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11 March 2019

**Globalworth Real Estate Investments Limited  
("Globalworth" or the "Company")**

**Preliminary Financial Results for the year ended 31 December 2018 & Intention to raise additional equity capital**

Globalworth, the leading office investor in Central and Eastern Europe, is pleased to provide a comprehensive update of its operations, along with a preliminary release of its unaudited Condensed Consolidated Financial Statements for the year ended 31 December 2018.

**Dimitris Raptis, Deputy Chief Executive Officer and Chief Investment Officer of Globalworth, commented:** "2018 was a tremendous year for Globalworth as we continued our strong growth trajectory both through compelling investments in income producing assets with asset management potential and through development projects, delivered a significant step-up in our financial results, and demonstrated strong operating results across our portfolio in Romania and Poland. We are proud to have established Globalworth as the leading institutional office landlord in the CEE region with a portfolio of prime office assets, supported by a strong team of experienced professionals. With further investments targeted and, in our view, a compelling market outlook, we are set to take further strides forward in 2019".

**Operational Highlights**

- €538.3 million of acquisitions were completed in Poland spanning five standing investments in Warsaw (€346.0 million), Krakow (€139.0 million) and Wroclaw (€35.8 million) and three land plots in Bucharest, Romania (€17.5 million) on which the Group aims to develop new office projects.
- Globalworth's combined portfolio<sup>1</sup> value rose by 35.6% to €2.5 billion at 31 December 2018 (31 December 2017: €1.8 billion), split 51% in Romania and 49% in Poland. The total GLA of the Group's combined portfolio reached 1.0 million sqm, an increase of over 250k sqm on 31 December 2017.
- During 2018, the Group negotiated the take-up or extension of 121.8k sqm of commercial space in Romania and Poland, comprising some 67.9k sqm of new lettings or expansions and 54.0k sqm of renewals, with an average weighted average lease length (WALL) of 7.1 years.
- As at 31 December 2018, 955.8k sqm of commercial space was let to some 650 tenants, of which 76% is to multinational corporates, with a WALL of 5.0 years (31 December 2017: 5.3 years). Total annualised contracted rental income for the standing combined portfolio increased by 46.2% to €159.5 million (31 December 2017: €109.1 million).
- Occupancy of the commercial standing portfolio was 95.1% (96.3% including tenant expansion options) at 31 December 2018, compared to 93.3% (95.4% including tenant expansion options) at 31 December 2017. Like-for-like occupancy of the portfolio improved by 2.8% over the year.
- In terms of the Company's developments, Phase A of Globalworth Campus (following the delivery of the second tower of the project) and Renault's new HQ, both in Bucharest, were completed adding 70.5k sqm of new high-quality space. Construction of the 34.8k sqm third and final Campus

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<sup>1</sup> Combined real estate portfolio is defined as the aggregation of all assets in the Company's portfolio, including consolidation of 100% of Globalworth Poland, in which the Company has a 73.7% shareholding (31 December 2018: 69.7%), and 100% of the investment referred to as Renault Bucharest Connected.

tower is well underway and due for completion in Q4-19, and the Group is pleased to have 60.0% of the development leased or subject to a letter of intent since 31 December 2018. Two further projects have started: the 26.4k sqm Globalworth Square project in Bucharest and a 17.7k sqm unit at the Group's TAP II logistics project in Timisoara. In addition, plans are in progress for a further 76k sqm of new office projects in Bucharest and up to 150k sqm of light-industrial and logistics projects in Timisoara.

- Green-certified properties accounted for 70.6% of our standing commercial portfolio at 31 December 2018, with the potential to rise to 100% through properties currently under certification.

### Financial Highlights

- Net operating income ("NOI") of €133.4 million (2017: €51.1 million), an increase of 161% on 2017. This increase, as is the case across other earnings metrics, was largely driven by the full year consolidation of Globalworth Poland, as compared to the prior year when Polish operations were consolidated for less than one month, alongside the further acquisitions in Poland<sup>2</sup>. In addition, NOI saw ongoing growth from our properties in Romania following leasing activity and development completions.
- EBITDA<sup>3</sup> of €121.8 million, up 287% on 2017 (€31.5 million) as a result of higher valuation gains and lower acquisitions costs, partly offset by higher administration and other expenses. Adjusted EBITDA<sup>3</sup>, which includes the share of minority interests, was €150.8 million, up 368% on 2017 (€32.2 million).
- Normalised EBITDA<sup>3</sup> from ongoing operating activities of €96.9 million an increase of 135% on 2017 (€41.2 million) due to the growth in NOI. Adjusted normalised EBITDA<sup>3</sup>, which includes the share of minority interests, was €119.0 million, up 178% on 2017 (€42.8 million).
- Earnings before tax of €115.3 million, an increase of 341% on 2017 (€26.2 million). IFRS earnings per share increased by 130% from 26.40 cents to 60.67 cents.
- EPRA earnings of €60.9 million, an increase of 262% on 2017 (€16.8 million). EPRA earnings per share increased by 153% from 18.17 to 46.03 cents per share in 2018.
- Loan to Value of 43.9% (31 December 2017: 34.0%). The weighted average interest rate on debt financing as at 31 December 2018 amounted to 2.91% (31 December 2017: 2.62%), with a weighted average period to maturity of 5.1 years (31 December 2017: 5.4 years).
- EPRA Net Asset Value (NAV) of €1,200.2 million, up 2.5% on 2018 (31 December 2017: €1,171.5 million) and EPRA NAV per share of €9.04, up 2.3% (31 December 2017: €8.84). Factoring in dividend distributions paid during 2018 of 49 cents per share, the combined total accounting return of NAV growth and dividends rose to 7.8%, up from 5.7% in 2017.
- For 2018, the Company declared dividends of €0.54 per share, an increase of 22.7% over 2017 (€0.44 per share). Of this, €0.27 was paid in August 2018, and a second interim dividend of €0.27 per share was paid in February 2019.
- In March 2018, the Company successfully issued a €550 million unsecured Eurobond at a coupon of 3% with seven years duration under the Company's €1.5 billion Euro Medium Term Notes programme, in an issue which was more than twice oversubscribed. In June 2018, Globalworth Poland completed a €450 million equity capital raise to support its ongoing portfolio expansion, of which €300 million was subscribed by Globalworth and €150 million by Globalworth's largest shareholder, Growthpoint Properties.

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<sup>2</sup> includes the effect of the settlement of certain master lease and NOI guarantees in Poland, as announced on 21 December 2018, which resulted in a €21.5 million cash payment to GPPE.

<sup>3</sup> Refer to glossary section below for definition.

## **Outlook**

2018 was another dynamic year for Globalworth and one in which the Company bolstered its leading position in the CEE office real estate market. The Company's entry into the Polish market in December 2017 and the successful acquisitions completed since then have, within a very short period, established Globalworth as the largest institutional office landlord in Poland. Meanwhile, the development pipeline in Romania positions the Company well for further expansion in this market. Globalworth's portfolio is now evenly balanced between the two markets, with the weighting towards Poland expected to increase further in the future.

As a result of this expansion, new developments, and successful management of its existing portfolio the Company recorded an impressive increase in both net operating income and operating profits in 2018.

The Company has demonstrated that it is able to acquire and develop high-quality properties at yields which are considerably higher than prime property yields in its core markets and, with healthy tenant demand and a supportive economic environment, it considers that market fundamentals in both markets remain compelling. It is expected that these conditions will sustain investor interest in the region and, as such, provides a healthy backdrop for the Company's activities. In addition, the Company's activities are increasingly well positioned to benefit from greater scale and efficiency as it further consolidates its position.

## **Intention to Raise Additional Equity**

Consistent with its strategy since IPO, the Group continues to evaluate a strong pipeline of further high-quality investment opportunities. Currently, the Group has €280 million of acquisitions under exclusivity in Poland, with a blended stabilised acquisition yield of over 7.5%, and is also currently analysing a number of other value accretive acquisitions. This pipeline offers assets with a clear strategic fit in prime locations alongside an attractive income profile, building not only critical mass and providing scale benefits, but also providing further asset management angles and value creation potential. In addition, the Company has a very active development pipeline in Romania, where the Company has an excellent track record of delivering value from such projects. With these investments in mind, and with a view to managing a long-term LTV target of below 40%, the Company will be looking, in the near term, to raise additional equity capital of up to €500 million at or around prevailing EPRA NAV per share.

A further announcement providing details of any potential equity raise will be issued in due course. In order to provide the shareholder authorities necessary to issue shares as part of the process, a circular (the "Circular") convening an Extraordinary General Meeting ("EGM") at which the required shareholder approvals will be sought will shortly be published and sent to shareholders.

## **Update on Possible Move to a Premium Listing on the London Stock Exchange**

The Board continues to recognise the potential benefits, including improved liquidity in its shares, of moving to a Premium Listing of the London Stock Exchange. While its previously announced intention in this regard remains valid, the Board is mindful that the uncertainty arising from the UK's proposed departure from the European Union may as yet have unforeseen impacts. Until there is greater clarity, the Board intends to proceed with caution and maintain its strategic flexibility.

In addition, the Board has been considering opportunities to simplify the Company's corporate structure as the business evolves. These are areas of key strategic focus of the Board, and shareholders will be kept updated on all developments in this regard.

The Company's audited 2018 Annual Report and Financial Statements for the year ended 31 December 2018 will be published by early April 2019.

For further information visit [www.globalworth.com](http://www.globalworth.com) or contact:

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### **About Globalworth / Note to Editors:**

Globalworth is a listed real estate company active in Central and Eastern Europe, quoted on the AIM-segment of the London Stock Exchange. It has become the pre-eminent office investor in the CEE real estate market through its market-leading positions both in Romania and in Poland, where the Company has a majority shareholding in Globalworth Poland, a pure-play Polish real estate platform listed on the Warsaw Stock Exchange. Globalworth acquires, develops and directly manages high-quality office and logistics/light-industrial real estate assets in prime locations, generating rental income from high quality tenants from around the globe. Managed by nearly 200 professionals across Romania and Poland, the combined value of its portfolio is €2.5 billion, as at 31 December 2018. Over 90% of the portfolio is in income-producing assets, predominately in the office sector, and leased to a diversified array of some 650 national and multinational corporates. In Romania, Globalworth is present in Bucharest, Timisoara and Pitesti, while in Poland its assets span Warsaw, Wroclaw, Lodz, Krakow, Gdansk and Katowice. For more information, please visit [www.globalworth.com](http://www.globalworth.com) and follow us on Facebook, Instagram and LinkedIn.

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**GLOBALWORTH REAL ESTATE INVESTMENTS LIMITED**  
**PRELIMINARY FULL YEAR RESULTS AND UNAUDITED CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**

**31 DECEMBER 2018**

**MANAGEMENT REVIEW**

In 2018, our portfolio continued to expand as a result of acquisitions, predominantly in Poland, completed developments and further progress on developments underway in Romania. This expansion and the successful negotiation of ongoing leases led to further growth in our rental income and has created the potential for future rental growth.

**REVIEW OF NEW ACQUISITIONS**

- **Eight investments for €538.3 million in Poland and Romania**
- **185.8k sqm of class “A” office GLA acquired in Poland**
- **Three land plots acquired in Bucharest with the potential to add 76.0k sqm of class “A” GLA in the future**

Over the course of the year, Globalworth completed eight new investments in Poland and Romania for a total consideration of €538.3 million.

**Poland**

We are very pleased to have been able to acquire some of the most recognisable office properties available in the Polish market, which included three of the 10 largest office transactions of the year. In total we concluded five transactions for €520.8 million, adding 185.8k sqm of class “A” office space, which at the end of 2018 were 94.8% occupied and had €37.3 million of contracted rent with an average WALL of 3.5 years.

These acquisitions offer an attractive entry yield of 7.2%, with the scope for this to rise to 7.6% under full occupancy. This is consistent with the Group’s strategy of acquiring standing properties at yields above prime market levels, where we believe that we can enhance the attractiveness and performance of our investments by applying different asset management initiatives over time.

The majority of our new acquisitions were properties in Warsaw, the country’s principal real estate market, where we have now established a strong presence. In addition, we continued to pursue opportunities in select regional cities, successfully expanding our portfolio through new investments in Krakow and Wroclaw.

- **Skylight & Lumen:** The Group’s largest property transaction to-date was finalised in Q4-18 for a total consideration of €190.0 million. The investment comprises two offices, offering 45.4k sqm of GLA and 453 parking spaces, forming part of the “Złote Tarasy” multifunctional mixed-use complex in the heart of Warsaw, which combines high-quality office, retail and leisure space with excellent connectivity to the capital’s main train station.
- **Spektrum Tower:** is a high-rise class “A” office in the heart of Warsaw’s Central Business District, acquired for a total consideration of €101.0 million. It was completed in 2003 and underwent extensive refurbishment in 2015, when it was converted into a multi-tenanted building offering 32.1k sqm of GLA and 318 parking spaces.
- **Warta Tower:** is a class “A” office located in the extended West Central Business District of Warsaw and was acquired for a total consideration of €55.0 million. It offers 33.7k sqm of GLA and 542 parking spaces.

- **Quattro Business Park (“QBP”)**: is a high-quality office complex of five buildings in Krakow acquired for a total consideration of €139.0 million. QBP was completed in phases and offers a total of 60.2k sqm of GLA and 1,327 parking spaces.
- **West Link**: is a recently completed class “A” office in Wroclaw, acquired for a total consideration of €35.8 million. West Link is located to the west of the city centre, offering 14.4k sqm of GLA and 265 parking spaces. The property is adjacent to West Gate (also owned by the Group), creating an office complex with a total of 31.0k sqm of high-quality office space almost exclusively leased to Nokia Solutions & Network.

## **Romania**

In Romania, where the Group is looking to its next phase of development projects, Globalworth completed the acquisition of two land plots in the new CBD of Bucharest for a total consideration of €15.5 million.

- On the plot located between Globalworth Plaza and the Green Court "B" offices owned by the Group, a new class “A” office, Globalworth Square (26.4k sqm GLA), is currently under construction
- The second land plot is adjacent to Globalworth’s Green Court complex and will be used to further expand this development with a fourth class “A” office (16.2k sqm GLA), Green Court D.

In addition, in June 2018 we acquired a third land plot for €2.0 million, which is directly adjacent to the Renault Bucharest Connected project in the west part of Bucharest, on which we are now progressing preparations and design for a new 33.4k sqm GLA property offering predominantly class “A” office space and, thereby, creating a campus of over 75.6k sqm of GLA at this location.

## **REVIEW OF STANDING PORTFOLIO**

- **GAV of our standing income generating properties increased by 39.2% in 2018 to €2.4 billion**
- **Total standing GLA increased by over 250k sqm to reach 1.0m sqm of leasable space**
- **70.6% of standing commercial portfolio by value is green certified**
- **Standing commercial occupancy of 95.1% (96.3% including tenant options)**
- **€159.5 million contracted rent (99.0% from commercial properties)**
- **WALL of commercial properties of 5.0yrs**

Our portfolio of standing properties continued to expand in 2018 following the acquisition of five standing investments (10 office properties) in Poland, the completion of Globalworth Campus Tower 2 and Renault Bucharest Connected projects in Bucharest.

As of 31 December 2018, there were 31 standing investments in our portfolio with a total of 52 standing properties in Poland and Romania.

Our standing portfolio comprised 25 class “A” office investments (39 properties in total) and three mixed-use investments (with seven properties in total) in central locations in Bucharest (Romania), Warsaw (Poland) and five of the largest office markets/cities of Poland (Krakow, Wroclaw, Katowice, Gdansk and Lodz). In addition, we own a light industrial park with four facilities in Timisoara (Romania), a modern warehouse in Pitesti (Romania), and part of a residential complex in Bucharest (Romania).

Globalworth’s total standing commercial GLA at the end of December 2018 had increased by 34.3% to reach 1.0 million sqm, with the overall standing portfolio GLA increasing 31.7% to 1.04 million sqm.

The independently appraised value of our standing properties rose to €2.4 billion (31 December 2018), representing an annual increase of 39.2%, mainly due to new additions (acquisitions and deliveries),

while properties held throughout the period (like-for-like) marginally improved in value (+0.6%) in 2018.

### Evolution of Standing Portfolio

	31 Dec. 17	Like-for-Like	New Acquisitions	New Deliveries	Apt. Sales (& BOMA adj. <sup>1</sup> )	31 Dec. 18
<b>GLA (k sqm)</b>	<b>791.0</b>	-	185.8	70.5	(5.2)	<b>1,042.0</b>
<b>GAV (€m)</b>	<b>1,710.3</b>	10.8	540.2	128.6	(8.7)	<b>2,381.1</b>

<sup>(1)</sup> Includes impact in areas (sqm) from the remeasurement of certain properties.

We consider our portfolio to be modern, with the majority of our properties having been completed or refurbished since 2011. It is worth noting that 37 of our standing properties, accounting for 64.1% of our GLA and 65.2% of our standing combined portfolio value have been delivered or significantly refurbished in the past five years. In addition, following the delivery of our development projects (Globalworth Campus - Towers 3 and Globalworth Square) and other future completions, the proportion of modern office stock in our portfolio will further increase in the short-medium term.

### Age of Portfolio

Age	≤ 3 yrs	3 < x ≤ 5 yrs	5 < x ≤ 7 yrs	7 < x ≤ 10 yrs	+ 10 yrs
By Year of Completion	29.1%	16.1%	9.6%	11.1%	34.2%
By Year of Last Refurbishment	41.1%	24.1%	9.6%	8.5%	16.8%

Consistent with our commitment to energy efficient properties, we added nine environmentally certified properties to our portfolio. All properties acquired this year were green with WARTA Tower, Quattro Business Park (three of five buildings) and Spektrum Tower being certified with BREEAM Very Good accreditation, and the remaining two buildings at Quattro Business Park, Skylight and Lumen being certified with BREEAM Excellent accreditation. West Link, which was green certified at the time of acquisition, is currently in a re-certification process. In addition, Globalworth Campus Tower 1, a class "A" office developed by the Group, was also awarded BREEAM Excellent certification in Q4-2018. Overall, our standing portfolio as of 31 December 2018 comprised 30 green certified properties, accounting for 70.6% of our standing commercial portfolio, further increasing to 73.2% in January 2019 following the BREEAM Excellent accreditation received for Globalworth Campus Tower 2, and we are in the process of certifying or re-certifying 19 other properties in our portfolio. Upon receipt of environmentally friendly accreditations for the properties which are under certification or re-certifying process, 100% of our portfolio will be green accredited.

**Total Standing Properties** **31 Dec. 2017** **31 Dec. 2018**

	31 Dec. 2017	31 Dec. 2018
Number of Investments	25	31
Number of Properties	39	52
GLA (k sqm) <sup>(1)</sup>	791.0	1,042.0
GAV (€ m) <sup>(2)</sup> :	1,710.3	2,381.1
Contracted Rent (€ m) <sup>(3)</sup>	109.1	159.5

**Of which Commercial Properties** **31 Dec. 2017** **31 Dec. 2018**

	31 Dec. 2017	31 Dec. 2018
Number of Investments	24	30
Number of Properties	38	51
GLA (k sqm)	748.1	1,004.8
GAV (€ m) <sup>(2)</sup>	1,632.6	2,312.2
Occupancy <sup>(4)</sup>	93.3%	95.1%
Contracted Rent (€ m) <sup>(3)</sup>	107.6	157.9
WALL (years)	5.3	5.0

(1) Includes c.42.8sqm and c.37.2k sqm of residential space in 31 December 2017 and 2018 respectively.

(2) Appraised valuations as of 31 December 2017 and 2018 respectively.

(3) Contracted Rent includes c.€1.5 million from residential space in 31 December 2017 and 2018 respectively.

(4) Occupancy including tenant options of 96.3% and 95.4% in 31 December 2017 and 2018 respectively

At 31 December 2018, Renault Bucharest Connected is presented on an 100% basis held by Elgan Offices SRL in Romania. Globalworth holds a 50% share in Elgan Offices SRL.

