CONSOLIDATED ANNUAL REPORT
OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Place and date of publication: Warsaw, 23 March 2015

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Dear Shareholders of Globe Trade Centre S.A.,

Following a change in the shareholder structure at the end of 2013, the company has reconsidered its strategy for the next years. Management's goal was to shift from a defensive oriented strategy into an accretive growth strategy. GTC, going forward, will create value from active management of a growing commercial real estate portfolio in CEE and SEE regions, supplemented by carefully selected development activities. To ensure the implementation of this strategy, in spring of 2014 the Supervisory Board appointed Thomas Kurzmann as new CEO of the Company who is uniquely prepared to guide the company through the current market surroundings that the company is facing and achieve set goals carefully selected.

Consequently, in the first quarter of 2014, GTC had to repay €102 million of its outstanding bonds. We refinanced them successfully and worked systematically towards deleveraging. Additionally, since our previous letter, we recorded two significant accomplishments with regard to office development activity. We consider both investments as a mark of GTC's return to development. The first was the completion of Pascal building in Kraków. The building attracted renowned tenants and its occupancy reached 100% soon after completion. Secondly, during the year we have initiated the first phase of construction of FortyOne project. This significant project in Belgrade, Serbia's capital, has met notable interest from potential tenants. Consequently, the building was 60% preleased before commencement of construction works, which yet again has proven the confidence in GTC's asset quality that business partners place with us. Another vote of confidence in the project and GTC came from Raiffeisen bank, which in February 2015 granted a EUR 9.5 million loan for the development.

Next, we have accomplished further milestones at Galeria Wilanów and Galeria Północna, our two flagship investments in Poland. We have completed the lengthy process of Galeria Północna land acquisition and filed applications for building permit for both projects. The permit application for Galeria Północna was admitted by authorities and, as of late first quarter of 2015, is being reviewed accordingly. With regard to both projects, we are ready to initiate the construction works as soon as we obtain the relevant permits. We have also made significant progress in commercialization of both projects. We have signed lease agreements with well-liked retail leaders such as H&M and LPP Group, as well as secured Carrefour and Cinema City as food retailer and cinema operators, respectively. Those companies serve as the crucial, anchor tenants for the projects, which will attract both clients and further tenants. Currently, Galeria Północna and Galeria Wilanów are pre-leased to 31% and 25% respectively, which we deem satisfactory at this stage. We are confident that the pre-lease levels will ascend once building permits are granted and construction works begin. Once achieved these, the value embedded in these projects will start to be reflected in our financial records.

During the past year we saw improvements on several financial aspects of the company's operations. We have taken great care to maintain our high occupancy levels, and at the same time increased our rental margin to 74% through efficient asset and property management. Additionally, we paid great attention to cost control and we managed to achieve savings in our selling, administrative and finance costs. All of the above allowed us to enter the current year as a more streamlined, lean company, which further establishes our aspiration to maximize shareholder value.

Notwithstanding the above, in 2014, GTC had to face significant devaluations on parts of the company's portfolio located in secondary cities in Romania, Croatia, and Bulgaria, as well as in the land bank in Budapest. Given the market developments, our strategy regarding these non-core assets have changed from "hold to develop" to "disinvest at best possible price" approach. Accordingly, we decided to market some of non- core assets and land bank, in order to release the tied-in capital and deploy it in a more constructive way to support the further growth.

As a result of the devaluations some financial covenants related to non-core assets were breached. We have proactively approached our lenders and we are engaged in dialogue leading to currently advanced negotiations with them in order to resolve this challenge.

To sum up, 2014 was a year in which changes in GTC's strategy began. We have achieved important goals with respect to some of our projects. We believe that GTC will emerge from this challenging situation by implementing the new growth strategy as a stronger company which is more flexible to facing challenges of the quick changing market conditions.

We, members of GTC's Management Board, hope that you recognize and share our vision for the company. It is our aspiration to continue improving profitability of the existing portfolio, acquire new value and cash flow generating assets and further develop our existing projects, which will substantially improve shareholder value.

Sincerely,

Members of the Management Board
Globe Trade Centre S.A.

MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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Item 1. Introduction

The GTC Group is a leading real estate company in CEE and SEE, operating in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria, and Slovakia. Additionally, it co-owns land in Ukraine and Russia and operates in the Czech Republic through its associates and joint ventures. The Group was established in 1994 and has been present in the real estate market for approximately 20 years.

The Group's portfolio comprises: completed office buildings and office parks as well as retail and entertainment centres (commercial real estate); residential projects; and undeveloped plots of land and suspended projects (land bank).

Since its establishment the Group: has developed approximately 950 thousand sq. m of commercial space and approximately 300 thousand sq. m of residential space and has sold approximately 344 thousand sq. m of commercial space in completed commercial properties and approximately 263 thousand sq. m of residential space.

As of 31 December 2014, the Group owns and manages a portfolio of:

- 26 completed commercial properties, including 20 office properties and 6 retail properties with a combined commercial space of approximately 548 thousand sq. m, of which the Group's proportional interest amounts to approximately 504 thousand sq. m of NRA;

- 1 office project under construction with total NRA of approximately 28 thousand sq. m, of which the Group's proportional interest amounts to 28 thousand of NRA; as at date of the report only first phase is under construction with NRA of 10 thousand sq. m;

- inventory of residential units totaling 37 thousand sq. m;

- land bank designated for future development, with approximately 924 thousand sq. m NRA designated for commercial use and approximately 465 thousand sq. m NRA designated for residential use; and

- 3 asset held for sale, including 2 retail properties with a combined NRA of approximately 42 thousand sq. m and 1 suspended project with approximately 42 thousand sq. m NRA designated for retail use.

As of 31 December 2014, the book value of the Group's portfolio amounts to €1,292,956 with: (i) the Group's completed commercial properties accounting for 80% thereof; (ii) completed residential units accounting for 2% and (iii) a land bank designated for future development accounting for 18%.

Additionally, the Group conducts operations in the Czech Republic, through its associates. The Group's proportional interest in assets in Czech Republic amounts to approximately 24 thousand sq. m of NRA in two office buildings and a shopping mall. The Group is also the co-owner of a 140 thousand sq. m land plot located in Ukraine, of which the Group's proportional interest is 70 thousand sq. m and 43 thousand sq. m land plot located in Russia, of which the Group's proportional interest is 28 thousand sq. m and a 10 thousand sq. m land plot designated for Ana Tower, located in Romania, of which the Group's proportional interest is 5 thousand sq. m.

The Group's completed properties in its three most significant markets, i.e. Poland, Romania and Hungary, constitute 44%, 15% and 15% of the total value of the Group's completed real estate portfolio, respectively.

The Company's shares are listed on the WSE and included in the WIG30 index. The Company's shares are also included in the international MSCI index, the Dow Jones STOXX Eastern Europe 300 average, the GPR250 index, which comprises the 250 largest and most liquid real estate companies in the world; and the FTSE EPRA/NAREIT Emerging Index.

The Group's headquarters are located in Warsaw, at 5 Wołoska Street.

In the Management Board's report references to the Company or GTC are to Globe Trade Centre S.A. and all references to the Group or the GTC Group are references to Globe Trade Centre S.A. and its consolidated subsidiaries. Expressions such as: "Shares" relate to the shares in Globe Trade Centre S.A., which were introduced to public trading on the Warsaw Stock Exchange in May 2004 and later and are marked under the PLGTC0000037 code; "Bonds" refers to the bonds issued by Globe Trade Centre S.A. and introduced to alternative trading market and marked with the ISIN codes PLGTC0000144, PLGTC0000151 and PLGTC0000177; „the Report" refers to the consolidated annual report prepared pursuant to art 92 of the Decree of the Finance Minister of 19 February 2009 on current and periodical information published by issuers of securities and conditions of qualifying as equivalent the information required by the provisions of law of a country not being a member state; "CEE" refers to the group of countries that are within the region of Central and Eastern Europe (Czech Republic, Hungary, Poland and Slovakia); "SEE" refers to the group of countries that are within the region of South-eastern Europe (Bulgaria, Croatia, Romania and Serbia); "net rentable area", "NRA", or "net leasable area", "NLA" refer to the metric of the area of a given property as indicated by the real property appraisal experts for the purposes of the preparation of the relevant real property valuations. With respect to commercial properties, net leasable (rentable) area is all the leasable area of a property exclusive of non-leasable space, such as hallways, building foyers, and areas devoted to heating and air conditioning installations, elevators and other utility areas. The specific methods of calculation of NRA may vary among particular properties, which is due to different methodologies and standards applicable in the various geographic markets on which the Group operates; "Commercial properties" refer to properties with respect to which GTC Group derives revenue from rent and includes both office and retail properties; "EUR", "€" or "euro" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time; "PLN" or "zloty" refers to the lawful currency of Poland.

Presentation of financial information

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

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

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

Presentation of property information

Information on properties is presented pro rata to the Group's holdings in each of the properties and additionally includes the properties that the Group owns through it associate in the Czech Republic and Ukraine. The valuation of the properties is based on the value that the Group consolidates in it consolidated financial statements and does not include the properties that the Group owns through its associate in the Czech Republic and Ukraine. The occupancy rate given for each of the markets is as of 31 December 2014.

Industry and market data

In this Report the Group sets out information relating to its business and the markets in which it operates and in which its competitors operate. The information regarding the markets, their potential, macroeconomic situation, occupancy rates, rental rates and other industry data relating to the markets in which the Group operates are based on data and reports compiled by various third-party entities. The information included in that section is not expressed in thousand and is fully based on JLL research reports.

The Group believes that industry publications, surveys and forecasts that it uses to describe the markets on which the Group operates are reliable, but it has not independently verified them and cannot guarantee their accuracy or completeness.

Moreover, in numerous cases the Group has made statements in this Report regarding the industry in which it operates based on its own experience and its examination of market conditions. The Group cannot guarantee that any of these assumptions properly reflect the Group's understanding of the markets on which it operates. Its internal surveys have not been verified by any independent sources.

Forward-looking statements

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

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

The Group discloses important risk factors that could cause its actual results to differ materially from its expectations under Item 3. "Key risk factors", Item 5. "Operating and financial review", and elsewhere in this Report. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on behalf of the Group. When the Group indicates that an event, condition or circumstance could or would have an adverse effect on the Group, it means to include effects upon its business, financial situation and results of operations.

Item 2. Selected financial data

The following tables set forth the Group's selected historical financial data for the 12-month periods ended 31 December 2014 and 2013. The historical financial data should be read in conjunction with Item 5. "Operating and Financial Review" and the consolidated financial statements for the financial year ended 31 December 2014 (including the notes thereto). The Group has derived the financial data presented in accordance with IFRS from the audited consolidated financial statements for the financial year ended 31 December 2014.

Selected financial data presented in PLN is derived from the consolidated financial statements for the 12-month period ended 31 December 2014 presented in accordance with IFRS and prepared in the Polish language and based on the Polish zloty.

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

	For the twelve month period ended 31 December			
	2014		2013	
(in thousands)	€	PLN	€	PLN
Consolidated Income Statement				
Revenues from operations	124,284	520,153	122,861	515,709
Cost of operations	(43,155)	(180,612)	(44,908)	(188,501)
Gross margin from operations	81,129	339,541	77,953	327,208
Selling expenses	(2,884)	(12,070)	(3,244)	(13,617)
Administrative expenses	(8,781)	(36,750)	(8,220)	(34,503)
Profit/(loss) from revaluation/impairment of assets, net	(194,404)	(821,742)	(184,585)	(777,661)
Share of profit/(loss) in associates	(27,568)	(115,378)	3,813	16,005
Financial income/(expense), net	(42,537)	(178,026)	(42,805)	(180,430)
Net loss	(207,390)	(876,628)	(176,797)	(746,065)
Basic and diluted earnings per share (not in thousands)	(0.53)	(2.22)	(0.46)	(1.94)
Weighted average number of issued ordinary shares (not in thousands)	349,822,797	349,822,797	319,372,990	319,372,990
Consolidated Cash Flow Statement				
Net cash from operating activities	73,252	306,591	69,377	291,215
Net cash used in investing activities	(13,911)	(58,220)	(29,069)	(121,633)
Net cash from/(used in) financing activities	(32,944)	(140,318)	(209,219)	(876,758)
Cash and cash equivalents at the end of the period	81,063	345,515	56,439	234,064
Consolidated statement of financial position				
Investment property	1,221,319	5,205,628	1,375,738	5,705,461
Inventory	23,539	100,330	40,434	167,688
Cash and cash equivalents	81,063	345,515	56,439	234,064
Total assets	1,517,064	6,466,183	1,722,519	7,143,633
Non-current liabilities	944,680	4,026,509	918,116	3,807,610
Current liabilities	145,203	618,907	228,522	947,730
Equity	427,181	1,820,767	575,881	2,388,293
Share capital	7,849	35,131	7,082	31,937

Item 3. Key risk factors

Risk factors relating to the Group's business

The Group's business has been affected by the global financial crisis and could be further affected if the general economic conditions in the countries in which the Group operates continue or worsen

The Group's business results have been affected by the global financial crisis, which started in 2008/2009. The global crisis on the financial markets impacted the condition of many financial institutions, and governments were often forced to intervene on the capital markets on an unprecedented scale. Such turbulence resulted in businesses having restricted access to bank financing, an increase in interest rates charged on bank loans and a decrease in consumer spending with many tenants making requests for temporary or permanent rent reduction or downsizing of rental space. All these factors impacted the real estate market as well as resulted in a decrease in the value of real estate.

The crisis experienced by the financial markets slowed down the general economy in many countries, including, *inter alia,* Poland, Hungary, and Romania, where the Group operates. The economic downturn in those countries resulted in reduced demand for property, growth of vacancy rates, and increased competition in the real estate market, which adversely affected the Group's ability to sell or let its completed projects at their expected yields and rates of return.

The reduced demand for property that, on the one hand, resulted in a drop in sales dynamics, and, on the other, an increase in vacancy rates and lower rent revenues from leased space, significantly impacted the results of operations of the Group. Specifically, the Group was forced to change some of its investment plans, for example numerous projects in Bulgaria, Romania and Croatia, as those projects did not meet the initially assumed returns targets. Additionally, the Group was not able to develop numerous plans in the countries where it operates.

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

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

The Group may fail to implement its strategy

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

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

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

Should the Group experience these or other challenges, the Group may be unable to implement its strategy fully or at all; it may decide to change, suspend or withdraw from its strategy or development program, and it may be unable to achieve, or it could encounter delays in achieving, the planned synergies and desired benefits from its strategy and development program. This could have a material adverse effect on the Group's business, financial condition, results of operations.

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

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

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

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

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

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

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

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

The Group's income generating properties and properties under development are independently revalued on at least semi-annual basis in accordance with its accounting policy. Consequently, in accordance with IAS 40 "Investment Property" as adopted by the EU, any increase or decrease in the value of its properties accounted for in accordance with fair value models recorded as a revaluation gain or loss in the Group's consolidated income statement for the period during which the revaluation occurs. Moreover, projects under construction which cannot be reliably valued at fair value are valued at historical cost decreased by impairment, if any. Such properties are tested for impairment on, at least, a semi-annual basis. If the criteria for impairment are satisfied, a gain or loss is recorded in the Group's consolidated income statement.

As a result, the Group can have significant non-cash revenue gains or losses from period to period depending on the changes in the fair value of its investment properties, whether or not such properties are sold. For instance, the Group recognized net revaluation losses and impairment of assets and residential projects of €184,585 and €194,404 in the year ended 31 December 2013 and in the year ended 31 December 2014, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

Rental levels of the Group's properties are generally affected by overall conditions in the economy as well as the conditions of the portfolio itself, including future acquisitions of properties, the performance of the existing portfolio, the development of the selected existing projects, their infrastructure condition, the specific properties, and the vacancy rates. All these elements are subject to various factors, some of which are outside the Group's control. In particular, due to increased competition and pressure on rents and the worsening of the financial condition of tenants, the Group may not be able to renew the expiring leases of its current properties on favourable terms and conditions (if at all) or find and retain tenants willing to enter into leases on terms that are at least as favourable as those on which the Group has rented its properties thus far. Moreover, the Group's portfolio has included and will continue to include numerous properties with non-fixed rents tied to the turnover of the tenants. Accordingly, if the turnover of such tenants declines, the rent payable by them will also decrease. In addition, the Group has no impact on the operations of its tenants and may not be able to monitor on an ongoing basis the tenants' turnover in order to ensure that the level of turnover reflects the best and actual performance efforts of its tenants. Consequently, the amounts of rental income generated by the Group's office and retail properties in the past cannot be used to predict future rental income and there can be no assurance that rental income will develop positively in the future.

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

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

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

For the Group to be profitable over the long term, the income-generating properties it owns and intends to acquire in the future must be rented out without interruptions to the greatest extent possible. The same applies to maintaining the valuation of the properties the Group owns and thus the valuation of the overall portfolio. To the extent that leases are terminated or expire, the Group can give no assurance that the properties in question can be rented out again immediately. An increased vacancy rate would result in lower rental income from the existing portfolio and in a lower valuation of our properties and overall portfolio. Expected vacancies are already reflected in each of the valuations. Both the vacant spaces that cannot be immediately rented out again and the fixed costs for maintaining these spaces could have a material adverse effect on the Group's business, financial condition, results of operations.

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

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

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

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

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

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

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

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

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

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

Competition in the real estate market may also lead to a significant increase in prices for real estate available for sale, which could be potential targets for the Group. In addition, competition may also lead to an increase in prices to enter into investment contracts as a co-investor, which could impede the acquisition of new assets for the property portfolio of the Group. Each of these risks could have a material adverse effect on the Group's business, financial condition, results of operations.

The Group cannot assure profitability of its projects

The Group currently has a number of projects that are not profitable primarily due to insufficient occupancy and rent levels, including Galleria Pietra Neamt, Galleria Buzau and Galleria Arad in Romania, as well as Avenue Mall Osijek in Croatia. The Group is currently unable to attract new tenants or increase rent levels due to factors beyond its control, in particular due to existing market conditions. There can be no assurance that the Group will be able to dispose of such projects in a timely manner or restructure such assets to limit its losses. It cannot be excluded that the Group will not consider the disposal or temporary suspension of such projects as more commercially justifiable; in such cases, there can be no assurance that following such actions the Group will limit its losses on a timely basis. The Group cannot exclude that it will be forced to discontinue the operations of such projects. Moreover, the Group's other projects may also start generating losses in the future. Any such development may have a material adverse effect on the Group's business, financial condition, results of operations.

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

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

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

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

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

If a given property is currently under renovation or modernisation, there can be no assurance that any space which has not been pre-leased, can be let or otherwise marketed during or following the renovation or modernisation phase on the appropriate terms and conditions. Such developments could have a material adverse effect on the Group's business, financial condition, results of operations.

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

The Group cannot guarantee that any permits, consents or approvals required from various government entities in connection with existing or new development projects will be obtained by the Group in a timely manner, or that they will be obtained at all, or that any current or future permits, consents or approvals will not be withdrawn. For example, as part of its operations in Poland, the Group, as is the case with other real estate developers, may occasionally purchase land that is not zoned as commercial. Any commercial development on such properties requires either a new local spatial development plan (*miejscowy plan zagospodarowania przestrzennego*) ("**LSDP**") or planning permission (*decyzja o warunkach zabudowy*). The adoption of a revised LSDP or the issuance of favorable planning permission cannot be guaranteed, and the Group has encountered difficulties in the past in effecting changes to LSDPs and in obtaining such permissions. In addition, civic and environmental groups as well as owners of neighboring properties and local residents may try to frustrate the obtainment of the necessary permits, consents or approvals.

As a general rule, the Group purchases land which it designates for a specific purpose and for a specific project. Nevertheless, there are instances when it is merely a possibility that property acquired thereby will be available for any specific development. In such circumstances, it may be necessary for a new LPZP to be adopted or to obtain the relevant planning permission. However, the Group may wish to alter certain projects in order to put them to a more profitable use but may be unable to do so as a result of not being able to obtain the required approvals and permits.

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

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

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

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

The Group's reliance on general contractors and subcontractors exposes it to risks associated with the poor performance of such contractors and their subcontractors and employees and construction defects. The Group may incur losses as a result of being required to engage contractors to repair defective work or pay damages to persons who have suffered losses as a result of such defective work. Furthermore, these losses and costs may not be covered by the Group's professional liability insurance, by the contractor or by any relevant subcontractor – in particular in the case of the architects engaged by the general contractors as both the scope of their liability and their financial strength is limited in comparison to the value of the Group's projects. If the performance of the Group's general contractors or subcontractors is substandard, this could have a material adverse effect on the Group's business, financial condition, results of operations.

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

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

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

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

- increased material, labour or other costs, which may make completion of the project uneconomical;
- acts of nature, such as harsh climate conditions, earthquakes and floods, that may damage or delay the construction of properties;

- industrial accidents, deterioration of ground conditions (for example, the presence of underground water) and potential liability under environmental laws and other laws related to, for example, ground contamination, archaeological findings or unexploded ordnance;

- acts of terrorism, riots, strikes or social unrest;

- building code violations or as yet undetected existing contamination, soil pollution, or construction materials that are determined to be harmful to health;

- changes in applicable laws, regulations, rules or standards that take effect after the commencement by the Group of the planning or construction of a project that result in the incurrence of costs by the Group or delays in the development of a project; and

- defective building methods or materials.

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

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

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

- additional construction costs for a development project being incurred in excess of the amount originally agreed with the general contractor;

- changes in existing legislation or the interpretation or application thereof (e.g. an increase of the rate of the goods and services tax, which impacts the demand for housing);

- actions of governmental and local authorities resulting in unforeseen changes in urban planning, zoning and architectural requirements;

- potential defects or restrictions in the legal title to plots of land or buildings acquired by the Group, or defects, qualifications or conditions related to approvals or other authorisations relating to plots of land held by the Group;

- the Group's potential inability to obtain financing on favourable terms or at all for individual projects or in the context of multiple projects being developed at the same time;

- potential liabilities relating to acquired land, properties or entities owning properties with respect to which the Group may have limited or no recourse;

- tenants' unwillingness to vacate a development site;

- obligations regarding the development of adjacent properties;

- inability to receive required zoning permissions for intended use;

- discrepancies between the planned area and the post-construction area of developments; and
- obligations relating to the preservation and protection of the environment and the historic and cultural heritage of Poland and other jurisdictions in which the Group conducts its operations, as well as other social obligations.

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

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

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

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

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

The Group sometimes acquires and/or develops properties in partnership with other investors, in particular, with local and international developers, banks, landowners and other partners. In these investments, the Group may not have exclusive control over the identification or acquisition of property or the development, financing, leasing, management and other aspects of these investments, nor can it control the conduct of its joint venture partners nor guarantee that they will be able to secure the optimum realization of such projects. In addition, the partner may have interests or aims that are inconsistent with, and which may impede, the Group's interests or aims. In these investments, the Group may rely on the resources of its partners and any disagreement with a partner could lead to a significant disruption of a project or result in litigation, even if the Group is able to assume control of the project. These circumstances may have an adverse effect on the Group's business, financial condition, results of operations.

Furthermore, where a Group company does not own all of a property, it may be a party to a co-investment agreement with its co-investors which may impose restrictions on it, including, inter alia, in relation to the disposal of its interest, changing the managers of (or where relevant, the general partner or the investment structure for) the property, its income and capital distribution entitlements and its voting rights. A co-investment agreement may entitle its co-investors (or some of them or the relevant manager) to preferential income or capital returns on, or other rights in relation to, the investment in certain circumstances and/or pre-emption rights on the sale of the Group company's interest. Any such co-investment agreement may also impose obligations on the Group company. Any of these matters may affect the value of the Group company's investment in such properties. In addition, the Group company may be jointly and severally liable for costs, taxes or liabilities with its co-investors and, in the event of their default, the Group company may be exposed to more than its proportionate share of the cost, tax or liability in question. This could have an adverse effect on the Group's business, financial condition and results of operations.

The Group is also exposed to the credit risk of its counterparties in such partnership or co-investment agreements and their ability to satisfy the terms of contracts Group companies have with them. The relevant Group company could experience delays in liquidating its position and suffer significant losses, including declines in the value of its investment during the period in which it seeks to enforce its rights or an inability to realize any gains on its investment during such period and may incur fees and expenses in enforcing its rights. There is a risk that control cannot be exercised efficiently and quickly, especially in the event of the bankruptcy or insolvency of the partner. The relevant Group company may have to continue financing the project even if the partner is in breach of its agreement with the relevant Group company. This may have an adverse effect on the Group's business, financial condition, results of operations.

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

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

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

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

The Group may be subject to legal disputes and risks

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

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

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

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

The Group provides different types of guarantees when it leases real estate, especially with regard to the absence of defects in quality and title, as well as existing contamination and the portfolio of leases. The same applies to the sale of real estate. Claims could be brought against the Group for breach of these guarantees. Defects of which the Group was not aware, but of which it should have been aware, when it concluded the transaction pose a particular risk. The Group's possible rights of recourse towards the sellers of properties could fail due to the inability of the persons in question to demonstrate that they knew or should have known about the defects, due to the expiration of the statute of limitations, due to the insolvency of the parties opposing the claim, or for other reasons. The occurrence of one or several of the aforementioned risks could have a material adverse effect on the Group's business, financial condition, results of operations.

The Group's insurance may be inadequate

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

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

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

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

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

Risk factors relating to the Group's financial condition

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

As of the date of the Report the Group is, and after the Report will continue to be highly leveraged and have significant debt service obligations. As of 31 December 2014, the Group had approximately €1,089,883 of total non-current and current consolidated liabilities (including hedging instruments). The Group anticipates that its high leverage could continue for the foreseeable future.

The Group's high leverage could have material consequences for investors, including, but not limited to:

- increasing vulnerability to and simultaneously reducing flexibility to respond to downturns in the Group's business or general adverse economic and industry conditions, including adverse economic conditions in the jurisdictions in which the Group operates;

- limiting the Group's ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings;

- forcing the Group to dispose of its properties in order to enable it to meet its financing obligations, including compliance with certain covenants under loan agreements;

- requiring the dedication of a substantial portion of the Group's cash flows from operations to the payment of the principal of and interest on its indebtedness, meaning that these cash flows will not be available to fund its operations, capital expenditures, acquisitions or other corporate purposes;

- limiting the Group's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the real estate market; and

- placing the Group at a competitive disadvantage compared to its competitors that are not as highly leveraged.

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

In addition, the Group may incur additional indebtedness in the future. The incurrence of additional indebtedness would increase the leverage-related risks described in this Report and may have a material adverse effect on the Group’s business, financial condition, results of operations.

The Group is in technical default for failure to comply with certain financial covenants under certain of its outstanding loan facilities

As of 31 December 2014, the Group was in was in covenant breach of certain financial ratio for failure to comply with certain financial covenants under its outstanding loan facilities. Failure to comply with the loan-to-value financial covenants agreed by the Group could trigger, inter alia, the requirement of early repayment of the relevant loan agreements and/or forced disposal of the concerned properties and, consequently, could have a material adverse effect on the Group’s business, financial condition, results of operations.

