together with the working capital position of the Group and financial risk management of the risks that the Group is exposed to at year end.

Financial instruments

Policy

Till 31 December 2017, financial assets were classified into one of the following categories under IAS 39:

- financial assets held to maturity;

Financial assets held to maturity were quoted in an active market non-derivative financial asset with fixed or determinable payments and fixed maturities, which the Group had the positive intention and ability to hold until maturity, other than:

- those that upon initial recognition were designated as at fair value through profit or loss;
- those that were designated as available for sale; and
- those that met the definition of loans and receivables.

Financial assets held to maturity were measured at amortised cost using the effective interest rate. Financial assets held to maturity were classified as non-current assets if they were falling due within more than 12 months from the reporting date.

- financial assets at fair value through profit or loss;

A financial asset at fair value through profit or loss is a financial asset that met either of the following conditions:

a) it was classified as held for trading. A financial asset was classified as held for trading if it is:
   - acquired principally for the purpose of selling it in the near term;
   - part of a portfolio of identified financial instruments that were managed together and for which there was evidence of a recent actual pattern of short-term profit-taking; or
   - a derivative (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument).

b) in accordance with IAS 39, upon initial recognition it was designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss were measured at fair value, which took into account their market value as at the reporting date, but no sale transaction costs. Any change in the fair value of these instruments was taken to finance income (positive changes in the fair value) or finance costs (negative changes in the fair value) in the income statement/statement of comprehensive income. Where a contract contained one or more embedded derivatives, the entire contract might be designated as a financial asset at fair value through profit or loss, except where the embedded derivative did not significantly modify the underlying cash flows or it was clear, with or without high level review, that had similar hybrid instrument been considered in the first place, separation of the embedded derivative would be expressly forbidden. Financial assets have been designated at initial recognition as at fair value through profit or loss if the following criteria were met: (i) the designation eliminates or significantly reduces the inconsistent treatment or valuation (accounting mismatch); or (ii) the assets were part of a group of financial assets which were managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. As at 31 December 2017, no financial assets were designated as at fair value through profit or loss.

- loans and receivables;

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These were classified as current assets, provided their maturity did not exceed 12 months after the reporting date. Loans and receivables with maturities exceeding 12 months from the reporting date were classified under non-current assets.

Loans, trade receivables and other receivables which were financial assets come under the category of "Long term loans", "Short-term loans". They were initially recognised at fair value (plus transaction costs if any) and subsequently measured at amortised cost less the accumulated impairment losses.

Rent and other receivables were recognised at their original invoiced value except where the time value of money was material, in which case receivables were recognised at fair value and subsequently measured at amortised cost. The value of receivables was based on the probability of their payment by revaluation allowance.

Revaluation allowance on trade and other receivables were created at the end of each quarter, where there is objective evidence that the Group was not able to collect all amounts arising under the original terms of receivables. The following factors suggest that the receivable was impaired: serious financial problems of the debtor or delay in payments. The amount of the provision was calculated as difference between the carrying value of the receivable and the present value of estimated future cash flows arising thereunder and discounted with the original effective interest rate. The amount of loss was recognised in the Consolidated Statement Profit or Loss as "Other expenses". Subsequent repayment of previously written-off receivables is recognised in "Other income" in Consolidated Statement Profit or Loss.

Advances to suppliers were valued at cash expenditure and according to received VAT invoices in evidence of granting an advance.

- financial assets available for sale.

Available-for-sale financial assets were those non-derivative financial assets that were designated as available-for-sale or were not classified in any of the three preceding categories. Available-for-sale financial assets were measured at fair value, increased by transaction costs that might be directly attributable to the acquisition or issue of financial assets. Where no quoted market price was available and there was no possibility to determine their fair value using alternative methods, available-for-sale financial assets were measured at cost, adjusted for any impairment losses. Positive and negative differences between the fair value (if quoted market price determined in regulated market is available or if the fair value can be determined using other reliable method) and acquisition cost, net of deferred tax, of financial assets available for sale are taken to other comprehensive income. Any decrease in the value of financial assets available for sale resulting from impairment losses was taken to the statement of comprehensive income as finance cost.

If there was objective evidence that an impairment loss had incurred on an available-for-sale financial asset, then the amount of the difference between the acquisition cost (net of any payment of instrument principal and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss, was removed from equity and was reclassified to profit or loss. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognised in the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase could be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss was reversed, with the amount of the reversal recognised in the profit or loss.

Purchase and sale of financial assets was recognised at the transaction date. Initially, financial assets were recognized at acquisition cost, i.e. at fair value plus, for financial assets other than classified as financial assets at fair value through profit or loss, transaction costs that may be directly attributable to the purchase.

Financial assets were derecognised if the Group loses its control over contractual rights attached to those assets, which usually takes place upon sale of the asset or where all cash flows attributed to the given asset were transferred to an independent third party.

Where the Group:

- had a legally enforceable right to set off the recognised amounts; and
- intended either to settle on a net basis, or to realise the asset and settle the liability simultaneously;

a financial asset and financial liability were offset, and the net amount was presented in the statement of financial position.

The master netting arrangement referred to in IAS 32.50 was not the basis for the set-off, if the above two set-off criteria were not fulfilled.

Financial assets were recognized on the transaction date and derecognised upon the expiry of the contractual rights to cash flows from the financial asset or where a financial asset is transferred along with all risks and benefits of ownership thereof.

According to the new standard IFRS 9, implemented by the Group beginning on 1 January 2018, financial assets are classified into one of the following categories:

- financial assets measured at amortized cost;
- financial assets measured at Fair Value Through Other Comprehensive Income (FVTOCI);
- financial assets measured at Fair Value Through Profit or Loss (FVTP&L).

The classification of financial assets depends on the business model of financial assets management and the characteristics of the contractual cash flows of the financial asset. Classification of financial assets is made at the inception and may be changed only if the business model of managing the financial assets has changed.

As a result of above mentioned, the Group has changed the accounting for the ROFO bonds. As of 31 December 2017, they were presented as assets available for sale and measured at fair value through other comprehensive income, beginning on 1 January 2018 ROFO bonds are valued at fair value through profit or loss. Following IFRS 9 regulations the Group has analysed the expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group has not stated any significant impact of the IFRS 9 on entity's impairment.

The Group decided to introduce the modified retrospective approach, therefore the presentation of prior year data remains unchanged.

Financial assets measured at amortized cost

Financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held by the Group whose objective is to hold 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 (SPPI i.e. solely payment of principal and interest).

These financial assets are measured at amortized cost using the effective interest rate and are classified as non-current assets, if they are falling due within more than 12 months from the reporting date.

Financial asset measured at Fair Value Through Other Comprehensive Income

Financial asset is measured at Fair Value Through Other Comprehensive Income (FVTOCI), if both of the following conditions are met:

- the asset is held by Group in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets, 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 (SPPI, solely payment of principal and interest).

At initial recognition the associated transaction costs of purchase are included.

Resulting from the impairment review, any change in fair value is taken to profit or loss account.

Upon derecognition, any gain or loss is based upon the carrying value at the date of disposal.

In case of equity instruments any amounts formerly taken to equity in previous accounting periods cannot be recycled. Instead, at derecognition, an entity may choose to make an equity transfer from other components of equity to retained earnings as any amounts previously taken to equity can now be regarded as having been realized.

At derecognition of debt instruments any gains or losses, previously recognized in other comprehensive income, are recycled to profit or loss.

Financial assets measured at Fair Value Through Profit or Loss

Other financial assets, that do not meet the conditions of the above-mentioned categories, are measured at Fair Value Through Profit or Loss (FVTP&L).

Financial assets at fair value through profit or loss are measured at fair value, which takes into account their market value as at the reporting date, but no sale transaction costs. Any change in the fair value of these instruments is taken to finance income (positive changes in the fair value) or finance costs (negative changes in the fair value) in the income statement/ statement of comprehensive income. Where a contract contains one or more embedded derivatives, the entire contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the underlying cash flows or it is clear, with or without high level review, that had similar hybrid instrument been considered in the first place, separation of the embedded derivative would be expressly forbidden.

As at 31 December 2018 ROFO bonds have been classified as financial assets measured at fair value through profit or loss.

Derivatives

Derivatives are recognised in the books at the time when the Entities become a party to a binding agreement.

The Group does not apply hedge accounting.

At the balance sheet date, derivatives are measured at fair value. Whereas derivatives with fair value greater than zero are financial assets, those with negative fair value are financial liabilities.

The Group recognises profit/loss from valuation and realisation of derivative instruments that fail to meet the requirements of hedge accounting as income/expense on operations, income/expenses on financial transactions or profit/loss on derivative instruments in foreign currency. In case of the profit/loss on valuation and realization of the relevant IRS, the change in fair value in financial instrument is recognised in finance cost.

In the Consolidated Statement of Cash Flows, cash flows of this nature are disclosed respectively as Financing activities.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the reporting date.

Rent and other receivables are recognised at their original invoiced value except where the time value of money is material, in which case receivables are recognised at fair value and subsequently measured at amortised cost.

From 1 January 2018 the Group introduced the expected credit loss model in accordance with the simplified approach required under IFRS 9 for all the receivables which don’t contain a significant financing component within the scope of IFRS 15.

The Group has analysed the rent receivables and recalculated IFRS9 impact on the impairment recognition and taking into account the fact that each of rent agreement is secured with at least 3 months deposit from tenant, the Group considered impact of IFRS 9 as well as the calculated loss allowance as insignificant as of the date of the first application.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, restricted cash and short-term deposits with an original maturity of 3 months or less, which are subject to an insignificant risk of changes in value.

Restricted cash is cash on separate bank accounts held for a specific purpose and therefore not available to the Group for immediate or general business use. As restricted cash Group presents mainly the debt service reserve accounts held as the obligation resulting from bank loans agreements, deposits from tenants and amounts blocked to cover capital expenditures which are restricted under bank loans agreements.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash, short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Short-term trade payables

Short-term trade payables are carried at the amount due and payable.

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 acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

(i) the designation eliminates or significantly reduces the inconsistent treatment or valuation or recognition of gains or losses that would otherwise arise from the measurement on a different basis; or
(ii) the liabilities are part of a group of financial liabilities which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
(iii) financial liabilities contain embedded derivatives which need to be recorded separately.

Financial liabilities at fair value through profit or loss are re-measured to fair value, after considering their market value at the reporting date, without transaction costs. Any changes in the fair value of these liabilities are recognised in the profit or loss as finance income or finance cost.

Other financial liabilities

Other financial liabilities which are not financial instruments at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised by the Group when the obligation under the liability is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instrument with substantially different terms is accounted for by the Group as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, significant modifications to the terms and conditions of an existing financial liability are treated as an extinguishment of the original financial liability and the recognition of a new financial liability with any resultant differences in the respective carrying amounts taken to profit or loss.

Other non-financial liabilities include, in particular, liabilities to the tax office in respect of value added tax and advance payment liabilities which will be settled by way of delivery of goods or services, or fixed assets. Other non-financial liabilities are recognised at the amount due and payable.

Interest bearing loans, borrowings and debentures

All loans, borrowings and debentures are initially recognised at fair value less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method ("EIR"). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset/liability.

The classification and carrying amount calculated under IAS 39 of following financial assets and liabilities have not been changed due to implementation of IFRS 9:

- Interest-Bearing Loans and Borrowings
- Other borrowings
- Trade and other receivables
- Trade and other payables

17. Debentures

In June 2017 Group acquired fixed-rate debentures from Forum 60 Fundusz Inwestycyjny Zamknięty.

The debentures have been acquired in connections with Forward Purchase Agreements described below.

As at 31 December 2018 debentures have been repaid in total.

Debentures as at 31 December 2017

Issuer	Interest rate	Maturity	Total € '000	Long-term € '000	Short-term € '000
Forum 60 Fundusz Inwestycyjny Zamknięty	Fixed	December 2018	18,389	–	18,389
Total:			**18,389**	**–**	**18,389**

Forward Purchase Agreement

On 9 March 2017, an entity controlled by the Company, i.e. IB 14 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych acting as the purchaser (the "Purchaser"), and subsidiaries of Echo Investment S.A. ("Echo") acting as the sellers (the "Sellers") concluded the preliminary forward purchase agreement for West Link office building in Wroclaw with GLA of 14,362 that were completed in April 2018 by Echo ("SPA"). The parties to the SPA agreed to undertake actions to complete the acquisition of the rights and obligations of the company owning the Forward Purchase Asset by the buyer by way of the acquisition by the buyer of 100% of the shares in the limited partner and general partner of the company owning the Forward Purchase Asset (the "Project Companies") after the satisfaction or waiver of the conditions precedent specified therein.

On 12 June 2017 parties of the SPA concluded annex No. 2 ("Annex No. 2") to the SPA. Moreover, in connection with the execution of Annex No. 2, the Purchaser subscribed for bonds with a total nominal value of €18 million issued by a subsidiary of Echo (the "West Link Bonds").

Pursuant to Annex No. 2, the parties agreed that the preliminary purchase price for the shares in the Project Companies amounts to €18 million.

On 25 May 2018 a final share purchase agreement and Annex no 3 to the SPA were concluded, based on which the payment of the price for the shares in the Project Companies was conducted by way of remittances between the Sellers and the Purchaser and a set-off of a receivable of one of the Sellers on account of the payment of the price for the shares in the Project Companies against the Purchaser's receivable in respect of the redemption of the West Link Bonds.

Debentures were valued at amortised cost using effective interest rate method through profit or loss.

18. Other financial assets

In June 2017 and December 2017 Group acquired following financial instruments, which had been primarily classified as available for sale financial assets. Beginning on 1 January 2018 the Group has reclassified them, in line with IFRS 9 requirements, to financial assets measured at Fair Value Through Profit or Loss category. The value of these instruments as at 31 December 2018 was as follows:

ROFO debentures as at 31 December 2018

Issuer	Interest rate	Maturity	Total € '000	Long–term € '000	Short–term € '000
Pudsey Sp. z o.o.	fixed	April 2019	9,270	–	9,270
Projekt Beethovena – Projekt Echo – 122 Spółka z ograniczoną odpowiedzialnością S.K.A. (Stage 1)	fixed	September 2019	3,608	–	3,608
Projekt Beethovena – Projekt Echo – 122 Spółka z ograniczoną odpowiedzialnością S.K.A. (Stage 2)	fixed	September 2020	2,828	2,828	–
Total:			**15,706**	**2,828**	**12,878**

ROFO debentures as at 31 December 2017

Issuer	Interest rate	Maturity	Total € '000	Long–term € '000	Short–term € '000
Pudsey Sp. z o.o.	fixed	December 2018	4,346	–	4,346
Projekt Beethovena – Projekt Echo – 122 Spółka z ograniczoną odpowiedzialnością S.K.A. (Stage 1)	fixed	March 2019	3,002	3,002	–
Projekt Beethovena – Projekt Echo – 122 Spółka z ograniczoną odpowiedzialnością S.K.A. (Stage 2)	fixed	June 2019	2,895	2,895	–
Total:			10,243	5,897	4,346

Debentures acquired in connection with Right of First Offer Agreements ("ROFO Debentures") are described below. The fair value of debentures is determined by the fair value of ROFO assets and will be measured on the basis of the current valuation report at Completion Date, actual construction budget and percentage of completion of each of the projects.

As of 31 December 2018, an increase of valuation of ROFO debentures amounted to €5,463 thousand and have been presented in Consolidated Statement of Profit or Loss in line "Gain/(loss) from valuation of financial instruments".

The maturity dates presented in the table above are stated in the agreements, however the planned repayment dates of debentures would take place upon purchase or repayment of ROFO project.
Expected repayments of the projects are as follows:

- Pudsey Sp. z o.o. – 30 April 2019;
- Projekt Beethovena - Projekt Echo - 122 SP. Z O.O. S.K.A. (Stage 1) - 30 September 2019;
- Projekt Beethovena - Projekt Echo - 122 SP. Z O.O. S.K.A. (Stage 2) - 30 September 2020.

In the twelve-month period of 2018, the Group has not changed the classification of the financial instruments due to change of manner of usage.

The classification of ROFO bonds has been changed due to implementation IFRS 9 from Available to sale assets to Other financial assets measured at Fair Value Through Profit or Loss. The carrying amount of ROFO Bonds calculated under IAS 39 amounts to €11,251 thousand.