## REVIEW OF DEVELOPMENTS

- **Committed pipeline: 78.9k sqm of GLA to be delivered by H1-2020E with total remaining capex of €84.1 million**
- **Future secured pipeline: 226.6k sqm of GLA in phases**
- **Potential to increase in current commercial GLA by over 30%**

Globalworth continues with its active development/construction programme in Romania, making excellent progress with the construction and delivery of high-quality office and light-industrial space. In April, we completed Phase A of our Globalworth Campus project in Bucharest with the delivery of the second tower, with Tower 2 offering 28.2k sqm GLA and 180 parking spaces. Phase A comprises two twin class “A” office towers with total GLA of 57.2k sqm. On completion of Phase B, currently under construction, Globalworth Campus will become the largest office campus in Bucharest with a total of 92.0k sqm of GLA and 960 parking spaces.

Renault Bucharest Connected (“RBC”) was completed at the end of the year, and was subsequently handed over to the tenant in line with its targeted timeline in February 2019. We are particularly pleased with the efforts of our team and partners in delivering such a high-quality project within a compressed timeline. RBC is 100% leased to Groupe Renault and houses their new headquarters in Romania, as well as a dedicated design centre for the development of future models of cars, over 42.3k sqm of GLA and 1,000 parking spaces.



RBC is the ninth property delivered by Globalworth in Romania since the beginning of 2015, increasing the total GLA developed by the Group to c.250k sqm.

Following the delivery of these high-quality properties and as of year-end, we had two active developments in Bucharest under construction and one in Timisoara, which on completion will further increase our footprint by 78.9k sqm of GLA.

### Developments Under Construction

	TAP-II	Globalworth Campus T3	Globalworth Square
Location	Timisoara	New CBD Bucharest	New CBD Bucharest
Expected Delivery	Q2-2019E	Q4-2019E	Q1-2020E
GLA (k sqm)	17.7	34.8	26.4
Capex to 31 Dec. 18 (€m)	3.3	17.0	14.2
GAV (€m)	5.4	25.5	13.8
Remaining Estimated Capex (€m)	5.2	39.0	39.9
ERV 100% Occupied (€m)	0.8	5.6	5.1
Est. Yield on Development Cost	10.0%	10.0%	9.5%

In addition, we continue to prepare our next phase of office and logistic / light-industrial development projects in Bucharest and other regional cities in Romania. These projects are not yet committed, but continue to be progressed in terms of design, planning and pre-leasing, and on current expectations have the potential to add 226.6k sqm of high-quality real estate space.

### Future Developments

	TAP & TAP II (expansion)	Green Court D	Globalworth West	Luterana Development
Location	Timisoara	New CBD Bucharest	West of Bucharest	CBD Bucharest
Expected Delivery	2019-20E	Q4-2020E	Q2-2021E	Q2-2021E
GLA (k sqm)	150.6	16.2	33.4	26.4
Capex to 31 Dec. 18 (€m)	5.0	2.6	3.0	7.1
GAV (€m)	7.8	5.1	3.2	14.3
Remaining Estimated Capex (€m)	59.1	23.9	42.4	40.4
ERV 100% Occupied (€m)	6.5	2.9	4.8	5.8
Est. Yield on Development Cost	10.2%	11.0%	10.6%	12.2%

### Right of First Offer (ROFO) Portfolio

Globalworth, through Globalworth Poland, has invested in two projects in Poland which are at different phases of construction, in each of which it owns a 25% economic stake, with the right to acquire the remaining interest once certain conditions have been satisfied.

- Beethovena I & II are a class “A” office 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 c.64% to tenants such as Havas, MasterCard and 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 (including Epam, L’Oreal, Sony and WeWork).

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

### Overview of ROFO properties (31 December 2018)

	Location	Completion Date	GLA (k sqm)	Equity Invested (€m)
Beethoven I	Warsaw	Q2-2019	18.9	2.9
Beethoven II	Warsaw	Q3-2020E	16.9	2.8
The Gatehouse Offices (ex. Browary J)	Warsaw	Q4-2018	15.7	4.2
<b>Total ROFO</b>			<b>51.5</b>	<b>9.9</b>

### Other Pipeline Investment Opportunities

Consistent with its on-going growth strategy, Globalworth, through Globalworth Poland, is under exclusivity and in an advanced stage of negotiation for the acquisition of four property investments in Poland.

All investments involve high-quality standing offices in line with the Group's strategy, with one property located in Warsaw and three in major regional cities.

The properties benefit from high occupancy rates and are leased to well-known national and international corporates operating in Poland and abroad, on market standard triple-net, Euro denominated and annually indexed leases. This pipeline is expected to potentially contribute additional contracted rental income of approximately €20.4 million (€21.8 million on stabilisation) per annum. Total investment is estimated at c.€280 million and the Group is currently undertaking the necessary due diligence on the properties.

### Acquisition Pipeline under exclusivity (28 February 2019)

Pipeline	Location	GLA (k sqm)	Stabilised Rent (€m)	Est. Investment Cost (€m)
Class "A" office	Warsaw	45	10.1	130
Class "A" office	Regional	18	3.3	37
Class "A" office	Regional	29	4.5	54
Class "A" office	Regional	22	3.9	59
<b>Total</b>		<b>114</b>	<b>21.8</b>	<b>280</b>

### ASSET MANAGEMENT REVIEW

- **121.8k sqm of commercial space successfully leased in Romania and Poland at an average WALL of 7.1 years**
- **Net take-up of 31.3k sqm improving like-for-like occupancy by 2.8% to 95.8%**
- **Overall commercial occupancy up by 2.0% to 95.1% (96.3% including tenant options)**
- **€15.0 million invested in our renovation and maintenance program on 20 properties of our portfolio**

### Leasing Review

Globalworth maintained its strong leasing momentum in 2018. Market conditions continued to be positive, with Globalworth benefiting from healthy demand for high quality office space in its target real estate markets.

Over the course of the year, driven by its proactive internal leasing team, the Group successfully negotiated the take-up (including expansions) or extension of 121.8k sqm of commercial space in Romania (62.5% of transacted GLA) and Poland (37.5% of transacted GLA), with an average WALL of 7.1 years.

New leases for 51.3k sqm were signed at a WALL of 8.5 years and included tenants such as Mindspace, Dell, Honeywell, Calypso, Coca Cola and Delphi as well as 47 other corporates. Leases were renewed, and thus extended, for 51 of our tenants for a total of 54.0k sqm of GLA at a WALL of 6.3 years, with the most notable extensions involving Nokia, Huawei, Carrefour and Eurozet. The remaining 16.6k sqm of space signed in the period related to additional expansion space leased to 25 tenants, with an average WALL of 5.7 years.

### Leasing Activity Summary (2018)

	GLA (k sqm)	No of Tenants	WALL (yrs)	Selected Tenants
New Leases / New Contracts	51.3	53	8.5	Mindspace (Romania), Dell, Honeywell, Calypso, Coca-Cola, Delphi, Mazars, MX1, Chain IQ, Crowdstrike
New Leases / Expansion	16.6	25	5.7	Mindspace (Poland), Vodafone, Cegedim, Group, ADP, International Paper
Renewals / Extensions	54.0	51	6.3	Nokia, Huawei, Carrefour, Eurozet, World Class, Baxter, ZBP, CITR, NX Data, Luxoft
<b>Total</b>	<b>121.8</b>	<b>115*</b>	<b>7.1</b>	

\* Number of unique tenants

In December 2018, Globalworth 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 for any and all amounts due now or in the future under these agreements.

The master leases settled accounted for 0.5% of our standing commercial GLA (1.1% of standing commercial GLA in Poland) at the time of their settlement, with the Group being confident that it will be able to lease the corresponding spaces in the short to medium term.

On a like-for-like basis, occupancy increased by 2.8% to 95.8% following the successful lease-up of previously vacant spaces, offsetting the impact of the master lease termination. New take-up exceeded space becoming available during the year, with net take-up for 2018 being 31.3k sqm, thus increasing occupancy in our portfolio.

Overall occupancy of our standing commercial portfolio as of 31 December 18 was 95.1% (96.3% including tenant options), representing a 2.0% increase over the past 12 months (93.3% as of 31 December 2017, 95.4% including tenant options).

The overall vacancy level was modestly weighed down by several new additions to the standing portfolio during the period where occupancy rates were lower than the average, but as part of identified asset management opportunities we are confident there is near-term scope for further upside in both occupancy and contracted rents.

Going forward, our asset management initiatives target a reduction of the remaining available space. Taking into consideration positive market conditions and the quality and location of our properties, we are confident of demonstrating further progress in the forthcoming period.

In total, as at 31 December 2018, we had 955.8k sqm of commercial GLA leased to approximately 650 tenants, at an average WALL of 5.0 years, the majority of which is let to national and multinational corporates which are well-known within their respective markets.

The Group's rent roll is well diversified, with the largest tenant accounting for 6.1% of contracted rents, while the top three tenants account for 12.1% and the top 10 tenants account for 28.4%, a characteristic which we expect to diversify further as the portfolio continues to expand.

#### Contracted Rent Profile as at 31 December 2018

	Romania	Poland	Combined Portfolio
<b>Contracted Rent (€ m)</b>	<b>76.1</b>	<b>81.8</b>	<b>157.9</b>
<b>Tenant Origin - %</b>			
Multinational	89.9%	63.1%	76.0%
National	7.3%	34.1%	21.2%
State Owned	2.8%	2.4%	2.6%
Master Lease	-	0.4%	0.2%
<b>Occupancy - %</b>	<b>94.9%</b>	<b>95.4%</b>	<b>95.1%</b>
<b>WALL - years</b>	<b>6.1</b>	<b>3.9</b>	<b>5.0</b>

Note: Contracted Rent excludes c.€1.5 million from residential space as at 31 December 2018.

#### Lease Expiration Profile – Commercial properties as at 31 December 2018 (€ m)

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	>=2028
<b>Lease Agreements</b>	9.8	14.9	17.2	28.3	19.1	24.8	12.3	5.6	7.2	18.3
<b>Master Lease</b>	--	0.3	--	--	--	--	--	--	--	--
<b>Total</b>	<b>9.8</b>	<b>15.2</b>	<b>17.2</b>	<b>28.3</b>	<b>19.1</b>	<b>24.8</b>	<b>12.3</b>	<b>5.6</b>	<b>7.2</b>	<b>18.3</b>
<b>% of total</b>	6.2%	9.6%	10.9%	17.9%	12.1%	15.7%	7.8%	3.6%	4.6%	11.6%

Leasing momentum has continued into 2019 with 60.0% (31 December 2018: 0%) of our Globalworth Campus T3 development now leased or subject to a letter of intent, to high-quality international tenants, with a WALL of 10 years.

#### Renovation and Maintenance Programme of Standing Properties

Globalworth 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 enables 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.

In 2018, €15.0 million was invested under our renovation and maintenance programme, with works on 20 properties in our standing portfolio to upgrade primarily both indoor and outdoor common areas, and minor works on others.

#### Renovation and Maintenance Programme 2018

Standing Buildings	Selected Upgrades in our Portfolio
• <b>GW Tower</b>	• Upgrades for Globalworth App pilot installation
• <b>GW Plaza</b>	• Lobby and other select floors refurbishments / rejuvenations
• <b>City Offices</b>	• Upgrades and modernisation of access areas
• <b>Hala Koszyki</b>	• Upgrades of communal interior and open areas
• <b>Renoma</b>	• Upgrades of communal green areas
• <b>Other</b>	• Upgrades of heating & ventilation systems improving quality of work spaces
<b>€15.0 million</b>	

### ***Investment in Co-working***

- **10.8k sqm taken-up by Mindspace in three locations in Bucharest on long-term contracts**
  - **Mindspace also occupies 5.5k sqm in our Hala Koszyki property in Warsaw**
- **US\$10 million equity investment by Globalworth in Mindspace to facilitate further growth**
- **23.4k sqm of co-working space in our portfolio**

The rising popularity of the co-working concept has become a major global trend in real estate in recent years, with increasing take-up of space by co-working operators in a wide range of locations and building types. While at an early stage of development in our markets, we expect this segment to experience rapid growth in years to come.

In June 2018, Globalworth announced the following transactions with Mindspace Ltd., a leading global operator of high-end, inspiring coworking space:

- Mindspace is opening its first locations in Romania in three of our buildings, taking up 10.8k sqm of GLA in total on 16-year leases. The three locations chosen have been branded as Mindspace Business District (Globalworth Campus) which opened in Q4-2018, Mindspace City Offices (City Offices) and Mindspace Victoriei (TCI), both scheduled to open in 2019. Romania marks the seventh country in which Mindspace is offering flexible workplace solutions
- Globalworth made an equity investment in Mindspace of US\$10 million (c.€8.6 million) to support its ongoing growth

Prior to this transaction, Globalworth had already built a close collaboration and respect for the activities and approach of Mindspace through its presence at our flagship Hala Koszyki property in Warsaw.

Overall, as at 31 December 2018, Globalworth had 23.4k sqm of co-working space in its portfolio, let or pre-let to five operators and accounting for 2.8% of our standing office portfolio. We believe that this adds an important vibrancy and added amenity value to all users of the properties in which such space is available.

### ***Investment in Technology Initiatives***

Investment in technology is becoming a focal part of our asset management strategy, and it is very much linked to our strategic target of creating communities, connecting the employees that work in our buildings and offering turnkey, flexible, amenity-rich and experience-driven workplace solutions. We strongly believe that this will become a key success factor when it comes to attracting and retaining tenants to our properties as companies will use such offering as a key tool for attracting and retaining talented employees.

#### ***Globalworth App***

In conjunction with Honeywell, in 2018 we started to develop the Globalworth App through which our portfolio will become “smarter”, allowing more interactive engagement and operation between the people working in or visiting our buildings.

The application will include functions such as access to a building, news and events taking place at the building and elsewhere within the Globalworth estate, and alerts. It will also allow administrators to control and monitor the performance of both individual spaces and the building. It is aimed at improving the experience of those working and visiting our properties by allowing access, indoor navigation, the ability to control the working environment, and improving efficiency. At the same time it allows us, as the landlord, to better monitor and operate our portfolio and interact with people working or visiting our properties.

The Globalworth App is currently at a development stage and we plan to implement it in phases, rolling it out to a selection of our buildings in 2019 and deploying it to the whole portfolio once testing is completed.

#### ***Supporting Other Technology Initiatives***

As part of an effort to promote technological innovation, Globalworth directly or indirectly invests in various opportunities and initiatives, including technology-related venture capital funds. We believe that making modest investments in such ventures will provide Globalworth with direct access and intelligence to the latest property and other technology related developments enabling it to be ahead of the curve compared to other landlords.

In 2018, the Group made a € 2.0 million commitment in Early Games Venture (“EGV”), a venture capital fund focused on innovative companies in Romania and funded through the Competitiveness Operational Program (2014-2020), co-funded by the European Regional Development Fund.

Other initiatives include participation in the Techcelerator in Bucharest, where Globalworth, GapMinder Venture Partners and certain others, target investing up to €1 million in Romanian technology companies.

The Group is also planning to make additional technology related investments in 2019, either in general technology funds or ventures focusing on real estate solutions in the domain of smart buildings / smart city, mobility and energy, property automation and real estate software.

#### ***Integration with Globalworth Poland (GPPE)***

Globalworth, as part of its strategic initiatives in the Polish market, has enhanced its corporate identity and further strengthened the integration of GPPE, most notably through the rebranding of its Polish subsidiary to Globalworth Poland.

Globalworth’s shareholding in GPPE was 69.7% as at 31 December 2018, down slightly from the 71.7% at the start of the year, following the €450 million equity raise in July 2018, in which it invested €300 million (two thirds of the raise) and further share purchases in December 2018. In January 2019, Globalworth acquired a further stake in GPPE in exchange for newly issued shares in Globalworth, increasing its stake to 73.7% as of present.

#### ***Reinforcing our In-House Team of Professionals***

To meet our expansion needs and to maintain and improve the high standards and success of our business, we have continued to invest in multi-disciplined, skilled professionals, adding 84 team members to the Group in 2018.

The majority of our new team members were recruited to work in Bucharest and Warsaw, primarily to support our asset management operations which are core to our customer service and product offering, as well as maintaining and strengthening the broad network of relationships in our main real estate markets. The asset management function, which is core to our customer service and product offering, has been a prime focus and we have reduced reliance on third-party providers by replacing these services with in-house professionals.

**The Globalworth Team**

<b>Department</b>	<b>Romania</b>	<b>Poland</b>	<b>Other Locations</b>	<b>Total</b>
Management	4	3	2	9
Administration	8	5	1	14
Marketing & Communication	5	-	-	5
Asset Management	22	30	-	52
Construction & Development	10	-	-	10
Leasing	4	7	-	11
Investments & Capital Markets	6	3	1	10
Legal	4	6	-	10
Technical	5	10	-	15
Compliance	5	-	1	6
Finance & Accounting	20	21	1	42
HR	3	1	-	4
IT	2	2	-	4
<b>TOTAL</b>	<b>98</b>	<b>88</b>	<b>6</b>	<b>192</b>

## **FINANCIAL REVIEW**

### ***Overview***

The significant expansion of the group in late 2017 through its entry into Poland and subsequent further acquisitions had a positive impact on our 2018 financial results. Along with new leasing activity and the completion of developments in Romania, this produced a strong uplift in our earnings.

Revenue and Net Operating Income (NOI) increased year on year by 148% to €192.8 million and 161% to €133.4 million respectively, while normalised EBITDA and adjusted normalised EBITDA rose by 135% to €96.9 million and 178% to €119.0 million respectively.

EPRA Earnings per share for 2018 increased by 153% compared to 2017, reaching 46.03 cents per share from 18.17 cents per share in 2017, while IFRS Earnings per share for 2018 amounted to 60.67 cents, as compared to 26.40 cents in 2017, an increase of 130%. Dividends declared and paid in respect to 2018 of 54 cents per share, as compared to 44 cents for 2017, represented a 22.7% increase.

EPRA NAV per share as at 31 December 2018 increased by 2.3% from 31 December 2017 to €9.04 per share (31 December 2017: €8.84). Combined with dividends paid in 2018, this resulted in a Total Accounting Return of 7.8%, an increase of 210 basis points on the prior year (2017 TAR: 5.7%).

The Open Market Value of the portfolio grew by €646.8 million, an increase of 35.6%, to €2.5 billion, primarily through acquisitions and revaluation gains.

LTV at 31 December 2018 amounted to 43.9%, increased from 34.0% at 31 December 2017 mainly as a result of the second Eurobond issued in March 2018 of €550 million and subsequent acquisitions of properties. €150 million of equity was invested in Globalworth Poland in June 2018, while the last major equity raise at Globalworth level took place in December 2017.

### ***Revenues and Profitability***

Group revenues of €192.8 million in 2018 rose by 148% on 2017 (€77.9 million), driven by:

- the full year consolidation of Globalworth Poland, as well as further acquisitions in Poland, with revenues of €102.7 million, as compared to the prior year (€4.9 million) when it was consolidated for less than one month. This includes the effect of the settlement of master lease and NOI guarantees, as announced on 21 December 2018 (see “Leasing Review”), which resulted in a €21.5 million cash payment to GPRE.
- an increase of 23.5% on 2017 in revenues derived from our properties in Romania following leasing activity, the full year effect of prior year acquisitions and development completions.

Group revenues were split 53% Poland / 47% Romania, which contrasted to 6% Poland / 94% Romania in 2017.

Net Operating Income of €133.4 million in 2018, a 161% increase over 2017 (€51.1 million), in line with the increase in Group revenue. The growth in NOI reflected an increase of €74.6 million in Poland and an additional €7.7 million in Romania. NOI was split 59% Poland / 41% Romania, compared to 8% Poland / 92% Romania in 2017.