A breach of covenants under the Group's financing arrangements could entail the forced repayment of the loan and/or the forced sale of properties or the suspension of dividend payments, and cross-default provisions may exacerbate existing risks.

The Group's financing arrangements contain financial covenants that require the Company to maintain certain financial ratios, among other things. In the event that the Group breaches any such covenant, it may be required to immediately repay the respective borrowings in whole or in part, together with any attendant costs. In such situation, a given Group company may be forced to sell some or all of its properties unless it has sufficient cash resources or other credit facilities available to make such repayments. In addition, a lender may be able to sell such properties or procure their sale to the extent that the properties of the Group serve as collateral for such borrowings. A Group company may also be required to suspend payment of its dividends in the case of breaches of covenants under its financing agreements. All of the foregoing could have a material adverse effect on the Group's business, financial condition or results of operations.

Moreover, certain loan agreements concluded by the Group companies contain cross-default clauses which provide, inter alia, that if a Group company violates its covenants under another respective financing agreement, in particular if it fails to pay the indebtedness incurred under such an agreement when such is due, the lender may, inter alia: (i) cancel all or any part of the advances which were disbursed under the agreement but not utilised; (ii) demand the establishment of additional security interest; or (iii) terminate the agreement in whole or in part, specifying the date on which the credit facility, together with interest and any other costs, is to be paid off.

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

In order to secure its loans, the Group has in the past and/or may in the future mortgage its assets, pledge participation interests in its subsidiaries, enter into guarantees and agree to negative pledges provisions. In addition, the Group’s loans contain restrictions on its ability to dispose of certain key assets, which in turn may be required in order to satisfy certain financial covenants. The Group could fail to make principal and/or interest payments due under the Group’s loans or breach any of the covenants included in the loan agreements to which the Group has entered. In some cases, the Group may breach these covenants due to circumstances which may be beyond the control of the Group. These may include requirements to meet certain loan-to-value ratio, debt service coverage and working capital requirements. A breach of such covenants by the Group could result in the forfeiture of its mortgaged assets, the acceleration of its payment obligations, and the acceleration of payment guarantees, trigger cross-default clauses or make future borrowing difficult or impossible. In these circumstances, the Group could also be forced in the long term to sell some of its assets to meet its loan obligations or the completion of its affected projects could be delayed or curtailed. In the past the Group breached certain covenants relating to the maintenance of certain financial ratios or loan-to-value ratios imposed by loan agreements. There can be no assurance that such breaches will not repeat in the future or that the Group will be able to cure them promptly or at all. Any of the events described above could have a material adverse effect on the Group's business, financial condition, results of operations.

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

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

The Group is exposed to changes in foreign currency exchange rates

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

Whilst the companies of the Group may engage in currency hedging in an attempt to reduce the impact of currency fluctuations and the volatility of returns that may result from their currency exposure by, *inter alia*, entering into derivatives transactions, obtaining debt financing denominated in Euro, as well as concluding agreements with contractors specifying remuneration expressed in Euro, there can be no assurance that such hedging will be fully effective or beneficial. Moreover, given the fact that certain contractors of the Group engage in hedging arrangements with respect to their remuneration on the basis of, *inter alia*, construction contracts, their flexibility to postpone certain phases of construction may be limited and may result in their financial distress. In addition, given that payments under most of the Group's commercial leases are expressed as the local currency equivalent of a euro-denominated amount, some of the Group's tenants, specifically those leasing retail space, may face difficulties in meeting their payment obligations under such leases as they derive revenues in their respective local currencies. Consequently, any future material appreciation of the local currencies against the Euro could significantly decrease the Group's income in terms of the local currencies and could have a material adverse effect on the Group's business, financial condition, results of operations.

The Group is subject to interest rate risk

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

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

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

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

Risk factors relating to the macroeconomic, political and legal environment in the markets where the Group operates

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

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

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

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

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

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

The real estate market is cyclical

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

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

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

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

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

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

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

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

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

The Group Companies have carried out a number of transactions with related parties. When concluding and performing related-party transactions, the Group Companies take special care to ensure that such transactions comply with the applicable transfer pricing regulations and that they are properly documented. However, due to the specific nature of related-party transactions, the complexity and ambiguity of legal regulations governing the methods of examining the prices applied, as well as the difficulties in identifying comparable transactions for reference purposes, no assurance can be given that specific Group Companies will not be subject to inspections or other investigative activities undertaken by tax authorities, including fiscal control authorities. Should the methods of determining arm's-length terms for the purpose of the above transactions be challenged, this may have a material adverse effect on the Group's business, financial standing, growth prospects, and results of the Group.

The interpretation of Polish tax laws related to the taxation of investors may be inconsistent, and such laws may change

The Polish legal system, and specifically the tax regulations incorporated therein, is characterized by the frequent changes, ambiguity and no uniform tax law practice on the part of the tax authorities and there is a clear discrepancy between the judicial decisions relating to the application of Polish tax law regulations. For those reasons, the risk connected with the incorrect application of tax laws in Poland may be greater than that in other legal systems associated with more developed markets. This also applies to issues relating to the taxation of income generated by investors in relation to their acquisition, holding and disposal of securities. No assurance may be given that changes unfavorable to investors will not be introduced to tax laws within the scope of the above or that the tax authorities will not establish a different interpretation of the tax provisions, one which may prove unfavorable for investors, which could have an adverse effect on effective tax burdens and the actual profit of investors from their investment in the Shares.

Changes in laws could adversely affect the Group

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

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

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

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

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

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

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

The land and mortgage registry systems in certain of the CEE and SEE jurisdictions are non-transparent and inefficient, which may, inter alia, result in delays in the land acquisition process and the registration of many plots into one consolidated plot, which is a requirement before certain projects can be developed. This inefficiency could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Group.

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

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

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

Risk factors relating to the shareholding structure of the Company and corporate governance

There may be potential conflicts of interest between the Group and some investors

LSREF III GTC Investments B.V. ("**LSREF**") and certain Polish pension funds are the Company's significant shareholders as at the date of this Report.

The significant shareholders of the Company may influence the decision making process in the Company and, therefore, certain decisions concerning the operations and financial condition of the Company may depend on the ultimate vote of the significant shareholders or their representatives in the Supervisory Board. This may result in the Company not taking actions which it would otherwise may have taken. Accordingly, in considering any investment, business and operational matters of the Company and the most appropriate uses for the Company's available cash, the interests of the significant shareholders may not be aligned with the interests of the Company or of its other stakeholders.

Moreover, LSREF operates in the same market as the Group and it may compete over investments that the Group may be interested in.

Any such conflicts of interest may have an adverse effect on the Group's business, financial condition, results of operations.

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

The Company does not intend to pay out any dividends for at least the next four years; instead, its strategy focuses on significantly improving its level of funds for operations. The dividend policy is strictly connected with the general business strategy of the Group. Nonetheless, upon reaching the targeted level of funds necessary for the Group's operations, the Company may consider paying dividend. Moreover, the amount which may be distributed by the Company in accordance with the Polish law depends on the net profit and certain other figures reflected in the Company's stand-alone financial statements. Such figures may differ from the figures included in the Group's consolidated financial statements which are prepared in accordance with the IFRS.

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

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

To finance future acquisitions, the Company may raise additional capital by offering debt or additional equity securities, including convertible notes, medium-term notes, senior or subordinated notes and ordinary shares. The issuance of equity or debt securities with conversion rights may dilute the economic and voting rights of existing shareholders, if made without granting pre-emptive or other subscription rights, or reduce the price of the Company's shares, or both. The exercise of conversion rights or options by the holders of convertible or warrant-linked bonds that the Company may issue in the future may also dilute the shareholders' interests. Holders of the Company's ordinary shares have statutory pre-emptive rights entitling them to purchase a percentage of every issuance of the Company's ordinary shares. As a result, holders of the Company's ordinary shares may, in certain circumstances, have the right to purchase ordinary shares that the Company may issue in the future in order to preserve their percentage ownership interest in the Company, thereby reducing the percentage ownership interest of other investors. Because any decision by the Company to issue additional securities depends on market conditions and other factors beyond the Company's control, the Company cannot predict or estimate the amount, timing or nature of any such future issuances. Thus, prospective investors bear the risk of the Company's future offerings reducing the market price of the Shares and diluting their interest in the Company.

Item 4. Presentation of the Group

Item 4.1. General information about the Group

The GTC Group is a leading real estate company in CEE and SEE, operating in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria, and Slovakia. Additionally, it co-owns land in Ukraine and Russia and operates in the Czech Republic through its associates and joint ventures. The Group was established in 1994 and has been present in the real estate market for approximately 20 years.

The Group's portfolio comprises: (i) completed office buildings and office parks as well as retail and entertainment centres (commercial real estate); (ii) residential projects; and (iii) undeveloped plots of land and suspended projects (land bank).

Since its establishment the Group: has developed approximately 950 thousand sq. m of commercial space and approximately 300 thousand sq. m of residential space and has sold approximately 344 thousand sq. m of commercial space in completed commercial properties and approximately 263 thousand sq. m of residential space.

As of 31 December 2014, the Group owns and manages a portfolio that comprises:

- 26 completed commercial properties, including 20 office properties and 6 retail properties with a combined commercial space of approximately 548 thousand sq. m, of which the Group's proportional interest amounts to approximately 504 thousand sq. m of NRA;
- 1 office project under construction with NRA of approximately 28 thousand sq. m, of which the Group's proportional interest amounts to 28 thousand of NRA; as at date of the report only first phase is under construction with NRA of 10 thousand sq. m
- inventory of residential units totaling 37 thousand sq. m;
- land bank designated for future development, with approximately 924 thousand sq. m NRA designated for commercial use and approximately 465 thousand sq. m NRA designated for residential use; and
- 3 asset held for sale, including 2 retail properties with a combined NRA of approximately 42 thousand sq. m and 1 suspended project with approximately 42 thousand sq. m NRA designated for retail use.

As of 31 December 2014, the book value of the Group's portfolio amounts to €1,292,956 with: (i) the Group's completed commercial properties accounting for 80% thereof; (ii) completed residential units accounting for 2% and (iii) a land bank designated for future development accounting for 18%.

Additionally, the Group conducts operations in the Czech Republic, through its associates. The Group's proportional interest in assets in Czech Republic amounts to approximately 24 thousand sq. m of NRA in two office buildings and a shopping mall. The Group is also the co-owner of a 140 thousand sq. m land plot located in Ukraine, of which the Group's proportional interest is 70 thousand sq. m a 43 thousand sq. m land plot located in Russia, of which the Group's proportional interest is 28 thousand sq. m and a 10 thousand sq. m land plot designated for Ana Tower, located in Romania, of which the Group's proportional interest is 5 thousand sq. m.

The Group's completed properties in its three most significant markets, i.e. Poland, Romania and Hungary, constitute 44%, 15% and 15% of the total value of the Group's completed real estate portfolio, respectively.

The Company's shares are listed on the WSE and included in the WIG30 index. The Company's shares are also included in the international MSCI index, the Dow Jones STOXX Eastern Europe 300 average, the GPR250 index, which comprises the 250 largest and most liquid real estate companies in the world; and the FTSE EPRA/NAREIT Emerging Index.

The Group's headquarters are located in Warsaw, at 5 Wołoska Street.

Item 4.2. Structure of the Group

The structure of Globe Trade Centre S.A. Capital Group as of 31 December 2014 is presented in the Consolidated Financial Statements for the year ended 31 December 2014 in Note 7 “Investment in subsidiaries, associates and joint ventures”.

The following changes in the structure of the Group occurred in the year ended 31 December 2014:

On 27 February 2014, GTC Group acquired remaining 30% in GTC Real Estate Developments Bratislava BV. The consideration involved 100% sale of Park Project (GTC Real Estate Park s.r.o.) and mutual settlement on debt instruments. As a result, the impact on the equity attributable to equity holders of the parent amounted to a decrease of €6,800. As of 31 December 2014, GTC Real Estate Investments Slovakia BV was the sole owner of all its current projects in Slovakia.

Item 4.3. Changes to the principal rules of the management of the Company and the Group

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

Item 4.4. The Group’s Strategy

The Group's objective is to create value from:

- active management of a growing commercial real estate portfolio in CEE and SEE, supplemented by selected development activities; and
- enhancing deal flow, mitigating risks and optimising performance through its regional platform.

The Group implements the following elements, among others, to achieve its strategic objectives:

Acquiring yielding properties in Poland and in capital cities of selected CEE and SEE countries

The Group's strategic objective is to expand its portfolio by acquiring yielding properties in Poland and in capital cities of selected CEE and SEE countries that have value added potential.

The Management Board believes that the current market conditions, including the attractive pricing of yielding properties and the widening range of potential sellers, presents compelling real estate acquisition opportunities for both individual assets and portfolios of assets at attractive prices. The Management Board will carefully consider and evaluate attractive acquisition opportunities, which meet the investment criteria of the Group, while taking into consideration the prevailing market yields and the Group's investment criteria targets.

In addition, in implementing its strategic objective of expanding its portfolio, the Group is well-positioned to benefit from:

- the exceptional high yield spread in the current low interest rate environment, allowing for highly accretive growth;
- the future growth potential in Poland, in particular Warsaw and other capital cities of the countries in which the Group operates, including Belgrade, Bucharest, Budapest and Prague, if the macro environment improves;
- the current shortage of liquidity in the CEE and SEE regions, which limits competition from other potential purchasers;
- rents in the CEE and SEE regions being at historical lows.

The Group's acquisition strategy includes the acquisition of income generating assets with value-added potential that meet the following criteria:

- institutional grade office and retail assets;
- located in Warsaw or secondary cities in Poland and in the capital cities of CEE/SEE countries;
- cash generation ability (upon acquisition or shortly after);
- potential growth of net operating income at a level of up to 30% through re-leasing, improvement in occupancy and rental rates, and redevelopment;
- return on equity: initially at the low teens level;
- potential to increase return on equity to mid-teens through active asset management.

The Group's expansion will be selective and highly prudent and will be evaluated based on available sources, including potential capital increase, market opportunity, demand and potential return on investment. The Group may invest alone or may co-invest with partners, which will allow for increased portfolio diversification and boost the scope of investments.

Improving the efficiency of asset management activities and maximising operating performance and efficiency

The Group will continue to actively manage its current and future income-generating commercial property portfolio to maximise operating performance and efficiency, diversify tenant risk and enhance rental income.

The Group intends to add value to its portfolio through its asset management activities. Such activities include:

- increasing and maintaining occupancy on best achievable market terms;
- improving collection by maintaining good relationships with tenants and cooperating with them in improving their performance;
- striving for a low and efficient cost base by using energy efficient technologies and optimising property repair and maintenance costs;
- optimising development costs by revising and cost-engineering its developments without detriment to the competitiveness of any individual asset;
- optimising administrative costs where possible; and
- optimising the costs of finance by deleveraging and refinancing where possible.

The Management Board believes that, on a long-term basis, active asset management of completed assets will constitute a very important element of the Group's strategy.

Developing selected projects in the pre-construction or construction stage

Another core growth source under the Group's strategy is the development of high quality commercial projects in areas where there is strong demand for such properties. These areas include the Galeria Wilanów and Galeria Północna shopping malls in Warsaw, and an office project in Belgrade (FortyOne).

The development of those projects, which as at the date of the Report were in the pre-construction stage (Galeria Północna and Galeria Wilanów) and construction stage (FortyOne), is an important value driver of the Group. As of 31 December 2014, those projects represent approximately 8% of the Group's portfolio value (including assets held for sale).

Over the course of the next 3 years, the Group will focus its attention on the delivery of the following major projects (as of the Report identified as projects in pipeline):

- Galeria Północna - a retail and entertainment centre to be built by the Group in Warsaw;

- Galeria Wilanów - a retail and entertainment centre with approximately 250 leasable units to be built by the Group in Warsaw;
- FortyOne - a complex of three office buildings to be built in Belgrade, Serbia, with the total NRA of up to 27,800 sq. m; construction of the first phase, of 10,300 sq. m, commenced in October 2014 and its completions is scheduled for the third quarter of 2015.

The Group intends to position itself as a real estate investor and developer and adjust its development activities to the market conditions. The Management Board believes that this approach allows the Group to better respond to the changing conditions of the real estate market and focus on more active and efficient asset management of its existing as well as its expanded portfolio. Subject to prevailing market conditions, in order to improve the recurring operating income, in the mid-term the Group intends to structure its real estate portfolio in such a manner whereby more than half of its value is attributed to income-generating assets and the remaining portion to trading and development.

Disposal of non-core assets

The Group intends to sell its non-core assets (which include all of its residential properties and certain properties in its land bank, i.e. land designated for residential development and land designated for commercial development located outside of Warsaw, in secondary Polish cities or in capital and secondary cities of the CEE/SEE countries) in order to improve its liquidity and unlock equity which will be used to finance new investments and acquisitions.

The Management Board believes that by disposing the non-core assets of the Group's portfolio the Group will be able to rationalize the real estate portfolio structure and enhance the performance of its core assets.

Disposal of mature assets

The Group may sell certain of its mature assets from its portfolio (i.e. completed commercial properties which generate a stable flow of rental income and which, in the Group's view, have reached their long-term value). Moreover, following the acquisition of existing income-generating properties and increasing their value, the Group may also sell such properties.

Maintaining a balanced mix of investments across CEE and SEE regions and adapting to changes in the real estate markets

The Group intends to continue to focus its business activities on properties located in Warsaw or secondary cities in Poland which are characterized by macroeconomic stability, continued GDP growth and investor and tenant demand. The Group believes that some other markets, especially capital cities in the region it operates also offer long-term growth potential due to their relatively underdeveloped real estate markets and relatively illiquid markets. Further investments in these markets will be explored on an opportunistic basis with strict risk adjusted return hurdles. At the same time, specific performance requirements will be imposed on all assets in the Group's portfolio.

The Group aims to create and maximize shareholder value by constantly adapting to changes in the markets in which it operates whilst maintaining maximum performance of its core portfolio of assets.

Item 4.5. Business overview

The Group’s core business is geared towards commercial real estate, with a clear focus on creating value from active management of a growing real estate portfolio in CEE and SEE supplemented by selected development activities. As of 31 December 2014, the book value of the Group’s investment property, residential inventory, land bank and assets held for sale amounted to €1,292,956.

Investment properties

The Group has developed over 950 thousand sq. m of net rentable space and it currently manages completed commercial property with a combined net rentable area of approximately 548 thousand sq. m, including 20 office properties and 8 retail properties. As of 31 December 2014, income generating properties constitute 80% (by value) of the overall portfolio and land bank constitute 15% (by value).

The Group's office buildings provide convenient space, flexible interiors and a comfortable working environment. They are located in the heart of business districts and in proximity to the most important transport routes, including international airports. All projects have earned the trust of a significant number of international corporations and other prestigious institutions, including: the European Bank for Reconstruction and Development, Microsoft, Bertelsmann, Hewlett Packard, IBM, KPMG, Lotos, Allianz, Motorola, Noble Bank, Publicis Group companies, Levi's, Honeywell, Roche, State Street, Aviva Group, Exxonmobil, Peugeot, Samsung and Verifone.

The Group's shopping malls are located in both capital cities as well as in secondary cities in Poland, Bulgaria, Croatia, Czech Republic and Romania. They are always very highly ranked in the city of their location. The tenants include big multinationals as well as local brands like: Carrefour, Cora, Zara, Reserved, Peek & Cloopenburg, C&A, H&M, Cinema City, New Yorker and others.

Residential inventory and land bank

Over past 20 years, the Group also used to develop residential units for sale, however is phasing out of that segment of the market. As of 31 December 2014, the Group held residential inventory of both completed and land bank projects with a total value of €64,983, which constituted 5% of the Group's overall portfolio.

Assets held for sale

As of 31 December 2014, the Group had two completed shopping malls with a combined net rentable area of approximately 42 thousand sq. m, and one suspended retail project classified as assets held for sale with a book value of €6,654.

Item 4.5.1. Segmental overview of investment overview

The Group`s strategy focuses on creating value from active management of a growing real estate portfolio in CEE and SEE. The Group has presence in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria, Slovakia and the Czech Republic. The Group focused on commercial assets, mainly office buildings and office parks as well as retail and entertainment centres. The Groups investment properties include income generating assets (completed properties), projects under construction and commercial land bank.

Item 4.5.1.1.1. Income generating assets

As of 31 December 2014, the Group had 26 income generating assets under its management, totalling 548 thousand sq. m and valued € 1,029,276. The average occupancy rate within the investment portfolio was 91% as of 31 December 2014. The portfolio was valued based on average yield of 8.7%. Average duration of leases in Group`s portfolio amounted to 4.3 years and the average rental rate was €13.8 / sq. m / month.

Approximately 36% (44% of value) of the completed investment properties are located in Poland, 17% (15% of value) is located in Romania, 17% (15% of value) in Hungary, 11% (5% of value) in Bulgaria and remaining 19% (21% of value) is located in other countries in which the Group operates.

As of 31 December 2014, the value of office properties accounted for around 69% and retail properties accounted for the remaining 31%.

The following table presents income generating properties as of 31 December 2014 by main usage type:

Usage type	GTC`s consolidated share (sq. m)	Total net leasable area (sq. m)	% of total leasable area	Average occupancy (%)	Book value (€)	% of total book value
Office	356,215	356,215	65%	92%	712,876	69%
Retail[1]	191,931	191,931	35%	90%	316,400	31%
Total	**548,146**	**548,146**	**100%**	**91%**	**1,029,276**	**100%**

[1]Including Avenue Center, Croatia

The following table presents income generating properties as of 31 December 2014 by country in which the Group operates:

Country	GTC`s consolidated share (sq. m)	Total net leasable area (sq. m)	% of total leasable area	Average occupancy (%)	Book value (€)	% of total book value
Poland	199,823	199,823	36%	90%	450,711	44%
Romania	92,769	92,769	17%	91%	156,500	15%
Hungary	91,464	91,464	17%	93%	154,865	15%
Croatia	36,000	36,000	7%	96%	102,200	10%
Serbia	53,450	53,450	10%	95%	100,200	10%
Bulgaria	61,340	61,340	11%	92%	55,700	5%
Slovakia	13,300	13,300	2%	65%	9,100	1%
Total	**548,146**	**548,146**	**100%**	**91%**	**1,029,276**	100%

Additionally, the Group holds income generating properties in the Czech Republic through its associates, which are presents as the investment in associates in consolidated financial statement for the year ended 31 December 2014.

Item 4.5.1.1.2. Office segment overview

As of 31 December 2014, the Group office properties comprises of 20 office projects. Total net rentable office space was 356 thousand sq. m. Total value of office investment properties as of 31 December 2014 was €712,876 compared to € 734,056 as of 31 December 2013. The decrease in value comes mainly from a decrease in valuation of certain assets due to a decrease in expected rental values and expansion of yields in certain markets of CEE and SEE region. The Group’s office buildings are located in Poland, Hungary, Serbia, Croatia, Romania and Slovakia. Additionally, the Group holds office properties in the Czech Republic through its associates.

The following table presents office properties as of 31 December 2014 by country:

Country	GTC`s consolidated share (sq. m)	Total net leasable area (sq. m)	% of total leasable area	Average occupancy (%)	Book value (€)	% of total book value
Poland	150,301	150,301	42%	92%	300,711	42%
Hungary	91,464	91,464	26%	93%	154,865	22%
Romania	47,700	47,700	13%	93%	148,000	21%
Serbia	53,450	53,450	15%	95%	100,200	14%
Slovakia	13,300	13,300	4%	65%	9,100	1%
Subtotal	**356,215**	**356,215**	**100%**	**92%**	**712,876**	**100%**
Czech Rep. [1]	10,868	34,480		72%		
Total	367,083	390,695		92%		

[1] The properties that the Group owns through its associate in the Czech Republic are accounted for under the investment in associates in consolidated financial statement for the year ended 31 December 2014.

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Item 4.5.1.1.3. Retail segment overview

As of 31 December 2014, the Group's retail properties comprised 6 shopping centres with a total net rentable area of 192 thousand sq. m. The total value of retail investment properties as of 31 December 2014 was €316,400 compared to €393,000 as of 31 December 2013. The decrease comes mainly from a decline in value of retail properties in SEE regions, following a decision to no longer support certain of these assets and to sell the Group`s non-performing assets and as a result reclassification to assets held for sale. The Group's retail properties are located in Poland, Bulgaria, Croatia and Romania. Additionally the Group holds a shopping centre in Prague through its associate.

The following table presents retail properties as of 31 December 2014 by country:

Country	GTC`s consolidated share (ths. sq. m)	Total net leasable area (ths. sq. m)	% of total leasable area	Average occupancy (%)	Book value (€)	% of total book value
Poland	49,522	49,522	26%	86%	150,000	47%
Croatia[1]	36,000	36,000	19%	96%	102,200	32%
Bulgaria	61,340	61,340	32%	92%	55,700	18%
Romania	45,069	45,069	23%	88%	8,500	3%
Subtotal	**191,931**	**191,931**	**100%**	**90%**	**316,400**	**100%**
Czech Republic[2]	13,057	41,450				
Total	**204,988**	**233,381**				

[1] Including book value of Avenue Center, Croatia

[2] The properties that the Group owns through its associate in the Czech Republic and is accounted for under the investment in associates.

Item 4.5.1.1.4. Properties under construction

As of 31 December 2014, the Group had one office project under construction with a total net rentable area of 28 thousand sq. m and a book value of €20,500. As the date of report only the first phase is under construction with NRA of 10,300 sq. m.

Property	**Location**	**GTC's share**	**Total net leasable area (sq. m)**
FortyOne	Belgrade, Serbia	100%	27,800
Total			**27,800**

Item 4.5.1.1.5. Commercial land bank

Management, has conducted a thorough, asset by asset, review of the whole portfolio, in parallel to its decision to focus on Group's new developments efforts, solely on the strongest markets and, whilst supporting only the projects in its portfolio, which give the strongest mid-term upside potential, while reducing. Concurrently, the Management decided to reduce the cash allocation towards projects that has a longer term investment horizon. The above implied re-assessment of the some of GTC's land bank projects development timetable, and rescheduling them to a later stage or designating them for sale.

Additionally, in some cases, in view due to the decline in consumption and deteriorating of purchasing power, the timetable for stabilization of in relevant catchment areas around certain completed and cash generating assets in SEE, the timetable for stabilization of had to be re-assessed, and consequently expectations for stabilized income were deferred.

As of 31 December 2014, the Group's commercial land bank comprised total net rentable area of 924 thousand sq. m. The total value of commercial land bank as of 31 December 2014 was €171,543.