Right of First Offer Agreements

On 9 March 2017, the Company signed the preliminary agreement for the acquisition of 25% stakes in ROFO projects being developed by Echo. Total office GLA of these projects to be completed in 2018/2019 is 51,356 sqm.

On 9 March 2017 an agreement was concluded between Echo, the Company and GPRE Management sp. z o.o. (the "**Bondholder**") that Bondholder will purchase bonds to be issued by the respective limited partners of all of the respective Issuers (the "**ROFO Agreement**"). The ROFO Agreement covers all of the ROFO Assets. Echo indirectly holds 100% of the shares or interest in the ROFO.

SPVs and the Issuers are developing the ROFO Assets. The Company intended to invest (indirectly through the Bondholder), on the terms and conditions set out in the ROFO Agreement, in each of the ROFO Assets the amount of 25% of the funds required by each of the ROFO SPVs (less the external construction bank financing at a loan to construction ratio of 60%) to complete the development of each respective ROFO Asset. Based on the construction budget presented by Echo to the Issuer in connection with the execution of the ROFO Agreement, the amount of the contribution (the investment) to be made by the Company under the ROFO Agreement amounts to €9.9 million.

The investment of the Company under the ROFO Agreement were made solely from the proceeds from the Offering and no further debt funding is required by the Company for this purpose.

Segment	City/town	Street	Project name
office	Warsaw	Beethovena	Beethovena I
office	Warsaw	Beethovena	Beethovena II
office	Warsaw	Grzybowska	The Gatehouse Offices (ex. Browary Stage J)

The expected Completion Dates of the ROFO properties are as follows:

- Pudsey Sp. z o.o. – Q4 2018 (already completed);
- Projekt Beethovena - Projekt Echo - 122 SP. Z O.O. S.K.A. (Stage 1) - Q2 2019;
- Projekt Beethovena - Projekt Echo - 122 SP. Z O.O. S.K.A. (Stage 2) – Q3 2020.

On 12 June 2017 the Bondholder, subscribed for bonds of several series with a total nominal value of €6.4 million issued by certain subsidiaries of Echo ("**ROFO Bonds**"). On 22 December 2017 the additional series of ROFO bonds in the amount of €3.5 million have been subscribed for. The ROFO Bonds were subscribed for in performance of the ROFO Agreement which relates to an investment of 25% of the equity which had already been invested and future equity required to complete the construction and to finalise commercial office projects currently in progress in Warsaw, i.e. the Beethovena project (stage I and II) and the Browary Warszawskie project (stage J). The redemption date for all the series of the ROFO Bonds is 12 June 2032, and the ROFO Bonds will be redeemed by way of the payment of a sum equal to the nominal value of each of the bonds. The ROFO Bonds accrue interest at a fixed interest rate in the amounts of and on the conditions provided in the terms and conditions of the ROFO Bonds. Final amount of interest will be adjusted by accompanied option agreement so that it reflects actual development profit realised on each of the projects. The ROFO Bonds have been issued as unsecured bonds.

19. Interest-Bearing Loans and Borrowings

As at 31 December 2018	**Total € '000**	**Long-term € '000**	**Short-term € '000**
Bank loans	**138,810**	**135,124**	**3,686**
Other borrowings	**392,233**	**392,233**	**-**
Interest-bearing loans and borrowings	**531,043**	**527,357**	**3,686**
As at 31 December 2017	Total € '000	Long-term € '000	Short-term € '000
Bank loans	304,892	278,690	26,202
Other borrowings	165,413	–	165,413
Interest-bearing loans and borrowings	470,305	278,690	191,615

Bank loans

In the second quarter of 2018 the Group has repaid the majority of bank loans from prior periods and has entered into new loan agreement embracing four new loans. New bank loans are mostly (95% of the outstanding amount) at the fixed interest rates and partly (5% of the outstanding amount) at the floating interest rates. Interest costs may increase or decrease as a result of changes in the interest rates.

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The carrying amount of Interest-Bearing Loans and Borrowings under IAS 39 as at 31 December 2018 would remain the same.

As at 31 December 2018

Bank	Interest rate	Maturity	Total € '000	Long-term € '000	Short-term € '000
Loan 14	combination of fixed & floating rate*	May 2025	38,511	37,604	907
Loan 15	combination of fixed & floating rate*	May 2025	33,686	32,697	989
Loan 16	combination of fixed & floating rate*	May 2025	13,017	12,712	305
Loan 17	combination of fixed & floating rate*	May 2025	14,091	13,757	334
Loan 7	NBP reference rate less social indicator	June 2034	2,536	2,309	227
Loan 8	WIBOR 1M + margin	February 2019**	187	-	187
Loan 9	EURIBOR 1M + margin	August 2026***	36,782	36,045	737
			138,810	135,124	3,686

** 95% of the outstanding amount at the fixed interest rates & 5% of the outstanding amount at the floating rate: EURIBOR 3M + margin*
*** Fully repaid on 28 February 2019*
**** The construction loan will be converted into investment loan. The maturity of investment loan is August 2026.*

As at 31 December 2017

Bank	Interest rate	Maturity	Total € '000	Long-term € '000	Short-term € '000
Loan 1	EURIBOR 3M + margin	April 2019	34,647	33,843	804
Loan 2	EURIBOR 3M + margin	March 2020	44,846	42,225	2,621
Loan 3	EURIBOR 3M + margin	February 2018	6,216	–	6,216
Loan 4	EURIBOR 3M + margin	January 2034	7,284	6,951	333
Loan 5	EURIBOR 3M + margin	February 2018	7,171	–	7,171
Loan 6	EURIBOR 3M + margin	July 2034	13,466	12,464	1,002
Loan 7	NBP reference rate less social indicator	June 2034	4,320	3,869	451
Loan 8	WIBOR 1M + margin	February 2018	251	–	251
Loan 9	EURIBOR 1M + margin	August 2026	52,148	50,769	1,379
Loan 10	EURIBOR 1M + margin	June 2026	95,650	91,259	4,391
Loan 13	EURIBOR 3M + margin	June 2027	38,893	37,310	1,583
			304,892	278,690	26,202

The undrawn bank facilities as of 31 December 2018 amounted to €2,837 thousand, whereas as at the end of 2017 the undrawn facilities amount to €2,711 thousand.

In 2014 Hala Koszyki Sp. z o.o. received the financing under JESSICA initiative. JESSICA initiative is a part of the Regional Operational Programme of the Masovian District under which the entity is granted with the financing under favourable conditions in terms of interests. The interest rates under JESSICA loan are lower than the market ones. This grant has been recognised in the books resulting in recognition of loan at a fair value being lower than the nominal value and resulting in a decrease of the property capitalised cost (in the amount of the grant being the difference between loan nominal value and loan fair value at the inception date). As of 31 December 2018 the amount of grant recognised amounted to €898 thousand (31 December 2017: €1,602 thousand).

In the reporting period no loan default or breach of loan agreement occurred.

Other borrowings

At the year ended 31 December 2018 and 2017 the balance of the other borrowings was as follows:

As at 31 December 2018

Lender	Total	Below 1 year	After 1 year but no more than 5 years	More than 5 years
	€ '000	€ '000	€ '000	€ '000
Globalworth Finance Guernsey Limited	392,233	-	-	392,233
	392,233	-	-	392,233

As at 31 December 2017

Lender	Total	Below 1 year	After 1 year but no more than 5 years	More than 5 years
	€ '000	€ '000	€ '000	€ '000
Globalworth Finance Guernsey Limited	165,413	165,413	–	–
	165,413	165,413	–	–

On 18 December 2017 the Company entered into short-term corporate loan agreement (the "First facility") in the amount of €165 million granted by Globalworth Finance Guernsey Limited ("GFGL"), a related entity. On 8 March 2018 the Company signed Annex No. 1 increasing the principal by €55 million for acquisition of certain assets. On 13 June 2018 the GFGL Loan was repaid in total.

On 16 April 2018, the Company concluded a second loan facility at fixed interest rate with GFGL in the amount of €400 million divided into two available tranches (the "Second Facility"):

- Tranche A in the amount of €233 million;
- Tranche B in the amount of €167 million.

The Company has agreed with GFGL to apply the borrowed amounts towards the acquisition of certain assets and refinancing of the existing financial indebtedness of the Company and its subsidiaries. The loans will bear fixed interest from the date of utilization at a level of 5% p.a., which will be accrued on the loan balance and due at repayment date (the date falling 7 years from the first each of tranche utilization date). The arrangement fee for the loans is equal to 1% of the available amount of the loan and it is accrued on the loan balance and due at repayment. The Second Facility provides for certain undertakings, representations and events of default customary for financing of such type. The loan is measured at amortised cost using the effective interest rate method.

On 20 April 2018, the Company drawn down a net amount of €229.3 million under the Second Facility (Tranche A). On 13 June 2018 the Company repaid two loans: the entire amount of the First facility and part of the Second facility in the total amount of €300 million. On 21 June 2018 the Company drew down Tranche B of the Second Facility in the amount of €74 million.

On 30 October 2018 the Company signed Annex to the Second facility increasing the facility by Tranche C in the amount of €180 million. On 12 December 2018 the Company drawn down a net amount of €150 million under the Second Facility (Tranche C).

	Other borrowings € '000
At 1 January 2018	165 413
Capital drawdown	508,300
Capital repayment	(287,107)
Interest accrued	14,963
Interest repayment	(8,400)
Arrangement fee payment	(4,493)
Amortized cost valuation	3,557
At 31 December 2018	392,233

	Other borrowings € '000
At 1 January 2017	-
Capital drawdown	165 000
Interest accrued	297
Amortized cost valuation	116
At 31 December 2017	165 413

20. Trade and other payables, deposits from tenants and other deposits

Deposits from tenants and other deposits received

Deposits from tenants and other deposits liabilities are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

Trade and other payables, deposits from tenants and other deposits are non-interest bearing and have settlement dates within one year, except for tenant deposits which are payable on lease termination.

For explanations on the Group's liquidity risk management processes, refer to Note 23.

As at 31 December	2018 € '000	2017 € '000
Current		
Trade payables	6,849	5,932
Capex payables	3,420	5,501
VAT payable	513	407
Deposits from tenants	1,853	270
Guarantees retained from contractors	1,088	508
Deferred income	237	415
Other taxes payables	1	–
Salaries payable	115	–
Liabilities related to entities' acquisition costs	1,121	–
Dividend payable	35,421	–
Amounts due to related parties	103	1,500
Consideration payable	182	1,220
Other payables	207	263
	51,110	16,016
Non-current		
Deposits from tenants	9,801	5,834
Guarantees retained from contractors	666	537
Consideration payable	694	–
	62,271	22,387

Consideration payable is mainly obligation arising from asset deal (Note 26).

21. Trade and other receivables

As at 31 December	2018 € '000	2017 € '000
Current		
Rent and service charge receivables	9,634	6,380
RGA and NOIGA rent and service charge receivables	491	2,317
Less: Provision for impairment of receivables	(1,446)	(1,176)
Rent receivables – net	8,679	7,521
VAT receivables	1,265	672
Deferred expenses	788	124
Receivables from related parties	12	–
RGA and NOIGA capex receivables	–	1,538
Receivables from Sellers (price adjustments)	2,233	–
Other	261	779
	13,238	10,634
Non-current		
Deferred expenses	-	69
	13,238	10,703

Rent and service charge receivables are non-interest bearing and are typically due within 30 days.

Rent and other receivables impaired and provided for

As at 31 December 2018, receivables with nominal value €1,450 thousand (2017: €1,186 thousand) were impaired and provided for in the amount of €1,446 thousand (2017: €1,176 thousand) due to tenant defaults. Movements in the provision for impairment of receivables were, as follows:

As at 31 December	2018 € '000	2017 € '000
At 1 January	1,176	722
Provision at the acquisition date	416	-
Charge for the year	130	402
Utilised	(276)	-
Foreign currency translation	-	52
At 31 December	1,446	1,176

As at 31 December 2018 and 2017, the analysis of rent and other receivables and classification of provisions for impairment of receivables is set out below:

As at 31 December Net trade receivables		Total € '000	Neither past due nor impaired € '000	<30 days € '000	30-60 days € '000	60-90 days € '000	90-120 days € '000	>120 days € '000
2018		**8,691**	**2,847**	**4,476**	**613**	**495**	**189**	**71**
2017		8,697	4,624	790	923	71	66	1,223
As at 31 December								
2018	**Impaired rent and other receivables**	**-**	**-**	**16**	**17**	**46**	**73**	**1,298**
	Provision for impairment	**-**	**-**	**(14)**	**(17)**	**(45)**	**(72)**	**(1,298)**
	Total provision							**(1,446)**
2017	Impaired rent and other receivables	-	-	1	1	18	35	1,131
	Provision for impairment	-	-	(1)	(1)	(12)	(34)	(1,128)
	Total provision							(1,176)

22. Cash and cash equivalents

Cash and short-term deposits

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 1 day and 3 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Blocked (restricted) cash

The blocked (restricted) cash comprises of:

- presented as long-term debt service reserve accounts;
- cash on the bank accounts which is restricted under bank loans agreements;
- deposits from tenants and amounts blocked to cover capital expenditures presented as short-term as they can be utilised to cover tenants' obligation due or current liabilities for capital expenditures;
- cash on the bank account with restrictions over the use of the funds.

As at 31 December	2018 € '000	2017 € '000
Unblocked		
Cash at bank and on hand	59,690	14,481
Short-term deposits	113	1,176
Cash and cash equivalents as per Consolidated Statement of Cash Flows	59,803	15,657
Blocked		
Short-term:	*12,943*	*19,028*
Tenant deposits	3,026	9,309
Capex accounts	-	797
Rent accounts	9,131	8,663
Other bank deposits	704	-
Other	82	259
Long-term	*-*	*2,958*
Debt service reserve account	-	2,958
	12,943	21,986
Cash and cash equivalents as per Consolidated Statement of Financial Position	72,746	37,643

23. Financial risk management

Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

The Group's principal financial liabilities, other than derivatives, are loans and borrowings. The main purpose of the Group's loans and borrowings is to finance the acquisition and development of the Group's property portfolio.

The Group has rent and other receivables, trade and other payables and cash and short-term deposits that arise directly from its operations.

The Group's senior management oversees the management of these risks. The Management Board reviews and agrees policies for managing each of these risks which are summarised below.

It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

a. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks arise from open positions in (a) foreign currencies and (b) interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements. Management sets limits on the exposure to currency and interest rate risk that may be accepted. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

i. Foreign exchange risk

Currency risk results from the fact, that the functional currency of the Group is EUR. Therefore, the positions originally in PLN must be denominated in EUR. In Consolidated Statement of Financial Position main PLN positions are cash and cash equivalents, trade and other payable, whereas in Consolidated Statement of Profit or Loss main PLN positions are operating expenses. The Group does not apply hedge accounting. The Group manages foreign currency risk by using natural hedging. In case of the cash flow the Group matches its principal cash outflows to the currency in which the principal cash inflows (such as rental revenue) are denominated. This is generally achieved by obtaining financing in the relevant currency.

For the period ended on 31 December 2017, The Group's consolidated financial statements were presented in EUR being the presentation currency of the Group. The currency risk resulted from the fact, that the functional currency of the most subsidiaries of the Groups was PLN.

The following table presents sensitivities to reasonably possible changes in EUR at the Consolidated Financial Position with all other variables held constant. Starting from 1 January 2018, functional currency of the Group was changed to EUR, in result foreign exchange risk was minimised.

	Increase/(decrease) in percentage points	Effect on Profit/(loss) before tax € '000
2018		
EUR/PLN	**+1**	**59**
EUR/PLN	**-1**	**(59)**
2017		
EUR/PLN	+1	2,585
EUR/PLN	-1	(2,585)

ii. Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

The analysis below describes reasonably possible movements in interest rates with all other variables held constant, showing the impact on Profit/(loss) before tax and equity. It should be noted that the impact of movement in the variable is not necessarily linear.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates of the debt and derivatives are all constant:

- The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on finance income less finance expense for one year, based on the floating rate financial liabilities held at the reporting date, including the effect of derivatives.
- The sensitivity of equity is calculated by revaluing derivatives for the effects of the assumed changes in interest rates.