EBITDA<sup>1</sup> of €121.8 million in 2018, an increase of 287% over 2017 (€31.5 million). In addition to the growth in NOI (by €59.6 million), higher valuation gains on investment property and financial instruments (by €25.5 million) and lower acquisition costs (by €9.0 million) contributed to the



increase, partly offset by an increase in administration, other income and other expenses (by €3.8 million) while reflecting the full year inclusion of Globalworth Poland.

Adjusted EBITDA<sup>2</sup> of €150.8 million, which includes the share of minority interests, an increase of 368% over 2017 (€32.2 million), resulting from the increase of NOI (by €82.3 million) but also higher valuation gains on investment property and financial instruments (by €32.8 million) and lower acquisition costs (by €9.6 million), partly offset by the increase in administration, other income and other expenses (by €6.1 million).

Normalised EBITDA<sup>3</sup> of €96.9 million, an increase of 135% over 2017 (€41.2 million), while adjusted normalised EBITDA<sup>4</sup> amounted to €119.0 million, which includes the share of minority interests, an increase of 178% over 2017 (€42.8 million), tracking more closely the rise in NOI.

A modest 3.8% increase in net financial costs reflecting the additional €550 million Bonds issuance and reduction in secured bank loan balances of c.€167 million during the year, but offset by €15.2 million lower one-off refinancing restructuring charges (2018: €0.9 million; 2017: €16.1 million).

Earnings before tax of €115.3 million, an increase of 341% over 2017 (€26.2 million), mainly as a result of the increase in NOI and savings from non-recurring costs incurred in 2017 related to the acquisition of the majority stake in Globalworth Poland. IFRS earnings per share increased by 130% from 26.40 cents to 60.67 cents.

EPRA earnings of €60.9 million, an increase of 262% over 2017 (€16.8 million), similarly resulting from the ongoing expansion of the Group's operations and notably NOI but which also factors in the positive effect of the Polish master lease and NOI guarantee settlement. EPRA earnings per share increased by 153% from 18.17 cents per share to 46.03 cents per share in 2018.

#### Reconciliation of IFRS EPS to EPRA EPS

	€ cents
<b>IFRS EPS</b>	<b>60.67</b>
<b>Add/(subtract):</b>	
Fair value gain on Investment Property	(25.80)
Fair value gain on Financial Instruments	(4.10)
Deferred Tax in relation to above	13.20
Other Impacts	2.06
<b>EPRA EPS</b>	<b>46.03</b>

1 Earnings attributable to equity holders of the Company before finance cost, tax, depreciation, amortisation of other non-current assets and purchase gain on acquisition of subsidiaries.

2 Earnings before finance cost, tax, depreciation, amortisation of other non-current assets and purchase gain on acquisition of subsidiaries.

3 EBITDA less: fair value gains on investment property and financial instruments (2018: €32.2 million; 2017: €6.7 million), non-recurring income (2018: €0.2 million; 2017: €nil); plus: acquisition costs (2018: €1.0 million; 2017: €10.0 million); plus: non-recurring administration and other expense items (2018: €6.5 million; 2017: €6.4 million).

4 Adjusted EBITDA less: fair value gains on investment property and financial instruments (2018: €39.6 million; 2017: €6.7 million), non-recurring income (2018: €0.3 million; 2017: €nil); plus: acquisition costs (2018: €1.2 million; 2017: €10.8 million); plus: non-recurring administration and other expense items (2018: €6.9 million; 2017: €6.5 million). The adjustments listed include the share of minority interests.

## Balance Sheet

The Open Market Value of the portfolio grew by €646.8 million, an increase of 35.6%, to €2.5 billion. This comprises €2.4 billion of investment property and a further €0.1 billion representing other balance sheet adjustments including the full share of our JV property, RBC.

Investment activity in 2018, which included c.€573.0 million of new acquisitions and development projects as well as valuation gains of €34.1 million, contributed to a 33.4% increase in the balance sheet value of our investment property portfolio at 31 December 2018 to €2.4 billion (31 December 2017: €1.8 billion).

### Growth in Portfolio Value (€million)

	Poland	Romania	Group
Investment Property - 31 Dec 2017	680	1,112	1,792
JV and others – 31 Dec 2017	-	23	23
<b>Open Market Value – 31 Dec 2017</b>	<b>680</b>	<b>1,135</b>	<b>1,815</b>
Acquisitions	508	15	523
Capex	11	39	50
Valuation Uplift	17	17	34
Apartment Disposals	-	(9)	(9)
JV Capex & Valuation Uplift	-	48	48
<b>Open Market Value – 31 Dec 2018</b>	<b>1,216</b>	<b>1,245</b>	<b>2,462</b>
JV and others – 31 Dec 2018	-	(71)	(71)
Investment Property - 31 Dec 2018	1,216	1,174	2,390

Total assets at 31 December 2018 exceeded €2.7 billion and increased by 26.6% from 31 December 2017 (€2.2 billion), primarily due to the expansion of the property portfolio.

EPRA NAV of €1,200.2 million at 31 December 2018, an increase of 2.5% on 31 December 2017 (€1,171.5 million), while EPRA NAV per share increased by 2.3% to €9.04 per share (31 December 2017: €8.84 per share). Factoring in the receipt of the dividend distributions paid during 2018 of 49 cents per share, the adjusted EPRA NAV per share at 31 December 2018 would be €9.53 per share, representing a total accounting return of NAV growth and dividend return for 2018 of 7.8%, up from 5.7% in 2017.

### Evolution of EPRA NAV/Share

	€
<b>EPRA NAV 31 Dec 2017</b>	<b>8.84</b>
Valuation	+0.25
EPRA Earnings	+0.46
Dividends	-0.49
Other Impacts	-0.02
<b>EPRA NAV 31 Dec 2018</b>	<b>9.04</b>

### **Cash Flows**

Cash flows from operating activities were €80.1 million, compared to €10.1 million in 2017, reflecting the expansion of the Group's operating activities and the full inclusion of Poland.

Net proceeds from the successful debt financing in 2018 of €648.7 million, with €270.7 million being used to repay senior debt facilities secured on some of our properties in Poland.

Cash used for investments made in 2018 of €575.0 million, including the acquisition of six standing properties in Poland, two land plots in Romania and the completion or further advancing of the construction of properties under development in Romania.

Dividends paid in 2018 of €64.9 million in respect of the six-month periods ended 31 December 2017 and 30 June 2018 of €29.1 million and €35.8 million respectively.

Cash and cash equivalents at 31 December 2018 stood at €229.5 million, €43.8 million lower than 31 December 2017 (€273.3 million). At 31 December 2017 the higher level of cash and cash equivalents was due in large part to the €340 million of equity raised in December 2017.

### **Dividends**

In January and August 2018, the Company made interim dividend payments of 22 cents per share (c.€29.1 million) and 27 cents per share (c.€35.8 million) in respect of the six-month periods ended 31 December 2017 and 30 June 2018 respectively. A second interim dividend of 27 cents per share (c.€35.8 million) was paid in February 2019 in respect of the six-month period ended 31 December 2018, resulting in a full year dividend of 54 cents per share in respect to the 2018 financial year, an increase of 22.7% over 2017 (44 cents per share).

### **Financing Activity**

In March 2018, the Group successfully issued a second €550 million unsecured seven-year Eurobond at a coupon of 3% to March 2025. This was part of a newly established €1.5 billion Euro Medium Term Notes programme, under which a further €950 million of bonds can still be issued. This bond issuance, despite being undertaken at a time of increased market volatility, received significant support from a variety of institutional investors, predominantly from the UK and Continental Europe, resulting in the issue being oversubscribed more than two times. Part of the net proceeds (c.€214 million) were used in April 2018 to repay all but one of the bank loans secured on our properties in Poland, thereby extending the flexibility of Globalworth's predominantly unsecured debt structure across the Group and further simplifying the Group's financial structure by consolidating debt and reducing the number of financing banks.

Although primarily focused on unsecured debt, the Group selectively uses secured bank financing facilities in order to diversify sources of funding and build greater flexibility in its debt book. In 2018, the Group took advantage of favourable conditions in the bank financing market to secure various facilities. In June 2018, the Group signed a €100 million seven-year facility in Poland at a competitive interest rate with a consortium consisting of Landesbank Hessen-Thüringen and Deutsche Pfandbriefbank AG, following the above-mentioned repayment of all but one of the bank loan facilities secured on our properties in Poland. In August 2018, a new €46 million long-term facility was signed in Romania with Banca Comerciala Romana (BCR, part of Erste Bank Group) for the financing of the development costs of the Renault Bucharest Connected project, which was completed by the end of 2018 and delivered to the tenant in mid-February 2019. In December 2018, a subsidiary of the Group signed a €65 million 10-year secured financing agreement with Erste Bank AG (part of Erste Bank Group) for the refinancing of Globalworth Tower in Bucharest, Romania. It is anticipated that the facility will be drawn down during March 2019.

In June 2018, at the Globalworth Poland subsidiary level, the Group completed a €450 million equity capital raise. The transaction was fully subscribed by Globalworth (66.7%) and Growthpoint Properties (33.3%), resulting in €150 million of new capital becoming available to fund further growth of the Polish portfolio. The remaining €300 million was used to partially repay outstanding debt under various inter-company loans previously entered into between Globalworth Poland and Globalworth.

### ***Debt Summary***

The total debt portfolio of the Group at 31 December 2018 of €1.26 billion comprises predominately medium to long-term debt, denominated mostly in EUR, with insignificant facilities denominated in Romanian Leu ('RON') and Polish Zloty ('PLN').

Loan to value at 31 December 2018 was 43.9%, increasing over the course of the year as a result of acquisitions (31 December 2018: 34.0%). The Group has a long-term LTV target of below 40%, but is comfortable with this level at this time, marking its intention to issue further equity as it seeks to sustain its dynamic growth profile while managing its leverage target.

The weighted average interest rate on debt financing as at 31 December 2018 amounted to 2.91% versus 2.62% at 31 December 2017. The small increase in the weighted average interest rate should be viewed in light of the seven-year €550 million unsecured Eurobond issued in March 2018 at a 3% coupon, which has helped to maintain the weighted average period to maturity of our debt at 31 December 2018 (5.1 years) at a similar level as at 31 December 2017 (5.4 years).

The Group has delivered on its strategy over the last few years of extending the weighted average period to maturity of its debt financing, while reducing the applicable weighted average interest rate. The current weighted average interest rate of 2.91% compares to 5.25% at 31 December 2016, while the average maturity has increased to 5.1 years at 31 December 2018.

### ***Servicing of Debt During 2018***

In 2018, we repaid in total c.€270.7 million of loan capital, the majority of which relates to the refinancing of existing facilities using the proceeds of the Eurobond issued in March 2018, and c.€21.2 million of accrued interest on the Group's drawn debt facilities.

### ***Liquidity***

The Group seeks to maintain at all times sufficient liquidity to enable it to finance its ongoing, planned property investments and the completion of properties under development, while maintaining the flexibility to react quickly to attractive new investment opportunities.

As at 31 December 2018, the Group had cash and cash equivalents of €229.5 million, while additional available liquidity from committed, undrawn loan facilities at 31 December 2018 amounted to €30.8 million.

### ***Debt Structure as at 31 December 2018***

#### ***Secured vs. Unsecured Debt***

The majority of the Group's debt at 31 December 2018 (€1.1 billion of Eurobonds) is unsecured (87.3%; 31 December 2017: 63.2%), with the remainder secured with real estate mortgages, pledges on shares, receivables and loan subordination agreements in favour of the financing parties.

#### ***Maturity Profile***

The Group has credit facilities and Eurobonds with different maturities, 99.9% of which are long-term (compared to 98.5 % at 31 December 2017).

**Maturity by year of the principal balance outstanding at 31 December 2018 (€ million)**

2019	2020	2021	2022	2023	2024	2025	2026-2035
0.3	-	-	567.9	-	-	652.0	40.3

**Debt Denomination Currency and Interest Rate Risk**

Our long-term loan facilities are almost entirely Euro-denominated and bear interest based either at one-month or three-months Euribor plus a margin, or at a fixed interest rate. This ensures a natural hedging to the Euro, the currency in which the most significant part of our liquid assets (cash and cash equivalents and rental receivables) is originally denominated and the reporting currency for the fair market value of our investment property.

**Debt Covenants and Securities**

The Group's financial indebtedness is arranged with standard terms and financial covenants, the most notable as at 31 December 2018 being the following:

**Unsecured Eurobonds**

- the Consolidated Coverage Ratio, with minimum value of 200%;
- the Consolidated Leverage Ratio, with maximum value of 60%; and
- the Consolidated Secured Leverage Ratio with a maximum value of 30%.

**Secured Bank Loans**

- the debt service cover ratio ('DSCR') / interest cover ratio ('ICR'), with values ranging from 120% to 300% (be it either historic or projected);
- the LTV ratio, with contractual values ranging from 60% to 83% (versus the significantly lower overall LTV at 31 December 2018 of 43.9%); and
- the loan to cost ratio ('LTC') with a maximum value of 75%.

There were no breaches of the aforementioned covenants during the year ended 31 December 2018.

The Group's credit facilities concluded with local banks in Romania and Poland are secured with real estate mortgages, pledges on shares, receivables and loan subordination agreements in favour of the financing banks.

Further details on the Group's debt financing facilities are provided in note 13 of the condensed consolidated financial statements.

GLOBALWORTH REAL ESTATE INVESTMENTS LIMITED  
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 <i>Unaudited</i> €'000	2017 Audited €'000
Revenue	7	192,801	77,866
Operating expenses	8	(59,360)	(26,772)
<b>Net operating income</b>		<b>133,441</b>	51,094
Administrative expenses		(15,253)	(10,231)
Acquisition costs		(1,182)	(10,809)
Fair value gain on investment property	3	34,088	6,727
Bargain purchase gain on acquisition of subsidiaries		251	28,897
Share-based payment expense	19	(509)	(143)
Depreciation on other long-term assets		(398)	(150)
Other expenses		(4,332)	(4,091)
Other income		330	5
Foreign exchange loss		(1,214)	(317)
Gain from fair value of financial instruments	14	5,463	–
		17,244	9,888
<b>Profit before net financing cost</b>		<b>150,685</b>	60,982
<b>Net financing cost</b>			
Finance cost	9	(41,727)	(38,465)
Finance income		3,289	1,447
		(38,438)	(37,018)
Share of profit of joint venture	22	3,095	2,188
<b>Profit before tax</b>		<b>115,342</b>	26,152
Income tax expense	10	(15,425)	(2,405)
<b>Profit for the year</b>		<b>99,917</b>	23,747
Other comprehensive income		–	–
Profit attributable to:		99,917	23,747
– Equity holders of the Company		80,263	24,426
– Non-controlling interest	24	19,654	(679)
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share</b>			
– Basic	11	60.67	26.40
– Diluted	11	60.57	26.04
<b>EPRA Earnings per share</b>			
– Basic	11	46.03	18.17
– Diluted	11	45.95	17.92

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018

	Note	2018 Unaudited €'000	2017 Audited €'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	3	2,390,994	1,792,414
Goodwill		12,349	12,349
Advances for investment property	5	4,209	3,355
Investments in joint-ventures	22	38,316	21,939
Equity investments	15	8,837	–
Other long-term assets		1,035	689
Other receivables		–	416
Prepayments		1,472	1,578
Available for sale financial assets	14	–	5,897
Financial assets at fair value through profit or loss	14	2,829	–
Long-term restricted cash	16	–	2,958
		<b>2,460,041</b>	<b>1,841,595</b>
<b>Current assets</b>			
Debentures		–	18,389
Available for sale financial assets	14	–	4,346
Financial assets at fair value through profit or loss	14	12,878	–
Trade and other receivables		25,281	22,419
Contract assets		3,937	–
Guarantees retained by tenants		11	304
Income tax receivable		395	295
Prepayments		4,929	325
Cash and cash equivalents	16	229,527	273,272
		<b>276,958</b>	<b>319,350</b>
<b>Total assets</b>		<b>2,736,999</b>	<b>2,160,945</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>			
Issued share capital	17	897,314	894,509
Treasury shares	19.4	(842)	(270)
Share based payment reserve	19	2,117	2,240
Retained earnings		186,326	172,405
Equity attributable to equity holders of the Company		<b>1,084,915</b>	<b>1,068,884</b>
Non-controlling interest	24	212,407	67,572
		<b>1,297,322</b>	<b>1,136,456</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	13	1,235,106	834,044
Deferred tax liability	10	106,978	99,574
Guarantees retained from contractors		693	2,616
Deposits from tenants		13,754	8,931
Provision for tenant lease incentives	3.1	780	1,509
Trade and other payables		694	–
		<b>1,358,005</b>	<b>946,674</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	13	23,965	36,360
Guarantees retained from contractors		3,353	1,057
Provision for tenant lease incentives	3.1	1,211	859
Trade and other payables		32,956	34,776
Contract liability		1,401	–
Other current financial liabilities		2,084	2,638
Deposits from tenants		2,241	1,256
Dividend payable	24	10,731	–
Income tax payable		3,730	869
		<b>81,672</b>	<b>77,815</b>
<b>Total equity and liabilities</b>		<b>2,736,999</b>	<b>2,160,945</b>
		€	€
NAV per share	12	8.19	8.09
Diluted NAV per share	12	8.18	8.07
EPRA NAV per share	12	9.04	8.84



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Equity attributable to equity holders of the Company					Total	Non-controlling interest	Total equity
		Issued share capital	Treasury shares	Unpaid share capital	Share based payment reserve	Retained earnings			
		€'000	€'000	€'000	€'000	€'000			
<b>As at 1 January 2017 (Audited)</b>		538,114	–	8,584	2,139	166,557	715,394	–	715,394
Shares issued for cash		340,000	–	–	–	–	340,000	–	340,000
Transaction costs on issuance of shares		(2,271)	–	–	–	–	(2,271)	–	(2,271)
Transaction costs on issue of shares settled in shares		8,584	–	(8,584)	–	–	–	–	–
Fair value of options warrants issued for executive share scheme		–	–	–	17	–	17	–	17
Shares issued under Executive share option plan		8,950	–	–	(175)	–	8,775	–	8,775
Shares issued to the Executive Directors and other senior management employees		1,132	–	–	(1,132)	–	–	–	–
Interim dividend paid by the Company		–	–	–	–	(19,933)	(19,933)	–	(19,933)
Acquisition of own shares		–	(428)	–	–	–	(428)	–	(428)
Shares granted under the subsidiaries' employees share award plan		–	–	–	126	–	126	–	126
Shares issued to the Executive Directors and other senior management employees		–	–	–	1,423	–	1,423	–	1,423
Shares vested under the subsidiaries' employees share award plan		–	158	–	(158)	–	–	–	–
Acquisition through business acquisition		–	–	–	–	–	–	77,306	77,306
Acquisition of non-controlling interest for cash		–	–	–	–	1,355	1,355	(9,055)	(7,700)
Profit for the year		–	–	–	–	24,426	24,426	(679)	23,747
<b>As at 31 December 2017 (Audited)</b>		894,509	(270)	–	2,240	172,405	1,068,884	67,572	1,136,456
Shares issued to the Executive Directors for vested warrants	19.1	153	–	–	(3)	–	150	–	150
Transaction costs on issuance of shares		(40)	–	–	–	–	(40)	–	(40)
Shares issued to the Executive Directors and other senior management employees	19.2	1,874	–	–	(1,874)	–	–	–	–
Interim dividend paid by the Company	18	–	–	–	–	(64,870)	(64,870)	–	(64,870)
Interim dividend paid to non-controlling interest holders	24	–	–	–	–	–	–	(14,229)	(14,229)
Shares issued under the subsidiaries' employees share award plan	19.4	818	(818)	–	–	–	–	–	–
Share based payment expense	19.4, 19.2	–	–	–	2,000	–	2,000	–	2,000
Shares vested under the subsidiaries' employees share award plan	19.4	–	246	–	(246)	–	–	–	–
Acquisition of non-controlling interest for cash	24	–	–	–	–	279	279	(9,319)	(9,040)
Change in non-controlling interest arising from shares issue in subsidiary	24	–	–	–	–	(1,102)	(1,102)	1,102	–
Shares issue in subsidiary	24	–	–	–	–	(649)	(649)	147,627	146,978
Profit for the year		–	–	–	–	80,263	80,263	19,654	99,917
<b>As at 31 December 2018 (Unaudited)</b>		897,314	(842)	–	2,117	186,326	1,084,915	212,407	1,297,322