Item 4.5.2. Country overview of income generating assets

Item 4.5.2.1. Poland

Office portfolio

The total net rentable area in Poland comprised 150 thousand sq. m in 12 office projects. The average occupancy rate was at the level of 92%. The average duration of leases was 3.6 years at the year end and applied yield was at the level of 7.8%. The average rental rate generated by the office portfolio in Poland was at the level of € 14.7 /sq. m/month. Book value of the office portfolio in Poland amounted to €300,711 as of 31 December 2013 compared to €293,056 as of 31 December 2013. The difference comes mainly from completion of Pascal office building in Krakow.

The following table lists the Group's office properties located in Poland:

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
Galileo	Kraków	100%	10,234	10,234	2003
Globis Poznan	Poznań	100%	13,300	13,300	2003
Newton	Kraków	100%	10,435	10,435	2007
Edison	Kraków	100%	10,539	10,539	2007
Nothus	Warszawa	100%	9,135	9,135	2007
Zephirus	Warszawa	100%	9,113	9,113	2008
Globis Wroclaw	Wrocław	100%	15,423	15,423	2008
Centrum Biurowe Kazimierz	Kraków	100%	15,400	15,400	2009
University Business Park	Łódź	100%	19,437	19,437	2010
Francuska Office Centre	Katowice	100%	22,530	22,530	2010
Corius	Warszawa	100%	9,136	9,136	2011
Pascal	Kraków	100%	5,619	5,619	2014
		Total	**150,301**	**150,301**	

Retail portfolio

The total net rentable area of retail space in Poland comprises 50 thousand sq. m in one retail scheme. The occupancy rate was at the level of 86%. The average duration of leases was 4.3 years at the year end and applied yield was at the level of 7.3%. The average rental rate generated by the retail portfolio in Poland was at the level of €20.8 / sq. m / month. Book value of the Group's retail portfolio in Poland amounted to €150,000 as of 31 December 2014, as compared to € 150,000 as of 31 December 2013.

The following table lists the Group's retail properties located in Poland:

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
Galeria Jurajska	Częstochowa	100%	49,522	49,522	2009
		Total	**49,522**	**49,522**	

Item 4.5.2.2. Hungary

Office portfolio

The Group's total net rentable area in Hungary comprised 91 thousand sq. m in three projects. The occupancy rate was at the level of 93%. The average duration of leases was 4.6 years and the year end and applied yield was at the level of 8.1%. The average rental rate generated by the office portfolio in Hungary was at the level of €11.6 / sq. m / month. Book value of the Group's office portfolio in Hungary amounted to €154,865 as of 31 December 2014, as compared to €161,800 as of 31 December 2013. Decrease comes mainly from a slight decrease in the occupancy rate.

The following table lists the Group's office properties located in Hungary:

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
Center Point I&II	Budapest	100%	42,881	42,881	2004/2006
Spiral I&II	Budapest	100%	31,843	31,843	2009
Metro	Budapest	100%	16,740	16,740	2010
		Total	**91,464**	**91,464**	

Item 4.5.2.3. Serbia

Office portfolio

The Group's total net rentable area in Serbia comprised 53 thousand sq. m in the three office buildings. The occupancy rate was at the level of 95%. The average duration of leases was 3.2 years at the year end and applied yield was at the level of 8.9%. The average rental rate generated by the office portfolio in Serbia was at the level of € 14.7 / sq. m / month. Book value of the Group's office portfolio in Serbia amounted to €100,200 as of 31 December 2014 compared to € 106,100 as of 31 December 2013. Decrease comes mainly from a slight decrease in rental values.

The following table lists the Group's office properties located in Serbia:

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
GTC House	Belgrade	100%	13,598	13,598	2005
Avenue 19	Belgrade	100%	17,361	17,361	2008
GTC Square	Belgrade	100%	22,491	22,491	2008
		Total	**53,450**	**53,450**	

Item 4.5.2.4. Croatia

Office portfolio

The Group's total net rentable area in Croatia comprises 7 thousand sq. m in one office building. The occupancy rate and the book value of the Group's office portfolio in Croatia are presented together with the data for Avenue Mall Zagreb.

The following table lists the Group's office investment properties located in Croatia:

Property	Location	GTC's share	GTC`s share	Total net rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
Avenue Center	Zagreb	70%	7,000	7,000	2007
		Total	**7,000**	**7,000**	

Retail portfolio

The Group's total net rentable area of retail space in Croatia comprised 36 thousand sq. m (including Avenue Center) in one retail scheme. The occupancy rate was at the level of 96%. The average duration of leases was 6.4 years at the year end and applied yield was at the level of 8.5%. The average rental rate generated by the retail portfolio in Croatia was at the level of €20.5 / sq. m / month. Book value of the Group's retail portfolio in Croatia amounted to €102,200 (including book value of Avenue Center) as of 31 December 2014 compared to €142,900 as of 31 December 2013, which results from a decline in the value of Avenue Mall Zagreb due to decrease in expected rental values following increased competition and a reclassification of Avenue Mall Osijek to assets held for sale.

The following table lists the Group's retail properties located in Croatia:

Property	**Location**	**GTC's share**	**GTC`s consolidated share**	**Total net rentable area**	**Year of completion**
		(%)	**(sq. m)**	**(sq. m)**	
Avenue Mall Zagreb[1]	Zagreb	70%	36,000	36,000	2007
		Total	**36,000**	**36,000**	

[1]Including Avenue Center

Item 4.5.2.5. Romania

Office portfolio

The Group's total net rentable area in Romania comprised 48 thousand sq. m in one office project. The occupancy rate was at the level of 93%. The average duration of leases was 3.4 years at the year end and applied yield was at the level of 8.0%. The average rental rate generated by the office portfolio in Romania was at the level of €19.5 / sq. m / month. Book value of the Group's office portfolio in Romania amounted to €148,000 as of 31 December 2014, as compared to €157,500 as of 31 December 2013. Decrease comes mainly from a decrease in the expected rental value, following announcement of a significant number of new office space to be delivered to the market over 2016.

The following table lists the Group's office properties located in Romania:

Property	**Location**	**GTC's share**	**GTC`s consolidated share**	**Total net rentable area**	**Year of completion**
		(%)	**(sq. m)**	**(sq. m)**	
City Gate	Bucharest	59%	47,700	47,700	2009
		Total	**47,700**	**47,700**	

Retail portfolio

The Group's total net rentable area of retail space in Romania comprised 45 thousand sq. m in two retail schemes. The occupancy rate was at the level of 88%. The average duration of leases was 4.5 years at the year end and applied yield was at the level of 13.9%. The average rental rate generated by the retail portfolio in Romania was at the level of €4.0 sq. m / month. Book value of the Group's retail properties in Romania amounted to €8,500 as of 31 December 2014, as compared to €35,100 as of 31 December 2013, which is based on the received offers to purchase those non-performing assets, following Group's decision not to support financially the non-performing assets and sell them.

The following table lists the Group’s retail investment properties located in Romania:

Property	Location	GTC’s share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
Galleria Arad	Arad	100%	32,269	32,269	2011
Galleria Piatra Neamt	Piatra Neamt	100%	12,800	12,800	2009
		Total	**45,069**	**45,069**	

Item 4.5.2.6. Bulgaria

Retail portfolio

The Group’s total net rentable area of retail space in Bulgaria comprised 61 thousand sq. m in two projects. Occupancy rate is at the level of 92%. The average duration of leases was 6.4 years at the year end and applied yield was at the level of 9.1%. The average rental rate generated by the retail portfolio in Romania was at the level of €8.3 sq. m / month. Book value of the Group’s retail properties in Bulgaria amounted to €55,700 as at 31 December 2014, as compared to €65,000 as at 31 December 2013 resulting from decline in expected rental values.

The following table lists the Group’s office properties located in Bulgaria:

Property	Location	GTC’s share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
Galleria Stara Zagora	Stara Zagora	75%	24,621	24,621	2010
Galleria Burgas	Burgas	80%	36,719	36,719	2012
		Total	**61,340**	**61,340**	

Item 4.5.2.7. Slovakia

Office portfolio

The Group’s total net rentable area of retail space in Slovakia comprised 13 thousand sq. m in one office building. Occupancy rate was at the level of 65%. The average duration of leases was 1.4 years and applied yield was at the level of 9.0%. The average rental rate generated by the office portfolio in Slovakia was at the level of €9.8 sq. m / month. Book value of the Group’s office portfolio in Slovakia amounted to €9,100 as of 31 December 2014 compared to €15,600 as of 31 December 2013.

The following table lists the Group's office properties located in Slovakia:

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
Jarosova	Bratislava	100%	13,300	13,300	2010
		Total	**13,300**	**13,300**	

Item 4.5.2.8. Czech Republic

The Group owns a number of properties in the Czech Republic through associates, as a result the properties valuation and results of operations in the Czech Republic are not consolidated.

Office portfolio

Total net rentable area in the Czech Republic comprises 34 thousand sq. m, of which the Group's share is 11 thousand sq. m. Book value of the Group's office space in the Czech Republic amounted to €57,900 as of 31 December 2014. The Group's proportional interest is €18,528. Occupancy rate is at the level of 72%. The properties that the Group owns through its associate in the Czech Republic are accounted for under the investment in associates in financial statements.

The following table lists the Group's office properties located in Czech Republic:

Property	Location	GTC's share	GTC`s share	Total net rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
Prague Marina Office Centre	Prague	32%	4,164	13,200	2009
Harfa Office	Prague	32%	6,704	21,280	2011
		Total	**10,868**	**34,480**	

Retail portfolio

Total net rentable area of that retail space is 41 thousand sq. m, of which the Group's share is 13 thousand sq. m. Occupancy rate is at the level of 91%. Book value of the Group's retail space in the Czech Republic amounted to €101,600 as of 31 December 2014. The Group's proportional interest is €32,004. The properties that the Group owns through its associate in the Czech Republic are accounted for under the investment in associates in financial statements.

The following table lists the Group's office properties located in the Czech Republic:

Property	Location	GTC's share	GTC`s share	Total net rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
Galeria Harfa	Prague	32%	13,057	41,450	2010
		Total	**13,057**	**41,450**	

Item 4.5.3. Assets held for sale

As of 31 December 2014, the Group had two shopping malls and one suspended retail project classified as assets held for sale with a total book value of €6,654.

Property	Location	GTC's share	Total net leasable area (sq. m)
Avenue Mall Osijek	Osijek, Croatia	80%	28,500
Galleria Buzau	Buzau, Romania	100%	13,400
Suspended retail project	Varna, Bulgaria	65%	
Total			**41,900**

Item 4.6. Overview of the markets on which the Group operates

This overview was prepared by the Group based on the publicly available information and is focused on the most important markets on which the Group operates.

Item 4.6.1. Office market

The following description of the markets is fully based on JLL publicly available research and presents its view as the year end. Any changes that were notice post year end are not reflected.

Poland

Total modern office supply in Warsaw is nearly 4.4 million sq. m, a growth of 277,000 sq. m on the 2013 level. The total take-up of office space in Warsaw reached approx. 612,000 sq. m in 2014, with particularly sound demand registered in the last quarter (191,000 sq. m). As forecasted, this was 21,000 sq. m below the volume in the record-breaking 2013. Pre-lets totaled 92,800 sq. m in 2014, representing a drop by 42,000 sq. m on the 2013 level. It is worth underlying that the public sector had a 13% share in the total take-up volume in 2014, becoming one of the key demand drivers in Warsaw. Going forward, the overall market sentiment in terms of demand remains positive.

Construction activity remains substantial with 760,000 sq. m under development (incl. 56,000 sq. m under refurbishment) of which 19% is secured with pre-lets. JLL expects approx. 320,000 sq. m to be delivered in 2015 and at least as much in 2016.

The vacancy rate decreased slightly to 13.3%, however, JLL still sees the ongoing upwards trend in both 2015 and 2016. Central locations registered a 15.2% vacancy rate, while Non-Central 12.4% on average.

Prime headline office rents remained relatively stable during the fourth quarter 2014, however, JLL is of the opinion that rents are still at the declining curve due to large portion of new office supply to be delivered to the market. Currently, the prime headline rents in the Warsaw City Centre range between €22-€24 / sq. m / month, and Non-Central locations command rents of between €11-€18.5 / sq. m /month.

2014 proved to be a record-breaking year for regional markets in terms of demand. Take-up level exceeded 445,000 sq. m, which represents a 23% increase year-on-year. Such an extraordinary outcome was a consequence of a sound performance of all the regional cities. The new office supply reached 323,000 sq. m of new space. Development activity remains exceptionally strong and currently more than 630,000 sq. m of office space is under active construction in the Poland's regional cities.

Vacancy rates varied across the country. Most markets recorded decreases in vacancies over the course of the year. Only Katowice and Kraków noted a slight increase in unoccupied stock. Despite the changes, Kraków still registers the lowest vacancy rate (6.0%) and Szczecin the highest (15.8%). However, JLL expects the vacancy rate to pick-up due to large pipeline.

Prime headline rents in regional cities currently range between €11 to €12 / sq. m / month in Lublin and €14 to €15 / sq. m / month Poznań. Average headline rents remain highest in Kraków (€13.5 to €14 / sq. m / month) and lowest in Lublin (€10 / sq. m / month).

2014 was a successful year for the regional markets. High construction activity was matched by exceptional demand which translated into a reduction in vacancies. The business services sector continued to play a strategic role in office market development of all Poland's regional cities.

Romania

The modern office stock in Bucharest is currently around 2.2 million sq. m. The total of office supply delivered in 2014 reached approximately 121,000 sq. m, close to the one registered in 2013 and to what JLL estimates will be delivered in 2015, when several large projects currently under construction should be finalized. Total take-up registered a record level of approximately 295,000 sq. m, slightly over the one registered in 2013.

Considering that the market is bottoming out, developers announced a large number of projects in 2014, with the vast majority being located in the two main sub-markets in the north of the capital city (Floreasca–Barbu Vacarescu and Dimitrie Pompeiu) and in the rising central western part (Center–West). These areas primarily attract the dynamic and rapidly expanding companies from the IT industry. Therefore, deliveries are expected to surge in 2016, when around 240,000 sq. m will most likely be completed, out of which, more than 30% are already pre-let. However, considering the low level of new deliveries in these sub-markets in 2015, JLL does not expect any significant change in rental levels over the coming 12 months. Prime headline rents remained unchanged at €18.5 sq. m/month during the fourth quarter 2014. Over the last quarter, incentive packages remained consistent, with landlords usually offering both rent free periods and fit-out contributions.

The overall vacancy rate in Bucharest decreased over the quarter by 100 bps to13.3%, the lowest level in the last 6 years. This was mainly due to the new supply being largely pre-let and strong new demand. It is expected that the vacancy rate will continue to decrease in 2015, as the space delivered will most likely be surpassed by the new demand. Vacancy rates continue to be uneven between the sub-markets, which is reflected in the evolution of the rental levels. While in Baneasa and Pipera North vacancy is around 35%, vacancy in the CBD, North, West and Dimitrie Pompeiu is below 10%.

The supply pipeline for 2015 is expected to be around 120,000 sq. m. Take-up is forecasted to remain approximately the same as in 2014, but a significant number of transactions will be pre-leases. The overall vacancy rate should marginally decrease by the end of the year. We are of the opinion that prime rental levels will remain unchanged in 2015.

Serbia

Belgrade has recorded a limited supply of new modern office schemes, with less than a 2% increase over the last 24 months.

In the fourth quarter 2014, the A and B class vacancy rate continued its decreasing trend and stood below 7%, while the A class office vacancy stood at 7.8%. Such a trend is expected to change with the completion of new office deliveries on the market. However, JLL believes that the new supply will be absorbed quickly due to the increased demand from occupiers for new office space.

The decrease of the vacancy rate and an insufficient supply of modern offices resulted in a rental increase in the fourth quarter 2014. Current headline rents range from €15 - 17 sq. m / month.

Hungary

In 2014, the modern office stock in Budapest increased to 3.24million sq. m. At the end of the year, the size of the speculatively built office stock comprises 2.6 million sq. m, while the size of the owner occupied stock is 637,630 sq. m. In 2014, the volume of new supply in Budapest reached 68,190 sq. m, which is 126% higher than the total annual new supply in 2013 (30,100 sq. m). The office stock expanded by 6 buildings (out of which, one was delivered in two phases).

The vacancy rate declined a massive 220bps year-on-year, dropping to 16.2%. The improvement was due to a combination of factors: a strong annual net absorption of nearly 125,000 sq. m and the limited volume of completions paralleled with significant pre-lease activity in the newly delivered buildings.

Annual gross take-up totaled 465,600 sq. m, which is an all-time high in the history of the Budapest office market and 17% stronger than in 2013. The volume of net take-up reached 251,605sq m, which is the highest volume since 2009. Prime rent stands at €20.0sq m/month. This level is only achievable in a few, selected prime properties in the CBD for the best office units within the building. Average asking rents remained in the range of €11.0-14.0 sq. m/month for “A” class offices with generous incentive packages.

The impressive recovery of the Budapest office market is expected to continue in 2015. The volume of completions will be approximately half of the 2014 volume and nearly 100% of that is already pre-let. This means that in case occupier activity remains similarly strong as in 2014, the decline of the vacancy rate will remain robust.

Czech Republic

The Prague office market reached another milestone by exceeding the 3 million sq. m mark. Altogether, almost 149,000 sq. m of office space was completed throughout 2014 which represents the strongest annual supply since 2009 and a ca. 90% increase in comparison to last year’s volume. Currently, there is almost 213,000 sq. m of office space under construction. Out of this number, approximately 181,500 sq. m is scheduled for completion during 2015.

The cumulative gross take-up for 2014 reached 332,820 sq. m which represents a 12% y-o-y increase and it is the highest ever take-up in the history of Prague’s modern office market. Overall net take-up in 2014 reached 201,294 sq. m which is the fourth highest result since 2005.

The vacancy rate has significantly increased. Due to strong, mainly speculative supply, the vacancy rate increased to its current 15.26%. A vacancy rate increase is expected to continue in the first half 2015 with possible stabilization starting during the second half 2015.

During the fourth quarter 2014, prime headline rents in the city centre remained stable in the range of €18.5 –19.5 sq. m / month. Inner city rents were at €15.0 –16.0 sq. m/month in Pankrác (Prague 4) and at €15.0 –17.0 sq. m / month in Smíchov (Prague 5) and Karlín –Florenc (Prague 8). Rents in the Outer City remained at €13.0 –14.5 sq. m / month.

Item 4.6.2. Retail market

Poland

The modern retail stock in the Warsaw Agglomeration totals 1.62 million sq. m and has remained relatively stable over 2014. No major retail scheme was completed in the fourth quarter of 2014. The 36 operating shopping centres (1.11 million sq. m) in Greater Warsaw are complemented by a number of other projects representing different market formats: 5 retail parks (total floor space of 260,000 sq. m), 23 stand-alone retail warehouses (186,000 sq. m) and 3 outlet centres (50,000 sq. m).

With the high purchasing power of its residents, exceeding the national average by 68%, Warsaw is the most sought-after location for developers, investors and retailers, with the latter often perceiving Warsaw as a bridgehead for further expansion on the Polish market. High demand for modern shopping centre units in the capital city is reflected by the low vacancy rate, which stood at 2.0% at the end of 2014. Moreover, the region features one of the lowest shopping centre densities (437 sq. m/ 1,000 residents) amongst the largest Polish cities.

In 2015, mere 82,500 sq. m of new retail space shall be completed in five new small size schemes and two extensions of the existing properties, both shopping malls and outlets.

Prime rents in Warsaw, which refer to 100 sq. m shopping units located in leading retail assets and earmarked for fashion and accessories stores, showed stability in Q4. As at the end of the quarter, these rents ranged between €90 and €105 sq. m/ month, however we are observing an increased pressure on rents in the best trading assets.

Romania

The modern retail stock in Romania is currently estimated at approximately 2.62 million sq. m. The stock in Bucharest accounts for more than 35% of the total, meaning approximately 938,000 sq. m, with the remaining 1.68 million sq. m being spread across the larger cities in the country.

With a total supply of approximately 70,000 sq. m 2014 was the scarcest year in terms of new deliveries since 2006. However, encouraged by the surge in retail sales in 2014, the confidence of developers is starting to return and new projects are being planned or, are in advanced stages of construction.

The sustained economic growth, the strong increase in consumption and consumer confidence, which is at the highest level since 2008 (according to Nielsen most recent reports), are likely to push retailers to reconsider their cautious expansion plans in Romania. Existing shopping centres with proven good performance are still the main destination of new entrants, due to the limited options in terms of new supply. The gap between demand for prime and secondary stock continues to be significant.

Approximately 167,000 sq. m are expected to be delivered in 3 large projects in Romania in 2015.

Serbia

During 2014, there were no large retail scheme completions in Belgrade. Further future shopping centre development in Belgrade remains quite uncertain with several projects remaining to be on hold. When considering market entry, the majority of retailers are focused on Belgrade's prime retail assets. Therefore, modern shopping centres have excellent occupancy, with vacancy being constantly close to zero. Average rents in prime shopping centres in Belgrade remained stable, ranging from €25-27 sq. m / month. Retail units sized from 100 - 200 sq. m within prime shopping centres stand at €60 sq. m/month

Croatia

During 2014, the Zagreb retail market was marked by a growth in retail stock. Due to the significant volume of retail schemes delivered over the past several years, Zagreb's retail market is considered to be oversupplied. Demand for retail space was predominantly driven by international retailers. Throughout the year we have noted several new market entries. The current market conditions and lower purchasing power over the recent period have caused a drop in the rental levels of retail units within the shopping centers. Average rents within the prime shopping centers range between €20 -22 sq. m / month.

Bulgaria

In 2014 the retail market witnessed quite intensive activity driven by new supply, particularly in Sofia, where new supply has caused a 30% increase in shopping centre stock. Throughout 2014, healthy occupier demand was noted for the best performing malls in Sofia but, vacancy remains high across the board. Retailers were mainly concentrated on major projects in large cities such as Sofia, Burgas, Stara Zagora and Varna. With the delivery of new shopping centres, prime rental levels are facing further downward pressure.

Czech Republic

Over the course of 2014, approximately 99,000 sq. m of shopping centres and retail parks was opened. This represents a ca. 49% decrease to 2013 supply when more than 190,000 sq. m of retail space was added to the Czech market.

Despite several projects being under construction, the development pipeline remains constrained. With the exception of Prague and some regional cities, new larger projects are scarce. At the year-end there was approximately 73,000 sq. m of retail space under construction, predominantly in shopping centres and factory outlets. Out of this number, approximately 46,800 sq. m is scheduled for opening throughout 2015.

The Czech Republic remains an active market with the majority of the retail demand concentrated on Prague, its high street and the leading shopping centres. Retailers have a focused and selective expansion strategy, impacting on the overall retail demand and benefiting the leading shopping centres whether in, or outside of Prague.

Prime shopping centre rents in Prague reached a level of €100 sq. m / month (for a 100 sq. m unit). However, demand levels, combined with an undersupply of suitable space, are in favor of a rental increase.

Item 4.6.3. Investment market

In CEE, 2014 investment volumes reached a level of approximately €7.9 billion. This represents approximately 27% y-o-y increase in volumes compared to those in 2013 (approximately €6.2 billion). Poland remained the leading regional market with a share of approximately 41% in CEE followed by the Czech Republic (25%), Romania (16%), Slovakia (8%), Hungary (7%) and the SEE markets (3%).

Poland posted another exceptional year and remained the primary focus for many institutional investors, however, Poland's percentage of total CEE volume has moved from 70% in 2012 to approximately 41% in 2014. Poland continues to perform exceptionally well, but the other CEE countries have all significantly increased their trading volumes, which is a positive trend for the region as a whole. Moreover, the investment activity in these re-emerging markets was well-balanced, with deals across all sectors and lot sizes. 2014's solid or record "post-crisis" activity is expected to continue into 2015, as several large deals are currently advanced.

Poland

2014 delivered very strong results of €3.2 billion, just 8% below the exceptionally strong 2013 – totaling €3.4 billion. 2014 volumes comprise of a record (since 2006 peak) amount of office investment deals at €1.8 billion, as well as the highest ever level of warehouse investments at €744 million, supported by €570 million of retail transactions.

In the office sector, regional cities played a significant role, delivering over €440 million of transactions. This was a record level and more than the total of the last five years volumes combined in regional cities. Retail investment saw a relatively slow performance with €570 m of deals – just above 40% of 2013 volumes.

The number of transactions slipped into 2015, or were initiated in late 2014, hence 2015 is again expected to deliver strong results, benefiting from deals across all sectors.

Czech Republic

Annual investment volume was just over €2 billion, which indicates that 2014 was the third most active year in the history of the market. Demand-side pressure caused by the weight of international capital seeking core CEE opportunities has provided liquidity for large lot-size properties and portfolios, while their continued limited availability has driven yield compression.

The retail sector accounted for 21% of overall volumes and displayed increased breadth and depth as transactions involving portfolios, regional centres, non-core properties and an outlet concept were traded. Office activity was proportionally lower than historic levels due to constrained supply and larger deals elsewhere.

JLL anticipates large lot-size purchases by international capital, including that from non-traditional investor nationalities, to drive continued high investment volumes in 2015. Reduced bank margins and low interest rates are supportive while increased fund allocation towards real estate provides a weight of capital and illustrates its attractiveness relative to other asset classes.

Hungary

2014 was an active year on the Hungarian real estate investment market. The total transaction volume reached some €580 million, which makes 2014 the second strongest year in terms of investment volumes since the 2008. As usual, the most popular asset class was office, generating 35% of the total volume, followed by retail with 29% and industrial with 13%. The remaining share is accounted for by hotels and properties for redevelopment. Investor appetite has gained momentum for Hungarian assets due to improving market conditions and the attractive prices compared to Poland or the Czech Republic, making prime assets particularly attractive. Among the various asset classes, the performance of the Hungarian office market was especially convincing as vacancy dropped to the lowest level of the past 6 years while gross take-up broke record volumes.

According to JLL's opinion, 2015 will see increasing interest for Hungarian assets from international investors and local funds. JLL also expects the National Bank to continue its real estate investment program. Based on the deal pipeline, JLL already foresees that the average ticket size will significantly increase in 2015 and that some landmark assets will be transacted, taking the transaction volume to at least €750-800 million.

Romania

The property investment volume in 2014 is estimated at approximately €1.3 billion, the second highest annual figure ever recorded, representing an increase of 285% compared with 2013. This is a clear sign that Romania is back on the map of international investors. The majority of deals were focused on Bucharest and volumes were dominated by retail transactions (around 41%)

Yields have compressed slightly during the year, but no significant further compression is expected until bank margins would drop considerably as the spread in yields between Romania and more core CEE markets is currently partially offset by the spread in bank margins, which is especially affecting leveraged buyers.

Other SEE markets

Although, the South Eastern European sub region is relatively unexplored, its most active markets, such as Slovenia, Bulgaria and Croatia, have seen more activity, especially in terms of retail and office development, largely thanks to their EU memberships. While Serbia and its capital Belgrade have the least developed market among the aforementioned countries, there has recently been higher interest recorded, especially from foreign investors, pointing out its great potential. In the upcoming years, JLL expects a higher number of transactions of income producing properties across the region.