	Increase/(decrease) in percentage points	Effect on Profit/(loss) before tax € '000
2018		
EURIBOR	**+1**	**418**
EURIBOR	**-1**	**(418)**
WIBOR	**+1**	**2**
WIBOR	**-1**	**(2)**
NBP reference rate	**+1**	**34**
NBP reference rate	**-1**	**(34)**
2017		
EURIBOR	+1	(3,022)
EURIBOR	-1	3,022
WIBOR	+1	-
WIBOR	-1	-
NBP reference rate	+1	(59)
NBP reference rate	-1	59

b. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract. The Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions, debentures, available for sale financial assets and derivatives.

Rent receivables

Rents are assessed according to Group criteria prior to entering into lease arrangements. Credit risk is managed by security deposits or bank guarantees provided by tenants. Outstanding tenants' receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. At the Group level there is no significant concentration of risk in relation to any of the customers of the Group. The relation of revenue from sales to major tenants to Group's total rental income has been analysed in the following table, the revenue from rent from a major tenant currently does not exceed 6% of the Group's rental income.

Concentration of credit risk

	Share in total rental income	
	2018	2017
Tenant A	**6%**	8%
Tenant B	**5%**	5%
Tenant C	**4%**	4%
Griffin Topco II/Griffin Topco III (as Guarantors under RGA and NOIGA)	**-**	15%

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions as well as with other real estate entities is managed in accordance with the Group's policy.

Investments of surplus funds from operating activities are made only with reputable institutions. The Group places only short-term deposits, which are highly liquid and of certain rates of return.

In relation to investments for the longer term the Group places funds in financial instruments (debentures and available for sale financial assets and other financial assets) issued by the reputable real estate companies with high creditworthiness. The Group's maximum exposure to credit risk for the components of the Consolidated Statement of Financial Position at 31 December 2018 and 2017 is the carrying amounts of each class of financial instruments.

c. *Liquidity risk*

Globalworth Poland Real Estate N.V. and Entities' objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

Liquidity risk As at 31 December 2018	On demand € '000	Less than 3 months € '000	Contractual payments 3 to 12 months € '000	1 to 5 years € '000	> 5 years € '000	Total € '000	Difference to carrying amount € '000	Carrying amount € '000
Bank loans	-	1,204	3,518	15,963	140,511	161,196	(22,386)	138,810
Other borrowings	-	-	-	-	517,964	517,964	(125,731)	392,233
Deferred consideration payable	-	-	-	694	-	694	-	694
Deposits from tenants	136	41	1,676	8,102	1,699	11,654	-	11,654
Guarantees retained from contractors	338	166	584	640	26	1,754	-	1,754
Trade and other payables (excluding deferred income)	2,075	45,296	584	-	-	47,955	-	47,955
	2,549	46,707	6,362	25,399	660,200	741,217	(148,117)	593,100

Liquidity risk As at 31 December 2017	On demand € '000	Less than 3 months € '000	Contractual payments 3 to 12 months € '000	1 to 5 years € '000	> 5 years € '000	Total € '000	Difference to carrying amount € '000	Carrying amount € '000
Bank loans	88	17,202	10,310	119,329	201,494	348,423	(43,531)	304,892
Other borrowings	–	–	171,113	–	–	171,113	(5,700)	165,413
Deposits from tenants	25	17	228	2,774	3,060	6,104	–	6,104
Guarantees retained from contractors	250	149	109	536	1	1,045	–	1,045
Trade and other payables (excluding deferred income)	1,461	12,593	1,184	–	–	15,238	–	15,238
	1,824	29,961	182,944	122,639	204,555	541,923	(49,231)	492,692

Loans presented as short-term as at 31 December 2018 and 2017 relate to a part of loans payable within 1 year from the balance sheet date.

I. *Changes in financial liabilities arising from financing activities*

	2017 € '000	Cash flows € '000	Non cash changes: Interest accrued € '000	Restructuring € '000	FX valuation € '000	Fair value changes € '000	2018 € '000
Financial liabilities							
Bank loans	304,892	(173,758)	4,280	-	489	2,907	138,810
Other borrowings	165,413	208,300	14,963	-	-	3,557	392,233
Total liabilities from financing activities	470,305	34,542	19,243	-	489	6,464	531,043

	2016 € '000	Cash flows € '000	Non cash changes: Interest accrued € '000	Restructuring € '000	FX valuation € '000	Fair value changes € '000	2017 € '000
Financial liabilities							
Bank loans	301,585	(4,941)	(6,888)	–	15,927	(791)	304,892
Other borrowings	137,935	163,076	(1,102)	(136,701)	2,205	–	165,413
Total liabilities from financing activities	439,520	158,135*	(7,990)	(136,701)	18,132	(791)	470,305

* *This amount consists of 'Bank loan proceeds', 'Bank loan repayments', 'Proceeds from borrowings', 'Repayment of borrowings' and 'Interest paid' from the Consolidated Statement of Cash Flows for the year ended 31 December 2017.*

II. *Fair value measurements – financial assets and financial liabilities*

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments presented in the Consolidated Financial Statements:

As at 31 December	Carrying amount 2018 € '000	Carrying amount 2017 € '000	Fair value 2018 € '000	Fair value 2017 € '000
Financial assets				
Long-term loans	-	-	-	-
Debentures	-	18,389	-	18,389
Other financial assets	15,706	10,243	15,706	10,243
Short-term loans	-	60	-	60
Trade and other receivables	13,238	10,703	13,238	10,703
Cash and cash equivalents	72,746	37,643	72,746	37,643
Financial liabilities				
Bank loans	138,810	304,892	138,810	304,892
Other borrowings	392,233	165,413	392,233	165,413
Deferred consideration payable	694	-	694	-
Deposits from tenants	11,654	6,104	11,654	6,104
Guarantees retained from contractors	1,754	1,045	1,754	1,045
Trade and other payables	48,169	15,238	48,169	15,238

Management has assessed that the fair values of cash and short-term deposits, rent and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Receivables are evaluated by the Group based on parameters such as individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2018 and 2017, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values;

- The fair value of obligations under finance leases and deposits from tenants is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities;
- Derivatives valued using valuation techniques which employ the use of market observable inputs are mainly interest rate swaps. The Group enters into derivative financial instruments with financial institutions with investment, grade credit ratings;
- Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects each of the Entity's borrowing rates including its own non-performance risk as at 31 December 2018 and at 31 December 2017 appropriately.

III. Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy as at 31 December 2018 and 2017:

As at 31 December 2018	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
Investment property	–	–	1,216,790	1,216,790
Other financial assets	–	–	15,706	15,706
Trade and other receivables	–	13,238	–	13,238
Cash and cash equivalents	–	72,746	–	72,746
Bank loans	–	138,810	–	138,810
Other borrowings	–	392,233	–	392,233
Deferred consideration payable	–	694	–	694
Deposits from tenants	–	11,654	–	11,654
Guarantees retained from contractors	–	1,754	–	1,754
Trade and other payables	–	–	48,169	48,169
As at 31 December 2017	**Level 1 € '000**	**Level 2 € '000**	**Level 3 € '000**	**Total € '000**
Investment property	–	–	680,130	680,130
Debentures	–	18,389	–	18,389
Available for sale financial assets	–	–	10,243	10,243
Short-term loans	–	60	–	60
Trade and other receivables	–	10,703	–	10,703
Cash and cash equivalents	–	37,643	–	37,643
Bank loans	–	304,892	–	304,892
Other borrowings	–	165,413	–	165,413
Deposits from tenants	–	6,104	–	6,104
Guarantees retained from contractors	–	1,045	–	1,045
Trade and other payables	–	–	15,238	15,238

SECTION V: SHARE CAPITAL AND RESERVES

The disclosures in this section focus on the issued share capital, the share schemes in operation and the associated share-based payment charge to profit or loss. Other mandatory disclosures, such as details of capital management, can also be found here.

24. Issued capital

Authorised shares

According to the information available to Globalworth Poland Real Estate N.V., the shareholding structure of the Company as at 31 December 2018 was as follows:

Shareholders	Number of shares	Par value per share [€]	Value of share capital [€]	Percentage of share capital and total votes at general meeting
Globalworth Holding B.V.	308,622,859	1	308,622,859	69.71%
Growthpoint Properties International (Pty) Ltd	95,541,401	1	95,541,401	21.58%
Nationale Nederlanden OFE	15,600,000	1	15,600,000	3.52%
European Bank for Reconstruction and Development	14,807,000	1	14,807,000	3.34%
Other shareholders	8,186,123	1	8,186,123	1.85%
Total	442,757,383		442,757,383	100.00%

Changes during the reporting period in the issued share capital have been presented in the table below:

	2018		2017	
	€ '000	Number ('000)	€ '000	Number ('000)
Opening balance	**156,133**	**156,133**	45	45
Shares issued for cash	**286,624**	**286,624**	156,088	156,088
Closing balance	**442,757**	**442,757**	156,133	156,133

From the balance sheet date till the Consolidated Financial Statements publication date Globalworth Holding B.V has acquired:

- 16,504,828 shares from Nationale Nederlanden OFE,
- 14,807,000 shares from European Bank for Reconstruction and Development,
- 3,377,921 shares from other shareholders.

Foreign currency translation reserve

The foreign currency translation reserve presented in the comparative data was used to record exchange differences arising from the translation of the financial data from functional currency to presentation currency. As on 1 January 2018 the Group has changed the functional currency from PLN to EUR the revaluation reserve stays unchanged comparing to 31 December 2017.

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25. Capital management

The primary objective of the Group's capital management is to ensure that it remains within its quantitative financial covenants and maintains a strong credit rating.

While managing the capital, the Group makes decisions regarding the level of financial leverage, dividend policy, issuance of new shares or purchasing and subsequent redemption or resale of previously issued shares and the possible sale of assets to reduce debt.

Like other companies in the industry, the Group monitors its capital by such methods as loan-to-value ratio.

During the reporting periods, the Group did not breach any of its loan covenants and borrowings nor did it default on any other of its obligations under its loan and borrowings agreements.

As at 31 December	2018 € '000	2017 € '000
Total Interest-bearing loans and borrowings	**138,810**	304,892
Cash	**68,935**	24,320
Net debt, excl. ICL	**69,875**	280,572
ICL	**392,233**	165,413
Total external valuation of investment property and investment property under construction	**1,216,790**	680,130
Net Loan-to-Value ratio (net LTV) in % excl. ICL*	**5.7%**	41.3%
Gross Loan-to-Value ratio (gross LTV) in % excl. ICL*	**11.4%**	44.8%
Net Loan-to-Value ratio (net LTV) in % incl. ICL*	**38.0%**	65.6%
Gross Loan-to-Value ratio (gross LTV) in % incl. ICL*	**43.6%**	69.1%

* ICL means related party loan, presented as Other borrowings

SECTION VI: ASSETS ACQUISITION AND OTHER DISCLOSURES

This section includes details about Globalworth Poland Real Estate N.V.'s subsidiaries acquisition and related impact on the income statement and cash flows.

26. Asset acquisition

Policy

During the financial year ended 31 December 2018 the Group has acquired 100% of shares of following entities:

- On 14 March 2018, the Group acquired 100 % of the shares of Warta Tower Investments Sp. z o.o. (formerly Warta Tower Spółka z ograniczoną odpowiedzialnością Sp. k.) holding a "Warta Tower" office building;
- On 25 May 2018, the Group acquired 100 % of the shares of West Link Spółka z ograniczona odpowiedzialnością Sp. k. (formerly: West Gate II - Projekt Echo - 114 Spółka z ograniczoną odpowiedzialnością Sp. k.) holding a "West Link" office building;
- On 21 June 2018, the Group acquired 100 % of the shares of Quattro Business Park Sp. z o.o. (formerly: Blackwyn Investments Sp. z o.o.) holding a "Quattro Business Park" office building.
- On 12 July 2018, the Group acquired 100 % of the shares of Spektrum Tower Sp. z o.o holding a "Spektrum Tower" office building.
- On 21 December 2018, the Group acquired 100 % of the shares of Gold Project Spółka z ograniczoną odpowiedzialnością Sp. j. (formerly: Złote Tarasy Tower Warsaw III S.à r.l. Sp. j.) holding two office building - "Skylight&Lumen".

The existing strategic management functions and associated processes were not acquired with the properties listed above and, as such, the Directors consider this transaction as an assets acquisition.

The purchase price and the acquisition cost for the purchased assets amounted to c. €508.9 million adjusted to reflect the net asset value as of the date of the execution of the agreement on the basis of the closing balance sheet of the newly acquired company. The difference between the purchase price and executed payments in the amount of €2.2 million net settlement results from the final price settlement and is presented as a part of "Receivables from Sellers (price adjustments)". Based on the latest external valuation report, value of acquired investment properties as at 31 December 2018 is above €540.2 million.

Purchase price presented in cash flow statement is as follows:

	Warta Tower € '000	West Link € '000	Quattro Business Park € '000	Spektrum Tower € '000	Skylight &Lumen € '000	Total € '000
Acquisition price	56,106	32,467	139,274	102,137	178,873	**508,857**
less:						
Cash of acquired entities	(540)	(163)	(1,137)	(2,284)	(3,076)	**(7,200)**
Unpaid liability	-	(429)	(40)	(12)	(616)	**(1,097)**
	55,566	**31,875**	**138,097**	**99,841**	**175,181**	**500,560**

Set off with debentures	(18,684)
Payment for newly acquired Entities	(481,876)
Payment for other Entities	(11)
Payment received from Seller (Price adjustment)	936
Payment for Entities acquired in 2017	(1,192)
TOTAL	(482,143)

The revenue and profit contributed by each subsidiary, since acquisition date, and the impact on the Group's results had these companies been acquired at the beginning of the year, are disclosed below:

	Warta Tower € '000	West Link € '000	Quattro Business Park € '000	Spektrum Tower € '000	Skylight&Lumen € '000	Total € '000
Subsidiary's contribution						
Revenue	6,284	1,681	7,370	3,970	467	**19,772**
Profit/(loss) after tax	5,407	5,490	493	3,192	6,137	**20,719**
Annualised subsidiary's results						
Revenue	7,861	2,036	13,058	7,632	6,197	**36,784**
Profit/(loss) after tax	6,278	15,065	312	(751)	32	**20,936**

Unaudited pro-forma Group's results	Total of the Group	Already included results of the new entities	Annual results of the new entities	Total pro-forma of the Group
Revenue	102,709	(19,772)	36,784	**119,721**
Profit/(loss) after tax	64,680	(20,719)	20,936	**64,897**

The transactional costs of €3,195 thousand incurred in connection with the acquisition are included in fair value movement.

27. Consolidation of subsidiaries

Policy

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Consolidated Financial Statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017 and as at 31 December 2018. Specifically, the Group controls an investee if, and only if, it has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Details on all direct and indirect subsidiaries of the Company, over which the Group has control and consolidated as of 31 December 2018 and 2017, are disclosed in section Structure of the Group of the Note 1.2 in the Section I. There are no other subsidiaries which were not consolidated.

28. Reporting by segments

Segments of the Group business are presented in accordance with data from internal management reporting and analysed by the key decision maker, responsible for allocating resources and assessing performance of operating segments.

For investment property, discrete financial information is provided on a property-by-property basis to members of executive management, which collectively comprise the chief operating decision maker. The information provided is net of Rental income (including gross Service charge and marketing income and Property operating expenses), Valuation gains/(losses) from investment property, Net gains/(losses) on investment property. The individual properties are aggregated into segments with similar economic characteristics such as the nature of the property and the occupied market it serves. Management Board considered to aggregate high-street mixed-use and office into segments.

Consequently, the Group is considered to have two reportable segments, as follows:

- High-street mixed-use – acquires, develops and leases shopping malls and office space in these malls;
- Office – acquires, develops and leases offices.

Moreover, the Group distinguishes the Unallocated and Consolidation eliminations positions. The first position comprises of GPRE Management Sp. z o.o., GPRE Property Management Sp. z o.o., Luapele Sp. z o.o., Lima Sp. z o.o., IB14 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Globalworth Poland Real Estate N.V. Headquaters ("HQ") figures (loans granted to SPVs, Asset management fee revenues, HQ administrative/human resources costs) as well as unallocated operations.