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Unaudited €'000	2017 Audited €'000
<b>Profit before tax</b>		<b>115,342</b>	26,152
<i>Adjustments to reconcile profit before tax to net cash flows</i>			
Fair value movement on investment property	3	(34,088)	(6,727)
Bargain purchase gain on acquisition of subsidiaries		(251)	(28,897)
Loss on sale of investment property		2,701	3,807
Share-based payment expense	19	509	143
Depreciation on other long-term assets		398	150
Net movement in provision for doubtful debts		1,087	129
Foreign exchange loss		1,214	317
Gain from fair valuation of financial instrument	14	(5,463)	–
Share of profit of joint ventures	22	(3,095)	(2,188)
Net financing costs		38,438	37,018
<b>Operating profit before changes in working capital</b>		<b>116,792</b>	29,904
Increase in trade and other receivables		(11,179)	(3,027)
Decrease in trade and other payables		(1,239)	(3,010)
Interest paid		(21,161)	(13,352)
Interest received		2,282	170
Income tax paid		(5,420)	(614)
<b>Cash flows from operating activities</b>		<b>80,075</b>	10,071
<b>Investing activities</b>			
Expenditure on investment property completed and under development	3	(51,392)	(50,076)
Payments for land acquisitions	3	(15,500)	–
Payments for acquisition of investment property	21	(481,876)	–
Payment for acquisition of subsidiaries less cash acquired		–	(317,653)
Proceeds from non-controlling interest holders in subsidiary's share capital	24	146,978	–
Payments for the acquisition of non-controlling interest	24	(9,040)	(7,700)
Investment in unquoted equity shares	15	(8,740)	–
Proceeds from sale of investment properties		6,736	10,392
Investment in available for sale financial assets		–	(3,464)
Investment in and loans given to joint ventures	22	(26,208)	(19,360)
Repayment of loans from joint ventures	22	12,875	–
Acquisition of other long-term assets		(741)	(117)
<b>Cash flows used in investing activities</b>		<b>(426,908)</b>	(387,978)
<b>Financing activities</b>			
Proceeds from share issuance	17	150	348,775
Payment of transaction costs on issue of shares	17	(40)	(3,896)
Purchase of own shares		–	(428)
Proceeds from interest-bearing loans and borrowings		648,711	548,989
Repayment of interest-bearing loans and borrowings		(270,700)	(430,213)
Payment of interim dividends by the Company	18	(64,870)	(19,933)
Payment of interim dividends to non-controlling interest		(3,498)	–
Payment of loan arrangement fees and other financing costs		(9,623)	(15,702)
Change in restricted cash reserve	16	2,958	2,971
<b>Cash flows from financing activities</b>		<b>303,088</b>	430,563
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(43,745)</b>	52,656
Cash and cash equivalents at the beginning of the year	16	271,022	218,366
<b>Cash and cash equivalents at the end of the year<sup>1</sup></b>	16	<b>227,277</b>	271,022

<sup>1</sup>Net of the €2.3 million (2017: €2.3 million) cash reserve, see note 16.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of Preparation

### *Corporate Information*

Globalworth Real Estate Investments Limited ('the Company' or 'Globalworth') is a company with liability limited by shares and incorporated in Guernsey on 14 February 2013, with registered number 56250. The registered office of the Company is at Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT. Globalworth, being a real estate Company, has had its ordinary shares admitted to trading on AIM (Alternative Investment Market of the London Stock Exchange) under the ticker "GWI" since 2013. The Company's Eurobonds were admitted to trading on the Official List of the Irish Stock Exchange and the Bucharest Stock Exchange since 2017.

### *Basis of Preparation and Compliance*

The financial information contained in this announcement has been based on the unaudited results for the year ended 31 December 2018 which have been prepared in conformity with the International Financial Reporting Standards ('IFRS'), as adopted by the European Union ('EU') and in compliance with the Companies (Guernsey) Law 2008, as amended.

This financial information ('unaudited condensed consolidated financial statements' or 'financial statements') has been prepared on a historical cost basis, except for investment property, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which are measured at fair value.

### *Accounting policies*

These unaudited condensed consolidated financial statements apply the same accounting policies, presentation and methods of calculation as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017 except for those new accounting policies where it is necessary to comply with amendments to IFRS, none of which had a material impact on the consolidated results, financial position or cash flows of the Group (further analysis on adoption of IFRS 9, IFRS 15 and IFRS 16 are disclosed in note 27). The unaudited condensed consolidated financial statements included in this announcement should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017.

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 27, which were adopted on 1 January 2018. These condensed consolidated financial statements are prepared in Euro ('EUR' or '€'), rounded to the nearest thousand unless otherwise indicated, being the functional currency and presentation currency of the Company.

These financial statements are prepared on a going concern basis. The Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements. The Directors based their assessment on the Group's detailed cash flow projections for the period up to 30 June 2020. These projections take into account the latest contracted rental income, anticipated additional rental income from new lease agreements to be concluded during the period covered by the projections, as well as contracted debt financing, CAPEX, and other commitments. The projections show that, in the period up to 30 June 2020, the Company has sufficient resources to continue to fund ongoing operations and asset development without the need to raise any additional debt or equity financing or the need to reschedule existing debt facilities or other commitments.

### *Basis of Consolidation*

These unaudited condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries ('the Group') as of and for the year ended 31 December 2018. Subsidiaries are fully consolidated (refer to note 23) from the date of acquisition, being the date on which the Group obtains control, 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 to 31 December, using consistent accounting policies. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Non-controlling interest represents the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from net assets and profit and loss attributable to equity holders of the Company.

## 2. Critical Accounting Judgements, Estimates and Assumptions

The preparation of 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 and the disclosures of contingent liabilities.

### *Selection of Functional Currency*

The Company and its subsidiaries used their judgement based on the criteria outlined in IAS 21 'The Effects of Changes in Foreign Exchange Rates' and determined that the functional currency of all the entities is the EUR.

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

- Investment Property, see note 3 and Fair value measurement and related estimate and judgements, see note 4;
- Commitments (operating leases commitments – Group as lessor), see note 6;
- Taxation, see note 10;
- Financial assets at fair value through profit or loss, see note 14;
- Performance Incentive Scheme, see note 19.3;
- Subsidiaries acquisitions, see note 21;
- Investment in Joint venture, see note 22;
- Investment in Subsidiaries, see note 23.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. Investment Property

	Note	Completed investment property €'000	Investment property under development €'000	Land bank for further development €'000	Total €'000
<b>1 January 2017 (Audited)</b>		891,722	71,120	18,050	980,892
		767,190	–	–	767,190
Business acquisition					
Subsequent expenditure and net lease incentive movement		15,323	31,921	4,822	52,066
Other operating lease commitment		(1,003)	–	–	(1,003)
Capitalised borrowing costs		18	138	–	156
Disposal during the year		(13,614)	–	–	(13,614)
Fair value movement on investment property		(3,401)	7,300	2,828	6,727
Transfer to completed investment property		56,129	(56,129)	–	–
<b>31 December 2017 (Audited)</b>		1,712,364	54,350	25,700	1,792,414
Acquisition of investment property	21	<b>507,474</b>	–	–	<b>507,474</b>
Land acquisition		–	–	<b>15,500</b>	<b>15,500</b>
Transfer to investment property under development		–	<b>14,351</b>	<b>(14,351)</b>	–
Subsequent expenditure and net lease incentive movement		<b>24,972</b>	<b>23,599</b>	<b>1,522</b>	<b>50,093</b>
Other operating lease commitment		<b>(378)</b>	–	–	<b>(378)</b>
Capitalised borrowing costs		–	<b>411</b>	–	<b>411</b>
Transfer to completed investment property		<b>55,700</b>	<b>(55,700)</b>	–	–
Disposal during the year		<b>(8,608)</b>	–	–	<b>(8,608)</b>
Fair value movement on investment property		<b>23,170</b>	<b>7,689</b>	<b>3,229</b>	<b>34,088</b>
<b>31 December 2018 (Unaudited)</b>		<b>2,314,694</b>	<b>44,700</b>	<b>31,600</b>	<b>2,390,994</b>

#### 3.1 Other operating lease commitment

Other operating lease commitment of €1.9 million (2017: €2.3 million) as of 31 December 2018 (a similar corresponding amount was recorded as provisions for tenant lease incentives under current and non-current liabilities) represents the Group's estimated net cost for undertaking existing operating leases in properties owned by third parties, as well as for the commitment to undertake additional operating lease expense, under certain conditions, related to one of the Group's tenants. The net cost is estimated by deducting from the operating lease expenses the revenues from sub-letting the respective properties to third parties selected by the Group, for the unexpired portion of their leases.

### 4. Fair Value Measurement and Related Estimates and Judgements

#### Investment Property Measured at Fair Value

The Group's investment property portfolio for Romania was valued by Colliers Valuation and Advisory SRL, CBAR Research & Valuation Advisors SRL, Cushman & Wakefield LLP and for Poland by Knight Frank Sp. z o.o. and CBRE Sp. z o.o., 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.

#### Our Property Valuation Approach and Process

The Group's investment department includes a team that reviews twice in a financial year the valuations performed by the independent valuers for financial reporting purposes. For each independent valuation performed, the investment team along with the finance team:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the initial valuation report at acquisition or latest period end valuation report; and
- holds discussions with the independent valuer.

The fair value hierarchy levels are specified in accordance with IFRS 13 Fair Value Measurement. Some of the inputs to the valuations are defined as "unobservable" by IFRS 13 and these are analysed in the tables below. Any change in valuation technique or fair value hierarchy (between Level 1, Level 2 and Level 3) is analysed at each reporting date or as of the date of the event or variation in the circumstances that caused the change. As of 31 December 2018 (2017: same) the values of all investment properties were classified as Level 3 fair value hierarchy under IFRS 13 and there were no transfers from or to Level 3 from Level 1 and Level 2.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. Fair Value Measurement and Related Estimates and Judgements *continued*

#### *Valuation Techniques, Key Inputs and Underlying Management's Estimations and Assumptions*

Property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer. Key information about fair value measurements, valuation technique and significant unobservable inputs (Level 3) used in arriving at the fair value under IFRS 13 are disclosed below:

Class of property	Carrying value		Valuation technique	Country	Input	Range	
	2018 Unaudited €'000	2017 Audited €'000				2018 Unaudited	2017 Audited
Completed investment property	1,216,790	680,130	Discounted cash flows	Poland	Rental value (sqm)	€11.5–€22	€12–€28
					Discount rate	4.84%–10.32%	5.85%–8.58%
	1,029,390	955,495	Income approach	Romania	Rental value (sqm)	€2.82–€44.64	€2.77–€65
					Discount rate	7.50%–9.50%	7.20%–9.20%
	2,246,180	1,635,625	Sales comparison	Romania	Exit yield	6.25%–8.50%	6.65%–8.75%
					Sales value (sqm)	€1,867	€1,852
68,514	76,739						
2,314,694	1,712,364						
Investment property under development	44,700	54,350	Residual method	Romania	Rental value (sqm)	€4.00–€15	€3.33–€17.00
					Exit yield	7.00%–8.50%	7.25%–8.75%
					Capex (€m)	€78.26	€33.96
Land bank – for further development	25,200	–	Residual method	Romania	Rental value (sqm)	€14–€20	–
					Exit yield	7.00%–7.25%	–
	6,400	25,700	Sales comparison	Romania	Sales value (sqm)	€24	€1,819–€1,896
<b>TOTAL</b>	<b>2,390,994</b>	<b>1,792,414</b>					

All class of property portfolio were categorised as Level 3 under fair value hierarchy. The fair value movement on investment property recognised, as gain, in the income statement includes an amount of €34.1 million (2017: €6.7 million) for fair value measurements as of the statement of financial position date related to investment properties categorised within Level 3 of the fair value hierarchy. In arriving at estimates of market values as at 31 December 2018 and 2017, the independent valuation experts used their market knowledge and professional judgement and did not rely solely on comparable historical transactions. In these circumstances, there was a greater degree of uncertainty in estimating the market values of investment properties than would have existed in a more active market.

#### *Other Disclosures Related to Investment Property*

Interest-bearing loans and borrowings are secured on investment property, see note 13 for details.

### 5. Advances for Investment Property

	2018 Unaudited €'000	2017 Audited €'000
Advances for land and other property acquisitions	2,000	2,000
Advances to contractors for investment properties under development	2,209	1,355
	<b>4,209</b>	<b>3,355</b>

### 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 completed investment property of €5.5 million (2017: €3.4 million), investment property under construction of €34.6 million (2017: €13.6 million) and had committed with tenants to incur fit-out works of €5.5 million (2017: €7.3 million).

The Group's joint venture was committed for the construction of investment property for the amount of €2.1 million (2017: €37.2 million) at 31 December 2018.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6 Commitments *continued*

#### *Operating Leases Commitments – Group as Lessor*

##### 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 duration of these leases is one year or more (2017: one year or more) and rentals are subject to annual upward revisions based on the consumer price index.

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

	2018 <i>Unaudited</i> €'000	2017 <i>Audited</i> €'000
Not later than 1 year	<b>148,865</b>	117,290
Later than 1 year and not later than 5 years	<b>393,813</b>	366,182
Later than 5 years	<b>130,825</b>	126,849
	<b>673,503</b>	610,321

### 7. Revenue

	2018 <i>Unaudited</i> €'000	2017 <i>Audited</i> €'000
Gross Rent	<b>144,634</b>	59,055
Adjustment for lease incentives	<b>(7,006)</b>	(5,199)
<b>Rental income</b>	<b>137,628</b>	53,856
<b>Revenue from contracts with customers</b>		
Service charge income	<b>47,438</b>	19,107
Fit-out services income	<b>6,717</b>	4,616
Asset management fees	<b>300</b>	250
Marketing and other income	<b>718</b>	37
	<b>55,173</b>	24,010
	<b>192,801</b>	77,866

The total contingent rents and surrender premiums recognised as rental income during the year amounted to €0.6 million (2017: €0.8 million) and €0.3 million (2017: €0.3 million), respectively.

### 8. Operating Expenses

	2018 <i>Unaudited</i> €'000	2017 <i>Audited</i> €'000
Property management, utilities and insurance	<b>52,249</b>	21,927
Property maintenance costs and other non-recoverable costs	<b>1,398</b>	850
Property expenses arising from investment property that generate rental income	<b>53,647</b>	22,777
Fit-out services costs	<b>5,713</b>	3,995
	<b>59,360</b>	26,772

### 9. Finance Cost

	2018 <i>Unaudited</i> €'000	2017 <i>Audited</i> €'000
Interest on secured loans	<b>5,468</b>	11,367
Interest on Fixed rate Bonds	<b>27,806</b>	8,427
Debt cost amortisation and other finance costs	<b>7,715</b>	17,683
Other financial expenses	<b>39</b>	237
Bank charges	<b>699</b>	751
	<b>41,727</b>	38,465

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 10. Taxation

	2018 <i>Unaudited</i>	2017 <i>Audited</i>
	€'000	€'000
Income tax expense		
Current income tax expense	8,021	870
Deferred income tax expense	7,404	1,535
	<b>15,425</b>	<b>2,405</b>

The income tax rate applicable to the Company in Guernsey is nil. The subsidiaries in Romania, the Netherlands, Poland, Luxembourg and Cyprus are subject to income taxes in respect of local sources of income. The current income tax charge of €8.0 million (2017: €0.9 million) represents tax charges on profit arising in the subsidiaries located in Romania, Poland and Cyprus (2017: Romania, Poland and Cyprus). Tax charges on profit arising in Poland, Luxembourg, Romania, the Netherlands and Cyprus are subject to corporate income tax at the rate of 19% (15% for small entities where revenue is less than €1.2 million for taxpayers starting a new business for their first tax year in operation), 26.01% (15% tax rate for small entities if taxable profit does not exceed €25,000), 16%, 25% (20% for tax on profit up to €0.2 million), and 12.5%, respectively.

In 2018 the 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 PLN 10 million (€2.33 million). The minimum tax may be deducted from the advance corporate income tax and annual CIT liability in a year for which minimum tax is due. The tax is applied only to leased buildings while no tax applies on vacant buildings or on vacant space in partially occupied buildings.

The Group's subsidiaries registered in Luxembourg, Cyprus and the Netherlands comply with the Cyprus and Netherlands tax regulations; however, the Group does not expect any taxable income, other than dividend and interest income (excluding Luxembourg), which are the most significant future sources of income of the Group companies registered in these countries. Dividend income is tax exempt under certain conditions in Cyprus, the Netherlands and Luxembourg, respectively; on the other hand, interest income is subject to corporate income tax at the rate of 12.5% in Cyprus and ranges from 20% to 25%, depending on total taxable profit (20% for tax on profit up to €0.2 million), in the Netherlands.

#### *Judgements and Assumptions Used in the Computation of Current Income Tax Liability*

Uncertainties exist, particularly in Romania and Poland where the Group has significant operations, with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile. In Romania and Poland, the tax position is open to further verification for five years and no subsidiary in Romania has had a corporate income tax audit in the last five years while in Poland some entities are currently under tax audits for the fiscal year 2017.

	<u>Consolidated statement of financial position</u>		<u>Consolidated statement of comprehensive income</u>	
	2018 <i>Unaudited</i>	2017 <i>Audited</i>	2018 <i>Unaudited</i>	2017 <i>Audited</i>
	€'000	€'000	€'000	€'000
<b>Deferred Tax Liability</b>				
Acquired under business combinations in 2017	-	27,464	(27,464)	-
Deferred tax asset	-	(5,087)	-	-
Deferred tax liability	-	32,551	-	-
Valuation of investment property at fair value	128,639	82,075	46,564	4,954
Deductible temporary differences	(11,227)	1,678	(12,905)	1,966
Discounting of tenant deposits and long-term deferred costs	54	82	(28)	(229)
Share issue cost recognised in equity	(7)	(7)	-	-
Valuation of financial instruments at fair value	532	(428)	960	144
Recognised unused tax losses	(11,013)	(11,290)	277	(5,300)
	<b>106,978</b>	<b>99,574</b>	<b>7,404</b>	<b>1,535</b>

The Group has unused assessed tax losses carried forward of €80.3 million (2017: €103.1 million) and €24 million (2017: €76.7 million) respectively that are available for offsetting against future taxable profits of the respective entity in Romania and Poland, in which the losses arose, within seven years and five years from the year of origination, respectively. As of the statement of financial position date the Group had recognised deferred tax assets of €11.0 million (2017: €12.9 million) in Romania and Poland out of the total available deferred tax assets of €17.2 million (2017: €31.1 million) calculated at the corporate income tax rate of 16% in Romania and 19% (15% for small entities) in Poland, respectively.