Item 5. Operating and financial review

Item 5.1. General factors affecting operating and financial results

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

Economic conditions in CEE and SEE

The Group's business results have been affected by the global financial crisis, which started in 2008/2009. The global crisis on the financial markets impacted the condition of many financial institutions, and governments were often forced to intervene on the capital markets on an unprecedented scale. Such turbulence resulted in businesses having restricted access to bank financing, an increase in interest rates charged on bank loans and a decrease in consumer spending with many tenants making requests for temporary or permanent rent reduction or downsizing of rental space. All these factors impacted the real estate market as well as resulted in a decrease in the value of real estate.

The crisis experienced by the financial markets slowed down the general economy in many countries, including Poland, Hungary, and Romania, where the Group operates. The economic downturn in those countries resulted in reduced demand for property, growth of vacancy rates, and increased competition in the real estate market, which adversely affected the Group's ability to sell or let its completed projects at their expected yields and rates of return.

The reduced demand for property that, on the one hand, resulted in a drop in sales dynamics, and, on the other, an increase in vacancy rates and lower rent revenues from leased space, significantly impacted the results of operations of the Group. Specifically, the Group was forced to change some of its investment plans, for example numerous projects in Bulgaria, Romania and Croatia, as those projects did not meet the initially assumed returns targets. Additionally, the Group was not able to develop numerous plans in the countries where it operates.

Real estate market in CEE and SEE

The Group derives the majority of its revenue from operations from rental activities, including rental and service revenue. For the year ended 31 December 2013 and for the year ended 31 December 2014, the Group derived 68% and 68% of its revenues from operations as rental revenue, which greatly depends on the rental rates per sq. m and occupancy rates. The amount the Group can charge for rent largely depends on the property's location and condition and is influenced by local market trends and the state of local economies. The Group's revenue from rent is particularly affected by the delivery of new rent spaces, changes in vacancy rates and the Group's ability to implement rent increases. Rental income is also dependent upon the time of completion of the Group's development projects as well as on its ability to let such completed properties at favorable rent levels. Moreover, for the years ended 31 December 2013 and 31 December 2014, respectively, the Group derived 21% and 21% of its revenues from operations as service revenue, which reflects certain costs the Group passes on to its tenants.

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

To a certain extent, the Group's operational results are influenced by its ability to sell residential units, which for the years ended 31 December 2013 and 31 December 2014, amounted for 11% and 12% of the Group's total revenues, respectively. The supply of new apartments in the different markets in which the Group operates and the demand on such markets affect apartment prices. The demand for apartments is further impacted by fluctuations in interest rates, the availability of credit and the mortgage market in general. For example, the Group's residential revenues decreased steadily over the last few years due to the slowdown in the sale of residential properties coupled with an increase in discounts which had to be granted to purchasers of the Group's apartments in order to facilitate sales.

Real estate valuation

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

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

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

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

The Group recognized net revaluation losses and impairment of assets and residential projects of €184,585 and €194,404 in the year ended 31 December 2013 and in the year ended 31 December 2014, respectively

Impact of interest rate movements

Substantially all of the loans of the Group have a variable interest rate, mainly connected to Euribor. The bonds issued by the Company are denominated in PLN and bear interest connected to WIBOR. Approximately 41% of the Group's loans are hedged or partially hedged. Increases in interest rates generally increase the Group's financing costs. For example, an interest rate increase of 50 basis points for the year ended 31 December 2013 would have increased the Group's interest expense for the year ended 31 December 2013 by approximately EUR 999 and EUR 1,585 for the year ended 31 December 2014. In addition, in an economic environment in which availability of financing is not scarce, demand for investment properties generally tends to increase when interest rates are low, which can lead to higher valuations of the Group's existing investment portfolio. Conversely, increased interest rates generally adversely affect the valuation of the Group's properties, which can result in recognition of impairment that could negatively affect the Group's income.

Historically, Euribor rates have demonstrated significant volatility, changing from 1.343% as of 2 January 2012, through 0.188% as of 2 January 2013, to 0.280% as of 3 January 2014 and 0,076% as of 2 January 2015 (Euribor for three-month deposits).

Impact of foreign exchange rate movements

For the years ended 31 December 2013 and 31 December 2014 a vast majority of the Group's revenues and costs were incurred or derived in euro. Nonetheless, the exchange rates against euro of the local currencies of the countries in which the Group operates are an important factor as the credit facilities that are obtained may be denominated in either euro or local currencies.

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

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

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

Availability of financing

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

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

Item 5.2. Specific factors affecting financial and operating results

IFRS 11 has been applied starting from 1 January 2014. Under IFRS 11, investment in joint ventures, which was previously consolidated using the proportionate consolidation method, is now presented under the equity method. Presentation of comparable periods presented in the financial statements has been restated. The equity and the result for comparable periods not have been changed due to above restatements. The full disclosure on IFRS 11 implementation is included in note 31 to consolidated financial statements for the year ended 31 December 2014.

On 27 February 2014, GTC Group acquired remaining 30% in GTC Real Estate Developments Bratislava BV. The consideration involved 100% sale of Park Project (GTC Real Estate Park s.r.o.) and mutual settlement on debt instruments. As a result, the impact of on the equity attributable to equity holders of the parent amounted to a decrease of €6,800. As of 31 December 2014, GTC Real Estate Investments Slovakia BV was the sole owner of all its current projects in Slovakia.

In January 2014, the Company raised approximately EUR 52,839 through the private placement of 31,937,298 shares. Following such issuance, LSREF III, directly, and Lone Star, indirectly, held 105,064,290 ordinary shares in the Company, which constituted 29.9% of its share capital.

In February 2014, the Company raised PLN 200,000 (approximately EUR 47,600) through the issuance of bonds to selected Polish institutional investors. The bonds will be subject to partial redemption at one-third of their nominal value on 12 March 2018, 10 September 2018 and 11 March 2019 (with the last date being the date of the full redemption of the bonds). The interest on the bonds will be payable semi-annually and is based on WIBOR 6M and a margin of 4.5% p.a. The bonds are traded on Catalyst and have been assigned the code GTCSA032019.

In April 2014, the Company repaid bonds with a nominal value of EUR 81,600 and settled the related hedging arrangements with a value of EUR 20,800. Such repayment was reflected in the Consolidated Statement of Cash Flows. Repayment of bonds was presented under repayment of long-term borrowings.

Change of strategy towards non-performing assets. In previous years the Company supported the operations of certain of its projects with an outlook to improve their operating performance; however, such support has not resulted in the expected improvement. Following the reassessment of the performance of the Company`s portfolio in secondary cities and B-class locations in Romania, Croatia, Bulgaria and Hungary during the fourth quarter of 2014, the Management decided to no longer support certain of these assets and to sell the Company`s non-performing assets.

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

The Group did not present forecasts for 2014.

Item 5. 4. Statement of financial position

Item 5.4.1. Key items of the statement of financial position

Investment property

Investment properties that are owned by the Group comprise office and commercial space, including property under construction. Investment property can be split up into: (i) completed investment property; (ii) investment property under construction presented at fair value; and (iii) investment property under construction presented at cost.

Residential land bank

The Group classifies its residential inventory as current or non-current assets based on their development stage within the business operating cycle. The normal operating cycle in most cases falls within a period of one to five years. The Group classifies residential inventory the development of which is planned to be commenced at least one year after the balance sheet date as residential land bank, which is part of its non-current assets.

Investment in associates and joint ventures

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

Assets held for sale

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

Inventory

Inventory relates to residential projects under construction and is stated at the lower of cost and net realisable value. Expenditures relating to the construction of a project are included in inventory.

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

Short-term deposits

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

Derivatives

Derivatives include instruments held by the Group that hedge the risk involved in the fluctuations of interest and currency rates. In relation to the instruments qualified as cash flow hedges, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income and the ineffective portion is recognized in net profit or loss. The classification of hedges in the statement of financial position depends on their maturity. For derivatives that do not qualify for hedge accounting, any gain or losses arising from changes in fair value are recorded directly in net profit and loss for the year. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments

Item 5.4.2. Financial position as of 31 December 2014 compared to 31 December 2013

Total assets decreased by €205,455 (12%) to €1,517,064 as of 31 December 2014. The decrease was mainly due to a devaluation of investment property, residential land bank, inventory and investment in associates and joint ventures, and was partially offset by an increase cash and cash equivalents.

Assets

The value of investment property decreased by €154,419 (11%) to €1,221,319 as of 31 December 2014 from €1,375,738 as of 31 December 2013 due to a decrease in fair value of assets located in secondary cities in Romania, Croatia and Bulgaria, as well as the land bank in Budapest. In previous years Group supported the operations of certain of its projects with an outlook to improve their operating performance; however, such support has not resulted in the expected improvement. Following the reassessment of the performance of the Group`s portfolio in secondary cities and B-class locations in Romania, Croatia, Bulgaria and Hungary during the fourth quarter of 2014, the Management decided to no longer support certain of these assets and to sell the Company`s non-performing assets. As a result, the valuations were based on less favorable assumptions with respect to the future performance of certain shopping malls, which resulted in changes of the estimated rental value of the projects, their required additional investments and their risk-adjusted yields.

The value of assets held for sale increased to €6,654 as of 31 December 2014, as a result of offering and negotiating the sale of certain assets. These assets include Varna Mall project, Galleria Buzau and Avenue Mall Osijek.

The value of residential land bank and inventory decreased by €56,284 (46%) to €64,983 as of 31 December 2014 from €121,267 as of 31 December 2013, mainly due to: sale of apartments of €14,452, and sale of land plots designed for residential project in Kraków, and Bratislava in the total amount of €8,317, as well as a decrease in value of certain residential projects and land bank in Slovakia, Romania and Hungary.

The value of investment in associates and joint ventures decreased by €23,578 (20%) to €96,046 as of 31 December 2014 from €119,624 as of 31 December 2013 mainly due to a decline in the fair value of Galerie Harfa, Prague and a land plots in Russia and Ukraine.

The value of the cash and cash equivalents increased by €24,624 (44%) to €81,063 as of 31 December 2014 from €56,439 as of 31 December 2013, mainly due to cash generated from operating activities.

Liabilities

The value of loans and bonds decreased by €26,401 (3%) to €922,191 as of 31 December 2014 from €948,592 as of 31 December 2013. The loans amount include an intercompany loan in the amount of €48,000 from a subsidiary of GTC SA that used to hold Galeria Kazimierz shopping center and used to be consolidated however is not consolidated following implementation of IFRS 11. Eliminating this loan, the loans and bonds decreased by €74,401 mainly due to repayment of bonds and loans amortization, which was partially offset by proceeds from the loans to fund Pascal office building construction (Poland) and refinance of Spiral office building (Hungary).

The value of derivatives decreased by €26,846 (82%) to €6,044 as of 31 December 2014 from €32,890 as of 31 December 2013, mainly due to expiry of hedging instruments.

Equity

Equity decreased by €148,700 (26%) to €427,181 as of 31 December 2014 from €575,881 on 31 December 2013 due to recognition of net loss for the 12-month period ended 31 December 2014 partially offset by capital coming from the issuance of J series shares in the amount of €52,840.

Item 5.5. Consolidated income statement

Item 5.5.1. Key items of the consolidated income statement

Revenues from operations

Revenues from operations consist of:

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

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

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

Cost of operations

Costs of operations consist of:

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

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

Gross margin from operations

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

Selling expenses

Selling expenses include:

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

- marketing and advertising costs; and

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

Administrative expenses

Administration expenses include:

- payroll, management fees and other expenses that include the salaries of all employees that are not directly involved in sales or rental activities;
- provisions made to account for the share-based incentive program that was granted to key personnel;
- costs related to the sale of investment properties;
- costs of audit, legal and other advisors;
- office expenses;
- depreciation and amortization expenses include depreciation and amortization of the Group's property, plant and equipment;
- exchange gains or losses; and
- others.

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

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

Financial income/(expense), net

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

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

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

Taxation

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

Item 5.5.2. Comparison of financial results for the 12 month period ended 31 December 2014 with the result for the corresponding period of 2013

Revenues from operations

Revenues from operations increased by €1,423 to €124,284 in the 12-month period ended 31 December 2014 from €122,861 in the 12-month period ended 31 December 2013. Residential revenues increased by €1,419 to €14,649 in the 12-month period ended 31 December 2014, which resulted from an improved sale of residential units in Romania and Poland. Rental and service revenues remained unchanged at €109,635 in the 12-month period ended 31 December 2014 compared to €109,631 in the 12-month period ended 31 December 2014.

Cost of operations

Cost of operations decreased by €1,753 to €43,155 in the 12-month period ended 31 December 2014 from €44,908 in the 12-month period ended 31 December 2013. Recognized residential costs increased by €813 to €14,452 in the 12-month period ended 31 December 2014 resulting from recognition of costs related to improved residential sales in Romania and Poland. Cost of rental operations decreased by €2,566 to €28,703 in the 12-month period ended 31 December 2014 as a result of cost cutting.

Gross margin from operations

Gross margin (profit) from operations increased by €3,176 to €81,129 in the 12-month period ended 31 December 2014, mainly due to an improvement in margin from rental activities. The gross margin (profit) on rental activities increased by €2,570 to €80,932 in the 12-month period ended 31 December 2014 from €78,362 in the 12-month period ended 31 December 2013. Gross margin on rental activities in the 12-month period ended 31 December 2014 was 74% compared to 71% in the 12-month period ended 31 December 2013. The gross margin (profit) on residential activities increased to €197 in the 12-month period ended 31 December 2014 from a loss of €409 in the 12-month period ended 31 December 2013. Gross margin on residential activities was 1% in the 12-month period ended 31 December 2014.

Selling expenses

Selling expenses decreased by €360 to €2,884 in the 12-month period ended 31 December 2014 from €3,244 in the 12-month period ended 31 December 2013.

Administrative expenses

Administrative expenses increased by €407 to €11.351 (before provision for stock based program) in the 12-month period ended 31 December 2014. The increase is due to the one-off payment of €444 to Alain Ickovics as a severance payment. In addition, mark-to-market of phantom shares program resulted in derecognition of provision of €2,570 compared to €2,724 in the 12-month period ended 31 December 2013.

Profit/(loss) from the revaluation/impairment of assets and impairment of residential projects

Net loss from the revaluation of the Group's investment properties and impairment of residential projects amounted to €194,404 in the 12-month period ended 31 December 2014, as compared to a net loss of €184,585 in the 12-month period ended 31 December 2013. The decline is attributed mainly to a decline in fair value of assets located in secondary cities in Romania, Croatia and Bulgaria, as well as the land bank in Budapest. In previous years Group supported the operations of certain of its projects with an outlook to improve their operating performance; however, such support has not resulted in the expected improvement. Following the reassessment of the performance of the Group`s portfolio in secondary cities and B-class locations in Romania, Croatia, Bulgaria and Hungary during the fourth quarter of 2014, the Management decided to no longer support certain of these assets and to sell the Company`s non-performing assets. As a result, the valuations were based on less favorable assumptions with respect to the future performance of certain shopping malls, which resulted in changes of the estimated rental value of the projects, their required additional investments and their risk-adjusted yields.

Other income/(expense), net

Other income (net of other expenses) related to land bank properties increased to €616 in the 12-month period ended 31 December 2014 from €3,476 expenses in the 12-month period ended 31 December 2013.

Foreign exchange loss

Foreign exchange loss amounted to €93 in the 12-month period ended 31 December 2014, as compared to a foreign exchange loss amounting to €1,070 in the 12-month period ended 31 December 2013.

Financial income/(cost), net

Net financial cost decreased by €268 to €42,537 in the 12-month period ended 31 December 2014 as compared to €42,805 in the 12-month period ended 31 December 2013.

The average effective interest rate (including the hedging arrangements related thereto) on the Group's loans amounted to 4.2% in the 12-month period ended 31 December 2014 and 4.3% in the 12-month period ended 31 December 2013.

Share of profit (loss) of associates

Share of loss of associates was €27,568 in the 12-month period ended 31 December 2014 as compared to a share of profit of €3,813 in the 12-month period ended 31 December 2013. The share of profit in 2013 was mainly from Galeria Kazimierz shopping center while the share of loss in 2014 is mainly due to a devaluation of assets in the Czech Republic, Ukraine and Russia.

Taxation

Taxation expense amounted to €12,868 in the 12 month period ended 31 December 2014. The Group's primary tax liability is recognized in connection with the value of its assets expressed in local currency of each jurisdictions in which such assets are located. The major cause for the above expenses is that in most cases deferred tax asset on losses from revaluation cannot be created.

Net loss

Net loss amounted to €207,390 in the 12 month period ended 31 December 2014, as compared to a net loss of €176,797 in 12 month period ended 31 December 2013. In 12 month period ended 31 December 2014 the loss was attributable mostly to loss on revaluation of investment properties and impairment of residential projects.

Employment

As of 31 December 2014 and 2013 the number of full time equivalent working in the Group companies was 144 and 166 respectively.

Business segmental analysis

The Group operating segments are carried out through subsidiaries that develop real estate projects.

The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets and other factors. Reportable segments are divided into two main segments:

1. Development and rental of office space and shopping malls ("rental activity") and
2. Development and sale of houses and apartment units ("residential activity").

The activities carried out in the above mentioned operating segments are conducted in the geographical zones, which were modified. As a result of the change the Company restated comparative data. Previously the geographical zones were divided into:

a. Poland and Hungary
b. Romania and Bulgaria
c. Other CEE countries (Serbia, Croatia, Slovakia).

Current operating segments are divided into geographical zones, which have common characteristics and reflect the nature of management reporting structure:

d. Poland and Hungary
e. Capital cities in SEE countries (Romania, Serbia, Croatia, Slovakia)
f. Secondary cities in Bulgaria
g. Secondary cities in Croatia
h. Secondary cities in Romania

Management monitors gross margin from operations of its business units for the purposes of making performance assessment and decision making. Operating segment performance is evaluated based on gross margin from operations. The resource allocation decisions made by the management are based, amongst others, on segmental analysis.

The following table presents segment analysis for the year ended 31 December 2014 and year ended 31 December 2013 (restated):

	Poland and Hungary		Capital cities in SEE countries		Bulgaria-secondary cities		Croatia-secondary cities		Romania-secondary cities		Consolidated	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Rental and service income	60,226	60,703	36,704	37,322	7,346	6,123	1,611	2,079	3,748	3,404	109,635	109,631
Contract income	3,509	2,641	11,140	10,589	-	-	-	-	-	-	14,649	13,230
Total income	**63,735**	**63,344**	**47,844**	**47,911**	**7,346**	**6,123**	**1,611**	**2,079**	**3,748**	**3,404**	**124,284**	**122,861**
Rental and service costs	12,028	12,770	9,124	9,288	2,445	3,003	1,803	1,764	3,303	4,444	28,703	31,269
Contract costs	2,203	1,881	12,249	11,758	-	-	-	-	-	-	14,452	13,639
Total costs	**14,231**	**14,651**	**21,373**	**21,046**	**2,445**	**3,003**	**1,803**	**1,764**	**3,303**	**4,444**	**43,155**	**44,908**
Rental result	48,198	47,933	27,580	28,034	4,901	3,120	(192)	315	445	(1,040)	80,932	78,362
Contract result	1,306	760	(1,109)	(1,169)	-	-	-	-	-	-	197	(409)
Segment result	**49,504**	**48,693**	**26,471**	**26,865**	**4,901**	**3,120**	**(192)**	**315**	**445**	**(1,040)**	**81,127**	**77,953**
	Loss from revaluation/ impairment of assets											
Investment properties	(39,812)	(46,007)	(56,120)	(58,576)	(21,624)	(41,678)	(15,104)	(13,600)	(27,665)	(2,665)	(160,325)	(162,526)
Residential	(9,432)	(2,732)	(16,047)	(19,327)	-	-	(8,600)	-	-	-	(34,079)	(22,059)
	(49,244)	**(48,739)**	**(72,167)**	**(77,903)**	**(21,624)**	**(41,678)**	**(23,704)**	**(13,600)**	**(27,665)**	**(2,665)**	**(194,404)**	**(184,585)**

	Poland and Hungary		Capital cities in SEE countries		Bulgaria-secondary cities		Croatia-secondary cities		Romania-secondary cities		Consolidated	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Segment assets												
Allocated assets rental	732,293	775,900	418,927	471,530	64,533	85,372	1,751	17,408	13,273	40,610	1,230,777	1,390,820
Allocated assets residential	17,399	34,965	44,756	71,259	-	-	6,740	16,576	-	-	68,895	122,800
Unallocated assets	176,676	162,165	35,428	41,409	2,482	2,272	1,666	1,830	1,140	1,223	217,392	208,899
Total assets	**926,368**	**973,030**	**499,11**	**584,198**	**67,015**	**87,644**	**10,157**	**35,814**	**14,413**	**41,833**	**1,517,064**	**1,722,519**
Segment liabilities												
Allocated liabilities rental	25,365	29,466	43,741	50,857	1,548	2,073	887	1,174	698	788	72,239	84,358
Allocated liabilities residential	1,356	1,825	1,485	4,942	-	-	1,363	1,463	-	-	4,204	8,230
Unallocated liabilities	610,254	654,047	276,063	260,560	70,231	82,599	23,107	23,149	33,785	33,695	1,013,440	1,054,050
Total liabilities	**636,975**	**685,338**	**321,289**	**316,359**	**71,779**	**84,672**	**25,357**	**25,786**	**34,483**	**34,483**	**1,089,883**	**1,146,638**

Unallocated assets include mostly cash and cash equivalents, deposits, investments in associates and loans granted. Unallocated liabilities include mostly loans received, bonds and hedges, and unallocated part of deferred tax liability.

Item 5. 6. Consolidated cash flow statement

Item 5.6.1. Key items from consolidated cash flow statement

Net cash from (used in) operating activities

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

Net cash used in investing activities

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

Net cash from (used in) financing activities

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

Cash and cash equivalents

Cash balance consists of cash in banks. Cash in banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. All cash is deposited in banks no matter the negligible amount. All cash and cash equivalents are available for use by the Group.

Item 5.6.2. Cash flow analysis

The table below presents an extract of the cash flow for the period of twelve months ended on 31 December 2014 and 2013:

	Year ended 31 December 14	Year ended 31 December 13
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	73,252	69,377
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investment property under construction	(25,821)	(29,755)
Sale of asset or shares in subsidiaries	10,614	32,554
Purchase of minority	(279)	-
Acquisition of shares in associates	-	2,025
Tax/VAT on sale of investment property	-	(35,719)
Other, interest and similar costs	1,575	1,826
Net cash used in investing activities	(13,911)	(29,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares	53,680	-
Share issuance expenses	(841)	-
Proceeds from long-term borrowings	124,494	43,167
Repayment of long term borrowings	(149,409)	(179,177)
Repayment of hedge	(20,762)	(19,558)
Interest paid	(38,456)	(46,524)
Loans origination cost	(1,561)	(323)
Increase (decrease) in short term deposits	(89)	(6,804)
Net cash from (used in) financing activities	(32,944)	(209,219)
Effect of foreign currency translation	(1,773)	284
Net increase/(decrease) in cash and cash equivalents	24,624	(168,627)
Cash and cash equivalents, at the beginning of the year	56,439	224,779
Cash classified as part of assets held for sale	-	287
Cash and cash equivalents, at the end of the year	81,063	56,439

Cash flow from operating activities was €73,252 in the 12-month period ended 31 December 2014 compared to €69,377 in the 12-month period ended 31 December 2013 mainly due to improvement in occupancy and rental income in the Group's projects in Kraków, Łódz and Katowice.

Investment in real-estate amounted to €25,821 in the 12-month period ended 31 December 2014 and was related mainly to finance the investments in Galeria Północna and Galeria Wilanów shopping malls (Warsaw), Pascal office building (Krakow) and FortyOne office building (Belgrade) as well as to up keeping capex in some of the Group's existing properties.

Cash flow used in financing activities amounted to €32,944 in the 12-month period ended 31 December 2014, compared to €209,219 cash flow used in financing activities in the 12-month period ended 31 December 2013. It is mostly composed of net proceeds from issuance of shares of €52,839, proceeds from long term borrowings of €124,494 (out of which an amount of €48,000 represents an inter-company loan that is not consolidated following the introduction of IFRS 11), repayment of long term borrowings of €149,409 and payment of interest in the amount of €38,456.

Cash and cash equivalents as of 31 December 2014 amounted to €81,063 compared to €56,439 as of 31 December 2013. The Group keeps its cash in the form of bank deposits, mostly in Euro, with various international banks.

Item 5.7. Future liquidity and capital resources

As of 31 December 2014, the Group holds cash and cash equivalent in the amount of approximately €81,063. There are certain loans outstanding that may become due prior to original maturity and might require immediate partial repayment. The Group attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) debt servicing of its existing assets portfolio; (ii) capex; and (iii) development and acquisition of commercial properties. Such funding will be sourced through available cash, operating income, sales of assets and refinancing. Whilst liquidity uncertainties exist, the Management Board believes that based on its current assumptions, the Group will be able to settle all its liabilities for at least the next twelve months.

As of 31 December 2014, the Group's non-current liabilities amounted to €944,680, compared to €918,116 as of 31 December 2013.

The Group's total debt from long and short-term loans and borrowings as of 31 December 2014 amounted to €922,191, as compared to €948,592 as of 31 December 2013. The Group's loans and borrowings are denominated in Euro, except for the corporate bonds that are denominated in PLN. The loans extended to the Group are project loans, i.e. in each case granted to a specific subsidiary, which holds the underlying investment properties and manages a given project.

The Group's loan-to-value ratio amounted to 54% as of 31 December 2014, as compared to 53% as of 31 December 2013. The Group's strategy is to keep its loan-to-value ratio at the level of between 40% and 60%.

As of 31 December 2014, 41% of the Group's loans (by value) were hedged against interest fluctuations, mostly through interest rate swaps and currency swap as mentioned above.

Item 6. Information on use of proceeds from the issuance of shares and bonds

Information on use of proceeds from the issuance of shares and bonds

On 30 January 2014, Group completed the private placement of 31,937,298 ordinary bearer shares at the price of PLN 7 (not in thousand) each. The proceeds from the issuance of the shares amounted to PLN 223,561 (€53,680).

Net proceeds from the issuance of the shares of €52,839 (net of issuance expenses in the amount of €841) were used to finance the investments in Galeria Północna and Galeria Wilanów shopping malls (Warsaw), Pascal office building (Krakow) and FortyOne office building (Belgrade), in the amount of €20,000. Additionally, the amount of €32,839 was used to repay corporate bonds that matured in April 2014.

On 10 March 2014, the Company issued 20,000 bearer bonds with a total nominal value of PLN 200,000. (€47,600). Proceeds from issue of bonds were used to repay corporate bonds that matured in April 2014.

Item 7. Information on loans granted with a particular emphasis on related entities

During 2014, the Group did not grant any new loans to its associates or joint ventures.