Bonds issued by GPRE Management Sp. z o.o, Lima Sp. z o.o., Luapele Sp. z o.o. and purchased by IB14 are presented per net, as both entities belong to the Unallocated position. All other transactions between individual segments are eliminated in the Consolidation eliminations position – mainly intercompany loans and asset management fee.

Income, expenses, measurement of segment profit/(loss), valuation of assets and liabilities of the segment are determined in accordance with the accounting policies adopted for the preparation and presentation of the Consolidated Financial Statements, as well as the accounting policies that relate specifically to segment reporting. The measure of segment profit/(loss) is the Operating Profit/(loss) before tax.

Segments	High-street mixed-use properties € '000	Office properties € '000	Unallocated € '000	Consolidation eliminations € '000	Total € '000
	As at 31 December 2018				
Segments non-current assets including:					
Investment property	305,440	911,350	-	-	1,216,790
Goodwill	-	-	-	-	-
Investment in subsidiaries	-	-	1,230,466	(1,230,466)	-
Long-term loans	1,013	2,968	913,014	(916,995)	-
Debentures	-	-	-	-	-
Other financial assets	-	-	2,828	-	2,828
Deferred tax assets	-	-	-	-	-
Other non-current assets	13	5	360	-	378
	306,466	914,323	2,146,668	(2,147,461)	1,219,996
Segments current assets including:					
Short-term loans	-	568	383,621	(384,189)	-
Debentures	-	-	-	-	-
Other financial assets	-	-	12,878	-	12,878
Investment property held for sale	-	-	-	-	-
Other current assets	25,614	37,212	23,547	(196)	86,177
	25,614	37,780	420,046	(384,385)	99,055
Total assets	332,080	952,103	2,566,714	(2,531,846)	1,319,051
Segments non-current liabilities including:					
Bank loans	38,354	96,770	-	-	135,124
Other borrowings	193,588	682,713	445,058	(929,126)	392,233
Deferred consideration payable	-	-	694	-	694
Deferred tax liability	8,105	14,207	6,018	(10,967)	17,363
Guarantees retained from contractors	76	590	-	-	666
Deposits from tenants	2,310	7,491	-	-	9,801
Other non-current liabilities	-	-	-	-	-
	242,433	801,771	451,770	(940,093)	555,881
Segments current liabilities including:					
Bank loans	1,150	2,536	-	-	3,686
Other borrowings	-	402	25	(427)	-
Derivative financial instruments	-	-	-	-	-
Guarantees retained from contractors	187	901	-	-	1,088
Deposits from tenants	190	1,663	-	-	1,853
Other current liabilities	3,508	7,148	43,919	(3,361)	51,214
	5,035	12,650	43,944	(3,788)	57,841
Total liabilities:	247,468	814,421	495,714	(943,881)	613,722

Segments	As at 31 December 2017				
	High-street mixed-use properties € '000	Office properties € '000	Unallocated € '000	Consolidation eliminations € '000	Total € '000
Segments non-current assets including:					
Investment property	309,100	371,030	–	–	680,130
Investment in subsidiaries	–	–	535,389	(535,389)	–
Long-term loans	–	389	264,876	(265,265)	–
Available for sale financial assets	–	–	5,897	–	5,897
Other non-current assets	1,645	1,415	14	–	3,074
	310,745	372,834	806,176	(800,654)	689,101
Segments current assets including:					
Short-term loans	–	–	55	5	60
Debentures	–	–	18,389	–	18,389
Available for sale financial assets	–	–	4,346	–	4,346
Other current assets	20,785	16,920	8,214	(599)	45,320
	20,785	16,920	31,004	(594)	68,115
Total assets:	331,530	389,754	837,180	(801,248)	757,216
Segments non-current liabilities including:					
Bank loans	183,207	95,483	–	–	278,690
Other borrowings	55,555	195,416	14,246	(265,217)	–
Deferred tax liability	6,015	1,251	11,754	–	19,020
Guarantees retained from contractors	84	453	–	–	537
Deposits from tenants	2,894	2,940	–	–	5,834
	247,755	295,543	26,000	(265,217)	304,081
Segments current liabilities including:					
Bank loans	8,056	18,146	–	–	26,202
Other borrowings	–	–	165,424	(11)	165,413
Guarantees retained from contractors	158	350	–	–	508
Deposits from tenants	171	99	–	–	270
Other current liabilities	7,089	3,326	6,155	(599)	15,971
	15,474	21,921	171,579	(610)	208,364
Total liabilities:	263,229	317,464	197,579	(265,827)	512,445

Segments	Year ended 31 December 2018				
	High-street mixed-use properties	Office properties	Unallocated	Consolidation eliminations	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Revenue	39,471	63,238	-	-	102,709
Operating expenses	(8,720)	(15,332)	(604)	204	(24,452)
Segment NOI	30,751	47,906	(604)	204	78,257
Asset management income	-	-	3,419	(3,419)	-
Asset management expense	(1,085)	(2,156)	(178)	3,419	-
Other administrative expenses	(510)	(2,010)	(9,260)	5,373	(6,407)
Acquisition costs	-	-	-	-	-
Fair value movement	(7,096)	35,926	-	(9,846)	18,984
Other expenses	(267)	(271)	(22)	(6)	(566)
Other income	94	173	1,868	(1,861)	274
Gain/(loss) from valuation of financial instruments	-	-	9,108	(3,645)	5,463
Foreign exchange loss	(54)	(170)	(338)	35	(527)
Finance costs (excl. foreign exchange losses)	(15,910)	(33,532)	(20,822)	43,474	(26,790)
Finance income	90	303	36,933	(36,828)	498
Segment results:	6,013	46,169	20,104	(3,100)	69,186
Gain on sale of subsidiary	-	-	1,377	(1,377)	-
Profit/(loss) before tax:	6,013	46,169	21,481	(4,477)	69,186

Segments	Year ended 31 December 2017				
	High-street mixed-use properties	Office properties	Unallocated	Consolidation eliminations	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Revenue	25,742	20,063	–	–	45,805
Operating expenses	(8,771)	(5,304)	–	–	(14,075)
Segment NOI	16,971	14,759	–	–	31,730
Asset management income	-	-	1,313	(1,313)	-
Asset management expense	(742)	(999)	(104)	1,313	(532)
Other administrative expenses	(1,441)	(1,433)	(4,612)	197	(7,289)
Fair value movement	(2,175)	2,239	–	3,135	3,199
Other expenses	(386)	(323)	(12)	–	(721)
Other income	202	82	–	–	284
Foreign exchange gains	12,854	14,728	(3,436)	486	24,632
Finance costs	(8,360)	(7,945)	(1,060)	7,806	(9,559)
Finance income (excl. foreign exchange gains)	90	35	8,445	(7,723)	847
Segment results:	17,013	21,143	534	3,901	42,591
Gain on sale of subsidiary	–	–	(361)	361	–
Profit/(loss) before tax:	17,013	21,143	173	4,262	42,591

Geographical information

Rental and other revenue

	1.01.2018-31.12.2018	1.01.2017-31.12.2017
	€ '000	€ '000
City of Investment Property location		
High street segment:		
Gdansk	-	-
Katowice	9,558	5,870
Krakow	-	-
Lodz	-	-
Warsaw	13,563	7,911
Wroclaw	16,350	11,961
	39,471	25,742
Office segment:		
Gdansk	5,071	125
Katowice	6,700	197
Krakow	15,989	5,989
Lodz	7,228	7,083
Warsaw	21,921	6,567
Wroclaw	6,329	102
	63,238	20,063
Total:	102,709	45,805

Carrying amount of investment property:

	31 December 2018	31 December 2017
City of Investment Property location	€ '000	€ '000
High street segment:		
Gdansk	-	-
Katowice	57,810	61,530
Krakow	-	-
Lodz	-	-
Warsaw	120,250	108,430
Wroclaw	127,380	139,140
	305,440	309,100
Office segment:		
Gdansk	56,290	56,350
Katowice	68,630	68,520
Krakow	212,230	70,660
Lodz	71,970	71,270
Warsaw	423,430	62,330
Wroclaw	78,800	41,900
	911,350	371,030
Total:	1,216,790	680,130

29. Related party disclosures

Sales and purchases from related parties are concluded at arm's length conditions. The entity monitors the completeness of the identified related parties on a regular basis during the process of transactions recognition. Additionally, a list of the related parties is confirmed by the Executive and Non-Executive Directors.

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. For the years ended 31 December 2018 and 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

As at 31 December	2018	2017
Receivables to related parties	€ '000	€ '000
Mindspace Ltd.	12	–
	12	–

As at 31 December	2018	2017
Payables to related parties	€ '000	€ '000
Mindspace Ltd.	926	–
Globalworth Finance Guernsey Ltd.	392, 233	165,413
East Management Slovakia s.r.o.	-	1,500
	393,159	166,913

Year ended 31 December	2018	2017
Sales of services	€ '000	€ '000
Mindspace Ltd.	834	–
Fundacja Edukacyjna Jana Karskiego*	–	19
Blue Gas N'R'G Sp. z o.o.*	–	18
E-Toto Zakłady Bukmacherskie Sp. z o.o.*	–	35
City Space – SPV 1 sp. z o.o.*	–	15
Griffin Topco II S.à r.l.*	–	6,230
Griffin Topco III S.à r.l.*	–	3,013
MultiMedia Polska S.A.*	–	9
	834	9,339

Year ended 31 December	2018	2017
Costs	€ '000	€ '000
Mindspace Ltd.	430	–
Globalworth Finance Guernsey Ltd.	18,520	–
Griffin Advisors Sp. z o.o.*	–	78
Apenon Sp. z o.o.*	–	29
Griffin Real Estate Sp. z o.o.*	–	525
Griffin Finance III Sp. z o.o.*	–	3
MultiMedia Polska S.A.*	–	2
Proservice Agent Transferowy Sp. z o.o.*	–	1
Echo Investment S.A.*	–	143
EPP PROPERTY MANAGEMENT *	–	241
Ventry Investments Spółka z ograniczoną odpowiedzialnością Sp. k.*	–	3
Griffin Finance II Sp. z o.o.*	–	2
	18,950	1,027

**from 6 December 2017, the date of the Group acquisition by the Globalworth Group, Entities ceased to be related parties to the GPRE Group.*

Entity	Nature of transactions	Consolidated Statement of Profit or Loss Income/(expense) 2018 € '000	2017 € '000	Consolidated Statement of Financial Position Amounts owing (to)/from 2018 € '000	2017 € '000
Apenon Sp. z o.o.*	Loans granted	–	4	–	–
Griffin Topco II S.á r.l. *	Loans granted	–	11	–	–
			15	–	–
Globalworth Finance Guernsey Limited	Loan received	**18,520**	297	**392,233**	165,413
Griffin Topco II S.á r.l. *	Loan received	–	195	–	–
Griffin Topco III S.á r.l. *	Loan received	–	16	–	–
Griffin Finance II Sp. z o.o.*	Loan received	–	16	–	–
Griffin Finance III Sp. z o.o.*	Loan received	–	89	–	–
		18,520	613	**392,233**	165,413

**from 6 December 2017, the date of the Group acquisition by the Globalworth Group, Entities ceased to be related parties to the GPRE Group.*

Expenses relating to key management personnel are presented below:

Directors' remuneration Director	Management Remuneration € '000	Committee Remuneration € '000	Bonuses and other variable pay € '000	Total € '000
Executive Directors				
Mr Dimitris Raptis	-	-	-	-
Mr R. Pomorski	114	-	116	230
Subtotal	114	-	116	230
Former Executive Directors				
Ms M. Turek	199	-	81	280
Subtotal	199	-	81	280
Non- Executive Directors				
Mr I. Papalekas	-	-	-	-
Mr N. Sasse	-	-	-	-
Mr G. Muchanya	-	-	-	-
Ms C. Pendred	20	4	-	24
Mr T.M. de Witte	20	5	-	25
Mr M.M.L.J. van Campen	20	6	-	26
Subtotal	60	15	-	75
Former Non-Executive Directors				
Mr A. Segal	14	3	-	17
Mr. M. Dyjas	3	2		5
Mr. N. Senman	3	2		5
Subtotal	20	7	-	27
Grand Total	393	22	197	612

Directors' remuneration Director	Management Remuneration	Committee Remuneration € '000	Bonuses and other variable pay € '000	Total € '000
Executive Directors				
Ms M. Turek	67	-	-	67
Mr R. Pomorski	75	-	70	145
Subtotal	142	-	70	212
Former Executive Directors				
Ms. D. Wysokińska-Kuzdra	80	-	-	80
Subtotal	80	-	-	80
(Non-) Executive Directors				
Mr A. Segal	14	4	-	18
Mr M.M.L.J. van Campen	14	4	-	18
Mr T.M. de Witte	14	7	-	21
Mr N. Senman	14	7		21
Mr M.W. Dyjas	14	7		21
Ms C. Pendred	6	-	-	6
Mr I. Papalekas	1	-	-	1
Mr D. Raptis	1	-	-	1
Subtotal	81	29	-	109
Former Non-Executive Directors				
Mr P.T. Krych	14	3	-	17
Mr. K. Khairallah	13	3		16
Subtotal	27	7	-	33
Grand Total	330	35	70	435

30. Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year. The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018.

The following new standards and amendments became effective as at 1 January 2018:

a) IFRIC Interpretation 22 *Foreign Currency Transaction and Advance Considerations*.

   The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advances consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt in advance consideration.
   This Interpretation does not have any impact on the Group's consolidated financial statements.

b) Amendments to IAS 40 *Transfers of Investment Property*.

   The amendments clarify when an entity should transfer property, including property under construction for development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.
   These amendments do not have any impact on the Group's consolidated financial statements.

c) Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transaction*.

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transactions; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.
These amendments do not have any impact on Group's consolidated financial statements.

d) Amendments to IFRS 4 Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*.

The amendments allow entities that carry out insurance activity to postpone the date of entry into force of IFRS 9 by 1 January 2021. The effect of such postponement is that the entities concerned may continue to prepare financial statements in accordance with the applicable standard, i.e. IAS 39.
These changes do not apply to the Group.

e) Amendments to IAS 28 *Investments in Associates and Joint Ventures* as a part of Amendments resulting from the review of IFRSs 2014-2016.

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss under IFRS 9. If an entity, that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiaries. This selection is made separately for each investment entity associate or joint venture, at the later of the date on which a) the investment entity associate or joint venture is initially recognised; b) the associate or joint venture becomes an investment entity; c) the investment entity associate or joint venture becomes a parent.
These amendments do not have any impact on Group's consolidated financial statements.

f) Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* as part of amendments resulting from the review of IFRSs 2014-2016.

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have not served their intended purpose.

Although these amendments applied for the first time in 2018, they did not have a material impact on the annual consolidated financial statements of the Group.

The Group considers that the remaining standards and regulations do not materially affect Group's Consolidated Financial Statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Beginning on 1 January 2018 the Group has introduced IFRS 9 *Financial Instruments* (described in section "Financial instruments") and IFRS 15 *Revenue from Contracts with Customers* (described in Note 7).

31. New standards and announcements effective after 1 January 2019

- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- IFRS 16 Leases (issued on 13 January 2016) - effective for financial years beginning on or after 1 January 2019;
- IFRS 17 Insurance Contracts (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021;
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) - effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) - effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) – effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) – effective for financial years beginning on or after 1 January 2019;
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) – effective for financial years beginning on or after 1 January 2019;
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2020.

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

The Group has analysed the potential impact of the amendments of following standards, effective from 1 January 2018 on the Group's Consolidated Financial Statements:

- IFRS 16 *Leases* (issued on 13 January 2016) - effective for financial years beginning on or after 1 January 2019;

As at 1 January 2019, the Group is going to adopt IFRS 16. According to IFRS 16 lessor's accounting remains largely unchanged and the distinction between operating and finance leases is retained comparing to IAS 17. The lessor will continue to recognise all lease agreements taking into account requirements adopted already with IAS 17.