Expiry year	2019	2020	2021	2022	2023	2024	2025	TOTAL
<b>Available deferred tax assets (€m)</b>	0.4	1.5	3.0	4.5	2.8	4.9	0.1	17.2

There are also temporary non-deductible interest expenses and net foreign exchange losses of €15.3 million (2017: €nil) related to intercompany and bank loans. Such amounts can be carried forward indefinitely, and each year an amount up to 30% of EBITDA would become tax deductible, for which no deferred tax asset was recorded.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11. Earnings Per Share

The following table reflects the data used in the calculation of basic and diluted earnings per share and number of shares used in the basic and diluted NAV and EPRA NAV per share:

	Note	Number of shares (000)	% of the period	Weighted average (000)
<b>2017</b>	<b>At the beginning of the year (Audited)</b>	<b>90,397</b>		<b>90,397</b>
	<b>Shares issued for:</b>			
July 2017	– Subsidiaries' Employee Share Award Plan (treasury shares)	(57)	48.4	(28)
Aug 2017	– Subsidiaries' Employee Share Award Plan (vested and exercised)	21	39.8	8
Dec 2017	– cash	38,857	5.2	2,028
Dec 2017	– transaction costs on issue of shares	1,073	2.5	27
Dec 2017	– Executive share option plan (vested and exercised)	1,755	2.5	43
April-Dec. 2017	– the Executive Directors and other senior management employees	137	38.0	52
<b>2017</b>	<b>Shares in issue at year end - basic (Audited)</b>	<b>132,183</b>		<b>92,527</b>
	<b>Dilutive effect of:</b>			
Jan 2017	– transaction costs on issue of shares	–	97.5	1,046
April 2017	– Shares issued for Executive share option plan	69	69.8	48
Aug 2017	– Shares purchased for Subsidiaries' Employee Share Award Plan (unvested)	17	39.8	7
Nov 2017	– Shares issued to Executive share option plan (vested and exercised)	–	8.8	154
Nov 2017	– Share warrants vested but not exercised during the year	50	11.3	6
Dec 2017	– Shares to be issued for Executive share option plan	165	–	–
<b>2017</b>	<b>Shares in issue at year end - diluted (Audited)</b>	<b>132,484</b>		<b>93,788</b>
<b>Jan 2018</b>	<b>At the beginning of the year (Audited)</b>	<b>132,183</b>		<b>132,183</b>
Jan 2018	– Executive share option plan (vested and exercised)	19.1	<b>30</b>	<b>99</b>
April 2018	– Shares issued for executive share plan- shares released subsequent to Dec 2017	19.2	<b>98</b>	<b>74</b>
Aug 2018	– Shares purchased for Subsidiaries' Employee Share Award Plan (vested)	19.4	<b>33</b>	<b>38</b>
Dec 2018	– Shares issued for Executive share option plan - transferred		<b>114</b>	<b>4</b>
<b>2018</b>	<b>Shares in issue at year end - basic (Unaudited)</b>	<b>132,458</b>		<b>132,304</b>
	<b>Dilutive effect of:</b>			
Jan 2018	– Share warrants vested but not exercised during the year		<b>20</b>	<b>100</b>
Mar 2018	– Shares issued for Executive share option plan	19.2	<b>47</b>	<b>87</b>
Jun 2018	– Shares issued for Subsidiaries' Employee Share Award Plan (unvested)	19.4	<b>48</b>	<b>51</b>
Aug 2018	– Shares purchased for Subsidiaries' Employee Share Award Plan (vested)	19.4	<b>–</b>	<b>60</b>
Dec 2018	– Shares issued for Executive share option plan (vested and exercised)	19.2	<b>–</b>	<b>96</b>
Dec 2018	– Shares to be issued for Executive share option plan	19.2	<b>126</b>	<b>–</b>
<b>2018</b>	<b>Shares in issue at year end - diluted (Unaudited)</b>	<b>132,699</b>		<b>132,518</b>
<i>IFRS Earnings Per Share</i>				
			<b>2018</b>	<b>2017</b>
			<i>Unaudited</i>	<i>Audited</i>
			€'000	€'000
	Profit attributable to equity holders of the Company for basic and diluted earnings per share		<b>80,263</b>	24,426
	<b>IFRS earnings per share</b>		<b>cents</b>	<b>cents</b>
	– Basic		<b>60.67</b>	26.40
	– Diluted		<b>60.57</b>	26.04

Subsequent to 31 December 2018, 3,135,459 shares were issued.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11. Earnings Per Share *continued*

The following table reflects the reconciliation between earnings as per the statement of comprehensive income and EPRA earnings:

	2018 <i>Unaudited</i> €'000	2017 <i>Audited</i> €'000
Earnings attributable to equity holders of the Company (IFRS)	<b>80,263</b>	24,426
Changes in fair value of financial instruments and associated close-out costs	<b>298</b>	15,247
Fair value gain on investment property	<b>(34,088)</b>	(6,727)
Losses on disposal of investment properties	<b>2,701</b>	3,807
Changes in value of financial assets at fair value through profit or loss	<b>(5,463)</b>	–
Acquisition costs	<b>1,182</b>	10,809
Bargain purchase gain on acquisition of subsidiaries	<b>(251)</b>	(28,897)
Tax credit relating to losses on disposals	<b>(13)</b>	(80)
Deferred tax charge in respect of above adjustments	<b>17,501</b>	1,218
Adjustments in respect of joint ventures for above items	<b>(4,088)</b>	(2,528)
Non-controlling interest in respect of the above	<b>2,853</b>	(467)
<b>EPRA earnings</b>	<b>60,895</b>	16,808
<b>EPRA earnings per share</b>	<b>cents</b>	cents
– Basic	<b>46.03</b>	18.17
– Diluted	<b>45.95</b>	17.92

### 12. Net Asset Value ('NAV') Per Share

#### *NAV Per Share*

The following reflects the net assets used in the NAV per share computations:

	2018 <i>Unaudited</i> €'000	2017 <i>Audited</i> €'000
Net assets attributable to equity holders of the Company	<b>1,084,915</b>	1,068,884
	€	€
<b>NAV per share</b>	<b>8.19</b>	8.09
<b>Diluted NAV per share</b>	<b>8.18</b>	8.07

#### *EPRA Net Asset Value ('EPRA NAV') Per Share*

		2018 <i>Unaudited</i> €'000	2017 <i>Audited</i> €'000
The following reflects the net assets used in the EPRA NAV per share computations:	Note		
Net assets attributable to equity holders of the Company		<b>1,084,915</b>	1,068,884
Exclude:			
Deferred tax liability on investment property	10	<b>128,639</b>	112,092
Fair value of interest rate swap instrument		<b>2,084</b>	2,638
Goodwill as a result of deferred tax		<b>(5,697)</b>	(5,697)
Adjustment in respect of the joint venture for above items		<b>1,341</b>	533
Non-controlling interest effect on above adjustments		<b>(11,111)</b>	(6,983)
<b>EPRA NAV attributable to equity holders of the Company</b>		<b>1,200,171</b>	1,171,467
		€	€
<b>EPRA NAV per share</b>		<b>9.04</b>	8.84

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. Interest-Bearing Loans and Borrowings

This note describes information on the material contractual terms of the Group's interest-bearing loans and borrowings.

	2018 <i>Unaudited</i> €'000	2017 <i>Audited</i> €'000
<b>Current</b>		
Current portion of secured loans and accrued interest	3,039	27,795
Accrued interest on unsecured fixed rate bonds	20,926	8,565
<b>Sub-total</b>	<b>23,965</b>	<b>36,360</b>
<b>Non-current</b>		
Secured loans	155,642	296,641
Unsecured fixed rate bonds	1,079,464	537,403
<b>Sub-total</b>	<b>1,235,106</b>	<b>834,044</b>
<b>TOTAL</b>	<b>1,259,071</b>	<b>870,404</b>

Facility	Currency	Nominal interest rate	Maturity date	2018 <i>Unaudited</i>		2017 <i>Audited</i>	
				Face value €'000	Carrying value €'000	Face value €'000	Carrying value €'000
Loan 16	EUR	EURIBOR 1M+ margin	Jun 2022	17,946	17,946	19,142	19,142
Loan 17	RON	ROBOR 1M+ margin	Apr 2019	85	85	400	400
Loan 25	EUR	Fixed rate bond	June 2022	558,404	548,120	558,565	545,968
Loan 26	EUR	EURIBOR 3M + margin	April 2019	-	-	34,817	34,647
Loan 27	EUR	EURIBOR 3M + margin	March 2020	-	-	45,127	44,846
Loan 28	EUR	EURIBOR 3M + margin	June 2018	-	-	6,221	6,216
Loan 29	EUR	EURIBOR 3M + margin	January 2034	-	-	7,471	7,284
Loan 30	EUR	EURIBOR 3M + margin	June 2018	-	-	7,177	7,171
Loan 31	EUR	EURIBOR 3M + margin	July 2034	-	-	13,694	13,466
Loan 32	EUR	NBP rate less social indicator	June 2034	3,434	2,535	4,320	4,320
Loan 33	PLN	WIBOR 1M + margin	February 2019	187	187	251	251
Loan 34	EUR	EURIBOR 1M + margin	August 2026	36,840	36,782	53,804	52,148
Loan 35	EUR	EURIBOR 1M + margin	June 2026	-	-	96,393	95,650
Loan 36	EUR	EURIBOR 3M + margin	June 2027	-	-	39,334	38,893
Loan 37	EUR	Fixed rate bond	March 2025	562,522	552,271	-	-
Loan 38 <sup>1</sup>	EUR	Fixed rate & Floating rate EURIBOR 3M + margin	May 2025	100,299	99,306	-	-
Loan 40	EUR	EURIBOR 3M + margin	April 2025	2,011	1,839	-	-
<b>Total</b>				<b>1,281,728</b>	<b>1,259,071</b>	<b>886,716</b>	<b>870,402</b>

<sup>1</sup>Loan 38 was drawn down in two tranches – 95% of the amount bearing a fixed interest rate and 5% bearing a floating interest rate.

#### Unsecured Corporate Bond

In June 2017, the Group issued a €550 million unsecured Eurobond (loan 25). The five-year euro-denominated Bond matures on 20 June 2022 and carries a fixed interest rate of 2.875%.

In March 2018, the Group issued a €550 million unsecured Eurobond (Loan 37). The seven-year euro-denominated Bond matures on 29 March 2025 and carries a fixed interest rate of 3.0%. The net proceeds were used for refinancing existing debt (loans 26-31 and 35-36), acquisition of investment properties and general corporate purposes.

#### Secured facilities

In the second quarter of 2018 the Group has entered into new loan agreements (loan 38). The new facility carries fixed interest rates (95% of the amounts drawn down) and partly floating interest rates (5% of the amounts drawn down). The net proceeds were used to fund the acquisition of investment property. Similarly, during the year the Company withdrew from an existing revolving loan facility from Erste Group Bank AG (part of Erste Bank Group), secured on our TAP property (loan 40) an amount of €2 million. Secured bank loans are secured by investment properties with a carrying value of €320.7 million at 31 December 2018 (2017: €796.0 million) and also carry pledges on rent receivable balances of €4.02 million (2017: €9.6 million), tenant deposits of nil (2017: €6.1 million), VAT receivable balances of €0.9 million (2017: €1.3 million) and a moveable charge on the bank accounts (see note 16).

#### Other Disclosures

All the loans are subject to certain financial covenants, which are calculated based on the individual financial statements of the respective subsidiaries and of the Group. The Group is in compliance with all financial covenants and there were no defaults for payments during the years 2018 and 2017. Financial covenants mainly include the gross loan-to-value ratio ("LTV") with ranges from 60% – 83%, the loan to cost ratio ("LTC") with a maximum value of 75%, and the debt service cover ratio ("DSCR") / interest cover ratio ("ICR") with ranges from 120% – 300% and the secured leveraged ratio of maximum value of 30%. LTV is calculated as the loan value divided by the market value of the relevant property (for a calculation date), LTC is calculated by dividing the value of drawdowns by the total project cost, and DSCR (historical and/or projected, as the case may be, for a 12-month period) and ICR are mainly calculated as net operating income divided by the debt service / interest. As of 31 December 2018, the Group had undrawn borrowing facilities of €30.84 million (2017: €32.7 million).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 14. Financial assets at fair value through profit and loss

In prior year, the Group acquired the following financial instruments through the acquisition of a subsidiary, which had been classified as available for sale financial assets under IAS 39 and subsequently as at fair value through profit and loss under IFRS 9, see more detail in note 27.

As at 31 December 2018 (Unaudited)

(measured at fair value through profit or loss under IFRS 9)

Project name	Interest rate	Project completion date	Total	Long-term	Short-term
			€'000	€'000	€'000
Beethoven I	fixed	September 2019	3,608	–	3,608
Beethoven II	fixed	September 2020	2,829	2,829	–
Browary Stage J	fixed	April 2019	9,270	–	9,270
			<b>15,707</b>	<b>2,829</b>	<b>12,878</b>

As at 31 December 2017 (Audited)

(available for sale under IAS 39)

Project name	Interest rate	Project completion date	Total	Long-term	Short-term
			€'000	€'000	€'000
Beethoven I	fixed	March 2019	3,002	3,002	–
Beethoven II	fixed	June 2019	2,895	2,895	–
Browary Stage J	fixed	December 2018	4,346	–	4,346
			10,243	5,897	4,346

#### Right of First Offer Agreements ('ROFO')

The fair value of the financial assets is individually determined by taking into account number of factors e.g. percentage of completion ('PoC'), leasing progress. The maturity dates presented in the table above are stated in the agreements, however the planned repayment dates of debentures would take place upon completion of each ROFO project. As at 31 December, a gain of €5.5 million (2017: nil) from the fair valuation of the above financial instruments was recognised in the statement of comprehensive income.

In 2017 prior to acquisition date, GPRE and its subsidiaries signed an agreement for the acquisition of 25% stakes in ROFO projects, being developed by Echo Investment S.A. ("ROFO Bonds"). Under the agreement, GPRE (the "Bondholder") purchased bonds issued by the respective limited partners of all of the respective ROFO SPVs (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 ROFO SPVs are developing the ROFO Assets. GPRE 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) made by the Company under the ROFO Agreement amounts to €9.9 million.

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 based on the terms of the 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.

### 15. Equity investments

	2018 Unaudited	2017 Audited
	€'000	€'000
Equity investments (unquoted)	8,837	–

On 27 June 2018, the Group entered into an agreement with Mindspace Ltd. by investing in Preferred A-2 class shares for an amount of €8.6 million (US\$10 million), receiving a 4.99% stake in Mindspace Ltd.

At initial recognition the Group, at its sole irrevocable option under IFRS 9, designated the unquoted equity investment as financial assets at fair value through other comprehensive income. Under this option, qualifying dividends will be recognized in profit or loss. Changes in fair value, net of deferred tax if any, will be recognized in other comprehensive income and will not be reclassified to profit and loss on future impairment or derecognition. At 31 December 2018, no fair value gain or loss was recognised in other comprehensive income as there was no significant change in the net assets of the investee since the acquisition date and there were no indicators of impairment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. Cash and Cash Equivalents

	Note	2018 <i>Unaudited</i> €'000	2017 <i>Audited</i> €'000
Cash at bank and in hand		99,087	158,773
Short-term deposits		128,190	112,249
<b>Cash and cash equivalents as per statement of cash flows</b>		<b>227,277</b>	271,022
Guarantee deposits – cash reserve	13	2,250	2,250
<b>Cash and cash equivalents as per statement of financial position</b>		<b>229,527</b>	273,272
<b>Long-term restricted cash balance</b>		<b>–</b>	2,958

Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at rates ranging from minus 0.62% to nil (2017: -0.60% to nil) for EUR deposits, from nil to 3.16% (2017: nil to 0.25%) for RON deposits and from nil to 0.97% (2017: nil) for PLN deposits per annum. Cash at bank and in hand includes restricted cash balances of €10.5 million (2017: €9.7 million) and short-term deposits includes restricted deposits of €3.0 million (2017: €9.3 million).

### 17. Issued Share Capital

	Note	2018 <i>Unaudited</i>		2017 <i>Audited</i>	
		€'000	Number (‘000’)	€'000	Number (‘000’)
<b>Opening balance (Audited)</b>		<b>894,509</b>	<b>132,288</b>	538,114	90,397
Shares issued to the Executive Directors and other senior management employees – transferred	19.2	1,874	143	1,132	137
Shares issued to the Executive Directors and other senior management employees – not transferred		–	47	–	69
Shares issued for cash		–	–	340,000	38,857
Transaction costs on issue of shares		(40)	–	(2,271)	–
Transaction costs on issue of shares settled in shares		–	–	8,584	1,073
Shares issued under the Executive share option plan	19.1	153	30	8,950	1,755
Treasury shares	19.4	818	91	–	–
<b>Balance at 31 December (Unaudited)</b>		<b>897,314</b>	<b>132,599</b>	894,509	132,288

Ordinary shares carry no right to fixed income but are entitled to dividends as declared from time to time. Each Ordinary share is entitled to one vote at meetings of the Company. There is no limit on the authorised share capital of the Company. The Company can issue no par value and par value shares as the shareholders see fit for the five-year period following the incorporation of the Company (unless renewed, revoked or varied by a general meeting). This authority has not been revoked by the shareholders.

Under Guernsey Company Law there is no distinction between distributable and non-distributable reserves, requiring instead that a company passes a solvency test in order to be able to make distributions to shareholders. Similarly, share premium for issuance of shares above their par value per share is recognised directly under share capital and no separate share premium reserve account is recognised.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 18. Dividends

	2018 <i>Unaudited</i> €'000	2017 <i>Audited</i> €'000
<b>Declared and paid during the year</b>		
Interim cash dividends: 49 cents per share (2017: 22 cents per share)	<b>64,870</b>	19,933

On 3 January 2018, the Board of Directors has approved the payment of an interim dividend in respect of the six-month financial period ended 31 December 2017 of €0.22 per ordinary share, which was paid on 26 January 2018 to the eligible shareholders.

On 11 July 2018, the Board of Directors has approved the payment of second interim dividends in respect of the six-month financial period ended 30 June 2018 of €0.27 per ordinary share, which was paid on 17 August 2018 to the eligible shareholders. During 2018, the total dividends per ordinary share distributed amounted to €0.49 and there were no income tax consequences related to the payment of these dividends by the Group to its shareholders.

### 19. Share-Based Payment Reserve

		2018 <i>Unaudited</i>		2017 <i>Audited</i>	
	Note	€'000	Treasury shares Number ( <i>'000</i> )	€'000	Treasury shares Number ( <i>'000</i> )
<b>Share-based payments reserve</b>					
Executive share option plan	19.1	158	–	161	–
Shares granted to Executive Directors and other senior management employees – not transferred	19.2	1,528	(47)	1,911	(69)
Subsidiaries' Employee Share Award Plan	19.4	431	(94)	168	(36)
		<b>2,117</b>	<b>(141)</b>	<b>2,240</b>	<b>(105)</b>
<b>Share-based payments expense</b>					
Executive Share Option Plan	19.1			–	17
Subsidiaries' Employee Share Award Plan	19.4			509	126
<b>Closing balance</b>				<b>509</b>	<b>143</b>

#### 19.1 Executive Share Option Plan

Under the plan, the Directors of the Group were awarded share option warrants as remuneration for the services performed. The share options granted to the Directors of the Group are equity settled.

In 2013, the Group granted warrants to the Founder and the Directors which entitle each holder to subscribe for Ordinary shares in the Company at an exercise price of €5.00 per share if the market price of an Ordinary share, on a weighted average basis over 60 consecutive days, exceeds a specific target price and the holder is employed on such date. The contractual term of each warrant granted is 10 years. There are no cash settlement alternatives and the Group does not have the intention to offer cash settlement for these warrants.

The following table analyses the total cost of the executive share option plan (Warrants), together with the number of options outstanding.