The following table presents the balance as of 31 December 2014 of long-term loans that have been granted to the Group's subsidiaries and associates:

Associate	Amount of loan (€)	Currency	Interest rate
Yatelsis Viborgskaya Limited of Nicosia	31,925	USD	9%
Ana Tower Offices S.R.L	1,372	EUR	3m Euribor+3.25%
Europort Investment (Cyprus) 1 Limited	20,942	USD	6m Wibor+4.875%, 10%
Europort LTD	100	USD	6m Wibor+4.875%, 10%
Lighthouse Holdings Limited S.A.	23,715	EUR	85%*(3 m Euribor +4.5%)
CID Holding S.A.	2,261	EUR	85%*(3 m Euribor +4.5%)

Item 8. Information on granted and received guarantees with a particular emphasis on guarantees granted to related entities

Company gave guarantees to third parties in order to secure construction cost-overruns and loans to its subsidiaries. As of 31 December 2014 and 31 December 2013, the guarantees granted amounted to €149,000 and €168,000, respectively. Additionally, in connection with the sale of its assets, the Company gave typical warranties under the sale agreements, which are limited in time and amount. The risk involved in above warranties is very low.

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

Item 9. Off balance liabilities

Investment properties in secondary cities

In certain real estate markets in which the Group is active, including especially non-capital cities of SEE, there are indications of slower than expected recovery and revival of demand, as well as absence of liquidity and transactions, resulting in a lack of clarity and uncertainty as to estimated rental values, yields and property values. There are also markets with rising vacancies due to oversupply of real estate product and lack of economic growth that would create appropriate demand. Therefore property values are going through a period of increased volatility. This has resulted in a continual devaluation of commercial property values, especially in SEE. As a result there is less certainty with regard to market values that change rapidly in the current market environment.

Commitments

As of 31 December 2014 (31 December 2013), the Group had commitments contracted for in relation to future building construction without specified date, amounting to €8,000 (€9,000). These commitments are expected to be financed from available cash and current financing facilities, other external financing or future instalments under already contracted sale agreements and yet to be contracted sale agreements.

Guarantees

Company gave guarantees to third parties in order to secure construction cost-overruns and loans to its subsidiaries. As of 31 December 2014 and 31 December 2013, the guarantees granted amounted to €149,000 and €168,000, respectively. Additionally, in connection with the sale of its assets, the Company gave typical warranties under the sale agreements, which are limited in time and amount. The risk involved in above warranties is very low.

Litigations

Following the completion of Avenue 19 and GTC Square in Serbia, two Serbian subsidiaries and the general contractor raised mutual claims. In 2014 the cases were resolved and GTC received net amount of approximately €600.

Croatia

In relation to Marlera Golf project in Croatia, part of the land is on concession lease from Ministry of Tourism of Croatia (Ministry) and the agreement with the Ministry included a deadline for the completion a golf course that has passed in 2014. The Company has taken steps to achieve extension of the period for completing the project. In February 2014, the Company received a draft agreement from the Ministry expressing its good faith and intentions to prolong the abovementioned timeline. Negotiations in this respect are still on-going, however the extension of the lease agreement is no longer at sole discretion of the Group. As a result, the Management decided to revalue the freehold asset in Q4 2014 assuming no development of the golf course project. As of 31 December 2014 the investment in Marlera amounts to €6,800 and is fully recoverable.

Ukraine

As of 31 December 2014, the Group holds 49.9% interest in Europort Investment 1 Limited, which indirectly owns undeveloped land in Odessa, Ukraine.

In 2014, the economic and political uncertainty in Ukraine increased significantly resulting in civil war in parts of the country. Furthermore, between 1 January 2014 and 31 December 2014, the Ukrainian Hryvnia devalued to major foreign currencies by approximately 97% calculated based on the NBU exchange rate of US$ as of the respective date, and the National Bank of Ukraine imposed certain restrictions on purchase of foreign currencies at the inter-bank market. International rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity, much tighter credit conditions, where credit is available and absence of real estate transactions.

As of 31 December 2014, the Group's balance sheet exposure to Ukrainian risk amounted to approximately € 4,800 (the full amount of investment), consisting of the aggregate value of unimpaired investments in equity and loans, granted to the Ukrainian associates. In the year ended 31 December 2014, the impairment amounted to €2,800. These and any further negative developments in Ukraine could adversely impact results and financial position of the Group and its Ukrainian investments in a manner not currently determinable.

Russia

As of 31 December 2014, the Group holds 50% interest in Yatelsis, which indirectly owns land and buildings in St. Petersburg Russia.

In 2014, the economic and political uncertainty in Russia increased significantly. The Moscow Stock Market decreased, the Russian ruble devalued and there has been evidence of capital outflow caused by international sanctions against Russia. The above events have resulted in a deterioration of liquidity, much tighter credit conditions, where credit is available and absence real estate transactions. The market uncertainty created an unclear view as for potential future development of the St. Petersburg project.

As of 31 December 2014, the Group's balance sheet exposure to St. Petersburg amounted to approximately €5,800 (the full amount of investment). In the year ended 31 December 2014, the impairment amounted to €10,300. The above mentioned events could adversely impact the results and financial position of the Group and its St. Petersburg investments in a manner not currently determinable.

Item 10. Major investments, local and foreign (securities, financial instruments, intangible assets, real estate), including capital investments outside the Group and its financing method

The Group does not have any major local or foreign investments other than direct investments in real estate properties designated for development, or through companies that hold such real estate.

Item 11. Information on market risks

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

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

Interest rate risk

The Group exposure to changes in interest rates which are not offset by hedge relates primarily to the Group's long-term debt obligations and loans granted.

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

The majority of the Company's loans are nominated or swapped into Euro.

The table below presents the sensitivity of profit (loss) before tax due to change in Euribor:

	31 December 2014	**31 December 2013**
50bp increase in Euribor rate	(1,585)	(999)
50bp decrease in Euribor rate	1,585	999

It does not include hedged loans.

Foreign currency risk

The group enters into transactions in currencies other than the Group's functional currency. Therefore it hedges the currency risk by either matching the currency of the income with that of the expenditures or obtaining an appropriate currency hedge instruments.

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

	2014 PLN/Euro				2013 PLN/Euro			
	+10%	+5%	-5%	-10%	+10%	+5%	-5%	-10%
Cash and cash equivalents	2,878	1,439	(1,439)	(2,878)	7,376	3,688	(3,688)	(7,376)
Trade and other receivables	214	106	(106)	(214)	372	186	(186)	(372)
Trade and other payables	(558)	(279)	279	558	(3,050)	(1,525)	1,525	3,050
Hedge	-	-	-	-	17,361	8,681	(8,681)	(17,361)
Bonds	(11,594)	(5,797)	5,797	11,594	(15,394)	(7,697)	7,697	15,394

Exposure to other currencies and other positions in statement of financial position are not material.

Credit risk

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

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

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

The maximum exposure to credit risk as of the reporting date is the full amount presented. The Company cooperates with reputable banks.

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

Liquidity risk

As of 31 December 2014, the Company holds Cash and Cash Equivalent (as defined in IFRS) in the amount of approximately €81,000. As described above, there are certain loans outstanding that may become due prior to original maturity and might require immediate partial repayment. The Company attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) debt servicing of its existing assets portfolio; (ii) capex; and (iii) development of commercial properties. Such funding will be sourced through available cash, operating income, sales of assets and refinancing. Whilst liquidity uncertainties exist, the Management Board believes that based on its current assumptions, the Company will be able to settle all its liabilities for at least the next twelve months.

Repayments of long-term debt and interest are scheduled as follows (not in thousand):

(€m)	**31 December 2014**	**31 December 2013** (restated)
First year	139	193
Second year	76	55
Third year	172	75
Fourth year	134	168
Fifth year	179	190
Thereafter	302	364
	1,002	**1,045**

The above table does not contain payments relating to derivative instruments. The Group hedges significant parts of the interest risk related to floating interests rate with derivative instruments.

All derivative instruments mature within 5 years from the balance sheet date.

Fair Value

As of 31 December 2014 and 2013, all loans bear floating interest rate (however, as of 31 December 2014, 41% of loans are hedged).

Therefore, the fair value of the loans which is related to the floating component of the interest equals to the market rate.

For fair value of investment property please refer to note 17 in the consolidated financial statements for the financial year ended 31 December 2014.

Fair value of all other financial assets/liabilities equals to carrying value.

Fair value of other short term financial assets and liabilities approximates their book value presented in these financial statements.

Fair value hierarchy

As of 31 December 2014, the Group held several hedge instruments carried at fair value on the statement of financial position.

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

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

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

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

Valuations of hedges are considered as level 2 fair value measurements. During the year ended 31 December 2014 and 31 December 2013, there were no transfers between Level 1 and Level 3 fair value measurements.

Price risk

The Group is exposed to fluctuations of in the real estate markets in which it operates. These can have an effect on the Company's results.

Capital management

The primary objective of the Group's capital management is to ensure capital preservation and maintaining healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group decides on leverage policy, repayment of loans, investment or divestment of assets, dividend policy and the need, if any, to issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

The Company monitors its gearing ratio, which is Gross Debt less Cash & Deposits (as defined in IFRS) divided by its investment in real estate. The Company's policy is to maintain the gearing ratio at between 40% and 60%.

	31 December 2014	**31 December 2013** (restated)
(1) Loans, net of cash and deposits (*)	697,970	799,640
(2) Investment properties, inventory and assets held for sale	1,292,956	1,497,005
Gearing ratio [(1)/(2)]	54%	53%

(*) Excluding loans from joint ventures and minorities and deferred issuance debt expenses.

Item 12. Management contracts with members of the management board setting out severance package payouts as a result of their resignation or dismissal from their position without a material cause

The contracts of the Company's Management Board members include provisions regarding severance package payouts as a result of their resignation or dismissal from their position without material cause.

Item 13. Remuneration of the Members of the Management Board and Supervisory Board

Management Board

The following table presents the remuneration of the members of the Management Board as of 31 December 2014 for the 12 months ended 31 December 2014:

Name	Remuneration[1] (€) (not in thousand)	Vested phantom shares (not in thousand)
Thomas Kurzmann[2]	126,855	0
Alain Ickovics[3]	717,322	702.091
Erez Boniel	412,878	176,765
Yovav Carmi	318,256	0
Mariusz Kozłowski	339,145	176,765
Piotr Kroenke	324,820	176,765
Jacek Wachowicz	240,056	75,207
Witold Zatoński	283,876	138,264

[1] Remuneration (or fees to entities in which the holder is a key personnel) consists of payment for 2014 and success fee amounts paid for present and past year in addition to Group's phantom shares program vested during 2014, as detailed in Item 14. Stock option plan. During the year none of the shares were exercised.

[2] For the period between 12 August 2014 and 31 December 2014

[3] For the period between 1 January 2014 and 12 August 2014

On 12 May 2014, the Supervisory Board of the Company appointed Thomas Kurzmann as the President of the Management Board of the Company for a three-year term, effective as of 12 August 2014. Simultaneously, on the same day, the Supervisory Board released Alain Ickovics from his duties as the President of the Management Board, effective as of 12 August 2014.

Supervisory Board

The following table presents the remuneration of the members of the Supervisory Board as of 31 December 2014 for the 12 months ended 31 December 2014:

Name	Remuneration[1] (€) (not in thousand)	Vested phantom shares (not in thousand)
Alexander Hesse	0	-
Olivier Brahin[2]	0	-
Philippe Couturier	0	-
Michael Damnitz	0	-
Jan Düdden[3]	0	-
Krzysztof Gerula	22,911	-
Mariusz Grendowicz	22,911	-
Jarosław Karasiński	22,911	-
Tomasz Mazurczak	29,402	-
Marcin Murawski	22,911	-
Katharina Schade	0	-
Dariusz Stolarczyk	22,911	-

[1] Remuneration (or fees to entities in which the holder is a key personnel) consists of payment for 2014 and success fee amounts paid for present and past year in addition to Group's phantom shares program vested during 2014, as detailed in Item 14. Stock option plan. During the year none of the shares were exercised.

[2] For the period between 1 January 2014 and 16 May 2014

[3] For the period between 16 May 2014 and 31 December 2014

On 16 May 2014, Olivier Brahin was replaced in the Supervisory Board of the Company by Jan Düdden who was nominated by LSREF III GTC Investments B.V.

Item 14. Stock option plan

Certain key management personnel are entitled to the Company Phantom Shares.

The Phantom Shares grant the entitled persons a right for a settlement from the Company in the amount equal to the difference between the average closing price for the Company's shares on the Warsaw Stock Exchange during the 30-day period prior to the date of delivery to the Company of the exercise notice, and settlement price ("strike") amount per share (adjustable for dividend).

The income/(expenses) recognized during the period is shown below:

	Year ended 31 December 2014	Year ended 31 December 2013
Income arising from cash settled share based payments	2,570	2,724

As of 31 December 2014, phantom shares issued were as follows:

Last exercise date	Strike (in PLN) (not in thousand)	Amount of phantom shares (not in thousand)
31/12/2014	8.36	1,248,065
11/08/2015	8.36	1,805,355
31/12/2015	8.36	601,799
30/06/2016	8.36	3,521,739
31/12/2016	8.36	361,068
31/05/2018	7.23	1,500,000
Total		**9,038,026**

In May 2014, the company granted 1,500,000 (not in thousand) new phantom shares. As of 31 December 2014 those shares were frozen.

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

Item 14.1. Stock option control system

Each exercise of phantom shares under the phantom share program should be reviewed by the Supervisory Board, which together with the Audit Committee controls the plan.

Item 15. Shares in GTC held by members of the Management Board and the Supervisory Board

Shares held by members of the Management Board

The following table presents shares owned directly or indirectly by members of the Company's Management Board of 23 March 2014, the date of publication of this annual report, and changes in their holdings since the date of publication of Group's last financial report (interim report for the three and nine-month period ended 30 September 2014) on 13 November 2014. The information included in the table is based on information received from members of the Management Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

Management Board Member	Balance as of 23 March 2015 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 13 November 2014 (not in thousand)
Thomas Kurzmann[1]	0	0	No change
Erez Boniel	128,000	12,800	No change
Yovav Carmi	0	0	No change
Mariusz Kozłowski	0	0	No change
Piotr Kroenke	298,811	29,881	No change
Jacek Wachowicz	0	0	No change
Witold Zatoński	0	0	No change
Total	426,811	42,681	

[1] Thomas Kurzmann succeeded Alain Ickovics on 12 August 2014. He has no vested phantom option as of the balance sheet date.

Phantom shares held by members of the Management Board

The following table presents phantom shares owned directly or indirectly by members of the Company's Management Board as of 31 December 2014 since 30 September 2014. The phantom shares granted to the members of the Management Board are subject to Supervisory Board decision on the equity settlement.

Management Board Member	Balance as of 31 December 2014 (not in thousand)	Change since 30 September 2014 (not in thousand)
Thomas Kurzmann	0	No change
Erez Boniel	905,117	Increase of 80,177
Yovav Carmi	361,087	No change
Mariusz Kozłowski	707,117	Increase of 80,177
Piotr Kroenke	905,117	Increase of 80,177
Jacek Wachowicz	300,885	Increase of 63,921
Witold Zatoński	553,056	Increase of 70,566

Shares of GTC held by members of the Supervisory Board

The following table presents shares owned directly or indirectly by members of the Company's Supervisory Board of 23 March 2014, the date of publication of this annual report, and changes in their holdings since the date of publication of Group's last financial report (interim report for the three and nine-month period ended 30 September 2014) on 13 November 2014. The information included in the table is based on information received from members of the Supervisory Board pursuant to Art. 160 sec. 1 of the Act on Public Trading

Members of Supervisory Board	Balance as of 23 March 2015 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 13 November 2014
Alexander Hesse	0	0	No change
Philippe Couturier	0	0	No change
Michael Damnitz	0	0	No change
Jan Düdden	0	0	No change
Krzysztof Gerula	2,474	247	No change
Mariusz Grendowicz	7,000	700	No change
Jarosław Karasiński	0	0	No change
Tomasz Mazurczak	0	0	No change
Marcin Murawski	0	0	No change
Katharina Schade	0	0	No change
Dariusz Stolarczyk	0	0	No change
Total	9,474	947	

Phantom shares of GTC held by members of the Supervisory Board

The members of the Company's Supervisory Board did not own directly or indirectly phantom shares as of 31 December 2014. There have been no changes in their holdings since 30 September 2014.

Item 16. Material transactions with related parties concluded on terms other than market terms

The Group presents information on the material transactions that the Company, or its subsidiaries, concluded with a related party in the consolidated financial statements for the financial year ended 31 December 2014 in Note 33 *Related Party Transactions*.

Item 17. Information on signed and terminated loan agreements within a given year

There are no signed and terminated loan agreements during 2014.

Item 18. Information on contracts of which the Company is aware (including those concluded after the balance sheet date) which could result in a change in the shareholding structure in the future

There are no contracts of which the Company is aware (including those concluded after the balance sheet date) which could result in a change in the shareholding structure in the future.

Item 19. Proceedings before a court or public authority involving Globe Trade Centre SA or its subsidiaries the total value of the liabilities or claims of which amount to at least 10% of the Group's equity

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

Item 20. Material contracts signed during the year, including insurance contracts and co-operation contracts

There are no material contracts signed during the year 2014, including insurance contracts and co-operation contracts.

Item 21. Agreements with an entity certified to execute an audit of the financial statements

In November 2013, the Company entered into an agreement with Ernst & Young Audyt Polska Sp. z o.o. sp. k, with registered office on 1 Rondo ONZ, 00-124 Warsaw, for performance of the audit of the standalone financial statements of Globe Trade Centre S.A. and the consolidated financial statements of Globe Trade Centre Group for the financial year ended 31 December 2014. Additionally to that agreement, the Group entered into many agreements with EY in different countries Group's subsidiaries.

The following summary presents a list of services provided by EY and remuneration for the services in the periods of 12 months ended on 31 December 2014 and 31 December 2013.

	For year ended	
	31 December 2014	**31 December 2013**
	€	€
Fee for audit and review of financial statements	897	1,008
Tax and other advisory services	108	283
Total	**1,005**	**1,292**

Globe Trade Centre S.A.

Report on application of the principles of corporate governance for the financial year ended 31 December 2014

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Part 1. The principles of corporate governance which the issuer is subject to and the location where the set of principles is publicly available

In July 2007, the Council of the Warsaw Stock Exchange adopted a set of principles for the corporate governance for joint-stock companies issuing shares, convertible bonds, or senior bonds that are admitted to trading on the stock exchange. The principles of corporate governance, in the form of the Best Practices of WSE Listed Companies (the "**WSE Best Practices**"), constitute an appendix to Resolution No. 12/1170/2007 of the Council of GPW of 4 July 2007 and entered into force on 1 January 2008. On 19 May 2010, the Warsaw Stock Exchange introduced the first amendment to the Code of Best Practice for Warsaw Stock Exchange Listed Companies since 4 July 2007. The WSE Best Practices were thus brought in line with recent legislative amendments, current international corporate governance trends, and the expectations of market participants. The amendment constituted an appendix to Resolution No. 207/1287/2011 of the Warsaw Stock Exchange supervisory board dated 19 October 2011 concerning the adoption of amendments to the Code of Best Practice for Warsaw Stock Exchange Listed Companies. Such amendment to the WSE Best Practices took effect on 1 July 2010. Additionally, on 31 August 2011 and 19 October 2011, the Warsaw Stock Exchange supervisory board adopted two resolutions, No. 15/1282/2011 and No. 20/1287/2011, concerning amendments to the WSE Best Practices. Such amendment to the WSE Best Practices took effect on 1 January 2012. Furthermore, on 21 November 2012 the Warsaw Stock Exchange supervisory board adopted resolution No. 19/1307/2012, concerning amendments to the WSE Best Practices. Such amendment to the WSE Best Practices took effect on 1 January 2013.

The content of the WSE Best Practices is publicly available on the website of the Warsaw Stock Exchange dedicated to those issues at www.corp-gov.gpw.pl.

Part 2. The principles of corporate governance that the issuer has waived, including the reasons for such waiver

We strive to make every possible effort to employ the corporate governance principles set out in the WSE Best Practices, and try to follow, in all areas of the Company's business, all the recommendations regarding best practices of Warsaw Stock Exchange Listed Companies and all the recommendations directed to management boards, supervisory boards and shareholders.

Additionally, so as to implement a transparent and effective information policy the Company provides fast and safe access to information for shareholders, analysts and investors, employing both traditional and modern, technologies of publishing information about the Company to the greatest extent possible.

Nevertheless, in the year ended 31 December 2014, the Company did not comply with the following recommendations:

II. Best practice for management boards of listed companies

Rule		Company's Comment
1	A company should operate a corporate website and publish on it, in addition to information required by legal regulation: 1) basic corporate regulations, in particular the statutes and internal regulations of its governing bodies; 6) annual reports on the activity of the Supervisory Board taking into account the activities of its committees together with the evaluation of the internal control system and the significant risk management system submitted by the Supervisory Board	In the Company's opinion, communicating with investors to the fullest extent possible, including via the Internet, is a best corporate practice. The Company seeks to ensure clarity and transparency of its operations. However, some of the points require information from shareholders or impose more demanding requirements than those specified in applicable law. Although the Company wishes to implement this rule to the widest extent possible, it cannot guarantee that the rule as it is now will be observed in full.

III. Best practice for supervisory board members

Rule		Company's Comment
1	In addition to its responsibilities laid down in legal provisions, the supervisory board should: 3) review and present opinions on issues subject to resolutions of the general meeting.	The Company's articles of association do not impose the requirement that the supervisory board should review and present opinions on issues subject to the resolutions the general meeting. However, the supervisory board may decide to observe the rule.
2	A member of the supervisory board should submit to the company's management board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the general meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the supervisory board on issues decided by the supervisory board.	Being well aware of the need to duly inform its shareholders about any important events which could affect their investments and investment decisions, the Company is of the opinion that the disclosure requirements imposed by applicable law are sufficient to ensue that the shareholders have full access to important information which might affect the value of the securities issued by the Company. The Company will consider adopting this rule in the future.
8	Annex I to the Commission Recommendation of February 15 2005 on the role of non-executive or supervisory directors of listed companies and of the committees of the (supervisory) board should apply to the tasks and the operation of the committees of the supervisory board.	The functions of the nomination is now performed by the entire supervisory board.

Part 3. The principal characteristics of the internal control and risk management systems used with respect to the procedure of preparing financial statements and consolidated financial statements

The management board is responsible for the Company's internal control system and its effectiveness in the process of preparing financial statements and interim reports prepared and published in accordance with the provisions of the Decree of the Finance Minister of 19 February 2009 on current and interim information provided by issuers of securities and the conditions for accepting, as equivalent, information required by the provisions of a country not being a member state.

The Company draws on its employees' extensive experience in the identification, documentation, recording and controlling of economic operations, including numerous control procedures supported by modern information technologies used for the recording, processing and presentation of operational and financial data.

In order to ensure the accuracy and reliability of the accounts of the parent and subsidiary companies, the Company applies a series of internal procedures in the area of transactional control systems and processes resulting from the activities of the Company and the capital group.

An important element of the risk management, in relation to the financial reporting process, is ongoing internal controls exercised by main accountants on the holding and subsidiaries level.

The budgetary control system is based on monthly and annual financial and operational reporting. Financial results are monitored regularly.

One of the basic elements of control in the preparation of financial statements of the Company and the Group is verification carried out by independent auditors. An auditor is chosen from a group of reputable firms which guarantee a high standard of service and independence. The supervisory board approves the choice of the auditor. The tasks of the independent auditor include, in particular: a review of semi-annual stand-alone and consolidated financial statements and audit of annual stand-alone and consolidated financial statements.

An auditor's independence is fundamental to ensuring the accuracy of an audit of books. An audit committee, appointed to the Company's supervisory board, supervises the financial reporting process in the Company, in co-operation with the independent auditor, who participates in the audit committee meetings. The audit committee oversees the financial reporting process, in order to ensure sustainability, transparency and integrity of financial information. The audit committee includes one member of the supervisory board who meets the independence criteria set out in the Best Practices of WSE Listed Companies in Chapter III, Section 6. The audit committee reports to the supervisory board.

Moreover, under Article 4a of the Act of 29 September 1994 on accounting, the duties of the supervisory board include ensuring that the financial statements and the report of the Company's operations meet the requirements of the law, and the supervisory board carries out this duty, using the powers under the law and the articles of association of the Company. This is yet another level of control exercised by an independent body to ensure the accuracy and reliability of the information presented in the separate and consolidated financial statements.

Part 4. Shareholders who, directly or indirectly, have substantial shareholding, including the number of shares held by them, the percentage share in the share capital, and the number of votes attached to their shares in the overall number of votes at the general meeting

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

- increased number of the shares presented in the deposit certificate of OFE PZU attached to subscription agreements for J series shares
- increased number of the shares presented in the deposit certificate attached to written statement according to which the LSREF III GTC Investments B.V appointed Jan Düdden as a member of the supervisory board of the Company (see: Current report no 24/2014); and
- increased number of the shares registered by LSREF III GTC Investments B.V. and ING OFE on the Extraordinary Shareholders Meeting held on 13 October 2014 (see: Current report no 30/2014),
- increased number of the shares presented in notifications on a change in the shareholding of the Company received from LSREF III GTC Investments B.V and Lone Star Real Estate Partners III L.P. (see: Current report no 5/2015).

Shareholder	Number of shares and rights to the shares held	% of share capital	Number of votes	% of votes
LSREF III GTC Investments B.V.[1]	114,179,790	32.50%	114,179,790	32.50%
ING OFE	48,000,000	13.66%	48,000,000	13.66%
AVIVA OFE	35,898,010	10.22%	35,898,010	10.22%
OFE PZU	31,445,571	8.95%	31,445,571	8.95%
Other shareholders	121,786,917	34.67%	121,786,917	34.67%
Total	**351,310,288**	**100.00%**	**351,310,288**	**100.00%**

[1] LSREF III GTC Investments B.V. is a company related to Lone Star Real Estate Partners III L.P.

Part 5. Holders of any securities that grant special rights of control, including a description of such rights

There are no special rights of control that would be attached to any securities in Globe Trade Centre S.A.

Part 6. Restrictions concerning the exercise of voting rights, such as restriction of the exercise of voting rights by holders of any specific part or number of votes, time restrictions concerning the exercise of voting rights or regulations whereunder, with the co-operation of the company, the equity rights related to the securities are separate from holding securities

There are no restrictions applicable to the exercise of voting rights such as restriction of the exercise of voting rights by holders of any specific part or number of shares, any time restrictions applicable to the exercise of voting rights or regulations whereunder, with the co-operation of Globe Trade Centre S.A., the equity rights related to securities would be separate from holding securities.

Part 7. Restrictions concerning transfer of the ownership title to securities in Globe Trade Centre S.A.

There are no limitations of transfer of ownership title to securities, except for those limitations that are resulting from the general provisions of the law, in particular contractual limitations regarding the transfer of the ownership rights to the securities issued by the Company.