Right of perpetual usufruct

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The fundamental amendment under the new Standard introduces a new definition of leases based on the concept of control of the asset and the resulting obligation of the lessee to recognise in the balance sheets assets and liabilities under all leases which meet the criteria of the Standard (with a limited number of derogations and simplifications). The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). In general, at the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group performed a detailed analysis of the impact of IFRS 16 on the consolidated financial statements. The analysis of the Group's contracts has identified the Right of perpetual usufruct of the land (the "RPU") contracts meeting the criteria of leases. RPU is a contract with a term from 40 up to 99 years. As neither right-to-use asset nor lease liability regarding RPU were not recognised on Group's balance sheet the value of both right-to-use asset and lease liability was calculated at the date of initial application meaning January 1, 2019. The value of lease liability was estimated as Net Present Value of future annual fees with following assumptions:

- starting date January 1, 2019
- end date – RPU end date for each project individually
- discount rate – 5.77% which represented lessee's incremental borrowing rate
- RPU fee for 2018 amounting to c.a. €1.5 million

The Group is planning to use a simplification i.e., not to calculate lease assets/liabilities for short-term leases and low-value leases (e.g., coffee machines, low-value electronic equipment).

Taking into account the same value of right-to-use asset and lease liability recognised by the Group as at the date of initial application, the impact on the consolidated statement of comprehensive income is not expected. The Group does not expect impact on cash flow either as RPU payments remains unchanged.

The right-to-use asset is going to be presented as part of value of investment property. The corresponding lease liability is going to be presented in consolidated financial statements as a part of:

- Trade and other payables (current) – not discounted annual RPU charge
- Trade and other payables (non-current) – discounted RPU cost till end date of each RPU agreement.

The impact of IFRS 16 is presented in the tables below:

Investment property	€ '000
31 December 2018	1,216,790
IFRS 16 impact relating to RPU right-to-use asset	26,196
1 January 2019	1,242,986

Trade and other payables, deposits from tenants and other deposits	1 January 2019	IFRS 16 impact	1 January 2019 restated
Current			
[…]	51,110	-	51,110
Lease liability related to RPU	-	1,535	1,535
	51,110	1,535	52,645
Non-current			
[…]	11,161	-	11,161
Lease liability related to RPU	-	24,661	24,661
	11,161	24,661	35,822
	62,271	26,196	88,467

In the following years, as at balance sheet date the Group is going to continue approach regarding the valuation of the right-to-use asset in the amount of lease liability calculated as NPV of future lease payment till RPU closing date.

To arrive at the carrying amount of the investment property using the fair value model, recognised right-to-use asset representing the same amount as lease liability will be added back to a valuation obtained for a property (that is net of all payments expected to be made under RPU). Any change in carrying amount of investment property will be charged to profit or loss and presented in line "Fair value movement".

The amortised cost valuation effect of lease liability is going to be presented in Statement of profit or loss in line "Finance cost".

The recognition of RPU right-to-use asset and lease liability related to RPU as at 1 January 2019 does not have impact on profit or loss statements.

In the following years, as at balance sheet date the Group is going to continue approach regarding the valuation of the right-to-use asset in the amount of lease liability calculated as NPV of future lease payment till RPU closing date.

As at the date of first application of IFRS 16, the Group recognized new right-of-use asset relating to perpetual usufruct right only. For these lease contracts, previously classified as operating leases in accordance with IAS 17, the Group recognized leases as leasing liabilities measured at the present value of remaining lease payments as described above.

The amount of future minimum lease payments expected to be paid under non-cancellable operating lease can be summarized as follows:

	31 December 2018	31 December 2017
	€ '000	€ '000
Up to 1 year	1,535	1,582
Between 1 year and 5 years	5,347	5,512
Over 5 years	19,314	19,913

32. Contingencies and commitments

As at 31 December 2018 the Group had mortgages on investment properties in the amount of €200,692 thousand (31 December 2017: €596,630 thousand).

In addition to mortgages on investment properties, the Group had in 2018 the following contingent liabilities and commitments:

Granted by the borrowers towards the financing banks:

- Financial and registered pledges over bank accounts of the borrowers;
- Registered and civil pledges over the shares of the borrowers being limited liability partnerships;
- Registered and civil pledges over the general and limited partner's rights in the borrowers being limited partnerships;
- Registered and civil pledges over the shares of selected limited partners and general partners holding rights in the borrowers being limited partnerships;
- Registered pledges and ordinary pledges on the monetary receivables of the limited partner;
- Registered pledges and ordinary pledges on the monetary receivables of the general partner;
- Registered pledges over collection of movable assets and property rights of the borrowers;
- Power of attorney to bank accounts of the borrowers;
- Security assignment in relation to rights under existing and future contracts including, but not limited to insurance agreements, lease agreements, lease guarantees, agreement with general contractor and other relevant contracts;
- Security assignment in relation to rights under subordinated debt;
- Subordination of the existing intercompany debts;
- Blank promissory notes with promissory note declarations;
- Statements on voluntary submission to execution.

Established towards other third parties:

- Amended agreement regarding terms of one of the investment implementations describing contractual penalty – payment in case of disposal of the investment property without transferring commitments resulting from Agreement, including the payment of compensation, to new entity;

- Amended agreement regarding terms of one of the investment implementations, describing compensation resulting from permission to implement the investment and establishment of the right of way – payment after entering the right of way into the land and mortgage register;
- Agreement – notarial deed, resulting in obligation of contractual penalty payment for a breach of agreement in terms of information obligation, complaints withdrawal etc. – payment in case of failure to fulfil the commitments resulting from agreement and receiving request for payment;
- Amended agreement requiring compensation payment resulting from establishment of the right of way and permission to implement the one of investments;
- Amended agreement, which results in obligation of covering part of land lot renovation costs on condition that the right of way is established and invoices are provided by The Building Works and Property Agency;
- Appendix to Agreement concerning one of the investments design preparation – single premium payment after completed investment, if the design solutions used by the Architect with their final optimization allow the Investor to achieve investment budgetary objective;
- Cost overruns guarantee agreement;

Transmission service easement for investment property regarding transformer station.

33. Events after the reporting period

From the balance sheet date till the Consolidated Financial Statements publication date following events have taken place:

1. Globalworth Holding B.V has acquired:
   - 16,504,828 shares from Nationale Nederlanden OFE,
   - 14,807,000 shares from European Bank for Reconstruction and Development,
   - 3,377,921 shares from other shareholders.
2. On 21 January 2019 Tranche C (€30 million) and Tranche D (€5.5 million) of Second Facility were drawdown.
3. On 31 January 2019 the Company paid out the interim dividend for the year 2018 in amount of €34,753 thousand (€668 thousand are remained to be paid out).
4. On 26 February 2019 and 28 February 2019, Charlie SCSp and December SCSp were liquidated, accordingly.
5. All Polish entities listed in Note 1.2 (excluding IB 14 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych) change their register address from Marszalkowska 142 Street, Warsaw into Twarda 18 Street, Warsaw.

Signatures of members of the Board:

Dimitris Raptis
Chief Executive Officer, Executive Director

Rafał Pomorski
Chief Financial Officer, Executive Director

Ioannis Papalekas
Non-Executive Director

Norbert Sasse
Non-Executive Director

George Muchanya
Non-Executive Director

Thomas Martinus de Witte
Independent Non-Executive Director

Claudia Pendred
Independent Non-Executive Director

Marcus M.L.J. van Campen
Independent Non-Executive Director

Amsterdam, 21 March 2019

STANDALONE FINANCIAL STATEMENTS

Company statement of financial position as at 31 December 2018

(After proposed appropriation of net result and expressed in € thousands)

	Notes	31.12.2018 € '000	31.12.2017 € '000
Assets			
Financial fixed assets		1,128,104	409,010
Investment in subsidiaries	1	1,128,104	409,010
Current assets	2	5,639	5,142
Short-term receivables		2,808	29
Cash at banks & cash equivalents		2,831	5,113
Total Assets		1,133,743	414,152
Liabilities			
Current liabilities	3	35,897	169,138
Convertible short-term loan facility		-	165,413
Trade and other payables		35,897	3,725
Long-term liabilities	4	392,233	-
Long-term loan facility		392,233	-
Total assets less liabilities		705,613	245,014
Shareholders' equity	5		
Issued and paid-up share capital		442,757	156,133
Share premium		199,884	44,026
Legal Reserve for restriction of distribution of results of subsidiaries		41,971	9,160
Translation reserve resulting from translation of functional currency to presentation currency of the subsidiaries		8,395	8,395
Translation reserve resulting from translation of functional currency to presentation currency of the Company		-	(327)
Retained earnings / (accumulated deficit)		12,606	27,627
Total shareholders' equity		705,613	245,014

Company statement of profit and loss for the year 2018

(Expressed in € thousands)

	Notes	2018 € '000	2017 € '000
Operating income		**1,900**	23
Net turnover	6	**39**	23
Other operating income	7	**1,861**	-
Operating expenses		**(956)**	(3,834)
Other operating expenses	8	**(844)**	(3,677)
Wages and salaries	9	**(110)**	(154)
Social security charges	10	**(2)**	(3)
Financial income and expenses		**(18,815)**	(1,707)
Interest income		**-**	641
Interest expenses	11	**(18,600)**	(435)
Other financial income		**1**	
Foreign exchange result		**(216)**	(1,913)
Net result before taxation		**(17,871)**	(5,518)
Income taxes		**-**	-
Share in the result of subsidiaries	1, 12	**82,592**	42,340
Net result		**64,721**	36,822

Notes to the Company's financial statements for the year 2018
(Expressed in € thousands)

Principal activities
Globalworth Poland Real Estate N.V. (the "Company") is a public limited liability company ("naamloze vennootschap"), having its statutory seat in Amsterdam, and its registered address at Claude Debussylaan 15, 1082 MC Amsterdam, the Netherlands. Registered with the Chamber of Commerce with registration number: 67532837.

The Company was incorporated on 21 December 2016 as Griffin Premium RE.. B.V. On 23 March 2017 through a deed of conversion and amendment the Company changed its legal form from a B.V. ("besloten vennootschap") into a N.V. ("naamloze vennootschap"). On 26 April 2018 the annual general meeting of the Company resolved to amend the articles of association of the Company whereby the Company's amended name to Globalworth Poland Real Estate N.V.

The principal activity of the Company is the holding of interests in and financing of group companies. As per the end of the year, Globalworth Holding B.V., a subsidiary of Globalworth Real Estate Investments Ltd - the company listed on the London Stock Exchange ("Globalworth"), holds 69.70 % of the issued share capital of the Company. Please be referred to Notes 5 of the notes to the Company financial statements for more information on the various changes in the ownership structure of the Company.

Notes
If there is no further explanation provided to the items in the Company's statement of financial position and the Company statement of profit and loss, please refer to the notes in the Consolidated statement of financial position and Consolidated statement of profit or loss.

Related party transactions between subsidiaries, equity accounted investees, investments, and transactions with members of the management board of the Company (the "Board of Directors") are conducted at arm's length basis with terms comparable to transactions with third parties.

Summary of principal accounting policies
Basis of presentation
The Company's financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and with the Raad voor de Jaarverslaggeving ("Dutch Accounting Standard"). For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362(8) of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result are the same as those used in the consolidated financial statements, prepared under IFRS as adopted by the European Union ("IFRS"). Please be referred to note 1.4 of the consolidated financial statements for a description of these accounting policies.

Participating interests in Group Companies
Investments in subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements. Investments with a negative net value asset are valued at nil. A provision is made if the company warrants all or part of the liabilities of the associated company concerned, primarily at the expense of the claims against this associated company and for the rest, under the provisions for the amount of the share in the losses of the associated company for the payments expected to be made by the company for these associated companies. It is not expected that the Company will pay such amounts in the foreseeable future.

Financial instruments

Financial instruments, including long term loans, are initially recognised at fair value, including directly attributable transactions costs. After initial recognition, financial instruments are carried at amortised cost using the effective interest method (“EIR”) unless explained otherwise in the notes. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset/liability. The Group recognizes an allowance for expected credit losses (ECLs) for all financial assets.

Other assets and liabilities

The short-term receivables and the trade and other payables are stated at fair value at initial recognition and subsequent measured at amortized cost except where a different basis of valuation has been indicated in the financial statements. The Group recognizes an allowance for expected credit losses (ECLs) for other assets.

Share premium reserve

The share premium concerns the contribution in kind from the issuing of shares in so far as this exceeds the nominal value of the shares (above par income). Costs, which are directly related to capital raised, are charged to share premium reserve.

Reserve for restriction of distribution of results of subsidiaries

The revaluation reserve has been formed as a result of fair value gains on investment properties owned by the subsidiaries. As the subsidiaries cannot distribute these unrealised gains, until these are realized, the Company recorded a legal reserve.

Foreign currencies

The standalone financial statements are presented in EURO’s (€) being the functional currency of the Group for the year ended 31 December 2018 and the presentation currency for year ended 31 December 2017 (the functional currency as at 31.12.2017 was PLN). From 1 January 2018 the Company has changed the functional currency from PLN to EUR. Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

The exchange rates used in the annual accounts are:

PLN/€	2018	2017
Year ended 31 December	4.3000	4.1709
Average for the year	4.2617	4.2583

Accounting policies for the income statement

General information

Gains or losses on transactions are recognised in the year in which they are realized; losses are taken as soon as they are foreseeable.

Result of participating interests

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. In so far as gains or losses on transactions involving the transfer of assets and liabilities between the Company and its participating interests or between participating interests themselves can be considered unrealised, they have not been recognised.

Taxation

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account calculation according to the financial statements and profit calculated for taxation purposes. Temporary differences between the reporting for tax purposes and the financial statements are recognised as deferred taxes based on the current tax rate. Deferred tax assets and liabilities are netted only in the situation of being in the same jurisdiction and if local law makes this possible. Net deferred tax assets will be included in the balance sheet if actual realisation is assumed probable by the Company's management. Temporary differences between the reporting for tax purposes and the financial statements are recognised as deferred taxes based on the current tax rate. Deferred tax assets and liabilities are netted, if the requirements for netting are complied with.

Corporate income tax expense comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. Corporate income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity.

Notes to the financial statements for the year 2018

(Amounts are expressed in € thousands, unless indicated otherwise)

1. Investments in subsidiaries

The investments in subsidiaries are comprised as follows:

Name	Legal seat	Owned	31 December 2018 € '000	31 December 2017 € '000
IB 14 FIZ Aktywów Niepublicznych	Warsaw, Poland	100%	1,128,104	409,010
Griffin Premium RE Lux S.à r.l.	Luxembourg, Luxembourg	100%	-	-
Nordic Park Offices Sp. z o.o.	Warsaw, Poland	100%	-	-
Lamantia Sp. z o.o.	Warsaw, Poland	100%	-	-
Dom Handlowy Renoma Sp. z o.o.	Warsaw, Poland	100%	-	-
Total:			1,128,104	409,010

The movements in investment in Group Companies have been as follows:

Name	2018 € '000	2017 € '000
Balance per 1 January	409,010	-
Additions / (decreases)	636,502	358,275
Foreign currency translations	-	8,395
Share of subsidiary results	82,592	42,340
Closing balance at 31 December	1,128,104	409,010

Investments in indirect subsidiaries

As at 31 December 2018 the Company holds interests in the following indirect subsidiaries:

Name	Legal seat	Owned
Charlie SCSp (liquidated on 26 February 2019)	Luxembourg/Luxembourg	100%
December SCSp (liquidated on 28 February 2019)	Luxembourg/Luxembourg	100%
A4 Business Park Sp. z o. o. (formerly: A4 Business Park - Iris Capital Spółka z ograniczoną odpowiedzialnością Sp. k.)	Warsaw/Poland	100%
Akka RE Sp. z o.o.	Warsaw/Poland	100%
Bakalion Sp. z o.o.	Warsaw/Poland	100%
Centren Sp. z o.o.	Warsaw/Poland	100%
Charlie RE Sp. z o.o.	Warsaw/Poland	100%