	2018 <i>Unaudited</i>		2017 <i>Audited</i>	
	Cost €'000	Number ( <i>'000</i> )	Cost €'000	Number ( <i>'000</i> )
At the beginning of the year	161	2,880	319	4,635
Share-based payment expense during the year	–	–	17	–
Warrants vested and exercised during the year	(3)	(30)	(175)	(1,755)
<b>At 31 December</b>	<b>158</b>	<b>2,850</b>	<b>161</b>	<b>2,880</b>
Weighted average remaining contractual life (years)		4.58		5.58
Warrants vested and exercisable at 31 December		20		50
Warrants exercised subsequent to 31 December		–		30

The fair value of the warrants was estimated at the grant date (i.e. July 2013) at €0.073 per share. There have been no cancellations or modifications to any of the plans during the year. On 3 January 2018, 30,000 of the vested warrants were exercised at €5.00 per share under the contractual terms for an amount of €0.15 million and a corresponding €3,000 share-based payment reserve was also transferred to share capital.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 19. Share-Based Payment Reserve *continued*

#### 19.2 Shares granted to Executive Directors and other senior management employees

	2018 <i>Unaudited</i> €'000	2017 <i>Audited</i> €'000
At the beginning of the year	1,911	1,820
Shares granted to Executive Directors and other senior management employees	1,491	1,423
Transferred to subsidiaries' employee share award plan	-	(200)
Shares issued to the Executive Directors and other senior management employees	(1,874)	(1,132)
<b>Closing balance</b>	<b>1,528</b>	<b>1,911</b>

#### Shares issued to the Executive Directors and other senior management employees

On 28 March 2018, the Company issued 0.2 million Ordinary shares (Ordinary shares of no par value), out of which 0.09 million Ordinary shares were delivered to the Executive Directors and other senior management employees, from share-based payment reserve, in their capacity as Globalworth Investment Advisers Limited's ("GIAL") preference shareholders, on behalf of its subsidiary GIAL, in order to settle part of the liability of € 1.66 million owed by the Company to its subsidiary, related to the fees charged by GIAL to the Company pursuant to the Investment Advisory Agreement concluded between the Company and GIAL. The 0.2 million new shares rank pari passu with the existing shares of the Company. The Ordinary shares have been issued at €8.75 per Ordinary share (market price on the issue date being €9.15 per Ordinary share) and are subject to the vesting conditions set out in the performance incentive scheme for the Investment Adviser.

On 12 December 2018, pursuant to the above decision, GIAL transferred the following shares to the Executive Directors and certain other preference shareholders of GIAL:

- the third tranche of 0.07 million Ordinary shares, comprising part of the Ordinary Shares that were allotted to GIAL in part settlement of the fee due to GIAL by the Company for the year ended 31 December 2016; and
- the second tranche of 0.05 million Ordinary shares, comprising part of the Ordinary Shares that were allotted to GIAL in part settlement of the fee due to GIAL by the Company for the year ended 31 December 2017.

As at 31 December 2018, 0.05 million shares held by GIAL and not transferred yet are accounted for as treasury shares.

#### Subsidiaries' Employee Share Award Plan

Under the share award plan, the subsidiaries' employees are required to remain in service for one-year period since the date of acceptance of the share offer letter, by the employees, of the shares assigned under the scheme. During the year, the Company recorded €0.5 million as share-based payment expense in the income statement for the lapsed vested period. Therefore, as of 31 December 2018 a total of 93,976 Ordinary shares were held by the Company as treasury shares.

#### 19.3 Performance Incentive Scheme

The Company's Admission document in July 2013 stated that the Company would implement a performance incentive plan based on Total Shareholder Return.

Post Admission, and following extensive discussions with the Board, the Board of the Company adopted the current Investment Adviser Incentive Plan which the Company's shareholders approved at an Extraordinary General Meeting in November 2016 (the "Plan"). The Plan comprises the following three main elements:

- an annual fee which includes a fixed component and an amount by way of profit margin to the Investment Adviser for the relevant financial year;
- an annual incentive amount based on the achievement of targets set by the Board at the start of the relevant year; and
- a long-term incentive fee ("LTF"), primarily based on achieving certain returns for shareholders.

Following discussions during 2018 by the Company's management with the Company's major shareholders, as well as other key shareholders and potential new investors, regarding the LTF, concerns were raised over the potential uncapped dilutive future effect of the LTF. It is evident that should the Company continue to grow as it has so far, at termination of the Plan, the LTF-related liability would be significantly higher than if it was to be terminated today. If decided to be terminated over the course of the current year, any consideration could represent a significant discount to the potential future value of the LTF component of the Plan.

As a result of these concerns over this future uncapped liability the Board requested the Remuneration Committee to conduct a detailed analysis of what could be the potential payout to the Investment Adviser (and subsequently to its preference shareholders, which comprise the Executive Directors and other members of senior management of the Company) in the future should the LTF's related conditions be met and what would be a reasonable and fair value to terminate the Plan today in order to prevent a potentially much bigger liability to the Company in the future.

The Remuneration Committee, supported by international expert remuneration consultants, conducted such detailed analysis and has recommended to the Board an appropriate termination value for the LTF should the Board decide to terminate the LTF. The Board is currently in the process of further assessing and analysing the proposal of the Remuneration Committee, and since no final decision has been taken and implemented, no accounting entries have been recorded in the current financial year.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 19. Share-Based Payment Reserve *continued*

#### 19.4 Subsidiaries' Employee Share Award Plan

	2018 <i>Unaudited</i> €'000	2017 <i>Audited</i> €'000
Opening balance related to subsidiaries employees	168	–
Transfer from Shares granted to Executive Directors and other senior management employees – not transferred	–	200
Share-based payment expense during the year	509	126
Shares vested and exercised during the year	(246)	(158)
<b>Closing balance</b>	<b>431</b>	<b>168</b>
Weighted average remaining unvested period (years)	0.5	0.5
Weighted average price per share - vested and exercised share	€7.55	€7.55
Weighted average price per share - unvested shares	€8.95	–

The Company estimated that all employees will remain in service until the expiry of the unvested period.

#### Treasury shares

	2018 <i>Unaudited</i>		2017 <i>Audited</i>	
	Amount €'000	Number (‘000’)	Amount €'000	Number (‘000’)
Opening balance	(270)	(36)	–	–
Shares purchased under the subsidiaries' employee share award plan	–	–	(428)	(57)
Shares issued under the subsidiaries' employee share award plan	(818)	(91)	–	–
Shares vested and exercised under the subsidiaries' employee share award Plan	246	33	158	21
Shares held in treasury under the subsidiaries' employee share award plan	(842)	(94)	(270)	(36)

### 20. Capital Management

The Company has no legal capital regulatory requirement. The Group's policy is to maintain a strong equity capital base to maintain investor, creditor and market confidence and to sustain the continuous development of its business. The Board considers from time to time whether it may be appropriate to raise new capital by a further issue of shares.

The Group monitors capital primarily using an LTV ratio, which is calculated as the amount of outstanding debt, less cash and cash equivalents, divided by the open market value of its investment property portfolio as certified by external valuers. As at 31 December 2018 the LTV ratio amounted to 43.9% (2017: 34.0%).

	Note	2018 <i>Unaudited</i> €'000	2017 <i>Audited</i> €'000
Interest-bearing loans and borrowings (face value)	13.1	1,281,728	886,716
<b>Less:</b>			
Cash and cash equivalents	16	229,527	273,272
<b>Group Interest-bearing loans and borrowings (net of cash)</b>		<b>1,052,201</b>	<b>613,444</b>
<b>Add:</b>			
50% Share of Joint Venture interest-bearing loans and borrowings		14,348	–
50% Share of Joint Venture cash and cash equivalents		(1,930)	(145)
<b>Combined Interest-bearing loans and borrowings (net of cash)</b>		<b>1,064,619</b>	<b>613,299</b>
Investment property	3	2,390,994	1,792,414
<b>Less:</b>			
Other operating lease commitment		1,514	1,432
Group Open Market value as of financial position date		2,389,480	1,790,982
<b>Add:</b>			
50% Share of Joint Venture Open Market value as of financial position date		36,300	12,200
<b>Combined open Market value as of financial position date</b>		<b>2,425,780</b>	<b>1,803,182</b>
<b>Loan-to-value ratio ("LTV")</b>		<b>43.9%</b>	<b>34.0%</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 21. Subsidiaries Acquisitions

The Group acquired controlling interest in the following entities during the year. Considering the absence of existing strategic management functions and associated processes in underlying subsidiaries owning the properties, the management considered these transactions as acquisitions of an asset rather than a business acquisition.

#### Asset acquisitions

During 2018 the Group acquired 100% of the issued shares in Warta Tower Sp. z o.o. Sp. k., holding an office building called "Warta Tower", West Gate II - Projekt Echo - 114 Sp. z o.o. Sp. k., holding an office building called "West Link", Blackwyn Investments Sp. z o.o., holding an office building called "Quattro Business Park", Spektrum Tower spółka z ograniczoną odpowiedzialnością, holding legal rights to the office building Spektrum Tower in Warsaw, Poland, and Gold Project Spółka z ograniczoną odpowiedzialnością Sp. j. holding two office buildings, called "Skylight & Lumen".

The acquisitions were judged as asset acquisitions on acquisition date as per the criteria outlined above for a gross cash consideration of €508.8 million. The aggregate fair values of investment properties, cash and cash equivalents, other current assets and current liabilities acquired were €513.6 million, €7.2 million, €4.1 million and €11.04 million, respectively.

The aggregate cash consideration in respect of the subsidiaries' acquisitions

	2018 <i>Unaudited</i> €'000
<b>Acquisition price</b>	508,857
Less:	
Net working capital of the subsidiary	(1,383)
Investment property acquired	507,474
Cash of acquired entities	(7,200)
<b>Sub-total</b>	<b>500,274</b>
Less:	
Debentures (outstanding from the acquiree) <sup>1</sup>	18,684
Cash consideration paid	481,876
Other incidental costs paid	1,947
Consideration receivable from the seller	2,233

<sup>1</sup>non-cash settlement

### 22. Investment in Joint venture

	2018 <i>Unaudited</i> €'000	2017 Audited €'000
Investments		
Opening balance	2,218	–
Cost of investment in Joint venture at acquisition date	–	30
Additions in investment	6	–
Share of profit during the year	3,095	2,188
<b>Sub-total</b>	<b>5,319</b>	2,218

#### Loans receivable from joint venture

Opening balance	19,721	–
Loan given to the joint venture	26,202	19,330
Loan repayments from the joint venture	(12,875)	–
Interest repayment	(1,470)	–
Interest income for the year	1,419	391
<b>Sub-total</b>	<b>32,997</b>	19,721
<b>TOTAL</b>	<b>38,316</b>	21,939

In February 2017, the Group's subsidiary Minory Investments Limited entered into a joint venture agreement with Diti Holding Limited and through which it acquired a 50% shareholding interest in Elgan Offices SRL ("Elgan O"), an unlisted company in Romania, currently owning an investment property in Bucharest, Romania. The property is fully occupied by Groupe Renault Romania being its new headquarters in Bucharest. The joint venture was funded by loans from venture partners, which carry fixed interest rate, and an interest-bearing bank loan.

The joint venture had no other contingent liabilities or commitments as at 31 December 2018, except construction commitments as disclosed in note 6. Elgan Offices SRL cannot distribute its profits without the consent from the other venture partner.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 23. Investment in Subsidiaries

#### Key Judgements and Assumptions used in Determining the Control over an Entity:

- Power over the investee (i.e. existing rights, directly or indirectly, in the investee that give it the current ability to direct the relevant activities of the investee). If 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 and the Group's voting rights and potential voting rights.
- 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 (such as appointment of administrator or director in the subsidiary or investee).

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 the table below.

As of 31 December 2018 and 31 December 2017, the Group consolidated following subsidiaries, being holding companies as principal activities.

Subsidiary Name	2018 Shareholding interest (%)	2017 Shareholding interest (%)	Place of incorporation
Globalworth Investment Advisers Limited, Globalworth Finance Guernsey Limited	100	100	Guernsey, Channel Islands
Globalworth Holding B.V.	100	100	Netherlands
Globalworth Poland Real Estate N.V. (GPRE Group or GPRE), formerly known as Griffin Premium RE. N.V.	69.70	71.66	Netherlands
Elgan Automotive Kft.	100	100	Hungary
Globalworth Holdings Cyprus Limited, Zaggatti Holdings Limited, Tisarra Holdings Limited, Ramoro Limited, Vaniasa Holdings Limited, Serana Holdings Limited, Kusanda Holdings Limited, Kifeni Investments Limited, Casalia Holdings Limited, Pieranu Enterprises Limited, Dunvant Holding Limited, Oystermouth Holding Limited, Saniovo Holdings Limited, Kinolta Investments Limited, Minory Investments Limited	100	100	Cyprus
IB 14 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Akka RE Sp. z o.o., Charlie RE Sp. z o.o., December RE Sp. z o.o., Nordic Park Offices Sp. z o.o., Lamantia Sp. z o.o., Dom Handlowy Renoma Sp. z o.o., Wagstaff Investments Sp. z o.o., Wetherall Investments Sp. z o.o., Iris Capital Sp. z o.o., GPRE Management Sp. z o.o., Lima Sp. z o.o., Luapele Sp. z o.o., Warta Tower Sp. z o.o., Warta LP Sp. z o.o., GPRE Property Management Sp. z o.o., Elissea Investments Sp. z o.o., West Link Sp. z o.o. (previously Projekt Echo - 114 Sp. z o.o.), Ormonde Sp. z o.o., Emfold Investments Sp. z o.o., West Gate Wrocław Sp. Z.o.o., Gold Project Sp. z o.o. (formerly: Haola Sp. z o.o.),	69.70	71.66	Poland
Griffin Premium RE Lux S.á r.l., Akka SCSp, Charlie SCSp, December SCSp.	69.70	71.66	Luxembourg

As of 31 December 2018 and 31 December 2017, the Group consolidated the following subsidiaries, who own real estate assets in Romania and Poland, being asset holding companies as their principal activities, except Globalworth Building Management SRL with building management activities.

Subsidiary Name	2018 Shareholding interest (%)	2017 Shareholding interest (%)	Place of incorporation
Corinthian Five SRL, Tower Center International SRL, Upground Estates SRL, BOB Development SRL, BOC Real Property SRL, Netron Investment SRL, SEE Exclusive Development SRL, Aserat Properties SRL, Corinthian Tower SRL, Globalworth EXPO SRL (formerly Bog'Art Offices SRL), SPC Beta Property Development Company SRL, SPC Gamma Property Development Company SRL, Globalworth Asset Managers SRL, Globalworth Building Management SRL, Elgan Automotive SRL, SPC Epsilon Property Development Company SRL, Corinthian Twin Tower SRL	100	100	Romania
DH Supersam Katowice Sp. z o.o., Hala Koszyki Sp. z o.o., Dolfia Sp. z o.o., Ebgaron Sp. z o.o., Bakalion Sp. z o.o., Centren Sp. z o.o., Emfold investments Spółka z ograniczoną odpowiedzialnością Sp. k., A4 Business Park - „Iris Capital” - Spółka z ograniczoną odpowiedzialnością Sp. k., West Gate II - Projekt Echo - 114 Sp. z o.o. Sp. k., Dom Handlowy Renoma Spółka z ograniczoną odpowiedzialnością Sp. k., Lamantia Spółka z ograniczoną odpowiedzialnością Sp. k., Nordic Park Offices Spółka z ograniczoną odpowiedzialnością Sp. k., Warta Tower Spółka z ograniczoną odpowiedzialnością Sp. k., Blackwyn Investments Sp. z o.o., West Gate Wrocław Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Echo – West Gate Spółka z ograniczoną odpowiedzialnością Sp.k.), Gold Project Spółka z ograniczoną odpowiedzialnością Sp. j. (formerly: Złote Tarasy Tower Warsaw III S. à r.l. Sp. j.), Spektrum Tower Sp. z o.o.	69.70	71.66	Poland

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 23. Investment in Subsidiaries *continued*

#### *Changes in Group structure during 2018*

Circolo Holding Limited, a holding company and a wholly owned subsidiary which was incorporated in 2017 in Cyprus was liquidated. Circolo had held no assets and was a dormant company.

GW Finance B.V and GW Real Estate Finance B.V., holding companies and wholly owned subsidiaries which were incorporated in The Netherlands, were liquidated. They held no real estate assets. Globalworth Tech Ltd. was incorporated in Cyprus, a holding subsidiary, which is 80% owned by the Group and 20% by Mr. Ioannis Papalekas. The total cost of investment was €1,000.

During the year ended 31 December 2018, the Group also incorporated in Poland GPRE Property Management Sp. z o.o. (asset management company), Luapele Sp. z o.o. (intra-group loan financing company) and Warta Tower Sp. z o.o., Warta LP Sp. z o.o., Gold Project sp. z o.o., Light Project Sp. z o.o. (being holding companies). All companies were wholly owned subsidiaries of the Group as at 31 December 2018.

#### *New acquisitions during the year*

On 23 February 2018, the Group acquired 100% of the equity stake in Corinthian Twin Tower SRL, holding a land plot in the Gara Herastrau / Barbu Vacarescu corridor of Bucharest's new CBD, for a total consideration of €13 million. The land plot is located between Globalworth Plaza and Green Court B office properties owned by the Group.

On 14 March 2018, the Group acquired 100 % of the equity stake in Warta Tower Sp. z o.o. Sp. k., holding an office building called "Warta Tower". On 25 May 2018, the Group acquired 100 % of the equity stake in West Gate II - Projekt Echo - 114 Sp. z o.o. Sp. k., holding an office building called "West Link", and on 21 June 2018 the Group acquired 100 % of the equity stake in Blackwyn Investments Sp. z o.o., holding an office building called "Quattro Business Park".

On 12 July 2018, the Group concluded an agreement based on which it purchased 100% of the issued shares in Spektrum Tower spółka z ograniczoną odpowiedzialnością, holding legal rights to the office building Spektrum Tower in Warsaw, Poland.

On 21 December 2018, the Group acquired 100 % of the shares of Gold Project Spółka z ograniczoną odpowiedzialnością Sp. j. holding two office buildings, "Skylight & Lumen".

### 24. Subsidiary with significant non-controlling interest

GPRE Group represents a material subsidiary not fully owned by the Group as of 31 December 2018, where non-controlling interest had 30.30% (31 December 2017: 28.30%) interest in the GPRE Group. On 12 June 2018, the Group participated in GPRE's €450 million capital raise and made an additional investment of €300 million in GPRE (representing 66.67% of the shares issued). This decreased the Group's interest in GPRE from 71.66 to 68.43%. In December 2018, the Group acquired 1.27% of non-controlling interest (representing 5.7 million shares) from non-controlling interest holders in cash for an amount of €9.0 million, which increased the Group's share from 68.43% to 69.70% as at 31 December 2018.

The summary of key statements from GPRE's unaudited condensed consolidated financial statements as of and for the years ended 31 December 2018 and 31 December 2017 is presented below. The amounts are presented before inter-company eliminations.

	2018 <i>Unaudited</i>	2017 <i>Audited</i>
	€ '000	€ '000
<b>Summarised statement of financial position</b>		
<b>Non-current assets</b>		
Investment property	1,216,790	680,130
Available for sale financial assets	–	5,897
Financial assets at fair value through profit or loss	2,828	–
Other long-term assets	378	116
Long-term restricted cash	–	2,958
<b>Current assets</b>		
Trade and other receivables and other current asset	13,431	10,695
Debentures and available for sale financial assets	–	22,735
Financial assets at fair value through profit or loss	12,878	–
Cash and cash equivalents	72,746	34,685
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	(135,124)	(278,690)
Intra-group loans	(392,233)	–
Other long-term liabilities and deferred tax liability	(33,443)	(30,229)
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	(3,686)	(26,202)
Intra-group loans	–	(165,413)
Dividends payable <sup>1</sup>	(35,421)	–
Other current-term liabilities	(18,734)	(16,749)
<b>EQUITY</b>	<b>700,410</b>	<b>239,933</b>
Attributable to:		
Equity holders of parent	488,003	172,361
Non-controlling interest	212,407	67,572

<sup>1</sup>It represents 100% dividend payable at 31 December out of which €10.7 million was payable to non-controlling interest holders.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	For the year 31 December 2018 <i>Unaudited</i>	Period from 6 to 31 December 2017 <i>Audited</i>
	€'000	€'000
Summarised statement of comprehensive income		
Revenue	102,709	4,905
Operating expenses	(24,452)	(1,036)
Administrative expenses	(6,407)	(370)
Acquisition costs	–	(2,657)
Other net income	24,155	814
Net finance cost	(26,819)	(2,191)
Income tax expense	(4,506)	(1,862)
<b>Profit/(Loss) for the year</b>	<b>64,680</b>	<b>(2,397)</b>
Other comprehensive income	–	–
Profit/(Loss) attributable to non-controlling interest	19,654	(679)

	For the year 31 December 2018 <i>Unaudited</i>	Period from 6 to 31 December 2017 <i>Audited</i>
	€'000	€'000
Summarised statement of cash flow		
Operating	62,414	2,736
Investing	(493,062)	(157,583)
Financing	474,823	158,873
<b>Net increase in cash and cash equivalents</b>	<b>44,175</b>	<b>4,026</b>

Subsequent to 31 December 2018, the Group acquired another 4.03% of non-controlling interest (representing 17.8 million shares of the investee) from non-controlling interest holders in exchange for 3.1 million newly issued ordinary shares of the Company. There was no cash consideration. As a result, the Group's interest increased from 69.70% to 73.73% on 23 January 2019.