Part 8. Rules concerning the appointment and dismissal of management and the rights thereof, specifically the right to make decisions concerning the issuance and redemption of shares.

Pursuant to Art. 7 the Company's statute the management board consist of one to seven members, appointed by the supervisory board for a three-year term.

Additionally, the supervisory board designates the president of the management board and deputy thereof.

The management board of the Company is responsible for the Company's day-to-day management and for its representation in dealing with third parties. All issues related to the Company's operations are in the scope of activities of the management board, unless they are specified as the competence of the supervisory board or the general meeting by the provisions of applicable law or the articles of association.

Members of the management board participate, in particular, in general meetings and provide answers to questions asked during general meetings. Moreover, members of the management board invited to a supervisory board meeting by the chairman of the supervisory board participate in such meeting, with a right to voice their opinion on issues on the agenda.

The general meeting takes decisions regarding the issuance or buying back of shares in the Company. The competencies of the management board in the scope are limited to execution of any resolutions adopted by the general meeting.

Part 9. Overview of the procedure of amending the Company's articles of association

A change to the Company's articles of association require a resolution of the general meeting and an entry into the Court register. The general provisions of law and the articles of association govern the procedure of adopting resolutions regarding changes to the articles of association.

Part 10. The bylaws of the general meeting and its principal rights and description of rights of shareholders and their exercise, in particular the rules resulting from the bylaws of the general meeting, unless information on that scope results directly from the provisions of law

The general meeting acts pursuant to the provisions of the Polish Commercial Companies Code and the articles of association.

The general meeting adopts resolutions regarding, in particular, the following issues:

a) discussion and approval of reports of the management board and the financial statements for the previous year,

b) decision about allocation of profits or covering of debts,

c) signing off for the performance of duties for the supervisory board and the management board,

d) determination of the supervisory board remuneration,

e) changes to the articles of association of the Company,

g) increase or decrease in the share capital,

h) merger or transformation of the Company,

i) dissolution or liquidation of the Company,

j) issuance of bonds,

k) sale or lease of the Company and the establishment of a right of use or sale of the Company's enterprise,

l) all decisions regarding claims for damages upon establishment of the Company, or the performance of management or supervision.

A general meeting can be attended by persons who are shareholders of the Company sixteen days before the date of the general meeting (the day of registration for participation in the general meeting).

A shareholder who is natural person is entitled to participate in general meetings and execute voting rights in person or through a proxy. A shareholder which is a legal entity is entitled to participate in general meetings and execute voting rights through a person authorized to forward statements of will on their behalf or through a proxy.

A power of attorney to attend a general meeting and exercise voting rights must be in written or electronic form. For the purposes of identification of the shareholder who granted the power of attorney, a notice on the granting of such power of attorney electronically should contain (as a schedule):

- if the shareholder is an individual, a copy of an identity card, passport or any other official identification document confirming the identity of the shareholder; or

- if the shareholder is not an individual, a copy of an extract from a relevant register or any other document confirming the authorisation of the individual(s) to represent the shareholder at the general meeting (e.g. an uninterrupted chain of powers of attorney).

The general meeting may be attended by members of the management board and supervisory board (in a composition which allows for substantive answers to the questions asked during the general meeting) and by the auditor of the Company, if the general meeting is held to discuss financial matters.

At the general meeting each participant is entitled to be elected the chairman of the general meeting, and also nominate one person as a candidate for the position of chairman of the general meeting. Until election of the chairman the general meeting may not take any decisions.

The chairman of the general meeting directs proceedings in accordance with the agreed agenda, provisions of law, the articles of association, and, in particular: gives the floor to speakers, orders votes and announces the results thereof. The chairman ensures efficient proceedings and respecting of the rights and interests of all shareholders.

After the creation and signing of the attendance list, the chairman confirms that the general meeting has been called in the correct manner and is authorized to pass resolutions.

The chairman of the general meeting closes the general meeting upon the exhausting of its agenda.

Part 11. Personnel composition and changes in the previous business year and description of the functioning of the management, supervisory, or administrative bodies of the Company and its committees.

The management board

Currently, the management board is composed of seven members. The composition of the management board changed in August 2014, when Alain Ickovics was replaced by Thomas Kurzmann at the position of President of the management board following the decision taken on 12 May 2014 by the supervisory board of the Company, in which it appointed Thomas Kurzmann as the President of the Management Board of the Company for a three-year term, effective as of 12 August 2014 and simultaneously released Alain Ickovics from his duties as the President of the management board, effective as of 12 August 2014.

Composition of the management board

The following table presents the names, surnames, functions, dates of appointment and dates of expiry of the current term of the members of the management board as at 31 December 2014:

Name and surname	Function	Year of first appointment	Year of appointment for the current term	Year of expiry of term
Thomas Kurzmann	President of the management board	2014	2014	2017
Erez Boniel	Member of the management board	1997	2012	2018
Yovav Carmi	Member of the management board	2011	2014	2017
Mariusz Kozłowski	Member of the management board	2002	2012	2015
Piotr Kroenke	Member of the management board	1996	2012	2015
Jacek Wachowicz	Member of the management board	2011	2014	2017
Witold Zatoński	Member of the management board	2007	2013	2016

Description of operations of the management board

The management board runs the Company's business in a transparent and efficient way pursuant to the provisions of applicable law, its internal provisions and the "Best Practices of WSE Listed Companies". When taking decisions related to the Company's business, the members of the management board act within limits of justified business risk.

The two members of management board acting jointly are entitled to make representations on the Company's behalf.

All issues related to the management of the Company which are not specified by the provisions of applicable law or the articles of association as competences of the supervisory board or the general meeting are within the scope of competence of the management board.

Members of the management board participate in sessions of the general meeting and provide substantive answers to questions asked during the general meeting. Members of the management board invited to a meeting of the supervisory board by the chairman of the supervisory board participate in such meeting with the right to take the floor regarding issues on the agenda. Members of the management board are required to, within their scope of competence and the scope necessary to settle issues discussed by the supervisory board, submit explanations and information regarding the Company's business to the participants of a meeting of the supervisory board.

The management board makes any decisions considered (by the management board) to be important for the company by passing resolutions at meetings thereof. Such resolutions are passed by simple majority.

Moreover, the management board may adopt resolutions in writing or via a manner enabling instantaneous communication between the members of the management board by means of audio-video communication (e.g. teleconferencing, videoconferencing, etc).

The supervisory board

Currently, the supervisory board comprises eleven members. The composition of the supervisory board changed on 16 May 2014 when Olivier Brahin was replaced by Jan Düdden who was nominated by LSREF III GTC Investments B.V.

The composition of the supervisory board

The following table presents the names, surnames, functions, dates of appointment and dates of expiry of the current term of the members of the supervisory board as at 31 December 2014:

Name and surname	Function	Year of first appointment	Year of appointment for the current term	Year of expiry of term
Alexander Hesse	Chairman of the supervisory board	2013	2013	2016
Philippe Couturier	Member of the supervisory board	2013	2013	2016
Michael Damnitz	Member of the supervisory board	2013	2013	2016
Jan Düdden	Member of the supervisory board	2014	2014	2017
Krzysztof Gerula[1]	Member of the supervisory board	2012	2012	2015
Mariusz Grendowicz[1]	Independent member of the supervisory board	2000	2013	2016
Jarosław Karasiński	Member of the supervisory board	2013	2013	2016
Tomasz Mazurczak[1]	Member of the supervisory board	2013	2013	2016
Marcin Murawski[1]	Member of the supervisory board	2013	2013	2016
Katharina Schade	Member of the supervisory board	2013	2013	2016
Dariusz Stolarczyk[1]	Member of the supervisory board	2013	2013	2016

[1] conforms with the independence criteria listed in the Best Practices of WSE Listed Companies in Chapter III point 6

Description of the operations of the supervisory board

The supervisory board acts pursuant to the Polish Commercial Companies Code and also pursuant to the articles of association of the Company and the supervisory board regulations dated 14 April 2005.

Pursuant to the articles of association of the Company, the supervisory board performs constant supervision over activities of the enterprise. Within the scope of its supervisory activities, the supervisory board may demand any information and documents regarding the Company's business from the management board.

Members of the supervisory board are required to take necessary steps to receive regular and full information from the management board regarding material matters concerning the Company's business and risks involved in the business and the strategies of risk management. The supervisory board may (while not infringing the competencies of other bodies of the Company) express their opinion on all the issues related to the Company's business, including forwarding motions and proposals to the management board.

In addition to the matters defined in the Polish Commercial Companies Code the following are the competencies of the supervisory board:

a) Giving consent for the Company or one of its Subsidiaries to execute an agreement or agreements with an Affiliate or with a member of the Company's management board or supervisory board or with a member of the management or supervisory authorities of an Affiliate. Such consent is not be required for transactions with companies in which the Company holds, directly or indirectly, shares entitling it to at least 50% of votes at shareholders' meetings, if such transaction results in obligations of the other shareholders of such companies proportional to their stake in that company, or if the difference between the financial obligations of the Company and the other shareholders does not exceed EUR 5 million. In the articles of association indirect ownership of shares entitling the holder thereof to at least 50% of the votes at a shareholders' meeting means possession of such number of shares that entitles the holder thereof to at least 50% of votes in each of the indirectly held companies in the chain of subsidiaries.

b) Giving approval to any change of the auditor selected by the Company's management board to audit the Company's financial statements.

c) Expressing consent for the Company or one of its Subsidiaries to: (i) execute transaction comprising the acquisition or sale of investment assets of any kind the value of which exceeds EUR 30million; (ii) issue a guarantee for an amount exceeding EUR 20 million; or (iii) execute any transaction (in the form of a single legal act or a number of legal acts) other than those set forth in preceding points (i) or (ii) where the value of such transaction exceeds EUR 20 million. For the avoidance of doubt, consent is required for the Company's management board to vote on the Company's behalf at a meeting of the shareholders of a Company's Subsidiary authorizing transactions meeting above criteria.

Pursuant to Art. 7.4 of the articles of association:

a) an entity is an "Affiliate", if it is (i) a Dominating Entity with respect to the Company, or (ii) a Subsidiary of the Company; or (iii) a Subsidiary of a Dominating Entity of the Company; or (iv) a Subsidiary of the Company's Dominating Entity other than the Company' Subsidiary; or (v) a Subsidiary of any member of managing or supervisory authorities of the Company or any of the entities designated in (i) through (iii);

b) an entity is a "Subsidiary" of any other entity (the "Dominating Entity") if the Dominating Entity: (i) has the right to exercise the majority of votes in the authorities of the Subsidiary, including on the basis of understandings with other authorised entities, or (ii) is authorised to take decisions regarding financial policies and current commercial operations of the Subsidiary on the basis of any law, statute or agreement, or (iii) is authorised to appoint or dismiss the majority of members of managing authorities of the Subsidiary, or (iv) more than half of the members of the Subsidiary's management board are also members of the management board or persons performing any management functions at the Dominating Entity or any other Subsidiary.

The supervisory board consists of five to twenty members, including the Chairman of the supervisory board. Each shareholder who holds individually more than 5% of shares in the Company's share capital (the "Initial Threshold") is entitled to appoint one supervisory board member. Shareholders are further entitled to appoint one additional supervisory board member for each block of held shares constituting 5% of the Company's share capital above the Initial Threshold. Supervisory board members are appointed by a written notice of entitled shareholders given to the chairman of the general meeting at the general meeting or outside the general meeting delivered to the management board along with a written statement from the selected person that he/she agrees to be appointed to the supervisory board.

The number of supervisory board members is equal to the number of members appointed by the entitled shareholders, increased by one independent member, provided that in each case such number may not be lower than five.

Under the Company's articles of association, the supervisory board should consist of at least one member meeting the criteria of an independent member of the supervisory board as set out in the corporate governance regulations included in the Best Practices of Warsaw Stock Exchange listed Companies.

The chairman of the supervisory board calls meetings of the supervisory board. The chairman calls meetings of the supervisory board upon the request of a member of the management board or a member of the supervisory board therefore. A meeting of the supervisory board must take place within 14 days of the date of filing a written application therefore with the Chairman.

The supervisory board may convene meetings both within the territory of the Republic of Poland and abroad. Supervisory board meetings may be held via telephone, provided that all the participants thereof are able to communicate simultaneously. All resolutions adopted at such meetings are valid, provided that the attendance register is signed by the supervisory board members who participated in such meeting. The place where the Chairman attends such meeting is considered as the place where the meeting was held.

Unless the articles of association provide otherwise, resolutions of the supervisory board are adopted by absolute majority of votes cast in the presence of at least five supervisory board members. In the event of a tie, the Chairman has a casting vote.

Members of the supervisory board execute their rights and perform their duties in person. Members of the supervisory board may participate in general meetings.

Moreover, within the performance of their duties, the supervisory board is required to:

a) once a year prepare and present to the general meeting a concise evaluation of the situation of the Company, taking into account the evaluation of the internal control system and the management system of risks that are important for the Company,

b) once a year prepare and present to the annual general meeting an evaluation of its own performance,

c) discuss and issue opinions on matters which are to be subject of the resolutions of the general meeting.

Committees of the supervisory board

The supervisory board may appoint committees to investigate certain issues which are in the competence of the supervisory board or to act as advisory and opinion bodies to the supervisory board.

The supervisory board has appointed the Audit Committee, whose principal task is to make administrative reviews, to exercise financial control, and to oversee financial reporting as well as internal and external audit procedures at the Company and at the companies in its group. As of 31 December 2014, the members of the Audit Committee were Marcin Murawski, Mariusz Grendowicz and Katharina Schade.

The supervisory board has appointed the Remuneration Committee of the Supervisory Board, which has no decision-making authority and which is responsible for making recommendations to the supervisory board with respect to the remuneration of the members of the management board and the policies for setting such remuneration. As of 31 December 2014, the members of the Remuneration Committee were Alexander Hesse, Marcin Murawski, Krzysztof Gerula and Mariusz Grendowicz.

Management Board's representations

Pursuant to the requirements of the Regulation of the Council of Ministers of 19 February 2009 on ongoing and periodical information reported by issuers of securities and conditions of recognizing as equivalent information required by the law of a country not being a member state the Management Board of Globe Trade Centre S.A. represented by:

Thomas Kurzmann, President of the Management Board

Erez Boniel, Member of the Management Board

Yovav Carmi, Member of the Management Board

Mariusz Kozłowski, Member of the Management Board

Piotr Kroenke, Member of the Management Board

Jacek Wachowicz, Member of the Management Board

Witold Zatoński, Member of the Management Board

hereby represents that:

- to the best of its knowledge the consolidated financial statements for twelve months ended 31 December 2014 and the comparable data were prepared in accordance with the prevailing accounting principles, and they truly, reliably, and clearly reflect the asset and financial standing of the Group and its financial result, and the annual Management Board’s activity report contains a true image of the Group’s development and achievements and its standing, including the description of basic risks and threats;

- the entity authorized to audit the financial statements, which has audited the consolidated financial statements, was selected in accordance with the regulations of law. That entity as well as the auditor who has carried out the audit fulfilled the conditions for expressing an unbiased and independent opinion about the audit pursuant to relevant provisions of the national law and industry norms.

Warsaw, 20 March 2015

GLOBE TRADE CENTRE S.A.

IFRS CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014
WITH THE INDEPENDENT AUDITOR'S REPORT

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2014
(in thousands of Euro)

	Note	31 December 2014	31 December 2013 (restated)	1 January 2013 (restated)
ASSETS				
Non-current assets				
Investment property	17	1,221,319	1,375,738	1,499,520
Residential landbank	18	41,444	80,833	73,225
Investment in associates and joint ventures	19	96,046	119,624	117,087
Property, plant and equipment	16	1,480	1,586	1,760
Deferred tax asset	15	2,245	4,152	7,334
Long term deposits		-	2,800	-
Other non-current assets		639	338	505
		1,363,173	**1,585,071**	**1,699,431**
Assets held for sale	17	**6,654**	**-**	**42,453**
Current assets				
Residential inventory	18	23,539	40,434	81,916
Debtors		5,035	4,032	5,199
Accrued income		1,358	1,290	794
VAT and other tax recoverable		1,840	3,260	3,753
Income tax recoverable		429	697	1,416
Prepayments and deferred expenses		2,268	2,437	2,756
Short-term deposits	22	31,705	28,859	24,862
Cash and cash equivalents	23	81,063	56,439	224,799
		147,237	**137,448**	**345,495**
TOTAL ASSETS		**1,517,064**	**1,722,519**	**2,087,379**

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2014
(in thousands of Euro)

	Note	31 December 2014	31 December 2013 (restated)	1 January 2013 (restated)
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	29	7,849	7,082	7,082
Share premium	8	364,228	312,155	312,155
Capital reserve	8	8,392	15,154	16,008
Hedge reserve		(3,839)	(12,344)	(25,068)
Foreign currency translation		1,128	4,427	5,181
Accumulated profit		111,455	295,277	442,105
		489,213	**621,751**	**757,463**
Non-controlling interest	27	(62,032)	(45,870)	(16,732)
Total Equity		**427,181**	**575,881**	**740,731**
Non-current liabilities				
Long-term portion of long-term loans and bonds	28	802,631	779,788	866,329
Deposits from tenants	25	5,415	5,363	4,265
Long term payable	26	3,391	6,004	1,737
Provision for share based payment	29	289	2,860	5,583
Derivatives	20	2,892	4,309	33,490
Provision for deferred tax liability	15	130,062	119,792	108,340
		944,680	**918,116**	**1,019,744**
Current liabilities				
Trade and other payables	21	19,650	26,626	33,563
Liabilities to be paid upon sale		-	-	27,468
Current portion of long-term loans and bonds	28	119,560	168,804	192,761
VAT and other taxes payable		1,736	1,153	34,420
Income tax payable		521	685	2,341
Derivatives	20	3,152	28,581	32,362
Advances received		584	2,673	3,989
		145,203	**228,522**	**326,904**
TOTAL EQUITY AND LIABILITIES		**1,517,064**	**1,722,519**	**2,087,379**

The accompanying notes are an integral part of this Consolidated Statement of Financial Position

Globe Trade Centre S.A.
Consolidated Income Statement
for the year ended 31 December 2014
(in thousands of Euro)

	Note	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Revenues from operations	9	124,284	122,861
Cost of operations	10	(43,155)	(44,908)
Gross margin from operations		**81,129**	**77,953**
Selling expenses	11	(2,884)	(3,244)
Administration expenses	12	(8,781)	(8,220)
Loss from revaluation/ impairment of assets	17	(160,325)	(162,526)
Impairment of residential projects	18	(34,079)	(22,059)
Other income		3,145	151
Other expenses	24	(2,529)	(3,627)
Loss from continuing operations before tax and finance income / (expense)		**(124,324)**	**(121,572)**
Foreign exchange differences loss, net		(93)	(1,070)
Finance income	13	3,904	2,903
Finance cost	13	(46,441)	(45,708)
Share of profit/(loss) of associates and joint ventures	19	(27,568)	3,813
Loss before tax		**(194,522)**	**(161,634)**
Taxation	15	(12,868)	(15,163)
Loss for the period		**(207,390)**	**(176,797)**
Attributable to:			
Equity holders of the parent		(183,822)	(146,828)
Non-controlling interest		(23,568)	(29,969)
Basic earnings per share (in Euro)	31	(0.53)	(0.46)

The accompanying notes are an integral part of this Consolidated Income Statement

Globe Trade Centre S.A.
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2014
(in thousands of Euro)

	Year ended 31 December 2014	Year ended 31 December 2013
Loss for the period	**(207,390)**	**(176,797)**
Gain on hedge transactions	10,549	16,494
Income tax	(2,001)	(3,077)
Net gain on hedge transactions	**8,548**	**13,417**
Foreign currency translation	(3,294)	(616)
Total comprehensive loss for the period, net of tax to be reclassified to profit or loss in subsequent periods	**(202,136)**	**(163,996)**
Attributable to:		
Equity holders of the parent	(178,616)	(134,858)
Non-controlling interest	(23,520)	(29,138)

Globe Trade Centre S.A.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2014
(In thousands of Euro)

	Issued and paid in share capital (Note 29)	Share premium (Note 8)	Capital reserve (Note 8)	Hedge reserve	Foreign currency translation	Accumulated profit	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance as of 1 January 2013	**7,082**	**312,155**	**16,008**	**(25,068)**	**5,181**	**442,105**	**757,463**	**(16,732)**	**740,731**
Other comprehensive income	-	-	-	12,724	(754)	-	11,970	831	12,801
Profit (loss) for the period ended 31 December 2013	-	-	-	-	-	(146,828)	(146,828)	(29,969)	(176,797)
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**12,724**	**(754)**	**(146,828)**	**(134,858)**	**(29,138)**	**(163,996)**
Other transactions	-	-	(854)	-	-	-	(854)	-	(854)
Balance as of 31 December 2013	**7,082**	**312,155**	**15,154**	**(12,344)**	**4,427**	**295,277**	**621,751**	**(45,870)**	**575,881**
Balance as of 1 January 2014	**7,082**	**312,155**	**15,154**	**(12,344)**	**4,427**	**295,277**	**621,751**	**(45,870)**	**575,881**
Other comprehensive income	-	-	-	8,505	(3,299)	-	5,206	48	5,254
Profit (loss) for the period ended 31 December 2014	-	-	-	-	-	(183,822)	(183,822)	(23,568)	(207,390)
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**8,505**	**(3,299)**	**(183,822)**	**(178,616)**	**(23,520)**	**(202,136)**
Issuance of shares	767	52,073					52,840		52,840
Other transactions	-	-	(6,762)	-	-	-	(6,762)	7,358	596
Balance as of 31 December 2014	**7,849**	**364,228**	**8,392**	**(3,839)**	**1,128**	**111,455**	**489,213**	**(62,032)**	**427,181**

The accompanying notes are an integral part of this Consolidated Statement of Changes in Equity

Globe Trade Centre S.A.
Consolidated Statement of Cash Flow
for the year ended 31 December 2014
(In thousands of Euro)

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss before tax	(194,522)	(161,634)
Adjustments for:		
Loss from revaluation/impairment of assets and residential projects	194,404	184,585
Share of loss (profit) of associates and joint ventures	27,568	(3,813)
Loss (profit) from sale of fixed assets	(4)	251
Foreign exchange differences loss/(gain), net	(445)	1,098
Finance income	(3,904)	(2,903)
Finance cost	46,441	45,708
Share based payment income	(2,538)	(2,724)
Depreciation and amortization	499	477
Operating cash before working capital changes	**67,499**	**61,045**
Decrease/(increase) in debtors and prepayments and other current assets	(1,680)	3,827
Decrease in inventory	12,895	11,729
Decrease in advances received	(2,082)	(1,316)
Increase in deposits from tenants	17	102
Increase/(decrease) in trade and other payables	(945)	(4,247)
Cash generated from operations	**75,704**	**71,140**
Tax paid in the period	(2,452)	(1,763)
Net cash from operating activities	**73,252**	**69,377**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investment property under construction	(25,821)	(29,755)
Sale of investment property and residential landbank	10,614	32,554
Purchase of minority	(279)	-
Acquisition of shares in associates	-	2,025
VAT on sale of investment property	-	(35,719)
Interest received	2,019	1,459
Lease origination expenses	(208)	(762)
Loans granted	(566)	(932)
Loans repayments	330	2,061
Net cash used in investing activities	**(13,911)**	**(29,069)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares	53,680	-
Share issuance expenses	(841)	-
Proceeds from long-term borrowings	124,494	43,167
Repayment of long-term borrowings	(149,409)	(179,177)
Repayment of hedge	(20,762)	(19,558)
Interest paid	(38,456)	(46,524)
Loans origination cost	(1,561)	(323)
Increase in short term deposits	(89)	(6,804)
Net cash used in financing activities	**(32,944)**	**(209,219)**
Effect of foreign currency translation	**(1,773)**	**284**
Net increase/(decrease) in cash and cash equivalents	**24,624**	**(168,627)**
Cash and cash equivalents at the beginning of the period	**56,439**	**224,779**
Cash classified as part of assets held for sale	**-**	**287**
Cash and cash equivalents at the end of the period	**81,063**	**56,439**

1. Principal activities

Globe Trade Centre S.A. (the “Company”, “GTC”) was registered in Warsaw on 19 December 1996. The Company’s registered office is in Warsaw at 5 Wołoska Street. The Company owns through subsidiaries, joint ventures and associates commercial and residential real estate companies in Poland, Hungary, Romania, Serbia, Croatia, Ukraine, Slovakia, Bulgaria, Russia and Czech Republic.

GTC is the parent company of the capital group Globe Trade Centre (the “Group” or “GTC Group”).

The Group’s business activities are:
a) Development and rental of office and retail space and
b) Development and sale of residential units.

As of 31 December 2014 and 2013, the number of full time equivalent working employees in the Group companies was 144 and 166, respectively.

There is no seasonality in the business of the Group companies.

GTC is listed on the Warsaw Stock exchange.

The major shareholder of the Company is LSREF III GTC Investments B.V. (“LSREF III”), controlled by Lone Star, a global private equity firm, which held 105,959,790 shares or 30.2% of total share as of 31 December 2014. There is no ultimate controlling party.

2. Functional and reporting currencies

The currency of Polish economy is the Polish Zloty.

The functional currency of GTC is Euro. The functional currency of some of GTC’s subsidiaries is other than Euro.

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

3. Basis of preparation

The Company maintains its books of account in accordance with accounting principles and practices employed by enterprises in Poland as required by Polish accounting regulations. The companies outside Poland (together with GTC "the Companies") maintain their books of account in accordance with local GAAP.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU ("EU IFRS"). At the date of authorisation of these consolidated financial statements, taking into account the EU's ongoing process of IFRS endorsement and the nature of the Group's activities, there is a difference between International Financial Reporting Standards and International Financial Reporting Standards endorsed by the European Union. The Group applied the possibility existing for the companies applying International Financial Reporting Standards endorsed by the EU, to apply IFRIC 21 for reporting periods beginning on or after 1 January 2015 and to apply amendments to IFRS 2 and amendments to IFRS 3, being part of Improvements to IFRSs resulting from the review of IFRS 2010-2012, for reporting periods beginning on or after 1 January 2016.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments that have been measured at fair value.

4. Going concern

The Group's policies and processes are aimed at managing the Group's capital, financial and liquidity risks on a sound basis. The Group meets its day to day working capital requirements through generation of operating cash-flows from rental income and sale of residential properties. Further details of financial risks and capital management processes are described in Note 35.

As of 31 December 2014, the Group's net working capital (defined as current assets less current liabilities) was positive and amounted to Euro 2 million. As described in Note 28 three loan facilities guaranteed by the Company were in breach of loan-to-value ("LTV") financial covenants. As a result the Company presented the related liabilities in the amount of EUR 51 million as short-term as at 31 December 2014, which negatively impacted the net working capital of the Group.

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

The management is discussing and negotiating the restructuring of the loans referred to above with financial institutions and believes that it will be successful in reaching a restructuring agreement with the lender on acceptable terms. In the unlikely event that the loans are not restructured and called by the lenders, the management may increase its available cash resources to service the loans by selling assets and/or reducing or postponing planned capital expenditures.