December RE Sp. z o.o.	Warsaw/Poland	100%
Dolfia Sp. z o.o.	Warsaw/Poland	100%
Dom Handlowy Renoma Spółka z ograniczoną odpowiedzialnością Sp. k.	Warsaw/Poland	100%
Dom Handlowy Supersam Sp. z o.o.	Warsaw/Poland	100%
Ebgaron Sp. z o.o.	Warsaw/Poland	100%
Elisea Investments Sp. z o.o.	Warsaw/Poland	100%
Emfold investments Sp. z o.o.	Warsaw/Poland	100%
Gold Project Sp. z o.o. (formerly: Haola Sp. z o.o.)	Warsaw/Poland	100%
Gold Project Spółka z o.o. Sp. j. (formerly: Złote Tarasy Tower Warsaw III S. à r.l. Sp. j.)	Warsaw/Poland	100%
GPRE Management Sp. z o.o.	Warsaw/Poland	100%
GPRE Property Management Sp. z o.o.	Warsaw/Poland	100%
Hala Koszyki Sp. z o.o.	Warsaw/Poland	100%
Iris Capital Sp. z o.o.	Warsaw/Poland	100%
Lamantia Spółka z o.o. Sp. k.	Warsaw/Poland	100%
Light Project Sp. z o.o. (formerly: Myconos Project Sp. z o.o.)	Warsaw/Poland	100%
Lima Sp. z o.o.	Warsaw/Poland	100%
Luapele Sp. z o.o.	Warsaw/Poland	100%
Nordic Park Offices Spółka z ograniczoną odpowiedzialnością Sp. k.	Warsaw/Poland	100%
Ormonde Sp. z o.o	Warsaw/Poland	100%
Quattro Business Park Sp. z o.o. (formerly: Blackwyn Investments Sp. z o.o.)	Warsaw/Poland	100%
Spektrum Tower Sp. z o.o.	Warsaw/Poland	100%
Tryton Business Park Sp. z o.o. (formerly: Emfold Investments Spółka z ograniczoną odpowiedzialnością Sp. k.)	Warsaw/Poland	100%
Wagstaff Investments Sp. z o.o.	Warsaw/Poland	100%
Warta LP Sp. z o.o.	Warsaw/Poland	100%
Warta Tower Sp. z o.o.	Warsaw/Poland	100%
Warta Tower Investments Sp. z o.o. (formerly: Warta Tower Spółka z ograniczoną odpowiedzialnością Sp. k.)	Warsaw/Poland	100%
West Gate Wrocław Sp. z o.o.	Warsaw/Poland	100%
West Gate Investments Sp. z o.o. (formerly: West Gate Wrocław Spółka z ograniczoną odpowiedzialnością Sp. k.)	Warsaw/Poland	100%
West Link Sp. z o.o. (formerly: Projekt Echo – 114 Sp. z o.o.)	Warsaw/Poland	100%
West Link Spółka z ograniczoną odpowiedzialnością Sp. k (formerly: West Gate II – Projekt Echo – 114 Spółka z ograniczoną odpowiedzialnością Sp. k.)	Warsaw, Poland	100%
Wetherall Investments Sp. z o.o.	Warsaw, Poland	100%

2. Current assets

Short-term receivables

The short-term receivables are comprised as follows:

Name	31 December 2018 € '000	31 December 2017 € '000
VAT receivable	61	4
Accounts receivable and accrued income	11	25
Accounts receivable and accrued income to Group Companies	2,736	-
Total:	**2,808**	**29**

Cash at banks & cash equivalents

The cash at banks are comprised as follows:

Name	31 December 2018 € '000	31 December 2017 € '000
Rabobank - € currency	2,477	5,094
Rabobank - PLN currency	354	19
Total:	**2,831**	**5,113**

In 2018, the funds are held in Rabobank account in the name of the Company and are freely available to the Company.

The Rabobank bank balance in € represents the actual balance in € available as per the balance sheet date.

3. Current liabilities

Convertible short-term loan facility

The short-term loan facility is comprised as follows:

Name	2018 € '000	2017 € '000
Balance per 1 January	165,413	-
Principal drawdown	55,000	165,000
Amortized cost valuation	2,084	116
Accrued nominal interest	5,173	297
Principal repayment	(220,000)	-
Interest repayment	(5,470)	-
Arrangement fee payment	(2,200)	-
Closing balance at 31 December	**-**	**165,413**

On 18 December 2017 the Company entered into short-term corporate loan agreement (the "First facility") in the amount of €165 million granted by Globalworth Finance Guernsey Limited ("GFGL"), a related entity. On 8 March 2018 the Company signed Annex No. 1 increasing the principal by €55 million for acquisition of certain assets. The arrangement fee is paid at the end of the term of the loan. The nominal value of the loan amounted to €222.2 million (principal €220 million and arrangement fee €2.2 million). On 13 June 2018 the GFGL Loan was repaid in total.

Trade and other payables

The trade and other payables are comprised as follows:

Name	31 December 2018 € '000	31 December 2017 € '000
Payable to Group Company	14	14
Accounts payable	70	186
Wage tax payable	-	2
Interim dividend payable	34,753	-
Withholding tax payable	668	-
Wages and salaries payable	92	145
Accrued expenses	300	3,378
Total:	**35,897**	**3,725**

The amount payable to Group Companies relate to an interest free liability to Griffin Premium RE Lux S.à r.l., which is payable at request.

Further details about the information to be included on liabilities can be found in Note 20 of the Group's consolidated financial statements.

4. Long-term liabilities

Name	2018 € '000	2017 € '000
Balance per 1 January	-	-
Capital drawdown	453,300	-
Capital repayment	(67,107)	-
Interest accrued	9,790	-
Interest repayment	(2,930)	-
Arrangement fee payment	(2,293)	-
Amortized cost valuation	1,473	-
Closing balance at 31 December	**392,233**	-

On 16 April 2018, the Company concluded a second loan facility at fixed interest rate with GFGL in the amount of €400 million divided into two available tranches (the "Second Facility"):

- Tranche A in the amount of €233 million;
- Tranche B in the amount of €167 million.

The Company has agreed with GFGL to apply the borrowed amounts towards the acquisition of certain assets and refinancing of the existing financial indebtedness of the Company and its subsidiaries. The loans will bear fixed interest from the date of utilization at a level of 5% p.a., which will be accrued on the loan balance and due at repayment date (the date falling 7 years from the first each of tranche utilization date). The arrangement fee for the loans is equal to 1% of the available amount of the loan and it is accrued on the loan balance and due at repayment. The Second Facility provides for certain undertakings, representations and events of default customary for financing of such type. The loan is measured at amortised cost using the effective interest rate method.

On 20 April 2018, the Company drawn down a net amount of €229.3 million under the Second Facility (Tranche A). On 13 June 2018 the Company repaid two loans: the entire amount of the First facility and part of the Second facility in the total amount of €300 million, the reconciliation of this repayment presents the table below:

Name	Convertible short-term loan facility € '000	Tranche A of the long-term Facility € '000	Total: € '000
Arrangement fee	2,200	2,293	**4,493**
Interest	5,470	2,930	**8,400**
Principal balance	220,000	67,107	**287,107**
Total:	**227,670**	**72,330**	**300,000**

On 21 June 2018 the Company drew down Tranche B of the Second Facility in the amount of €74 million. On 30 October 2018 the Company signed Annex to the Second facility increasing the facility by Tranche C in the amount of €180 million. On 12 December 2018 the Company drawn down a net amount of €150 million under the Second Facility (Tranche C).

Nominal value of the Second Facility

Tranche	Currency	Nominal amount € '000	Accrued Interest € '000	Cost to be amortized € '000	Carrying amount € '000
A	€	162,230	4,467	(644)	**166,053**
B	€	75,670	2,000	(1,837)	**75,833**
C	€	150,833	393	(879)	**150,347**
Total:	**€**	**388,733**	**6,860**	**(3,360)**	**392,233**

5. Shareholders' equity

On 27 February 2018 the Board of Directors of Globalworth Poland Real Estate N.V. decided to propose to the general meeting of the Company the approval of a private placement and issuance of up to 350,000,000 shares (with an over-allotment option in the case of significant investor demand) at an expected pricing at or around prevailing EPRA NAV per share (a net asset value per share calculated in accordance with European Public Real Estate Association methodology) offered to selected investors, including, among others, the major shareholders of the Company and the major shareholders of Globalworth Real Estate Investments Limited (the "Private Placement"). On 13 June 2018 the Company announced the total number of the new Company's shares under or in connection with a private placement of the Company's shares. The result of the Private Placement was as follows:

- 95,541,401 of the shares were allotted to Growthpoint Properties International (PTY) Ltd.
- 191,082,803 of the shares were allotted to Globalworth Holding B.V.

Issue price per one such share equalled to €1.57. The total number of the shares issued under the Private Placement amounts to 286,624,204 and the total increase of capital amounts to €450,000,000.28. Share capital increased of €286,624,204 and the remaining part (€163,375,796.28) was contributed to the share premium. Additionally, expenses which relate to equity raise (€7,517,525.67) reduced share premium.

On 26 April 2018 the annual general meeting of the Company resolved to distribute the amount of PLN 0.11 per share, being equivalent of €0.026, to the Company's shareholders. The dividend has been paid in July 2018. On 21 December 2018 the Company decided to distribute an interim dividend for 2018 and established 3 January 2019 as the record date and 31 January 2019 as the payment date of an interim dividend. The amount of an interim dividend per share equals to €0.08, therefore the Company as at 31 December 2018 includes €35.4 million as other payables (including withholding tax in the amount of €668 thousand).

The authorized share capital amounts to €600,000,000 divided into 600,000,000 authorised shares. All shares have a nominal value of €1.00. As per 31 December 2018, 442,757,383 shares have been placed and fully paid up. The share capital is considered fully paid-up for tax purposes.

Equity attributable to shareholders

The total equity attributable to the shareholders of the Company is comprised as follows:

Name	2018 € '000	2017 € '000
Balance per 1 January	**245,014**	**10**
Issue of ordinary shares	286,624	156,088
Surplus above the nominal value decreased by related expenses	155,858	44,026
Net result for the year	64,721	36,822
Dividends	(46,604)	-
Translation results	-	8,068
Closing balance at 31 December	**705,613**	**245,014**

As per year-end, the standalone shareholders' equity does not reconcile with the consolidated shareholders 'equity. As can be seen in the table below the difference can be attributed to the results of subsidiaries with a negative net asset value.

	2018 € '000	2017 € '000
Equity as per consolidated statement of financial position	705,329	244,771
Difference - results of subsidiaries with a negative net asset value	284	243
Equity as per standalone statement of financial position	**705,613**	**245,014**

	2018 € '000	2017 € '000
Net income as per consolidated statement of financial position	64,680	31,320
Difference - results of subsidiaries with a negative net asset value	41	-
Difference – due to difference accounting method for common control transactions	-	5,502
Net income as standalone statement of financial position	**64,721**	**36,822**

Movements in shareholders' equity

The movements in shareholders' equity during the period have been as follows:

	Issued and paid-up share capital	Share premium	Legal Reserve for restriction of distribution of results of subsidiaries	Translation reserve resulting from translation of functional currency to presentation currency of the subsidiaries	Translation reserve resulting from translation of functional currency to presentation currency of the Company	Retained earnings /Accumulated Deficit	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance at 1 January 2017	45	0	0	0	0	(35)	10
Contributions during the year	156,088	44,026	-	-	-	-	200,114
(Un)appropriated results	-	-	-	-	-	36,822	36,822
Translation results from subsidiaries with foreign reporting currencies	-	-	-	8,395	-	-	8,395
Translation results resulting from translation of functional currency to presentation currency	-	-	-	-	(327)	-	(327)
Addition to legal reserve due to non-distributable results of subsidiaries	-	-	9,160	-	-	(9,160)	0
Balance at 31 December 2017	156,133	44,026	9,160	8,395	(327)	27,627	245,014
Balance at 1 January 2018	156,133	44,026	9,160	8,395	(327)	27,627	245,014
Contributions during the year	286,624	155,858*	-	-	-		442,482
(Un)appropriated results	-	-	-	-	-	64,721	64,721
Dividend to shareholders (paid or declared)	-	-	-	-	-	(46,604)	(46,604)
Addition to legal reserve due to non-distributable results of subsidiaries	-	-	32,811	-	-	(32,811)	-
Reclassification to retained earnings	-	-	-	-	327	(327)	-
Balance at 31 December 2018	442,757	199,884	41,971	8,395	-	12,606	705,613

** The share premium increase resulting from the event as described in note 5 amounts to €163,375 thousand (gross) minus deducted SPO costs amounting to €7,517 thousand.*

The movements in the Legal Reserve for restriction of distribution of results of subsidiaries have been as follows:

	Unrealised gains on investment properties € '000
Balance at 1 January 2018	9,160
Addition (release)	32,811
Balance at 31 December 2018	**41,971**

Share Premium

The share premium concerns the contribution from the issuing of shares in so far as this exceeds the nominal value of the shares (above par value). Costs, which are directly related to capital raised, have been charged to the share premium reserve. For fiscal purposes, the share premium is considered fully paid-up.

Legal reserves

The legal reserves for the Company consist of the reserves related to restriction of distribution of results of subsidiaries. These reserved amounts are not eligible for distribution.

Translation reserve resulting from translation of functional currency to presentation currency of the Company

This translation reserve relates to translation differences from translation of the functional currency to the presentation currency of the group until 31 December 2017 when the functional currency of the group was PLN. The functional currency has been changed from 1 January 2018 to EUR.

Legal Reserve for restriction of distribution of results of subsidiaries

This legal reserve relates to the (positive) revaluation of investment properties, held by Polish subsidiaries, which are valued at fair value. As the subsidiaries cannot distribute these unrealized gains, until these are realized, the Company recorded a legal reserve.

Distributable equity

Pursuant to Dutch law, limitations exist relating to the distribution of equity attributable to equity holders. Such limitations relate to the subscribed capital stock of €442,757 thousand as well as to legal reserves required by Dutch law as presented above. The total distributable reserves at 31 December 2018 amount to €220,885 thousand. Dutch law also requires that in determining the amount of distribution, the Company's ability to continue to pay its debt must be taken into account.

Proposal for profit appropriation.

The general meeting of shareholders of the Company will be asked to approve the following appropriation of the 2018 profit after tax: an amount of €31,910 thousand to be added to the retained earnings and €32,811 thousand to the legal reserves. These financial statements have been prepared in the anticipation that the annual general meeting will be in agreement with this proposal. On 21 December 2018 the Company decided to distribute an interim dividend in the amount of €35,421 thousand. These financial statements have been prepared in the anticipation that the annual general meeting will be in agreement with this proposal.

Movements in share capital & share premium related to the period of 1 January 2018 up to 31 December 2018

Date	Shares € '000	Share Capital Contributed € '000	Share Premium contributed € '000	Total € '000
Balance at 1 January 2018	156,133,179	156,133	44,026	200,159
13/06/2018 increase	286,624,204	286,624	155,858	442,482
Closing Balance	**442,757,383**	**442,757**	**199,884**	**642,641**

6. Net turnover

Net turnover is solely comprised of the income for consulting services rendered to (in-) direct subsidiaries.

7. Other operating income

Other operating income consists of remuneration for an access to the reports and other transactional documentation regarding properties or entities acquired by the Group, for which GPRE Management Sp. z o.o. will be rendering management services.

8. Other operating expenses

The other operating expenses are comprised as follows:

Name	2018 € '000	2017 € '000
Domiciliation fees	(34)	(17)
Management reimbursements	(10)	(1)
Administration and legal services	(134)	(1,620)
(Tax) advisory services	(83)	(1,813)
Bank charges	-	(4)
Audit fees	(439)	(222)
Other	(144)	-
Total:	**(844)**	**(3,677)**

Audit Fees Group 2018

	Ernst & Young Accountants LLP € '000	Associated Ernst & Young Companies € '000	Total € '000
Audit fees Annual Report	145	145	290
Audit fees in relation to the subsequent public offering	84	102	186
Other audit fees	-	239	239
Total:	**229**	**486**	**715**

Group-wide totals have been presented. The audit fees include the costs for the legal audit of the annual report by Ernst & Young Accountants LLP, being the ultimate external auditor (EY Netherlands) and Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (EY Poland) (together the "Auditors") in the total amount of €290 thousand. EY Netherlands and EY Poland provided services related to subsequent public offering in the amount of €84 thousand and €102 thousand accordingly which decreased share premium. Furthermore, EY Poland rendered other audit services in the total amount of €239 thousand. No other services were provided by the Auditors or associated companies.

The aggregate audit fees for the year amount to €715 thousand, out of which €108 thousand was charged to the entities other than the Company.

For the year 2017 the aggregate audit fees can be detailed as follows:

Audit Fees Group 2017

	Ernst & Young Accountants LLP € '000	Associated Ernst & Young Companies € '000	Total € '000
Audit fees Annual Report	87	104	191
Audit fees in relation to the initial public offering	-	108	108
Other audit fees	18	138	156
Total:	**105**	**350**	**455**

9. Wages and salaries

The Company has employed one individual in the Netherlands on a part-time basis (2017: one) and as such incurred salary cost, wage tax and social securities.