### 25. Segmental Information

The Board of Directors is of the opinion that the Group is engaged mainly in real estate business, comprising following Offices investment property, High-street mixed-use, office investment property, residential investment property and other, in two geographical areas, Romania and Poland. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Executive Directors.

The Group is domiciled in Guernsey. The Group earns revenue and holds non-current assets (investment properties) in Romania and Poland, the geographical area of its operations. For investment property, discrete financial information is provided on a property-by-property basis (including those under construction) to members of executive management, which collectively comprise the Executive Directors of the Group. The information provided is Net Operating Income (gross rental income less property expenses) and property valuation gains/losses. The individual properties are aggregated into segments with similar economic characteristics, such as the nature of the property and the occupier market it serves. Management considers that this is best achieved by aggregating into the office, mixed use and other segments however residential segment is disclosed separately as it meets the quantitative threshold of IFRS 8.

Consequently, the Group is considered to have four reportable operating segments: the Offices segment (acquires, develops, leases and manages offices and spaces), the Residential segment (builds, acquires, develops and leases apartments) and the Other segment (acquires, develops, leases and manages industrial spaces and corporate holding offices). Share-based payments expense is not allocated to individual segments as underlying instruments are managed at Group basis. Segment assets and liabilities reported to executive management on a segmental basis are set out below:

	2018 <i>Unaudited</i>						2017 <i>Audited</i>					
	Office	High street Mixed use	Residential	Other	Inter segment eliminations	Total	Office	High street mixed use	Residential	Other	Inter segment eliminations	Total
Segments	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Segment non-current assets	1,966,202	306,466	76,432	114,729	(3,788)	2,460,041	1,331,727	309,197	84,719	116,102	(150)	1,841,595
Romania	1,048,944	–	76,432	114,729	(167)	1,239,938	951,823	–	84,719	116,102	(150)	1,152,494
Poland	917,258	306,466	–	–	(3,621)	1,220,103	379,904	309,197	–	–	–	689,101
<b>Total assets</b>	<b>2,048,863</b>	<b>332,080</b>	<b>78,530</b>	<b>281,764</b>	<b>(4,238)</b>	<b>2,736,999</b>	<b>1,407,799</b>	<b>331,530</b>	<b>89,336</b>	<b>333,283</b>	<b>(1,003)</b>	<b>2,160,945</b>
<b>Total liabilities</b>	<b>1,282,366</b>	<b>52,921</b>	<b>26,844</b>	<b>81,195</b>	<b>(3,649)</b>	<b>1,439,677</b>	<b>728,216</b>	<b>207,674</b>	<b>27,465</b>	<b>62,038</b>	<b>(904)</b>	<b>1,024,489</b>
<b>Additions to non-current Assets</b>												
– Romania	50,163	–	1,047	3,477	–	54,687	41,321	–	569	10,332	–	52,222
– Poland	7,856	3,461	–	–	–	11,317	–	–	–	–	–	–

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 25. Segmental Information *continued*

Income statement reported to executive management on a segmental basis are set out below:

	2018 <i>Unaudited</i>						2017 <i>Audited</i>					
	Office €'000	High Street Mixed use €'000	Residential €'000	Other €'000	Inter- segment eliminations €'000	Total €'000	Office €'000	High Street Mixed use €'000	Residential €'000	Other €'000	Inter- segment eliminations €'000	Total €'000
<b>Rental income -</b>												
<b>Total</b>	<b>95,836</b>	<b>31,298</b>	<b>2,251</b>	<b>8,735</b>	<b>(492)</b>	<b>137,628</b>	43,012	2,269	2,315	6,768	(508)	53,856
<i>Romania</i>	47,462	-	2,251	8,735	(492)	57,956	41,416	-	2,315	6,768	(313)	50,186
<i>Poland</i>	48,374	31,298	-	-	-	79,672	1,596	2,269	-	-	(195)	3,670
<b>Revenue from contract with customers - Total</b>	<b>42,490</b>	<b>8,172</b>	<b>683</b>	<b>4,658</b>	<b>(830)</b>	<b>55,173</b>	19,890	881	634	3,720	(1,115)	24,010
<i>Romania</i>	27,624	-	683	4,658	(830)	32,135	19,536	-	634	3,720	(1,115)	22,775
<i>Poland</i>	14,866	8,172	-	-	-	23,038	354	881	-	-	-	1,235
<b>Revenue-total</b>	<b>138,326</b>	<b>39,470</b>	<b>2,934</b>	<b>13,393</b>	<b>(1,322)</b>	<b>192,801</b>	62,902	3,150	2,949	10,488	(1,623)	77,866
Operating expenses	(44,236)	(8,711)	(1,253)	(5,075)	(85)	(59,360)	(21,902)	(492)	(1,220)	(3,451)	293	(26,772)
<b>Segment NOI</b>	<b>94,090</b>	<b>30,759</b>	<b>1,681</b>	<b>8,318</b>	<b>(1,407)</b>	<b>133,441</b>	41,000	2,658	1,729	7,037	(1,330)	51,094
<b>NOI- Romania</b>	<b>46,027</b>	<b>-</b>	<b>1,681</b>	<b>8,318</b>	<b>(1,012)</b>	<b>55,014</b>	39,595	-	1,729	7,037	(1,135)	47,226
<b>NOI - Poland</b>	<b>48,063</b>	<b>30,759</b>	<b>-</b>	<b>-</b>	<b>(395)</b>	<b>78,427</b>	1,405	2,658	-	-	(195)	3,868
Administrative expenses	(6,124)	(510)	(607)	(8,956)	944	(15,253)	(4,346)	(233)	(777)	(6,059)	1,184	(10,231)
Acquisition costs	(1,182)	-	-	-	-	(1,182)	(5,810)	(4,492)	-	(507)	-	(10,809)
Change in fair value of investment property	38,474	(7,120)	2,339	395	-	34,088	7,170	-	(3,801)	3,358	-	6,727
Depreciation on other long-term assets	(323)	(9)	(63)	(3)	-	(398)	(84)	-	(64)	(2)	-	(150)
Gain on acquisition of subsidiary	251	-	-	-	-	251	14,600	11,658	-	2,639	-	28,897
Other expenses	(1,335)	(286)	*(2,711)	(11)	11	(4,332)	(153)	-	*(3,938)	-	-	(4,091)
Other income	230	94	-	3	3	330	-	-	5	-	-	5
Foreign exchange loss	(992)	(170)	31	(83)	-	(1,214)	(109)	(71)	(29)	(108)	-	(317)
Finance cost	(38,538)	(2,091)	(4)	(1,094)	-	(41,727)	(31,801)	(168)	(3,469)	(3,027)	-	(38,465)
Finance income	2,685	90	7	507	-	3,289	1,357	47	-	43	-	1,447
<b>Segment results</b>	<b>87,236</b>	<b>20,757</b>	<b>673</b>	<b>(924)</b>	<b>(449)</b>	<b>107,293</b>	21,824	9,399	(10,344)	3,374	(146)	24,107
Share-based payment expense	-	-	-	(509)	-	(509)	-	-	-	(143)	-	(143)
Gain from fair valuation of financial instruments	5,463	-	-	-	-	5,463	-	-	-	-	-	-
Share of profit of joint ventures	3,095	-	-	-	-	3,095	2,188	-	-	-	-	2,188
<b>Profit before tax</b>	<b>95,794</b>	<b>20,757</b>	<b>673</b>	<b>(1,433)</b>	<b>(449)</b>	<b>115,342</b>	24,012	9,399	(10,344)	3,231	(146)	26,152

\* Other expenses represent loss on sale of non-core investment property (apartments).

Rentals are derived from a large number of tenants and no tenant contributed more than 10% of the Group's rental revenues for the year ended 31 December 2018 (2017: nil).

None of the Group's non-current assets are located in Guernsey except for goodwill (there are no employment benefit plan assets, deferred tax assets or rights arising under insurance contracts) recognised on business combination.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 26. Transactions with Related Parties

The Group's related parties are the Company's Executive and Non-Executive Directors, key other Executives, as well as all companies controlled by them or under their joint control, or under significant influence.

The related party transactions are set out in the table below:

Name	Nature of transactions/balance amounts	Income statement		Statement of financial position	
		Income/(expense)		Amounts owing (to)/from	
		2018 Unaudited €'000	2017 Audited €'000	2018 Unaudited €'000	2017 Audited €'000
Elgan Offices SRL (50% Joint Venture)	Shareholder loan receivable	–	–	32,997	19,330
	Finance income	1,419	391	–	–
	Management fees	300	250	–	–
	Office rent	24	14.5	–	–
Mindspace Ltd <sup>2</sup>	Trade and other receivables	–	–	267	–
	Revenue	896	–	–	–
	Deposits from tenant	–	–	(1,142)	–
	Lease incentives cost <sup>1</sup>	–	–	2,868	–
	Trade and other payables	–	–	(175)	–
Mr. Adrian Danoiu (Chief Operating Officer) <sup>3</sup>	Advances received for sale of commercial property	–	–	(70)	–
	Revenue	6	–	–	–

<sup>1</sup> Lease incentive cost granted in the period was capitalised in the value of Investment Property.

<sup>2</sup> A key Executive of Mindspace Ltd. is a close family member of a non-Executive Director of the Company. The transactions disclosed in above table were entered between the subsidiaries of Mindspace Limited (namely Mindspace Co-working SRL and Mindspace Poland S.A) and certain subsidiaries of the Company.

<sup>3</sup> During the year, Upground Estates SRL, a fully owned subsidiary of the Group, signed a preliminary agreement for the sale of a commercial space for an amount of up to €215 thousand, depending on the final determination of the exact surface of the space to be sold. The completion of the sale and the final price determination are subject to the completion of a final sale and purchase agreement. During the year, the subsidiary received an advance based on the preliminary agreement of €70 thousand. In addition, during the year, Upground Estates SRL sold two exterior parking spaces for an amount of €5 thousand and a storage room for an amount of €1 thousand. The sale proceeds were collected during the year 2018.

### Directors' Emoluments

The Directors' emoluments during the year ended 31 December 2018 comprised a fixed level of salary and/or fees, plus dividends from GIAL in the case of the two Executive Directors.

During the year ended 31 December 2018 the emoluments of the Directors were as follows:

Amounts in €'000	Company		Subsidiaries <sup>1</sup>		Dividends <sup>2</sup>		Total <sup>3</sup> emoluments
	Fees		Fees	Salary	Total		
Ioannis Papalekas	–	–	–	1,051	1,051	1,400	2,451
Dimitris Raptis	–	–	–	185	185	625	810
Geoff Miller <sup>4</sup>	228	–	28	–	28	–	256
Eli Alroy	200	–	–	–	–	–	200
John Whittle	77	–	28	–	28	–	105
Akbar Rafiq	–	–	–	–	–	–	–
Alexis Atteslis	–	–	–	–	–	–	–
Andreea Petreanu	65	–	–	–	–	–	65
Norbert Sasse	–	–	–	–	–	–	–
Peter Fechter	65	–	–	–	–	–	65
George Muchanya	–	–	–	–	–	–	–
Richard van Vliet	65	–	–	–	–	–	65
Bruce Buck	104	–	–	–	–	–	104
	<b>804</b>	<b>56</b>	<b>1,236</b>	<b>1,292</b>	<b>1,292</b>	<b>2,025</b>	<b>4,121</b>

1. GIAL and Aserat Properties SRL for Ioannis Papalekas, and GIAL for Dimitris Raptis, Geoff Miller and John Whittle.

2. The Executive Directors receive dividends in their capacity as preference shareholders of GIAL, the amount of which depends on the performance and profitability of GIAL. GIAL provides investment advisory services to the Company and is rewarded for the services it provides pursuant to the Investment Management Agreement signed on 24 July 2013, as amended from time to time (the 'IMA'). For Ioannis Papalekas dividends include an accrual of €1.4 million (€0.7 million to be settled in cash and €0.7 million by the issuance of shares of the Company); and for Dimitris Raptis dividends include an accrual of €0.425 million (€0.213 million to be settled in cash and €0.212 million by the issuance of shares of the Company).

3. The amounts indicated represent accrued amounts corresponding to the period during which the beneficiaries were members of the Board. Out of the amounts disclosed in the above table €1.825 million was payable to the Directors as of 31 December 2018. An additional amount of €14,081 was due to the Directors as of 31 December 2018 for out-of-pocket expenses incurred, which was settled subsequent to 31 December 2018.

4. For Geoff Miller the emoluments received from the Company during the year ended 31 December 2018 include €85 thousand which was awarded in respect of the year ended 31 December 2017 after the date of publication of the Annual Report and Financial Statements for the year ended 31 December 2017.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 26. Transactions with Related Parties continued

During the year ended 31 December 2017 the emoluments of the Directors were as follows:

Amounts in €'000	Company		Subsidiaries <sup>1</sup>		Dividends <sup>2</sup>		Total <sup>3</sup> emoluments
	Fees	Fees	Salary	Total			
Ioannis Papalekas	–	–	869	869	1,600	–	2,469
Dimitris Raptis	–	–	150	150	725	–	875
Geoff Miller	56	29	–	29	–	–	85
Eli Alroy	200	–	–	–	–	–	200
John Whittle	56	29	–	29	–	–	85
Akbar Rafiq	–	–	–	–	–	–	–
Alexis Atteslis	–	–	–	–	–	–	–
Andreea Petreanu	46	–	–	–	–	–	46
Norbert Sasse	–	–	–	–	–	–	–
Peter Fechter	37	–	–	–	–	–	37
George Muchanya	–	–	–	–	–	–	–
Richard van Vliet	38	–	–	–	–	–	38
Bruce Buck	6	–	–	–	–	–	6
	<b>439</b>	<b>58</b>	<b>1,019</b>	<b>1,077</b>	<b>2,325</b>	<b>–</b>	<b>3,841</b>

1. GIAL and Aserat Properties SRL for Ioannis Papalekas, and GIAL for Dimitris Raptis, Geoff Miller and John Whittle.

2. The Executive Directors receive dividends in their capacity as preference shareholders of GIAL, the amount of which depends on the performance and profitability of GIAL. GIAL provides investment advisory services to the Company and is rewarded for the services it provides pursuant to the IMA. For Ioannis Papalekas dividends include an accrual of €1.6 million (€0.8 million to be settled in cash and €0.8 million by the issuance of shares of the Company); and for Dimitris Raptis dividends include an accrual of c.€0.53 million (c.€0.26 million to be settled in cash and c.€0.26 million by the issuance of shares of the Company).

3. The amounts indicated represent accrued amounts corresponding to the period during which the beneficiaries were members of the Board. Out of the amounts disclosed in the above table c.€2.14 million was payable to the Directors as of 31 December 2017. An additional amount of €48,302 was due to the Directors as of 31 December 2017 for out-of-pocket expenses incurred, which was settled subsequent to 31 December 2017.

### 27. New and Amended Standards

Starting from 1 January 2018 the Group adopted the following new and amended standards and interpretations. The impact from the adoption of IFRS 9 and IFRS 15 on the Group's financial position and performance is disclosed below.

Narrow scope amendments and new Standards	Effective date
IFRS 9 Financial Instruments	Jan-18
IFRS 15 Clarifications: Revenue from Contracts with Customers	Jan-18
IAS 40: (Amendments) Transfers of Investment Property	Jan-18
IFRS 2 Classification and measurement of Share-based Payment Transactions	Jan-18
Annual Improvements to IFRS Standards 2014-2016 Cycle	Jan-18
IFRIC 22 Foreign Currency Transactions and Advance Consideration	Jan-18

#### a) Adoption of IFRS 15

The Group adopted IFRS 15 on 1 January 2018 without restarting prior year figures.

IFRS 15 does not apply to rental income, but only applies to service charge income, marketing income and fit-out services income generated by the Group. The Group has identified few lease agreements which required the reclassification of €0.8 million from the rental revenues to service charge revenue starting during 2018. However, this did not impact the net operating income (NOI) and only reclassified revenues from 'Rental income' to 'Service charge income'. The reclassification of such amounts was not material for the Group as at 31 December 2017. There was no impact on fit-out services income for contracts in progress at 31 December 2017.

Furthermore, Group also reclassified deferred income from trade and other payables to contract liability on the face of financial position. Similar, for trade receivables for which services has been performed but invoices were not issued and were not due were classified as contract asset.

#### b) Classification and reconciliation of financial assets and liabilities upon the initial application of IFRS 9

The classification of Group's financial assets and liabilities according to IAS 39 and IFRS 9 as at 1 January 2018 are presented below. The table below summarises the carrying value reconciliation of the Group's financial assets upon the transition from the previous classification categories under IAS 39 at 31 December 2017 to the new classification categories under IFRS 9 at 1 January 2018. From the adoption of IFRS 9 there was an impact of €0.5 million on the statement of profit or loss for the twelve months ended 31 December 2018.

The Group's financial liabilities were classified and measured at amortised cost according to IAS 39 (except when required to be measured at fair value through profit or loss such as financial liabilities related to derivatives) until 31 December 2017 and according to IFRS 9 starting from 1 January 2018. From adoption of IFRS 9 there was no impact on the statement of profit or loss for the twelve months ended 31 December 2018 and statement of financial position as at 31 December 2018.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 27. New and Amended Standards *continued*

#### *b) Classification and reconciliation of financial assets and liabilities upon the initial application of IFRS 9 continued*

Financial assets	Classification category IAS 39	Classification category IFRS 9	31 December 2017	Reclassification	1 January 2018
			€'000	€'000	€'000
Available for sale financial assets	Financial assets available for sale	Financial assets measured at fair value through profit or loss	10,243	(10,243)	–
Financial assets at fair value through profit or loss	–	Financial assets measured at fair value through profit or loss	–	10,243	10,243
Equity investments	–	Financial assets measured at fair value through other comprehensive income	–	–	–
Debentures	Financial assets measured at amortised cost	Financial assets measured at amortised cost	18,389	–	18,389
Loan receivable from joint venture	Financial assets measured at amortised cost	Financial assets measured at amortised cost	19,721	–	19,721
Restricted cash long term	Financial assets measured at amortised cost	Financial assets measured at amortised cost	2,958	–	2,958
Trade receivables – net of provision	Financial assets measured at amortised cost	Financial assets measured at amortised cost	15,316	–	15,316
Other receivables	Financial assets measured at amortised cost	Financial assets measured at amortised cost	1,420	–	1,420
Contract assets	Financial assets measured at amortised cost	Financial assets measured at amortised cost	–	–	–
Guarantees retained by tenants	Financial assets measured at amortised cost	Financial assets measured at amortised cost	304	–	304
VAT and other taxes receivable	Financial assets measured at amortised cost	Financial assets measured at amortised cost	6,099	–	6,099
Income tax receivable	Financial assets measured at amortised cost	Financial assets measured at amortised cost	295	–	295
Cash and cash equivalents	Financial assets measured at amortised cost	Financial assets measured at amortised cost	273,272	–	273,272

For other standards issued but not yet effective and not early adopted by the Group, the management believes that there will be no significant impact in the Group's consolidated financial statements except for IFRS 16 which is disclosed below.