5. Changes in accounting policies

New and amended standards and interpretations

These consolidated financial statements are prepared based on the same accounting policies as for the consolidated financial statements of the Company for the year ended 31 December 2013, except for the following amendments to existing standards and new regulations that are effective for financial years beginning on or after 1 January 2014. The impact of each of these amendments on the Company's financial statements as of 31 December 2014 is described below.

- IFRS 10 *Consolidated Financial Statements* – effective for financial years beginning on or after 1 January 2013, – in EU effective at the latest for financial years beginning on or after 1 January 2014. Entity decided to apply IFRS for the periods beginning on 1 January 2014 – application of the standard had no impact on financial situation or the results of the Group for the year ended 31 December 2014,
- IFRS 11 *Joint Arrangements* – effective for financial years beginning on or after 1 January 2013 – in EU effective at the latest for financial years beginning on or after 1 January 2014. Entity decided to apply IFRS for the periods beginning on 1 January 2014, the Group applied this standard that required restatement of previous financial statements, as disclosed in Note 32,
- IFRS 12 *Disclosure of Interests in Other Entities* – effective for financial years beginning on or after 1 January 2013 – in EU effective at the latest for financial years beginning on or after 1 January 2014. Entity decided to apply IFRS for the periods beginning on 1 January 2014 – application of the standard had impact on disclosures,
- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* – effective for financial years beginning on or after 1 January 2013 in EU effective at the latest for financial years beginning on or after 1 January 2014 – application of the amendments had no impact on financial situation or the results of the Group for the year ended 31 December 2014,

5. Changes in accounting policies (continued)

- IAS 27 *Separate Financial Statements* – effective for financial years beginning on or after 1 January 2013 – in EU effective at the latest for financial years beginning on or after 1 January 2014. Entity decided to apply IAS for the periods beginning on 1 January 2014 - application of the standard had no impact on financial situation or the results of the Group for the year ended 31 December 2014,
- IAS 28 *Investments in Associates and Joint Ventures* – effective for financial years beginning on or after 1 January 2013 – in EU effective at the latest for financial years beginning on or after 1 January 2014. Entity decided to apply IAS for the periods beginning on 1 January 2014 - application of the standard had no impact on financial situation or the results of the Group for the Year ended 31 December 2014,
- Amendments to IAS 32 *Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities*- effective for financial years beginning on or after 1 January 2014 - application of the amendments had no impact on financial situation or the results of the Group for the Year ended 31 December 2014,
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* (issued on 31 October 2012) – effective for financial years beginning on or after 1 January 2014 - application of the amendments had no impact on financial situation or the results of the Group for the Year ended 31 December 2014,
- Amendments to IAS 36 Recoverable Amounts Disclosures for Non-Financial Assets (issued on 29 May 2013) – effective for financial years beginning on or after 1 January 2014 - application of the amendments had no impact on financial situation or the results of the Group for the Year ended 31 December 2014,
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* (issued on 27 June 2013) – effective for financial years beginning on or after 1 January 2014 - application of the amendments had no impact on financial situation or the results of the Group for the Year ended 31 December 2014.

Standards issued but not yet effective

The following new standards, amendments to standards and interpretations have been issued but are not yet effective.

- IFRS 9 *Financial Instruments* (issued on 24 July 2014) effective for financial years beginning on or after 1 July 2018 – not yet endorsed by EU till the date of approval of these financial statements,
- IFRIC 21 *Levies* (issued on 20 May 2013) – effective for financial years beginning on or after 1 January 2014 – in EU effective at the latest for financial years beginning on or after 17 June 2014,
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (issued on 21 November 2013) – effective for financial years beginning on or after 1 July 2014 – in EU effective at the latest for financial years beginning on or after 1 February 2015,
- *Annual Improvements to IFRSs 2010-2012* (issued on 12 December 2013) – some amendments effective for financial years beginning on or after 1 July 2014 and some effective prospectively for transactions occurring on or after 1 July 2014 – in EU effective at latest for financial years beginning on or after 1 February 2015,

5. Changes in accounting policies (continued)

- *Annual Improvements to IFRSs 2011-2013* (issued on 12 December 2013) – effective for financial years beginning on or after 1 July 2014 – in EU effective latest for financial years beginning on or after 1 January 2015,
- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – effective for financial years beginning on or after 1 January 2016 – decision about terms of performing particular steps resulting in endorsement of the Standard has not yet been made by EFRAG – not yet endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (issued on 6 May 2014) – effective for financial years beginning on or after 1 January 2016 - not yet endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization* (issued on 12 May 2014) – effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval of these financial statements,
- IFRS 15 *Revenue from Contracts with Customers* (issued on 28 May 2014) – effective for financial years beginning on or after 1 January 2017 – not yet endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (issued on 30 June 2014) - effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (issued on 12 August 2014) – effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval these financial statements.
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) – effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval of these financial statements.
- *Annual Improvements to IFRSs 2012–2014* (issued on 25 September 2014) – effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (issued on 18 December 2014) – effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 1 *Disclosure Initiative* (issued on 18 December 2014) – effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval of these financial statements.

The Company has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

The management is in process of analyzing the impact of the above new standards and amendments on the consolidated financial statements in the period of their initial application.

6. Summary of significant accounting policies

(a) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and derivative financial instruments that have been measured at fair value.

(b) Plant and Equipment

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

The following depreciation rates have been applied:

	Depreciation rates
Equipment	7 -20 %
Vehicles	20 %

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

(c) Investment properties

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

(i) Completed Investment properties

Investment properties are stated at fair value according to the fair value model, which reflects market conditions at the reporting date. Gains or losses arising from a change in the fair value of the investment properties are included in the income statement in the year in which they arise.

Completed investment properties were externally valued by independent appraiser as of 31 December 2014 based on open market values. Completed properties are either valued on the basis of Discounted Cash Flow or - as deemed appropriate – on basis of the Income Capitalisation or Yield method.

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

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

6. Summary of significant accounting policies (continued)

(ii) Investment property under construction

The Company has decided to revalue only IPUC, for which a substantial part of the development risks have been eliminated. Assets, for which this is not the case, are presented at the lower of cost or recoverable amount.

Land is reclassified to IPUC at the moment, at which active development of this land begins.

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

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

The fair values of IPUC were determined, as at their stage at the end of the reporting period (first implementation as of 31 December 2008). Valuations were performed in accordance with RICS and IVSC Valuation Standards using either the residual method approach, DCF or sales comparison approach, as deemed appropriate by the valuer. Each IPUC is individually assessed.

The future assets' value is estimated based on the expected future income from the project, using yields that are higher than the current yields of similar completed property. The remaining expected costs to completion are deducted from the estimated future assets value.

For projects where the expected future completion risk is above average (as deemed appropriate by the valuer), also a developer profit margin of unexecuted works, was deducted from the value.

(d) Investment in associates

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

(e) Investment in jointly controlled entities

Investment in Joint Ventures is accounted for under the equity method. The investment is carried in the statement of financial position at cost plus post acquisition changes in the Group share of net assets of the Joint Ventures.

(f) Lease origination costs

The costs incurred to originate a lease (mainly brokers fees) for available rental space are added to the carrying value of investment property until the date of revaluation of the related investment property to its fair value.

6. Summary of significant accounting policies (continued)

(g) Inventory and residential landbank

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

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

The Group classifies its residential inventory to current or non-current assets, based on their development stage within the business operating cycle. The normal operating cycle in most cases falls within period of 1-5 years. Residential projects, which are active, are classified as current inventory. Residential projects which are planned to be completed in a period longer than the operating cycle are classified as residential landbank under non-current assets.

(h) Advances received

Advances received (related to pre-sales of residential units) are deferred to the extent that they are not reflected as revenue as described below in note 6(k).

(i) Rental revenue

Rental revenues result from operating leases and are recognised as income over the lease term on a straight-line basis.

(j) Interest and dividend income

Interest income is recognised on an accrual basis using the effective interest method.

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

(k) Contract revenue and costs recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues comprise amounts received or receivable, net of Value Added Tax and discounts.

Revenue from the sale of houses and apartments is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and when the revenue can be measured reliably. The risks and rewards are considered as transferred to the buyer when the houses or apartments have been substantially constructed, accepted by the customer and all significant amount resulting from the sale agreement was paid by the buyer.

The costs related to the real estate development incurred during the construction period are capitalized in inventory. Once revenue is recognised, the costs in respect of sold units are expensed.

6. Summary of significant accounting policies (continued)

(l) Borrowing costs

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

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

Debt issuance expenses are deducted from the amount of debt originally recognised. These costs are amortised through the income statement over the estimated duration of the loan, except to the extent that they are directly attributable to construction. Debt issuance expenses represent an adjustment to effective interest rates.

(m) Share issuance expenses

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

(n) Income taxes

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

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

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

6. Summary of significant accounting policies (continued)

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

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

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

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

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

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

(o) Foreign exchange differences

For companies with Euro as functional currency, transactions denominated in a foreign currency (including Polish Zloty) are recorded in Euro at the actual exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at period-end using period-end exchange rates. Foreign currency translation differences are charged to the income statement.

(p) Financial instruments

All financial assets and financial liabilities are recognised on the reporting date. All these financial assets and liabilities are initially measured at fair value plus transaction costs in case of financial assets and financial liabilities not classified as fair value through profit and loss. All purchases of financial assets (whose delivery time is regulated in the market) are accounted at trade date.

6. Summary of significant accounting policies (continued)

The table below presents the categorisation of financial assets and liabilities: Item, Category, and Measurement.

Item	Category	Measurement
	Financial assets/liabilities (excluding derivatives)	
Cash and cash equivalent	Held for trading	Fair value – adjusted to income statements
Short-term deposits	Loans and receivables	Amortised cost
Debtors	Loans and receivables	Amortised cost
Trade and other payables	Other financial liabilities	Amortised cost
Long and short term Loans		Amortised cost
Deposits from tenants		Amortised cost
Long term payables		Amortised cost
Interest Rate Swaps	Hedging (cash flow hedges)	Fair value – adjusted to other comprehensive income (effective portion) / adjusted to income statements (ineffective portion)
Interest Rate Collars	Held for trading	Fair value – adjusted to income statements

The Group recognises a financial asset and financial liability in its statement of financial position, when and only when, it becomes a party to the contractual provisions of the instrument. An entity shall derecognise a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. A financial liability should be removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled, or expired.

(q) Cash and cash equivalents

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

(r) Trade and other receivables

Short term and long term trade receivables are carried at amortised cost. An estimate for doubtful debts allowance is made when collections of the full amount is no longer probable, based on historical collection patterns or alternatively having regard to the age of the receivable balances.

(s) Impairment of assets

The carrying value of assets is periodically reviewed by the Management to determine whether impairment may exist. In particular, the Management assessed whether the impairment indicators exist. Based upon its most recent analysis management believes that any material impairment of assets that existed at the reporting date, was reflected in these financial statements.

Accounting policy related to Goodwill impairment is described in note 6(d).

6. Summary of significant accounting policies (continued)

(t) Purchase of shares of minority

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

(u) Derivatives and hedge accounting

The Group uses interest rate swaps and collars to hedge its risks associated with interest rate volatility (cash flow hedges).

In relation to the instruments, which meet the conditions of cash flow hedges, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in net profit or loss. Classification of hedges in the statement of financial position depends on their maturity.

The conditions of the cash flow hedges are as follows:

(a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

(b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.

(c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

(d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.

(e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

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

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

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

6. Summary of significant accounting policies (continued)

(v) Estimations

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

Investment property represents property held for long-term rental yields. Investment property is carried at fair value which is established at least annually by an independent registered valuer based on discounted projected cash flows from the investment property using the discounts rates applicable for the local real estate market and updated by Management judgment. The changes in the fair value of investment property are included in the profit or loss for the period in which it arises.

The group uses estimates in determining the amortization rates used.

(w) Significant accounting judgements

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

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

Significant accounting judgements related to investment property under construction are presented in note 6 c) (ii).

The Group classifies its residential inventory to current or non-current assets, based on their development stage within the business operating cycle. The normal operating cycle most cases falls within period of 1-5 years. Residential projects, which are active, are classified as current inventory. Residential projects which are planned to be completed in a period longer than the operating cycle are classified as residential landbank under non-current assets.

On the basis of the assessment made, the Group has reclassified part of inventory from current assets to residential landbank in non–current assets.

Deferred tax with respect to outside temporary differences relating to subsidiaries, branches associates and joint agreements was calculated based on estimated probability that these temporary differences will be realized in the foreseeable future

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

The group uses judgements in determining the settlement of share based payment in cash.

6. Summary of significant accounting policies (continued)

(x) Basis of Consolidation

The consolidated financial statements comprise the financial statements of GTC S.A and its subsidiaries prepared using consistent accounting policies.

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

The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Thus, the Company controls an investee if and only if it has all the following:
(a) power over the investee;
(b) exposure, or rights, to variable returns from its involvement with the investee; and
(c) the ability to use its power over the investee to affect the amount of the investor's returns.

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

All inter-company balances and transactions are eliminated upon consolidation.

(y) Provisions

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

(z) Share-based payment transactions

Amongst others, the Company gives shares or rights to shares to key management personnel in exchanges for services.

The cost of equity-settled transactions with employees is measured by reference to the share value at the date at which they were granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired.

The cost of cash-settled transactions with employees is measured initially at fair value at the grant date. The fair value is expensed over period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up and including the settlement date, with changes in fair value recognised in employee benefits expense.

(in thousands of Euro)

6. Summary of significant accounting policies (continued)

(aa) Leases

Lessor:
Leases where the group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases.

7. Investment in Subsidiaries, Associates and Joint Ventures

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

Subsidiaries

Name	Holding Company	Country of incorporation	31 December 2014	31 December 2013
GTC Konstancja Sp. z o.o. (“GTC Konstancja”)	GTC S.A.	Poland	100%	100%
GTC Korona S.A. (“GTC Korona”)	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o (“Globis Poznan”)	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o. (“GTC Aeropark”)	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o (“Globis Wrocław”)	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o. (“GTC Satellite”)	GTC S.A.	Poland	100%	100%
GTC Ogrody Galileo Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC GK Office Sp. z o.o. (“GTC GK Office”)	GTC S.A.	Poland	100%	100%
GTC Com 1 Sp. z o.o. (“GTC Com 1”)	GTC S.A.	Poland	100%	100%
GTC Karkonoska Sp. z o.o. (previously GTC Wroclaw Office)	GTC S.A.	Poland	100%	100%
GTC Ortal Sp. z o.o. (previously Byrant)	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o. (“Diego”)	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o (previously GTC Cyril)	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o. (previously GTC Com 3)	GTC S.A.	Poland	100%	100%
GTC Wilson Park Sp. z o.o (previously GTC Com 4)	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o. (previously GTC Com 5)	GTC S.A.	Poland	100%	100%
CH Wilanow Sp. z o.o. („CH Wilanow”)	GTC S.A.	Poland	100%	100%
Alfa Development Inwestycje sp. z o.o	GTC S.A.	Poland	100%	100%
GTC Corius sp. z o.o (previously Sigma development)	GTC S.A.	Poland	100%	100%
Centrum Światowida sp. z o.o. („Centrum Światowida”)	GTC S.A.	Poland	100%	100%
Mieszkania Światowida sp. z o.o.)(*)	GTC S.A.	Poland	-	100%
Omega Development Inwestycje Sp. z o.o	GTC S.A.	Poland	-	100%
Epsilon Development Inwestycje Sp. z o.o.	GTC S.A.	Poland	100%	100%
Delta Development Inwestycje Sp. z o.o.	GTC S.A.	Poland	-	100%
Glorine investments sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments Sp. z o.o. s.k.a.	GTC S.A.	Poland	100%	100%
Omikron Development Inwestycje Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Galeria CTWA Sp. z o.o. (“Galeria CTWA”)	GTC S.A.	Poland	100%	100%

(*) Merged with Centrum Swiadowida

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	31 December 2014	31 December 2013
GTC Hungary Real Estate Development Company Ltd. ("GTC Hungary")	GTC S.A.	Hungary	100%	100%
Budapest Investments B.V.	GTC Hungary	Netherland	100%	100%
Budapest Offices B.V.	GTC Hungary	Netherland	100%	100%
Vaci Ut 81-85 Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartments Kft. ("Riverside")	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft. ("Centre Point I")	GTC Hungary	Hungary	100%	100%
Centre Point II. Kft. ("Centre Point II")	GTC Hungary	Hungary	100%	100%
Spiral Holding Kft.	GTC Hungary	Hungary	100%	100%
Spiral I.Kft.	GTC Hungary	Hungary	100%	100%
Spiral II. Kft.	GTC Hungary	Hungary	100%	100%
River Loft Ltd.	GTC Hungary	Hungary	100%	100%
SASAD Resort Kft. ("Sasad")	GTC Hungary	Hungary	100%	100%
Albertfalva Kft. ("Szeremi Gate")	GTC Hungary	Hungary	100%	100%
GTC Metro Kft (formerly "Jazmin Ingatlan Kft.")	GTC Hungary	Hungary	100%	100%
SASAD Resort Offices Kft	GTC Hungary	Hungary	100%	100%
Toborzó Széplak Kft.	GTC Hungary	Hungary	100%	100%
Mastix Champion Kft.	GTC Hungary	Hungary	100%	100%
GTC Renaissance Plaza Kft.	GTC Hungary	Hungary	100%	100%
SASAD II Kft.	GTC Hungary	Hungary	100%	100%
Amarantan Ltd.	GTC Hungary	Hungary	100%	100%
Abritus Kft.	GTC Hungary	Hungary	100%	100%
Immo Buda Kft.	GTC Hungary	Hungary	100%	100%
Szemi Ingatlan Ltd.	GTC Hungary	Hungary	100%	100%
Preston Park Kft.	GTC Hungary	Hungary	100%	100%
GTC Real Estate Investments Ukraine B.V. ("GTC Ukraine")	GTC S.A.	Netherlands	90%	90%
Emerging Investments III B.V. (*)	GTC S.A.	Netherlands	-	100%
GTC Real Estate Management Services Ukraine LLC	GTC Ukraine	Ukraine	90%	90%
GTC Real Estate Investments Russia B.V. (*)	GTC S.A.	Netherlands	-	100%
GTC Real Estate Investments Slovakia B.V. ("GTC Slovakia") (*)	GTC S.A.	Netherlands	-	100%
GTC Real Estate Developments Bratislava B.V. ("GTC Bratislava") (*)	GTC Bulgaria	Netherlands	-	70%
GTC Real Estate Management s.r.o.	GTC Bulgaria	Slovakia	100%	100%
GTC Real Estate Park s.r.o.	GTC Bulgaria	Slovakia	-	70%
GTC Vinohradis Piazza S.R.O	GTC Bulgaria	Slovakia	100%	70%
GTC Jarossova S.R.O	GTC Bulgaria	Slovakia	100%	70%
GTC Hill S.R.O	GTC Bulgaria	Slovakia	100%	70%
GTC Vinohradis Villas S.R.O	GTC Bulgaria	Slovakia	100%	70%
GTC Real Estate Vinohrady s.r.o. ("GTC Vinohrady")	GTC Bulgaria	Slovakia	100%	70%
GTC Real Estate Vinohrady 2 s.r.o. ("GTC Vinohrady 2")	GTC Bulgaria	Slovakia	100%	70%

(*) In December 2014, the company merged into GTC Bulgaria B.V

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	31 December 2014	31 December 2013
GTC Real Estate Investments Croatia B.V. (“GTC Croatia”) (*)	GTC S.A.	Netherlands	-	100%
GTC Nekretnine Zagreb d.o.o.(“GTC Zagreb”)	GTC Croatia	Croatia	100%	100%
Eurostructor d.o.o.	GTC Croatia	Croatia	70%	70%
Marlera Golf LD d.o.o	GTC Croatia	Croatia	80%	80%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o	Croatia	80%	80%
GTC Nekretnine Istok d.o.o (“Osijek“)	GTC Croatia	Croatia	80%	80%
GTC Nekretnine Jug. d.o.o	GTC Croatia	Croatia	100%	100%
GTC Sredisnja tocka d.o.o.	GTC Croatia	Croatia	100%	100%
GTC Nekretnine Zapad d.o.o	GTC Croatia	Croatia	100%	100%
GTC Real Estate Investments Romania B.V. (“GTC Romania”) (*)	GTC S.A.	Netherlands	-	100%
Towers International Property S.R.L	GTC Bulgaria	Romania	100%	100%
Galleria Shopping Center S.R.L. (formerly “International Hotel and Tourism S.R.L”)	GTC Bulgaria	Romania	100%	100%
BCG Investment B.V	GTC Bulgaria	Netherlands	100%	100%
Bucharest Properties B.V (*)	GTC Bulgaria	Netherlands	-	100%
Green Dream S.R.L	GTC Bulgaria	Romania	100%	100%
Titulescu Investments B.V. (“Titulescu”) (*)	GTC Bulgaria	Netherlands	-	100%
Aurora Business Complex S.R.L (“Felicity“)	GTC Bulgaria	Romania	71.5%	71.5%
Yasmine Residential Complex S.R.L	GTC Bulgaria	Romania	100%	100%
Bucharest City Gate B.V. ("BCG”)	GTC Bulgaria	Netherlands	58.9%	58.9%
Bucharest City Gate S.R.L	BCG	Romania	58.9%	58.9%
Mablethompe Investitii S.R.L.	GTC Bulgaria	Romania	100%	100%
National Commercial Centers B.V. (“NCC”) (*)	GTC Bulgaria	Netherlands	-	100%
Mercury Commercial Center S.R.L. (“Arad“)	GTC Bulgaria	Romania	100%	100%
Venus Commercial Center S.R.L.	GTC Bulgaria	Romania	100%	100%
Mars Commercial Center S.R.L. (“Galeria Piatra Neamt“)	GTC Bulgaria	Romania	100%	100%
Beaufort Commercial Center S.R.L.	GTC Bulgaria	Romania	100%	100%
Fajos S.R.L.	GTC Bulgaria	Romania	100%	100%
City Gate S.R.L	GTC Bulgaria	Romania	58.9%	58.9%
Brightpoint Investments Limited	GTC Bulgaria	Cyprus	50.1%	50.1%
Complexul Residential Colentina S.R.L .	GTC Bulgaria	Romania	50.1%	50.1%
Operetico Enterprises Ltd.	GTC Bulgaria	Cyprus	66.7%	66.7%
Bucharest Tower Investments B.V. (*)	GTC Bulgaria	Netherlands	-	100%
Deco Intermed S.R.L	Operetico Enterprises Ltd.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L	GTC Bulgaria	Romania	66.7%	66.7%

(*) In December 2014, the company merged into GTC Bulgaria B.V

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	31 December 2014	31 December 2013
GTC Real Estate Investments Bulgaria BV („GTC Bulgaria")	GTC S.A.	Netherlands	100%	100%
Galeria Stara Zagora AD ("Stara Zagora")	GTC Bulgaria	Bulgaria	75%	75%
Galeria Burgas AD	GTC Bulgaria	Bulgaria	80%	80%
Galeria Varna AD ("Varna")	Galeria Ikonomov GmbH	Bulgaria	65%	65%
GTC Business Park EAD	GTC Bulgaria	Bulgaria	100%	100%
NRL EAD	GTC Bulgaria	Bulgaria	100%	100%
Galeria Ikonomov GmbH	GTC Bulgaria	Austria	65%	65%
GTC Yuzhen Park EAD ("GTC Yuzhen")	GTC Bulgaria	Bulgaria	100%	100%
GTC Real Estate Investments Serbia B.V. ("GTC Serbia") (*)	GTC S.A.	Netherlands	-	100%
City Properties Serbia B.V. (*)	GTC Bulgaria	Netherlands	-	100%
GTC Medj Razvoj Nekretnina d.o.o.	GTC Bulgaria	Serbia	100%	100%
GTC Business Park d.o.o.	GTC Bulgaria	Serbia	100%	100%
GTC Commercial and Residential Ventures d.o.o.	GTC Bulgaria	Serbia	100%	100%
GTC Real Estate Developments d.o.o.	GTC Commercial Development d.o.o.	Serbia	95%	95%
Demo Invest d.o.o	GTC Bulgaria	Serbia	100%	100%
Atlas Centar d.o.o.	GTC Bulgaria	Serbia	100%	100%
GTC Commercial Development d.o.o.	GTC Bulgaria	Serbia	100%	100%

Investment in Associates and Joint Ventures

Name	Holding Company	Country of incorporation	31 December 2014	31 December 2013
Havern Investments sp. z o.o.	GTC S.A	Poland	50%	50%
Delta Development Inwestycje sp. z o.o	GTC S.A	Poland	50%	-
Yatelsis Viborgskaya Limited of Nicosia ("YVL")	GTC Bulgaria	Cyprus	50%	50%
Ana Tower Offices S.R.L	GTC Bugaria	Romania	50%	50%
Lighthouse Holdings Limited S.A. ("Lighthouse")	GTC S.A.	Luxembourg	35%	35%
CID Holding S.A. ("CID")	GTC S.A.	Luxembourg	35%	35%
Europort Investment (Cyprus) 1 Limited	GTC Bulgaria	Cyprus	49.9%	49.9%
Europort LTD	GTC Bulgaria	Israel	9.9%	9.9%

(*) In December 2014, the company merged into GTC Bulgaria B.V

(in thousands of Euro)

8. Events in the period

In January 2014, the Company raised approximately Euro 53 million through private placement of shares. Numbers of securities issued were 31,937,298. After the above issuance, LSREF III, directly, and Lone Star, indirectly, held 105,064,290 ordinary shares in the Company, which constituted 29.9% of its share capital.

In February 2014, the Company raised PLN 200 million (approximately Euro 47.6 million) through issuance of Bonds to selected Polish institutional investors.

On 27 February 2014, GTC Group acquired remaining 30% in GTC Real Estate Developments Bratislava BV. The consideration involved 100% sale of Park Project (GTC Real Estate Park s.r.o.) and mutual settlement on debt instruments. As a result, the impact on the equity attributable to equity holders of the parent amounted to a decrease of EUR 6.8 million. As of 31 December 2014, GTC Real Estate Investments Slovakia BV was the sole owner of all its current projects in Slovakia.

In April 2014, the Company repaid Euro 81.6 million of bonds and related hedge instrument of Euro 21 million. Both were presented in the Consolidated Statement of Cash Flows. Repayment of bonds was presented under repayment of long-term borrowings.

In July 2014, the Company sold Ogrody Galileo land in Cracow, Poland for Eur 5.8 million.
In October 2014, the Company sold Wilson Park land in Poznan, Poland for Eur 3.1 million.