Name	2018 € '000	2017 € '000
Non-Executive Directors' compensation	(102)	(137)
Net salary	(4)	(8)
Wage tax	(4)	(9)
Total:	**(110)**	**(154)**

10. Social security charges

The social security charges for the salaries for the year amount to €1,601 (previous period: €3,053).

11. Interest expenses

The interest expense relates to (i) effective interest calculated on the loan facility as specified under note 3 and 4 (ii) arrangement fee which relates to the loan facility as specified under note 3 and 4 (iii) credit interest paid to Coöperatieve Rabobank for substantial € amounts held at the € account specified under note 2.

12. Share in the result of subsidiaries

Name	2018 € '000	2017 € '000
IB 14 FIZ Aktywów Niepublicznych	82,592	42,340
Griffin Premium RE Lux S.à r.l.	-	-
Nordic Park Offices Sp. z o.o.	-	-
Lamantia Sp. z o.o.	-	-
Dom Handlowy Renoma Sp. z o.o.	-	-
Total:	**82,592**	**42,340**

13. Commitments & Contingencies

As per 1st December 2016, the Company has entered into a lease agreement with Tribes Holding B.V. for the lease of office space in Amsterdam, The Netherlands. The lease entered into for the period of 1 year, commencing on 1 May 2017 and ending on 30 April 2018 (the "lease period"). Upon expiry of the lease period, the lease will contiguously be extended for the periods of 1 year. The annual lease amounts to €18 thousand excluding 21% value added tax.

On 19 December 2018 GPRE NV concluded agreements with Gold Project Sp. z o.o. and Light Project Sp. z o.o., which relates to suretyship of loans. Loan agreements granted by IB 14 FIZAN up to the amount of €18,900 thousand and €100 thousand for Gold Project Sp. z o.o. and Light Project Sp. z o.o., respectively. Suretyships are valid until the loan's repayment date.

14. Board composition

The Company is led by a one-tier board, existing of the following current (Non-) executive directors.

Executive Directors	(Non-) Executive Directors
Mr D. Raptis *(Executive Director since 5 February 2019)*	Mr I. Papalekas
Mr R. Pomorski	Mr N. Sasse
	Mr G. Muchanya
	Ms C. Pendred
	Mr T.M. de Witte
	Mr M.M.L.J. van Campen

Remuneration Policy for Members of the Management Board

The remuneration policy shall be aimed in attracting, motivating and retaining highly qualified executives and rewarding board members with balanced and competitive remuneration, while aligning with the short-term operational objectives of the Company leading to longer term value creation. The policy shall promote the achievement of strategic goals as well as promote ethical culture and responsible corporate governance.

The remuneration of the Executive Directors shall be determined by the Board with due observance of the remuneration policy adopted by the General Meeting (as summarised below). Executive Directors may not take part in the decision-making process in respect of the remuneration of Executive Directors. A proposal with respect to a remuneration scheme in the form of Shares or rights to Shares is submitted by the Board to the General Meeting for its approval. This proposal must set out at least the maximum number of Shares or rights to Shares to be granted to Executive Directors and the criteria for granting or amendment. Non-Executive Directors may not receive Shares and/ or options or similar rights to acquire Shares as part of their remuneration.

When formulating remuneration policy Nomination and Remuneration Committee considered Executive Directors view on their own remuneration.

Remuneration components

Remuneration of Executive Directors consists of following elements:

- fixed annual base salary;
- variable remuneration;
- fringe benefits;

Remuneration of Non-Executive Directors consists of following elements:

- fixed annual base salary;
- salary for committee membership;
- costs reimbursement;

Fixed annual base salary

Executive Directors

The Executive Directors are entitled to a base salary. The base salary of the Executive Directors is determined based on experience and expertise of Nomination and Remuneration Committee and the Board of Directors taking into account tasks assigned to Executive Directors and overall strategy of the Group.

Non-Executive Directors

The current annual compensation of the Non-Executive Directors is as follows:

- Non-Executive Director: €20,000; and
- Membership committee of the Board of Directors: €5,000 (per committee).

Variable remuneration

Executive Directors

Existing remuneration policy provides for variable remuneration for Executive Directors in the form of short-term incentives which are determined by the Board and the nomination and remuneration committee with observance of the performance of Executive Directors throughout the year and realisation of assumed business targets. Main business targets for 2018 included:

- growth of the portfolio – increasing the size of the portfolio added to the diversification and stability of an income;
- share capital increase – new equity allowed to pursue expanding strategy and improved balance sheet structure;
- increase occupancy ratio across portfolio on like-for-like basis – reducing vacancies across the portfolio increased revenue and reduced void costs;
- refinancing of selected bank loans and hedging against interest rate risk – by completing these tasks average maturity of the debt was increased and interest rate risk has been significantly reduced;
- rebranding of the Company – the campaign supported the recognition and positive perception of the Globalworth brand on the market;
- strengthening corporate governance – this increased overall compliance and transparency of the Company;
- insourcing of property management and accounting functions – integration of these functions provided better quality of output, increase data security and allows cost savings in a long term.

All of the above targets were well achieved.

Variable remuneration for 2018 of CEO and CFO (as presented in the table below) amounted to 41% and 102% respectively. According to experience and expertise of Nomination and Remuneration Committee such levels properly incentivise Executive Directors.

Pension and fringe benefits

Executive Directors

The Executive Directors are not entitled to any pension contributions. The Executive Directors are entitled to expense allowances and reimbursement of costs.

During 2018 there were no such benefits awarded to Executive Directors with exception to reimbursement of travel and similar expenses.

Non-Executive Directors

The Non-Executive Directors are entitled to reimbursement of costs.

Adjustments to variable remuneration

Pursuant to Dutch law, the variable remuneration of managing directors may be reduced or managing directors may be obliged to repay (part of) their remuneration to the company if certain circumstances apply, which are summarised below.

Pursuant to Dutch law, the Board may adjust the variable remuneration to an appropriate level if payment of the variable remuneration were to be unacceptable according to the criteria of reasonableness and fairness. In addition, the Board will have the authority under Dutch law to recover from an Executive Director any variable remuneration awarded on the basis of incorrect financial data in respect of underlying targets or other circumstances of which the variable remuneration is dependent.

Service and severance agreements

Set out below are the material terms of the management contracts of the Executive Directors. In 2018 there were no severance payments. Variable remuneration awarded to CEO is related with her performance during the year under review. She voluntarily resigned from CEO position and left the Company, so her variable remuneration does not constitute severance payment.

Dimitris Raptis

Dimitris Raptis, the Company's Executive Director and CEO is simultaneously holding positions of deputy chief executive officer and chief investment officer within Globalworth Real Estate Investment Ltd, i.e. the group to which main shareholder of GPRE belongs to, thus he is not entitled to receive director's ordinary remuneration or severance payment form any Group entity.

Rafał Pomorski

Rafał Pomorski, the Company's Executive Director and CFO entered into a management and/or employment contract with the Company and/ or its subsidiary (the "CFO Contracts"). The CFO Contracts was entered into for an unspecified term and each party have a right to terminate the CFO Contracts with six months' notice (unless terminated by the Company with immediate effect for cause).

The CFO Contracts provide for Rafał Pomorski's non-compete obligations during the term of the CFO Contracts, as well as for 12 months following their termination. During the non-compete period following the termination of the CFO Contracts, Rafał Pomorski is entitled to receive monthly base remuneration for each month of the non-compete period. Severance payments shall not exceed annual fixed salary and will not be paid should the termination of the contract be initiated by the Executive Director or be a result of serious culpable or negligent behaviour of the Executive Director.

The details of the Directors' Remuneration accrued or paid for the year 2018 are set out in the table below:

Directors' Remuneration (Amounts in € '000 in 2018)				
Director	Management Remuneration	Committee Remuneration	Bonuses and other variable pay	Total
Executive Directors				
Mr Dimitris Raptis *(Executive Director since 5 February 2019)*	-	-	-	-
Mr R. Pomorski	114	-	116	230
Subtotal:	**114**	**-**	**116**	**230**
Former Executive Directors				
Ms M. Turek *(since 11 September 2017 till 12 December 2018)*	199	-	81	280
Subtotal:	**199**	**-**	**81**	**280**
(Non-) Executive Directors				
Mr I. Papalekas	-	-	-	-
Mr N. Sasse	-	-	-	-
Mr G. Muchanya	-	-	-	-
Ms C. Pendred	20	4	-	24
Mr T.M. de Witte	20	5	-	25
Mr M.M.L.J. van Campen	20	6	-	26
Subtotal:	**60**	**15**	**-**	**75**
Former Non-Executive Directors				
Mr A. Segal	14	3	-	17
Mr. M. Dyjas	3	2	-	5
Mr. N. Senman	3	2	-	5
Subtotal:	**20**	**7**	**-**	**27**
Grand Total:	**393**	**22**	**197**	**612**

Ioannis Papalekas, Norbert Sasse and George Muchanya being directors nominated by direct shareholders of GPRE (Globalworth and Growthpoint) are not entitled to receive director's ordinary remuneration. Dimitris Raptis was appointed as CEO on 5 February 2019, previously being Non-Executive Director. As he is employed by Globalworth, he is also not entitled to receive director's ordinary remuneration from entities other than Globalworth. Remuneration of Rafał Pomorski increased compared to prior year in line with the initial remuneration policy adopted prior IPO and described in the prospectus.

Reference is also made to the section Nomination and Remuneration Committee Report of the directors' report.

Directors' Remuneration (Amounts in € '000) 2017:				
Director	Management Remuneration	Committee Remuneration	Bonuses and other variable pay	Total
Executive Directors				
Ms M. Turek	67	-	-	67
Mr R. Pomorski	75	-	70	145
Subtotal:	142	-	70	212
(Non-) Executive Directors				
Mr A. Segal	14	4	-	18
Mr M.M.L.J. van Campen	14	4	-	18
Mr T.M. de Witte	14	7	-	21
Mr N. Senman	14	7	-	21
Mr M.W. Dyjas	14	7	-	21
Ms C. Pendred	6	-	-	6
Mr I. Papalekas	2	-	-	2
Mr D. Raptis	2	-	-	2
Subtotal:	80	29	-	109
Former Directors				
Ms. D. Wysokińska-Kuzdra	80	-	-	80
Mr P.T. Krych	14	4	-	18
Mr. K. Khairallah	13	3	-	16
Subtotal:	107	7	-	114
Grand Total:	329	36	70	435

16. Taxation

No Dutch corporate income tax should be due in 2018 as the only taxable income (the asset management fee amounting to €39 thousand should be less than the deductible costs for Dutch corporate income tax purposes.

17. Subsequent events

Reference is made to note 33 of the Group's consolidated financial statements.

Signatures of members of the Board:

Dimitris Raptis
Chief Executive Officer, Executive Director

Rafał Pomorski
Chief Financial Officer, Executive Director

Ioannis Papalekas
Non-Executive Director

Norbert Sasse
Non-Executive Director

George Muchanya
Non-Executive Director

Thomas Martinus de Witte
Independent Non-Executive Director

Claudia Pendred
Independent Non-Executive Director

Marcus M.L.J. van Campen
Independent Non-Executive Director

Amsterdam, 21 March 2019

Other information

Provisions in the Articles of Association governing the appropriation of profit

Under article 28 of the Company's articles of association, the profit is at the disposal of the general meeting of shareholders, which can allocate this profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

Profit-sharing certificates and similar rights

The Company has issued no preference shares, which give priority over part of the distributable profit.

Independent auditor's report

The auditor's report with respect to the financial statements is set out on the next page.

INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS AND AUDIT COMMITTEE OF GLOBALWORTH POLAND RE N.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of Globalworth Poland Real Estate N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the standalone financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Globalworth Poland Real Estate N.V. as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- The accompanying standalone financial statements give a true and fair view of the financial position of Globalworth Poland Real Estate N.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2018;
- The following statements for 2018: the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows;
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The standalone financial statements comprise:

- The company statement of financial position as at 31 December 2018;
- The company statement of profit and loss for 2018;
- The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Globalworth Poland Real Estate N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€ 6,280,000 (2017: € 2,000,000)
Benchmark applied	1% of Equity
Explanation	We considered the equity measurement base to be the most appropriate benchmark for materiality. Equity of an investment entity is viewed as a measure of importance to the primary users as equity reflects the investor's interest in the investment entity the best.

The increase of the materiality is mainly due to the fact Globalworth Poland Real Estate N.V. increased its equity by EUR 450 million by a private placement of shares. The funds obtained from this private placement were applied in acquisitions of six new real estate objects.

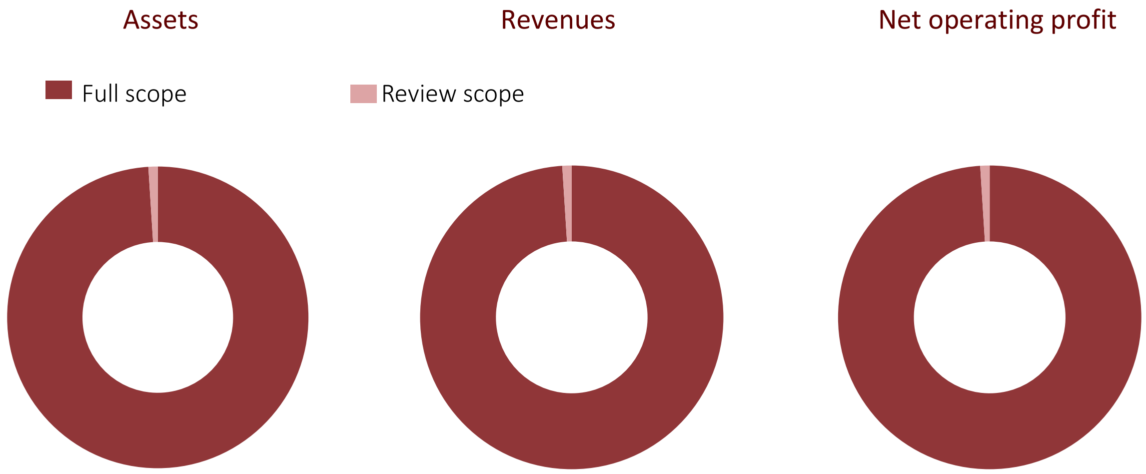
We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the non-executive directors that misstatements in excess of
€ 314,000, being 5% of the materiality, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Globalworth Poland Real Estate N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Globalworth Poland Real Estate N.V.

Our group audit mainly focused on significant group entities. We considered entities to be significant based on size or the existence of significant risks. We have used the work of other EY firms regarding the audit of the consolidated financial statements of Globalworth Poland Real Estate N.V. for foreign group entities. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.



The total audit procedures represent 100% of the group's total assets, 100% of revenues and 100% of gross margin, which consist of full scope and review scope audit procedures.

By performing these procedures, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the non-executive directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Compared to prior year the key audit matter 'financing and covenant compliance' is not considered a key audit matter anymore based on the fact Globalworth Poland Real Estate N.V. has sufficient headroom regarding its covenants.

Fair value of investment property (Director’s report and note 3)	
Risk	The investment properties of Globalworth Poland Real Estate N.V. comprise of income generating assets in Poland. The total investment properties as of 31 December 2018 amounts to EUR 1.2 billion (2017: EUR 0.7 billion) representing 92% (2017: 90%) of total assets. The portfolio consists of both office properties and mixed-use office and retail properties. Fair value is determined by external independent valuation specialists using valuation techniques and assumptions as to estimates of projected future cash flows from the properties and estimates of the suitable discount rate for these cash flows. When possible, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued properties. Valuation techniques for investment properties are subjective in nature and involve various assumptions regarding pricing factors. These assumptions include the capitalisation rate, market rental income, market-derived discount rate, projected net operating income, vacancy levels, estimate of the reversion/terminal value, rent-free period, letting fee, letting voids and fit-out allowance for vacant space or renewals. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Due to the fact that the valuation of investment properties is complex and highly dependent on estimates and assumptions we consider the valuation of investment properties as a key audit matter.