<u>Narrow scope amendments and new Standards</u>	Effective date
IFRS 16 Leases	Jan-19
IFRS 9 Amendments: Prepayment Features with Negative Compensation	Jan-19
IFRIC 23 Uncertainty over Income Tax Treatments	Jan-19
IAS 28 Amendments: Long-term Interests in Associates and Joint Ventures	Jan-19

<u>Narrow scope amendments and new Standards</u>	Effective date (EU endorsement)
IFRS 14 Regulatory Deferral Accounts	Not yet endorsed by EU
IAS 19: Plan Amendment, Curtailment or Settlement	Not yet endorsed by EU
IFRS 17 Insurance Contracts	Not yet endorsed by EU
Amendments to IAS 1 and IAS 8: Definition of Material	Not yet endorsed by EU
Amendment to IFRS 3 Business Combinations	Not yet endorsed by EU
Amendments to References to the Conceptual Framework in IFRS	Not yet endorsed by EU
Annual Improvements to IFRS Standards 2015-2017 Cycle	Not yet endorsed by EU

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 27. New and Amended Standards continued

#### IFRS 16 leases and impact on the consolidated financial statements

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 for property portfolio in Poland which meet the criteria of leases under IFRS 16.

RPU is a contract with a term from 40 up to 99 years. Neither the right-to-use asset nor the lease liability regarding RPU were recognised on Group's balance sheet as of 31 December 2018 under IAS 17. Thus, the value of both right-to-use asset and lease liability was calculated at the date of initial application of IFRS 16, 1 January 2019.

The value of right-to-use assets was estimated as Net Present Value of future annual fees with following assumptions:

- Initial application date: 1 January 2019
- End date: RPU end date for each land right individually
- Discount rate: 5.77%
- Annual RPU fee: €1.5 million for 2018
- Total annual RPU charge is invoiced to tenants as a part of service charge reconciliation.

#### Impact on Consolidated statement of financial position:

Assets	1 January 2019 IAS 17 €000	Right to use asset Effect of IFRS 16 transition €000	1 January 2019 (restated) IFRS 16 €000
<b>Investment property</b>	2,390,994	26,196	2,417,190

Liabilities	1 January 2019 IAS 17 €000	Lease liability for RPU Effect of IFRS 16 transition €000	1 January 2019 (restated) IFRS 16 €000
<b>Total current liabilities</b>	81,672	1,512	83,184
<b>Total non-current liabilities</b>	1,358,007	24,684	1,382,691
<b>Total liabilities</b>	1,439,679	26,196	1,465,875

The right-to-use asset will be presented as part of the value of investment property. The corresponding lease liability will be presented in the 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 until the end date of each RPU agreement.

In the following years, as at balance sheet date the Group will continue the approach regarding the valuation of the right-to-use asset in the amount of lease liability calculated as NPV of future lease payment until RPU closing date.

#### Impact on Consolidated statement of comprehensive income and consolidated statement of cash flows:

At initial application date, the right-to-use asset equals the related lease liability recognised in the consolidated financial position as of 1 January 2019, therefore the impact on the consolidated statement of comprehensive income is nil. The Group does not expect impact on cash flows in 2019 as RPU payments remains unchanged.

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 and loss and presented under the line "Fair value movement".

#### Subsequent years effect on consolidated statement of comprehensive income

The Group is planning to implement the cost model for the depreciation charge of right-to-use assets amounts to approximately €1.5 million being the annual RPU charge. The depreciation of right-to-use asset will be presented in the Statement of profit and loss under the line "Fair value movement". The amortised cost valuation effect of lease liability will be presented in the Statement of profit and loss under the line "Finance cost".

#### Other operating leases

The Group is planning to use a simplified approach i.e., not to calculate lease assets/liabilities for short-term leases and low-value leases (e.g., coffee machines, low-value electronic equipment).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 28. Contingencies

#### *Legal Claims*

One of the Company's subsidiaries (the 'Subsidiary') is involved in court proceedings with a third party. Following the third party's decision to terminate the lease agreement signed with the Subsidiary, the Subsidiary enforced the c.€3.16 million bank letter of guarantee provided by the third party, on the grounds that the third party has unlawfully terminated the agreement. The third party claimed that the Subsidiary was not entitled to enforce the guarantee and requested before the court that the Subsidiary reimburses the guarantee amount. On top of the cashed-in guarantee, the Subsidiary has submitted a court claim against the third party claiming an amount of c.€24.7 million representing penalties as per the agreement for the unlawful termination of the agreement by the third party. The presiding judge accepted the Subsidiary's claim to merge the two claims into one court case and resolved the two cases together. On 19 July 2017, the presiding judge announced that it has accepted the third party's claim and denied the Subsidiary's claim. Based on the legal advice it has received, management has filed an appeal against the decision and believes that the court of appeal will embrace its view that the Subsidiary acted in accordance with the applicable law and the remedies available to it under the agreement when enforcing the bank letter of guarantee provided by the third party. The judges are expected to issue their decision on the appeal filed on 20 March 2019.

#### *Taxation*

All amounts due to State authorities for taxes have been paid or accrued at the balance sheet date. The tax system in Romania and Poland undergoes a consolidation process and is being harmonised with the European legislation. Different interpretations may exist at the level of the tax authorities in relation to the tax legislation that may result in additional taxes and penalties payable. Where the State authorities have findings from reviews relating to breaches of tax laws, and related regulations these may result in confiscation of the amounts in case; additional tax liabilities being payable; fines and penalties (that are applied on the total outstanding amount). As a result, the fiscal penalties resulting from breaches of the legal provisions may result in a significant amount payable to the State. The Group believes that it has paid in due time and in full all applicable taxes, penalties and penalty interests in the applicable extent.

#### *Transfer Pricing*

According to the applicable relevant tax legislation in Romania and Poland, the tax assessment of related party transactions is based on the concept of market value for the respective transfers. Following this concept, the transfer prices should be adjusted so that they reflect the market prices that would have been set between unrelated companies acting independently (i.e. based on the "arm's length principle"). It is likely that transfer pricing reviews will be undertaken in the future in order to assess whether the transfer pricing policy observes the "arm's length principle" and therefore no distortion exists that may affect the taxable base of the tax payer in Romania and Poland.

### 29. Subsequent Events

On 14 January 2019, the Company announced that its Board of Directors has approved the payment of an interim dividend in respect of the six-month financial period ended 31 December 2018 of €0.27 per ordinary share, which was paid on 8 February 2019 to the eligible shareholders.

## APPENDIX

### PORTFOLIO SNAPSHOT – 31 December 2018

#### Portfolio Summary

As at 31 Dec 2018 <sup>(1)</sup>	Romania	Poland	Combined Portfolio
<b>Standing Investments<sup>(2)</sup></b>	14	17	<b>31</b>
<b>GAV<sup>(3)</sup> / Standing GAV</b>	€1,245m / €1,164m	€1,217m / €1,217m	<b>€2,462m / €2,381m</b>
<b>Occupancy<sup>(4)</sup></b>	94.9%	95.4%	<b>95.1%</b>
<b>WALL<sup>(5)</sup></b>	6.1 years	3.9 years	<b>5.0 years</b>
<b>Standing GLA sqm<sup>(6)</sup></b>	613.3	428.7	<b>1,042.0</b>
<b>Contracted Rent<sup>(7)</sup></b>	77.6	81.8	<b>159.5</b>
<b>GAV Split by Asset Usage</b>			
Office	82.1%	74.9%	<b>78.6%</b>
Mixed-Use	-	25.1%	<b>12.4%</b>
Logistics	8.6%	-	<b>4.3%</b>
Others	9.3%	-	<b>4.7%</b>
<b>GAV Split by City</b>			
Bucharest	90.8%	-	<b>45.9%</b>
Timisoara	5.4%	-	<b>2.8%</b>
Pitesti	3.8%	-	<b>1.9%</b>
Warsaw	-	44.7%	<b>22.1%</b>
Krakow	-	17.4%	<b>8.6%</b>
Wroclaw	-	16.9%	<b>8.4%</b>
Katowice	-	10.4%	<b>5.1%</b>
Lodz	-	5.9%	<b>2.9%</b>
Gdansk	-	4.6%	<b>2.3%</b>
<b>GAV as % of Total</b>	<b>50.6%</b>	<b>49.4%</b>	<b>100.0%</b>

1. Globalworth Poland is 100% consolidated by Globalworth (69.7% owned at 31 December 2018, increasing to 73.7% at 23 January 2019). Renault Bucharest Connected is presented on the 100% basis held by Elgan Offices SRL in Romania; Globalworth holds a 50% share in Elgan Offices SRL.

2. Standing Investments representing income producing properties. 1 investment can comprise multiple buildings. e.g. Green Court Complex comprises 3 buildings or 1 investment

3. Includes all property assets, land and development projects at 31 December 2018, but excludes forward funded and ROFO assets in Poland.

4. Occupancy of standing commercial properties, and in the case of Poland, including rental guarantees

5. Includes pre-let commercial standing and development assets

6. Including 37.2k sqm of residential assets in Romania

7. Total rent comprises commercial (€157.9 million) and residential (€1.5 million in Romania) standing properties, and includes contracted rent under master lease agreement.

## PORTFOLIO SNAPSHOT ROMANIA – 31 December 2018

Property name	Number of Properties	Location	Year of completion / Latest Refurbishment	GLA (k sqm) <sup>(1)</sup>	Occupancy (%)	Contracted rent (€m)	WALL (years)	Potential rent at 100% occupancy (€m) <sup>(2)</sup>	GAV (€m)
<b>Office (Standing or Under Construction)</b>									
BOB	1	Bucharest	2008 / 2017	22.4	95.2%	3.5	4.3	3.7	48.6
BOC	1	Bucharest	2009 / 2014	57.0	99.5%	10.0	3.8	10.1	145.2
City Office	2	Bucharest	2014 / 2017	36.1	71.0% (77.8%*)	3.8	7.7	5.9	61.5
Gara Herastrau	1	Bucharest	2016	12.0	77.5% (86.5%*)	1.7	4.4	2.1	29.5
Green Court Complex	3	Bucharest	2014 / 2015 / 2016	54.3	98.1%	9.9	3.7	10.1	142.6
Globalworth Campus	3	Bucharest	Tower 1: 2017	29.0	85.6% (96.8%*)	3.9	10.2	4.5	145.6
			Tower 2: 2018	28.2	71.6% (90.9%*)	3.2	7.8	4.3	
			Tower 3: 2019(E)	34.8(E)	-	-	-	5.6	
Globalworth Plaza	1	Bucharest	2010 / 2017	24.1	94.7%	4.4	4.4	4.6	13.8
Globalworth Square	1	Bucharest	2020E	26.4(E)	-	-	-	5.1	13.8
Globalworth Tower	1	Bucharest	2016	54.7	99.3%	11.5	7.3	11.7	179.0
Renault Bucharest Connected <sup>(3)</sup>	2	Bucharest	2018	42.3	100.0%	5.5	11.0	5.5	73.5
TCI	1	Bucharest	2012	22.4	99.6%	5.1	4.6	5.1	73.5
UniCredit HQ	1	Bucharest	2012	15.5	100.0%	3.9	3.4	3.9	52.3
<b>Industrial (Standing or Under Construction)</b>									
Dacia Warehouse	1	Pitesti	2010	68.4	100.0%	4.2	6.5	4.2	46.8
TAP	4	Timisoara	2011 - '17	103	100.0%	4.6	8.9	4.6	54.6
TAP II	1	Timisoara	2019E	17.7	-	-	-	0.8	5.4
<b>Retail / Residential (Standing)</b>									
Upground Towers	1	Bucharest	2011	43.5	Retail: 99.7% / Resi: 64.0%	Retail: 0.8 / Resi: 1.5	Retail: 8.8 / Resi: 1.1	Retail: 0.9 / Resi: 1.5	79.6
<b>Land for future development</b>									
GCD	-	Bucharest	2020(E)	4.0 / 16.2(E)	-	-	-	-	5.1
TAP II (additional land)	-	Timisoara	2019-2020(E)	263.2 / 122.1(E)	-	-	-	-	6.4
GW West	-	Bucharest	2021(E)	7.6 / 33.4(E)	-	-	-	-	3.2
Luterana Lands	-	Bucharest	2021(E)	6.6 / 26.4(E)	-	-	-	-	14.3
TAP (expansion)	-	Timisoara	na	31.9 / 28.5(E)	-	-	-	-	1.4
Herastrau One	-	Bucharest	na	3.2 / na	-	-	-	-	5.8
<b>Total Standing Commercial Portfolio</b>									
No of Commercial Investments: 13	21			576.1	94.9% (97.0%*)	76.1	6.1	81.2	1,095.4

### Notes

- (1) GLA of "Land for future development" represents size of land plot / expected GLA upon completion of development
- (2) Contracted rent at 100% occupancy (including ERV on available spaces).
- (3) Renault Bucharest Connected is presented on the 100% basis held by Elgan Offices SRL in Romania. Globalworth holds a 50% share in Elgan Offices SRL.
- (4) Potential rent at 100% occupancy, excludes residential
- (\*) Includes tenant options

## PORTFOLIO SNAPSHOT POLAND – 31 December 2018

Property name	Number of Properties	Location	Year of completion / Latest Refurbishment	GLA (k sqm)	Occupancy (%)	Contracted rent (€m)	WALL (years)	Potential rent at 100% occupancy (€m) <sup>(1)</sup>	GAV (€m)
<b>Office <sup>(2)</sup></b>									
Batory Building <sup>(1)</sup>	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 - '16	30.6	100.0%	5.1	3.7	5.1	68.6
CB Lubicz <sup>(3)</sup>	2	Krakow	2000 & '09 / 2018 & '09	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
<b>Mixed-Use <sup>(2)</sup></b>									
Hala Koszyki	5	Warsaw	5x2016	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
<b>Right of First Offer (ROFO) <sup>(5)</sup></b>									
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	-	n/a	n/a	2.9	4.2
The Gatehouse Offices <sup>(4)</sup>	1	Warsaw	2018	15.7	100.0%	3.8	n/a	3.8	65.0
<b>Total Standing Commercial Portfolio</b>									
No of Commercial Investments: 17	30			428.7	95.4%	81.8	3.9	86.3	1,216.8

### Notes

(1) Contracted rent at 100% occupancy (including ERV on available spaces).

(2) All properties are 100% owned by Globalworth Poland. Globalworth at 31 December 2018 held 69.7% in Globalworth in Globalworth Poland, subsequently increasing its stake in the company to 73.7% on 23 January 2019.

(3) CB Lubicz - I, property currently under refurbishment (partially completed).

(4) The Gatehouse Offices, is the investment previously known as Browary J

(5) Globalworth Poland has a 25% economic interest in the ROFO assets

## GLOSSARY

### Asset or Property

Represent the individual land plot or building under development or standing building which forms part or the entirety of an investment.

### Bargain Purchase Gain

Any excess between the fair value of net assets acquired and consideration paid, in accordance with IFRS 3 “Business Combination”.

### 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

### CIT

Corporate income tax

### Commercial Properties

Comprises the office, light-industrial and retail properties or areas of the portfolio.

### Completed Investment Property

Completed developments consist of those properties that are in a condition which will allow the generation of cash flows from its rental.

### 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.

### 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.

### Debt Service Cover Ratio (“DSCR”)

It is calculated as net operating income for the year as defined in specific loan agreements with the respective lenders, divided by the principal plus interest due over the same year.

### Discount Rates

The discount rate is the interest rate used to discount a stream of future cash flows to their present value.

### Discounted Cash Flow Analysis (“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.

### Earnings Per Share (“EPS”)

Profit after tax divided by the basic/diluted weighted average number of shares in issue during the year or period.

### EBITDA

Earnings attributable to equity holders of the Company before finance cost, tax, depreciation, amortisation of other non-current assets and purchase gain on acquisition of subsidiaries.

### Adjusted EBITDA

Earnings before finance cost, tax, depreciation, amortisation of other non-current assets and purchase gain on acquisition of subsidiaries. This includes the share of minority interests.

### EBITDA (normalised)

Earnings attributable to equity holders of the Company before finance cost, tax, depreciation, amortisation of other non-current assets, purchase gain on acquisition of subsidiaries, fair value movement, and other non-operational and/or non-recurring income and expense items.

### Adjusted EBITDA (normalised)

Earnings before finance cost, tax, depreciation, amortisation of other non-current assets, purchase gain on acquisition of subsidiaries, fair value movement, and other non-operational and/or non-recurring income and expense items. This includes the share of minority interests.

## EPRA

The European Public Real Estate Association is a non-profit association representing Europe's publicly listed property companies.

## 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 Per Share

EPRA NAV divided by the basic/diluted number of shares outstanding at the year or period end.

## EPRA Net Assets ("EPRA NAV")

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.

## Estimated Rental Value ("ERV")

ERV is the external valuers' opinion as to the open market rent which, on the date of valuations, could reasonably be expected to be obtained on a new letting or rent review of a property.

## 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.

## Financial Year

Period from 1 January to 31 December.

## GLA

Gross leasable area.

## IFRS

International Financial Reporting Standards as adopted by the European Union.

## NBP

National Bank of Poland.

## Property Under Development

Properties that are in development process that do not meet all the requirements to be transferred to completed investment property.

## Interest Cover Ratio ("ICR")

Calculated as net operating income divided by the debt service / interest.

## Investment

Represent a location in which the Company owns / has interests in.

## IPO

Admission to the AIM Market of the London Stock Exchange.

## Land Bank for Further Development

Land bought for further development but for which the Group did not obtain all the legal documentations and authorisation permits in order to start the development process.

## LEED

Leadership in Energy & Environmental Design, a green building certification programme that recognises best-in-class building strategies and practices.

## Loan-to-Cost Ratio ("LTC")

Calculated by dividing the value of loan drawdowns by the total project cost.

## Loan to Value ("LTV")

Calculated as the total outstanding debt excluding amortised cost, 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.

## Maintenance Costs

Including necessary investments to maintain functionality of the property for its expected useful life.

#### 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 shareholders of the Company and/or net assets value.

#### Net Asset Value ("NAV") Per Share

Equity attributable to owners of the Company divided by the number of Ordinary shares in issue at the period end.

#### Net Operating Income ("NOI")

Net operating income (being the gross operating income less operating expenses that are not paid by or rechargeable to tenants, excluding funding costs, depreciation and capital expenditure).

#### Non-Controlling Interest ("NCI")

The equity in a subsidiary not attributable, directly or indirectly to the parent.

#### Occupancy Rate

The estimated let sqm (GLA) as a percentage of the total estimated total sqm (GLA) 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 the financial position date).

#### Portfolio Open Market Value ("OMV" or "GAV")

Portfolio open market value means the fair value of the Group's investment properties determined by CBAR Research & Valuation Advisors SRL, Colliers Valuation and Advisory SRL, Cushman & Wakefield LLP (C&W), Knight Frank Sp. z.o.o ("Knight Frank") and CBRE Sp. z.o.o. ("CBRE") 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.

When presenting the total portfolio value of the Group, we have included 100% of the appraised value of property held by Elgan Offices SRL in Romania. Group holds a 50% share in Elgan Offices SRL and its investment is included in the financial statements under "share of net assets and loans provided".

#### Residual Value Method

Valuation method that estimated the difference between the market value of the building upon completion that can be built on the plot of land and all the building's construction costs, as well as the developer's profit. This method relies on the contribution concept by estimating from the future income of the building, the amount that can be distributed to the land.

#### Sales Comparison Approach

Valuation method that compares the subject property with quoted prices of similar properties in the same or similar location.

#### SPA

Share sale purchase agreement.

#### SQM

Square metres.

#### The Company or the Group

Globalworth Real Estate Investments Limited and its subsidiaries.

#### The Investment Adviser

Globalworth Investment Advisers Limited, a wholly owned holding subsidiary incorporated in Guernsey.

#### Total Accounting return

Total accounting return is the growth in EPRA NAV per share plus dividends paid, expressed as a percentage of EPRA NAV per share at the beginning of the period.

#### WALL

Represents the remaining weighted average lease length of the contracted leases as of the financial position date, until the lease contracts full expiration.

#### Weighted Average Interest Rate

The average of the interest rate charged on the Group's loans, weighted by the relative outstanding balance of each loan at the year or period end.

#### WIBOR

Warsaw Interbank Offered Rate.