Our audit approach	Our audit procedures included, among others, the following: • We obtained an understanding of the internal processes related to determining the fair value, performed a walkthrough and evaluated the design of controls. • We obtained for each investment property measured at fair value an external valuation; • We determined that the valuator used for external valuation is RICS certified and independent of Globalworth Poland Real Estate N.V. • We involved EY valuation specialists to assist with the audit of the valuation of the selected sample of investment properties based on their specific experience and knowledge in the local markets. • We performed procedures to determine that the specialists involved have sufficient knowledge, qualifications and experiences to perform the valuations. • We evaluated and challenged the key assumptions included in the valuations and reviewed the methodology used. • We performed an analytical review on fair value movements over the period and investigated unexpected movements. • We summarised information about the real estate projects (rent-rolls, vacancy, weighted-average-lease-term, aging of agreements) and performed further audit procedures on the selected sample. • We audited the input parameters used for the valuation on a sample basis (selection based on risk-analysis, outcome of analytical review and professional judgement). • We have performed procedures regarding a management override on significant key assumptions and input variables by performing procedures on the reliability of supporting documentation underlying the key assumptions and input variables. • We have performed procedures to audit the correctness and completeness of the rent roll by tracing a sample of transactions to underlying rental contracts. • We assessed the correct accounting treatment for lease incentives. • We have assessed the impact of the termination of the guarantee agreements (Rental Guarantee, Net Operating Income Guarantee) on the valuation of the investment properties. • We ensured that the accounting treatment of the Groups' investment properties is in line with the Group’s accounting principles; and we evaluated the appropriateness of the disclosures included in the notes to the consolidated financial statements.
Key observations	We consider management’s estimates and key assumptions underlying the valuation of investment properties to be within an acceptable range and we assessed the disclosures as being appropriate.

Significant acquisitions and transactions (Note 3 and 7)	
Risk	Globalworth Poland Real Estate N.V. was involved in 2018 in the significant transactions as mentioned below,: • The group entered into five different share deals at which it acquired 100% of five legal entities holding in total six properties. The total amount of all considerations paid for these transactions amount to EUR 507 million. These acquisitions are financed with a private placement of shares and an additional loan of the controlling shareholder. • Moreover on 21 December 2018 the group entered into a termination agreement at which the rental guarantee agreements (RGA) and the net operating income guarantee agreements (NOIGA), which were issued by the previous owner to the group, were cancelled. The cancellation fee was fully settled in cash and amounted to € 21 million. Given the fact that the accounting treatment of these transactions is subject to significant judgement, correct interpretation of the accounting standards, correct interpretation of the nature and conditions of these transactions and given the significance of the magnitude of the amounts, we conclude that this risk is a key audit matter.
Our audit approach	Our audit procedures included, among others, the following: • We have read and understood the legal agreements entered into by the group in relation to the acquisitions and considered the basis of their inclusion in the consolidated financial statements. • We tested the consideration paid and the identification and valuation of the identifiable assets and liabilities acquired. • We involved our valuation specialists in our audit of the fair values of the properties included in the acquired legal entities. • We performed audit procedures to verify whether the counterparties classify as related party. • We have tested that the accounting treatment of the property acquisitions, which are all classified as asset deals and not as business combinations, are line with IFRS 3. • We have tested that the impact of the termination of the RGA and NOIGA was correctly reflected in the fair value of the properties to which these agreements relate. • We have tested that the accounting treatment of the termination of the RGA and NOIGA was in line with IFRS. • We have evaluated the appropriateness of the disclosures included in the group financial statements relating to the acquisitions completed during the year as disclosed in the notes to the consolidated financial statements.
Key observations	We consider the accounting treatments for these transactions are sufficiently supported. We assessed the disclosures regarding the acquisitions as being appropriate.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Overview
- Strategic review
- Property portfolio
- Governance
- Directors report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements;
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard on Auditing 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The directors are responsible for the preparation of the other information, including the directors report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the non-executive directors as auditor of Globalworth Poland Real Estate N.V. on 6 March 2017 as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

In addition to the statutory audit of the financial statements we provided the following services:

- Issue an independent assurance report on the pro forma financial information dated 31 July 2018 of Globalworth Poland Real Estate N.V. which is included in a prospectus

Description of responsibilities for the financial statements

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The non-executive directors are responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the non-executive directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the non-executive directors in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor’s report.

We provide the non-executive directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the non-executive directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Utrecht, 21 March 2019
Ernst & Young Accountants LLP

Signed by J.H.A. de Jong

FINANCIAL CALENDAR 2019

22 March 2019	Annual Report 2018
7 May 2019	Annual General Meeting
30 May 2019	1Q2019 Reporting
27 September 2019	1H2019 Reporting
29 November 2019	3Q2019 Reporting

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SCHEDULE OF PROPERTIES

Property name	Number of Properties	Location	Year of completion / Latest Refurbishment	GLA (k sqm)	Occupancy (%)	Contracted rent (€million)	WALL (years)	Potential rent at 100% occupancy (€million) [1]	"As Is" valuation (€million)
Office									
Batory Building 1	1	Warsaw	2000 / 2017	6.6	91.9%	0.9	2.7	1.0	12.0
Bliski Centrum	1	Warsaw	2000 / 2018	4.9	96.5%	1.0	7.6	1.0	12.5
Nordic Park	1	Warsaw	2000 / 2018	9.0	87.2%	1.6	3.8	1.8	23.8
Philips	1	Warsaw	1999 / 2018	6.2	91.9%	1.1	3.3	1.2	13.7
Skylight & Lumen	2	Warsaw	2007	45.4	88.8%	11.5	3.7	13.0	191.2
Spektrum Tower	1	Warsaw	2003 / 2015	32.1	96.8%	6.7	4.6	7.0	107.2
WARTA Tower	1	Warsaw	2000	33.7	92.4%	5.9	2.5	6.5	63.1
Tryton	1	Gdansk	2016	24.1	100.0%	3.9	3.3	3.9	56.3
A4 Business Park	3	Katowice	2014, '15 & '16	30.6	100.0%	5.1	3.7	5.1	68.6
CB Lubicz[2]	2	Krakow	2000/2018[5] & 2009	24.0	96.1%	4.7	2.7	5.0	70.5
Quattro Business Park	5	Krakow	2010, '11, '13, '14 & '15	60.2	98.3%	10.7	2.6	10.9	141.7
Green Horizon	2	Lodz	2012 & '13	33.5	98.9%	5.2	4.7	5.3	72.0
West Gate	1	Wroclaw	2015	16.6	99.5%	2.9	6.6	2.9	41.8
West Link	1	Wroclaw	2018	14.4	100.0%	2.5	6.2	2.5	37.0
Mixed-Use									
Hala Koszyki	5	Warsaw	2016	22.2	96.9%	6.9	5.8	7.0	120.3
Supersam	1	Katowice	2015	24.2	91.6%	3.6	4.1	4.0	57.8
Renoma	1	Wroclaw	2009	40.9	91.7%	7.6	3.5	8.2	127.4
Right of First Offer (ROFO)[4]									
Beethovena I	1	Warsaw	2019(E)	18.9	63.6%	n/a	n/a	3.4	17.8
Beethovena II	1	Warsaw	2020(E)	16.9	0.0%	n/a	n/a	2.9	4.2
The Gatehouse Offices[3]	1	Warsaw	2018	15.7	100.0%	3.8	n/a	3.8	65.0

[1] Contracted rent at 100% occupancy (including ERV on available spaces).
[2] CB Lubicz - I, property currently under refurbishment (partially completed).
[3] The Gatehouse Offices, is the investment previously known as Browary J
[4] GPRE has a 25% economic interest in the ROFO assets
[5] Property is ongoing renovation

GENERAL INFORMATION GPRE

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Auditor:

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GLOSSARY

AFM	The Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiële Markten)
AGM	Annual General Meeting
Articles of Association	The articles of association of the Company following its conversion into a public limited liability company (naamloze vennootschap) as they read from time to time
Batory Building I	Batory Office Building I in Warsaw, a pure office property
Bliski Centrum	Bliski Centrum in Warsaw, a pure office property
Board or Board of Directors or management	Board of directors of the Issuer
Board Regulations	Regulations dealing with the internal organization on the Board, the manner in which decisions thereby are taken and any other matters concerning the Board
BREEAM	Building Research Establishment Assessment Method, which assesses the sustainability of the buildings against a range of criteria
CAPEX	Represents the estimated Capital Expenditure to be incurred for the completion of the development projects
CBD	Central Business District
CEE	Central and Eastern Europe
Civil Code	Polish Act dated 23 April 1964 – the Civil Code (Journal of Laws of 1964, No. 16, item 93, as amended)
Completion Dates	The date when the properties under development will be completed and ready to generate rental income after obtaining all necessary permits and approvals
Company or GPRE	Globalworth Poland Real Estate N.V.
Contracted Rent	The annualised headline rent as at 31 December 2018 that is contracted on leases (including pre-leases) before any customary tenant incentive packages
DCF	Valuation method that implies income projections of the property for a discrete period of time, usually between 5-10 years. The DCF method involves the projection of a series of periodic cash flows either to an operating property or a development property. Discounted cash flow projections based on significant unobservable inputs taking into account the costs to complete and completion date
Dutch Civil Code	The Dutch Civil Code (Burgerlijk Wetboek)
Dutch Corporate Governance Code or Dutch Code	The Dutch Corporate Governance Code dated 8 December 2016
Earnings Per Share (EPS)	Profit after tax divided by the basic/diluted weighted average number of shares in issue during the year
EBITDA	Earnings before interest, depreciation, bargain purchase gain, fair value movement and other non-operational and/or non-recurring income and expense items
EPP	EPP Property Management –Minster Investments Sp. z o.o. – Sp. k.
EPRA	European Public Real Estate Association
EPRA Earnings	Profit after tax attributable to the equity holders of the Company, excluding investment property revaluation, gains, losses on investment property disposals and related tax adjustment for losses on disposals, bargain purchase gain on acquisition of subsidiaries, acquisition costs, changes in the fair value of financial instruments and associated close-out costs and the related deferred tax impact of adjustments made to profit after tax
EPRA Earnings per share	EPRA Earnings divided by the basic or diluted number of shares outstanding at the year or period end
EPRA NAV	Net asset value calculated based on EPRA recommendations

EPRA NAV per share	EPRA NAV divided by the basic/diluted number of shares outstanding at the year or period end
EU	The European Union
EUR, Eur	The lawful currency of the Eurozone
EURIBOR	The Euro Interbank Offered Rate: the interest rate charged by one bank to another for lending money, often used as a reference rate in bank facilities
Eurozone	A currency union of the following member states which have adopted the euro as their sole legal tender: Austria, Belgium, Cyprus, Finland, Estonia, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain
Executive Directors	The Executive Directors of the Board
EY Poland	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
FFO	Free funds from operations, estimated as the EPRA Earnings for the relevant period
Financial Year	Period from 1 January to 31 December
GAV	Gross asset value of a property, which is equivalent to the fair value
GDP	Gross Domestic Product
General Meeting	The meeting of shareholders of the Company entitled to vote, together with pledgees and usufructuaries to whom voting rights attributable to the Shares accrue or the body of the Company consisting of persons entitled to vote on the Shares (as applicable)
GLA	Gross lettable area, being the total area of a property that can be rented to a tenant
Green Horizon	Green Horizon Office Center in Lodz, a pure office property
GREIL	Globalworth Real Estate Investments Limited
GFGL	Globalworth Finance Guernsey Limited
GRI	Gross rental income
Group	Globalworth Poland Real Estate N.V. and subsidiaries
Group Companies	All consolidated Subsidiaries
Hala Koszyki	Hala Koszyki in Warsaw, a High-street mixed-use property
High-street	References to locations of mixed-use properties (Hala Koszyki, Supersam and Renoma) including office and retail components of significant sizes which are located in city centers of Warsaw, Katowice and Wroclaw, respectively, along commonly recognizable main traffic routes; for the avoidance of doubt, the expression "High-street retail" does not refer to the conventional High-street retail asset class
IAS	International Accounting Standards as adopted by the EU
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards as adopted by the EU
Investment	Represent a location in which the Company owns / has interests in
IPO	Initial Public Offering
IRS	Interest rate swap
k or ths	thousand
KRS, National Court Register	National Court Register (Krajowy Rejestr Sądowy)
LEED	Leadership in Energy & Environmental Design, is a green building certification program that recognizes best-in-class building strategies and practices
LFL	Like-for-like
Listing Date	the date on which trading in the Shares on the WSE has commenced

LTV	Loan to Value. Calculated as the total outstanding debt, less cash and cash equivalents as of financial position date, divided by the appraised value of owned assets as of the financial position date. Both outstanding debt and the appraised value of owned assets include our share of these figures for joint ventures, which are accounted for in the consolidated financial statements under the equity method
Lubicz Office Center or CB Lubicz	Lubicz Office Center I & II in Kraków, a pure office property
Master Lease	Master Lease includes various rental guarantees which range between 3 and 5 years, covering the majority of space which is currently vacant in the properties owned through GPRE
Net Assets Value (NAV)	Equity attributable to equity holders of the Company and/or net assets value
Net Asset Value (NAV) per share	Equity attributable to equity holders of the Company divided by the number of Ordinary shares in issue at the period end
NOI	Net operating income
NOI Guarantee	NOI Guarantee Agreement entered into on 9 March 2017 between GT II and Dom Handlowy Renoma Sp. z o.o. Sp.k., Hala Koszyki Sp. z o.o. (formerly Hala Koszyki Grayson Investments Sp. z o.o. Sp.k.), and DH Supersam Katowice Sp. z o.o.
Non-Executive Directors	The Non-Executive Directors of the Board
Nordic Park	Nordic Park in Warsaw, a pure office property
Occupancy rate	The estimated rental value of let sqm as a percentage of the total estimated rental value of the portfolio, excluding development properties. It includes spaces under offer or subject to asset management (where they have been taken back for refurbishment and are not available to let as of financial position date)
Philips House	Philips House in Warsaw, a pure office property
PLN, Polish zloty, zloty	PLN, the lawful currency of Poland
Portfolio open market value (OMV)	Portfolio open market value means the fair value of the Group's investment properties determined by CBAR Research & Valuation Advisors SRL (Coldwell Banker), independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, using recognised valuation techniques
REIT	Real estate investment trust
Renoma	Renoma in Wrocław, a High-street mixed-use property
Rental Guarantee	Rental guarantee agreements entered into on 9 March 2017 between GN II/GTN III and each holder of title to the Existing Asset
RGA and NOIGA	Rental Guarantee Agreement and NOI Guarantee Agreement concluded between respective Group's entities ("Beneficiaries") and Griffin Topco II S.á r.l. ("GT II") and Griffin Topco III S.á r.l. ("GT III") (jointly "Guarantors")
ROFO	Right of First Offer
ROFO Agreement	The ROFO agreement executed between Echo, the Issuer and entity from the Issuer's capital group as the Bondholder, on 9 March 2017
ROFO Assets	Collective reference to the assets subject to the ROFO Agreement, i.e. Beethovena project (Stage I and II) and Warsaw Brewery project (Browary Warszawskie) (Stage J)
ROI	RREEF Opportunistic Investments
Skylight and Lumen	Skylight and Lumen in Warsaw, pure office properties
Spektrum Tower	Spektrum Tower in Warsaw, a pure office property
SPO	Secondary Public Offer
sqm	Square meters
Shares	The sale shares, the new shares and the over-allotment shares, if any.
Standing portfolio	Investment property portfolio owned by GPRE as at 31 December 2018.

Subsidiaries	The subsidiaries of the Issuer
Supersam	Supersam in Katowice, a High-street mixed-use property
Warta Tower	Warta Tower in Warsaw, a pure office property
WALL	Represents the remaining weighted average lease length of the contracted leases as of the financial position date, until the lease contracts full expiration
WAULT	Weighted average unexpired lease term
West Link	West Link in Wroclaw, a pure office property
WSE	The Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) and, unless the context requires otherwise, the regulated market operated by such company
WSE best practices	Code of Best Practice for WSE listed companies (attachment to Resolution No. 17/1249/2015 of the Exchange Board dated 19 May 2015 and adopted in accordance with §29.1 of the Exchange Rules), being a set of rules and recommendations concerning corporate governance prevailing on the WSE
WSE rules	The Warsaw Stock Exchange Rules of 4 January 2006, as amended
Yield	The distribution available to a holder of a share in any financial year divided by the market price of the share