9. Revenue from operations

Revenue from operations comprises of the following:

	Year ended 31 December 2014	**Year ended 31 December 2013** (restated)
Rental revenue	84,124	84,042
Service revenue	25,511	25,589
Residential revenue	14,649	13,230
	124,284	**122,861**

Rental income includes turnover rent for the year ended 31 December 2014 of approximately Euro 2,736 thousand (2013: Euro 2,454 thousand)

The Group has entered into various operational lease contracts on its property portfolio in Poland, Romania, Croatia, Serbia, and Hungary. The commercial property leases typically include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions.

9. Revenue from operations (continued)

Future minimum rentals receivable under operating leases as at 31 December 2014 are, as follows (in millions of Euro):

	Year ended 31 December 2014	Year ended 31 December 2013
Within 1 year	84	83
After 1 year, but not more than 5 years	221	240
More than 5 years	72	94
	377	**417**

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

10. Cost of operations

Costs of operations comprise the following:

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Rental and service costs	28,703	31,269
Residential costs	14,452	13,639
	43,155	**44,908**

Majority of service costs represents external services costs. Service costs relate to investment properties, which generate rental income.

11. Selling expenses

Selling expenses comprise of the following:

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Brokerage and similar fees	242	447
Advertising and marketing	1,894	2,062
Payroll and related expenses	748	735
	2,884	**3,244**

(in thousands of Euro)

12. Administration expenses

Administration expenses comprise of the following:

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Remuneration and management fees	6,645	6,655
Share based payment	(2,570)	(2,724)
Audit and valuations	1,395	1,307
Legal and tax advisers	779	607
Office expenses	744	740
Investors relations	116	133
Flights and travelling	362	566
Shareholders and supervisory board remuneration fees	133	373
Severance expenses	444	-
Depreciation and other	733	563
	8,781	**8,220**

13. Financial income and financial expense

Financial income comprise of the following:

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Interest on loans granted to associates	1,609	1,653
Interest on deposits and other	2,295	1,250
	3,904	**2,903**

Financial expense comprise of the following:

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Interest and other expenses:		
Interest expenses (on financial liabilities that are not at fair value through profit or loss) and other charges	(41,225)	(46,962)
Settlement of financial instruments (derivatives)	(1,636)	(213)
Change in fair value of financial instruments and hedge ineffectiveness (derivatives)	(1,826)	2,717
Loan raising expenses	(1,754)	(1,250)
	(46,441)	**(45,708)**

The average interest rate (including hedges) on the Group's loans during the year ended 31 December 2014 was 4.2% p.a. (4.3% p.a. in year 2013).

14. Segmental analysis

The Group operating segments are carried out through subsidiaries that develop real estate projects.

The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets and other factors. Reportable segments are divided into two main segments:

1. Development and rental of office space and shopping malls (“rental activity”) and
2. Development and sale of houses and apartment units (“residential activity”).

The activities carried out in the above mentioned operating segments are conducted in the geographical zones, which were modified. As a result of the change the Company restated comparative data. Previously the geographical zones were divided into:

a. Poland and Hungary
b. Romania and Bulgaria
c. Other CEE countries (Serbia, Croatia, Slovakia).

Current operating segments are divided into geographical zones, which have common characteristics and reflect the nature of management reporting structure:

a. Poland and Hungary
b. Capital cities in SEE countries (Romania, Serbia, Croatia, Slovakia)
c. Secondary cities in Bulgaria
d. Secondary cities in Croatia
e. Secondary cities in Romania

Management monitors gross margin from operations of its business units for the purposes of making performance assessment and decision making. Operating segment performance is evaluated based on gross margin from operations.

The resource allocation decisions made by the management are based, amongst others, on segmental analysis.

(in thousands of Euro)

14. Segmental analysis (continued)

Segment analysis for the year ended 31 December 2014 and year ended 31 December 2013 (restated) is presented below:

	Poland and Hungary		Capital cities in SEE countries		Bulgaria-secondary cities		Croatia-secondary cities		Romania-secondary cities		Consolidated	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Rental and service income	60,226	60,703	36,704	37,322	7,346	6,123	1,611	2,079	3,748	3,404	109,635	109,631
Contract income	3,509	2,641	11,140	10,589	-	-	-	-	-	-	14,649	13,230
Total income	**63,735**	**63,344**	**47,844**	**47,911**	**7,346**	**6,123**	**1,611**	**2,079**	**3,748**	**3,404**	**124,284**	**122,861**
Rental and service costs	12,028	12,770	9,124	9,288	2,445	3,003	1,803	1,764	3,303	4,444	28,703	31,269
Contract costs	2,203	1,881	12,249	11,758	-	-	-	-	-	-	14,452	13,639
Total costs	**14,231**	**14,651**	**21,373**	**21,046**	**2,445**	**3,003**	**1,803**	**1,764**	**3,303**	**4,444**	**43,155**	**44,908**
Rental result	48,198	47,933	27,580	28,034	4,901	3,120	(192)	315	445	(1,040)	80,932	78,362
Contract result	1,306	760	(1,109)	(1,169)	-	-	-	-	-	-	197	(409)
Segment result	**49,504**	**48,693**	**26,471**	**26,865**	**4,901**	**3,120**	**(192)**	**315**	**445**	**(1,040)**	**81,129**	**77,953**
Loss from revaluation/ impairment of assets												
Investment properties	(39,812)	(46,007)	(56,120)	(58,576)	(21,624)	(41,678)	(15,104)	(13,600)	(27,665)	(2,665)	(160,325)	(162,526)
Residential	(9,432)	(2,732)	(16,047)	(19,327)	-	-	(8,600)	-	-	-	(34,079)	(22,059)
	(49,244)	**(48,739)**	**(72,167)**	**(77,903)**	**(21,624)**	**(41,678)**	**(23,704)**	**(13,600)**	**(27,665)**	**(2,665)**	**(194,404)**	**(184,585)**

(in thousands of Euro)

14. Segmental analysis (continued)

	Poland and Hungary		**Capital cities in SEE countries**		**Bulgaria-secondary cities**		**Croatia-secondary cities**		**Romania-secondary cities**		**Consolidated**	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**
Segment assets												
Allocated assets rental	732,293	775,900	418,927	471,530	64,533	85,372	1,751	17,408	13,273	40,610	1,230,777	1,390,820
Allocated assets residential	17,399	34,965	44,756	71,259	-	-	6,740	16,576	-	-	68,895	122,800
Unallocated assets	176,676	162,165	35,428	41,409	2,482	2,272	1,666	1,830	1,140	1,223	217,392	208,899
Total assets	**926,368**	**973,030**	**499,111**	**584,198**	**67,015**	**87,644**	**10,157**	**35,814**	**14,413**	**41,833**	**1,517,064**	**1,722,519**
Segment liabilities												
Allocated liabilities rental	25,365	29,466	43,741	50,857	1,548	2,073	887	1,174	698	788	72,239	84,358
Allocated liabilities residential	1,356	1,825	1,485	4,942	-	-	1,363	1,463	-	-	4,204	8,230
Unallocated liabilities	610,254	654,047	276,063	260,560	70,231	82,599	23,107	23,149	33,785	33,695	1,013,440	1,054,050
Total liabilities	**636,975**	**685,338**	**321,289**	**316,359**	**71,779**	**84,672**	**25,357**	**25,786**	**34,483**	**34,483**	**1,089,883**	**1,146,638**

Unallocated assets include mostly cash and cash equivalents, deposits, investments in associates and loans granted. Unallocated liabilities include mostly loans received, bonds and hedges, and unallocated part of deferred tax liability.

15. Taxation

The major components of tax expense are as follows:

	Year ended 31 December 2014	**Year ended 31 December 2013** (restated)
Current (corporate and capital gain) tax expense	2,766	5,158
Tax related to previous years	(42)	(1,835)
Deferred tax (credit)/expense	10,144	11,840
	12,868	**15,163**

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

(in thousands of Euro)

15. Taxation (continued)

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

	Year ended 31 December 2014	**Year ended 31 December 2013** (restated)
Accounting profit (loss) before tax	(194,522)	(161,634)
Accounting profit (loss) at the applicable tax rate in each country of activity	**(41,785)**	**(23,403)**
Tax effect of expenses that are not deductible in determining taxable profit	2,278	2,188
Share of profit (loss) in associates and Joint ventures	5,264	(262)
Tax effect of foreign currency differences	(447)	3,915
Other	(65)	132
Change of tax rate	(605)	(815)
Previous years tax	(42)	(1,835)
Unrecognised deferred tax asset	48,270	35,242
Tax expense / (income)	**12,868**	**15,163**

(in thousands of Euro)

15. Taxation (continued)

The components of the deferred tax balance were calculated at a rate applicable when the Company expects to recover or settle the carrying amount of the asset or liability.

Net deferred tax assets comprise the following:

	As of 1 January 2013	**Credit / (charge) to income statement**	**As of 31 December 2013**	**Credit / (charge) to income statement**	**As of 31 December 2014**
Financial instruments	(66)	574	508	(103)	405
Tax loss carried forwards	4,651	(1,742)	2,909	97	3,006
Basis differences in non-current assets	2,259	(1,524)	735	(1,901)	(1,166)
Other	490	(490)	-	-	
Net deferred tax assets	**7,334**	**(3,182)**	**4,152**	**(1,907)**	**2,245**

Net deferred tax liability comprises of the following:

	As of 1 January 2013	**Credit / (charge) to equity**	**Credit / (charge) to income statement**	**Foreign exchange differences**	**As of 31 December 2013**	**Credit / (charge) to equity**	**Foreign exchange differences**	**Credit / (charge) to income statement**	**As of 31 December 2014**
Tax loss carried forwards	5,016	-	(3,801)	-	1,215	-	-	(497)	718
Other	(91)	-	240	-	149	-	-	335	484
Financial instruments	(19,214)	(3,077)	(15,307)	283	(37,315)	(2,001)	(32)	(11,687)	(51,035)
Basis differences in non-current assets	(94,051)	-	10,210	-	(83,841)	-	-	3,612	(80,229)
Net deferred tax liability	**(108,340)**	**(3,077)**	**(8,658)**	**283**	**(119,792)**	**(2,001)**	**(32)**	**(8,237)**	**(130,062)**

(in thousands of Euro)

15. Taxation (continued)

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

Tax rate	Year ended 31 December 2014	Year ended 31 December 2013
Poland	19%	19%
Hungary	10%/19%	10%/19%
Ukraine	18%	19%
Bulgaria	10%	10%
Slovakia	22%	23%
Serbia	15%	15%
Croatia	20%	20%
Russia	20%	20%
Romania	16%	16%
Cyprus	12.5%	12.5%
The Netherlands	25%	25%

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

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These frequent changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax settlements and other areas of activity (e.g. customs or foreign currency related issues) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in the Group's countries than in countries that have a more established taxation system.

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

The Group companies have tax losses carried forward as of 31 December 2014 available in the amount of Euro 252 million. The expiry dates of these tax losses as of 31 December 2014 are as follows: Within one year- Euro 11 million, between 2-5 years- Euro 171 million, Afterwards – Euro 70 million.

(in thousands of Euro)

16. Plant and Equipment

The movement in plant and equipment for the periods ended 31 December 2014 and 31 December 2013 was as follows:

	Equipment	Vehicles	Total
Cost			
As of 1 January 2013	2,801	1,049	3,850
Additions	307	43	350
Disposals	(94)	(129)	(223)
Translation differences	(3)	(4)	(7)
As at 31 December 2013	3,011	959	3,970
Accumulated Depreciation			
As of 1 January 2013	1,545	539	2,084
Charge for the period	264	219	483
Disposals	(59)	(120)	(179)
Translation differences	(2)	(2)	(4)
As at 31 December 2013	1,748	636	2,384
Net book value as at 31 December 2013	**1,263**	**323**	**1,586**
Cost			
As of 1 January 2014	3,011	959	3,970
Additions	528	144	672
Disposals, impairments and other decreases	(677)	(161)	(838)
Translation differences	-	(7)	(7)
As at 31 December 2014	2,862	935	3,797
Accumulated Depreciation			
As of 1 January 2014	1,748	636	2,384
Charge for the period	358	141	499
Disposals, impairments and other decreases	(421)	(142)	(564)
Translation differences	-	(2)	(2)
As at 31 December 2014	1,685	632	2,317
Net book value as at 31 December 2014	**1,177**	**303**	**1,480**

(in thousands of Euro)

17. Investment Property

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

Investment property can be split up as follows:

	31 December 2014	31 December 2013
		(restated)
Completed investment property	1,029,276	1,127,056
Investment property under construction at fair value	-	5,492
Investment property under construction at cost	192,043	243,190
Total	**1,221,319**	**1,375,738**

The movement in investment property for the periods ended 31 December 2014 and 31 December 2013 (restated) was as follows:

	Level 2	Level 3	Total
Carrying amount as of 1 January 2013	**803,139**	**696,391**	**1,499,530**
Capitalised subsequent expenditure	7,924	26,782	34,706
Reclassified from held for sale	-	5,882	5,882
Adjustment to fair value / impairment	(48,708)	(113,818)	(162,526)
Disposals	-	(1,577)	(1,577)
Translation differences	-	(277)	(277)
Carrying amount as of 31 December 2013	**762,355**	**613,383**	**1,375,738**
Carrying amount as of 1 January 2014	**762,355**	**613,383**	**1,375,738**
Reclassification (1)	9,468	(9,468)	
Capitalised subsequent expenditure	4,345	16,956	21,301
Adjustment to fair value / impairment (*)	(18,090)	(141,710)	(159,800)
Disposals	-	(4,654)	(4,654)
Reclassified as assets held for sale (2)		(6,654)	(6,654)
Translation differences and other non-cash adjustments	(4,502)	(110)	(4,612)
Carrying amount as of 31 December 2014	**753,576**	**467,743**	**1,221,319**

(1) After the completion of construction of Pascal office building in Cracow, it is qualified as asset in level 2 (inputs are based on observable transactions).

(2) It includes Buzau (Romania), Osijek (Croatia) and Varna (Bulgaria) shopping centers in secondary cities. Adjustment to fair value was recorded under revaluation loss.

Fair value and impairment adjustment consists of the following:

	Year ended 31 December 2014	Year ended 31 December 2013
		(restated)
Adjustment to fair value of completed assets	(104,780)	(117,130)
Adjustment to fair value of property under construction	-	(220)
Impairment adjustment (*)	(55,020)	(45,176)
Total	**(159,800)**	**(162,526)**

(*) The amount does not include an impairment of Euro 525 thousand of fixed asset

(in thousands of Euro)

17. Investment Property (continued)

Assumptions used in the valuations of completed assets as of 31 December 2014 and related sensitivity analysis are presented below.

Potfolio	Book value	NRA thousand	Ocupancy	Actual rent	ERV	Average duration	Fair Value Hierarchy Level	Impact on PBT (*) of 1% change in ERV
	'000 Euro	sqm	%	Euro/ sqm	Euro/ sqm	Years		
Poland retail	150,000	50	86%	20.8	19.0	4.3	2	7,907
Poland office	300,711	150	92%	14.7	14.1	3.6	2	21,263
Serbia office capital city	100,200	53	95%	14.7	15.5	3.2	3	6,479
Croatia retail capital city	102,200	36	96%	20.5	22.0	6.4	3	4,645
Hungary office capital city	154,865	91	93%	11.6	12.0	4.6	2	12,913
Slovakia office capital city	9,100	13	65%	9.8	8.6	1.4	3	1,058
Romania retail secondary cities	8,500	45	88%	4.0	4.2	4.5	3	2,033
Romania office capital city	148,000	48	93%	19.5	20.0	3.4	2	7,400
Bulgaria retail secondary cities	55,700	61	92%	8.3	9.2	6.4	3	6,069
Total	**1,029,276**	**547**	**91%**	**13.8**	**13.9**	**4.3**		

Actual variations in yield or ERV may vary between different markets
(*) Profit before tax

Assumptions used in the valuations of completed assets as of 31 December 2013 (restated) are presented below:

Country	Book value	NRA thousand	Ocupancy	Actual rent	ERV	Average duration	Fair Value Hierarchy Level
	'000 Euro	Sqm	%	Euro/sqm	Euro/sqm	Years	
Poland retail	150,000	50	89%	22.0	19.5	4.3	2
Poland office	293,056	144	92%	14.9	13.8	3.6	2
Serbia office	106,100	53	95%	16.6	15.4	3.6	3
Croatia retail	142,900	65	90%	14.6	18.9	6.7	3
Hungary office	161,800	91	96%	12.2	12.3	3.5	2
Slovakia office	15,600	13	61%	9.7	9.6	2.2	3
Romania retail	35,100	59	90%	4.1	8.1	7.8	3
Romania office	157,500	48	93%	19.7	22	3.8	2
Bulgaria retail	65,000	61	89%	7.1	9.1	7.9	3
Total	**1,127,056**	**584**	**91%**	**13.6**	**15.2**	**4.8**	

The average yield as of 31 December 2014 and 2013 was 8.7% and 8.5%.

The estimated impact on profit (loss) before tax due to change in yield of 0.25% for the whole investment property portfolio (absolute number as a change can either be positive or negative) as of 31 December 2014 amounted to: EUR 29,6 million.

(in thousands of Euro)

17. Investment Property (continued)

Investment properties under construction - Information regarding investment properties under construction valued at cost as of 31 December 2014 is presented below:

	Book value	Estimated building rights (GLA)	Average Book value/sqm of building rights
	'000 Euro	thousand sqm	Euro/sqm
Poland	110,093	375	254
Serbia	42,537	87	489
Croatia	2,000	21	95
Hungary	20,170	315	64
Romania	13,363	66	202
Bulgaria	3,880	88	44
Total	**192,043**	**952**	**202**

Information regarding impairment of **investment properties under construction** valued at cost and investment properties under construction valued at fair value as of 31 December 2013 (restated) is presented below:

	Book value	Estimated building rights GLA	Average book value/sqm of building rights
	'000 Euro	Thousand sqm	Euro/sqm
Poland	119,134	436	273
Serbia	41,428	93	446
Croatia	7,800	21	371
Hungary	42,900	315	136
Romania	17,720	66	268
Bulgaria	19,700	130	152
Total	**248,682**	**1,061**	**234**

(in thousands of Euro)

18. Inventory and Residential landbank

The movement in residential landbank and inventory for the periods ended 31 December 2014 and 31 December 2013 (restated) was as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Carrying amount at the beginning of the period	**121,267**	**155,141**
Construction and foreign exchange differences	564	1,824
Impairment to net realisable value	(34,079)	(22,059)
Cost of units sold	(14,452)	(13,639)
Disposal	(8,317)	-
Carrying amount at the end of the period	**64,983**	**121,267**

During 2014 a land in Poland in the amount of Euro 2,100 thousand was reclassified from Inventory into Residential landbank.

Completed inventory as of 31 December 2014 consists of the following:

	Book value	Estimated building rights GLA	Average Book value/sqm of building rights	Impact on PBT of change of NRV by Euro 50 below book value/sqm, building rights
	'000 Euro	Thousand sqm	Euro/sqm	'000 Euro
Poland	3,923	3	1,348	145
Hungary	119	<1	745	8
Serbia	275	<1	810	17
Slovakia	173	<1	1,020	9
Romania	19,049	33	572	1,666
Total/Average	**23,539**	**37**	**638**	**1,845**

Residential landbank as of 31 December 2014 consists of the following:

	Book value	Estimated building rights GLA	Average Book value/sqm of building rights	Impact on PBT of change of recoverable amount by Euro 50 below book value/sqm of building rights
	'000 Euro	Thousand sqm	Euro/sqm	'000 Euro
Poland	2,100	4	512	205
Croatia	6,700	48	143	2,400
Hungary	9,431	138	68	6,900
Slovakia	6,999	68	103	3,400
Romania	16,214	207	79	10,325
Total/Average	**41,444**	**465**	**89**	**23,230**

(in thousands of Euro)

18. Residential Inventory (continued)

Completed inventory as of 31 December 2013 consists of the following:

	Book value	**Estimated building rights GLA**	**Average Book value/sqm of building rights**	**Impact on PBT of change of NRV by Euro 50 below book value/sqm of building rights**
	'000 Euro	Thousand sqm	Euro/sqm	'000 Euro
Poland	5,820	4	1,506	193
Hungary	262	<1	817	16
Serbia	252	<1	741	17
Slovakia	685	<1	1,521	23
Romania	31,126	44	709	2,195
Total/Average	**38,145**	**49**	**781**	**2,444**

Residential landbank and uncompleted inventory as of 31 December 2013 consists of the following:

	Book value	**Estimated building rights GLA**	**Average Book value/sqm of building rights**	**Impact on PBT of change of recoverable amount by Euro 50 below book value/sqm of building rights**
	'000 Euro	Thousand sqm	Euro/sqm	'000 Euro
Poland	8,350	37	225	1,856
Croatia	15,243	48	318	2,397
Hungary	19,677	138	143	6,880
Slovakia	17,000	82	206	4,126
Romania	22,852	309	74	15,441
Total/Average	**83,122**	**614**	**135**	**30,700**

(in thousands of Euro)

19. Investment in associates and Joint ventures

The investment in associates and joint ventures comprises the following:

	31 December 2014	31 December 2013
		(restated)
Equity accounting – associates	-	-
Loans granted	47,018	42,555
Loss on investment – associates	(24,165)	(8,330)
Investment in associates	**22,853**	**34,225**
Equity accounting – joint ventures	39,896	53,187
Loans granted	33,297	32,212
Investment in joint ventures	**73,193**	**85,399**
Investment in associates and joint ventures	**96,046**	**119,624**

The loans finance investments in those associates. The loans and interest do not have specified maturity date and are denominated in EUR with the interest based on EURIBOR plus margin. The maturity of loans is expected to be over one year.

Summarised financial information of the associates and Joint ventures comprises of the following:

	31 December 2014	31 December 2013
Non-current assets	342,304	407,567
Current assets	15,072	14,336
Total assets	**357,376**	**421,903**
Equity	54,428	108,394
Non-current liabilities	173,434	251,720
Current liabilities	129,514	61,789
Total equity and liabilities	**357,376**	**421,903**

	Year ended 31 December 2014	Year ended 31 December 2013
Rental revenue	11,263	23,700
Expenses, net	(10,271)	(19,862)
Loss from revaluation	(63,405)	(6,491)
Profit / (loss) before tax	(62,413)	(2,653)
Tax expenses	5,800	23,899
Profit / (loss) for the year	(56,613)	21,246
The group's share in profit	**(27,568)**	**3,813**

(in thousands of Euro)

19. Investment in associates and Joint ventures (continues)

Summarised financial information of the material associates and joint ventured interest is presented below:

	Galeria Kazimierz		CID (Harfa mall)	
	As of 31 December 2014	As of 31 December 2013	As of 31 December 2014	As of 31 December 2013
Non-current assets	120,999	167,136	156,481	177,517
Current assets	11,826	9,948	1,557	2,274
Total assets	**132,825**	**177,084**	**158,038**	**179,791**
Equity	132,825	132,326	(25,347)	(3,273)
Non-current liabilities	-	139	75,556	179,147
Current liabilities	-	44,619	107,829	3,917
Total equity and liabilities	**132,825**	**177,084**	**158,038**	**179,791**

	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Rental revenue	-	12,473	7,110	7,996
Profit for the year	4,425	44,843	(21,220)	(8,320)

(in thousands of Euro)

20. Derivatives

The Company holds instruments that hedge the risk involved in fluctuations of interest rate and currencies rates.

The movement in derivatives for the years ended 31 December 2014 and 31 December 2013 was as follows:

	31 December 2014	31 December 2013
Fair value as of beginning of the year	(32,890)	(67,228)
Charged to other comprehensive income	10,550	16,494
Charged to income statements	(6,102)	(1,714)
Disposals	22,398	19,558
Fair value as of end of the year	**(6,044)**	**(32,890)**

21. Trade and other payables

The majority of trade creditors and accruals relates to payables due to development activity.

22. Short term deposits

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

23. Cash and cash equivalents

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

All cash and cash equivalents are available for use by the Group.

24. Other expenses

Other expenses relate mainly to perpetual usufruct expenses of landbank, as well as unrecoverable taxes.

25. Deposits from tenants

Deposits from tenants represent amounts deposited by tenants to guarantee their performance of their obligations under tenancy agreements.

(in thousands of Euro)

26. Long term payables

Long term payables represent long term commitments related with purchase of land and development of infrastructure.

27. Non-controlling interest

Summarised financial information of the material non-controlling interest is presented below:

	Bucharest City Gate S.R.L		Avenue mall (Eurostructor d.o.o.)	
	As of 31 December 2014	As of 31 December 2013	As of 31 December 2014	As of 31 December 2013
Non-current assets	148,589	157,777	102,587	126,397
Current assets	9,192	10,143	2,518	2,861
Total assets	**157,781**	**167,920**	**105,105**	**129,258**
Equity	5,764	11,208	57,396	70,682
Non-current liabilities	146,553	151,704	42,106	52,946
Current liabilities	5,464	5,008	5,603	5,630
Total equity and liabilities	**157,781**	**167,920**	**105,105**	**129,258**
Non-controlling interest share in equity	**2,374**	**4,204**	**17,219**	**21,204**

	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Rental revenue	12,687	13,949	11,514	11,375
Expenses, net	(10,173)	(11,007)	(4,187)	(5,328)
Loss from revaluation	(8,840)	(11,270)	(24,275)	(16,934)
Profit before tax	(6,326)	(8,328)	(16,948)	(10,887)
Tax expenses	777	1,120	3,663	2,120
Profit for the year	(5,549)	(7,208)	(13,285)	(8,767)
Non-controlling interest share in profit	**2,285**	**2,968**	**3,986**	**2,630**

(in thousands of Euro)

28. Long-term loans

	31 December 2014	31 December 2013 (restated)
Bonds series 0414	-	83,928
Bonds series 2017-2018	47,872	71,733
Bonds series 2018-2019	69,735	-
Loan from WBK (Globis Poznan)	14,914	15,420
Loan from WBK (Korona Business Park)	41,877	38,737
Loan from Pekao (Globis Wroclaw)	25,415	26,097
Loan from ING (Nothus)	13,232	16,164
Loan from ING (Zephirus)	13,232	16,164
Loan from Berlin Hyp (Corius)	12,295	12,698
Loan from WBK (Kazimierz office)	27,369	27,943
Loan from Pekao (Galeria Jurajska)	101,203	103,597
Loan from Berlin Hyp (UBP)	19,035	19,432
Loan from ING (Francuska)	16,277	16,817
Loan from MKB (Centre Point I)	20,001	21,551
Loan from MKB (Centre Point II)	23,825	25,451
Loan from CIB (Metro)	19,573	20,480
Loan from MKB (Spiral)	21,992	16,543
Loan from Erste (Renaissance)	3,859	4,859
Loan from MKB (Sasad Resort)	8,327	8,727
Loan from EBRD and Raiffeisen Bank (GTC House)	11,100	12,700
Loan from Erste (19 Avenue)	22,277	25,634
Loan from EBRD and Raiffeisen Bank (Block 41)	15,685	17,487
Loan from Unicredit (Felicity)	25,563	25,563
Loan from RZBR (Rose Garden)	2,987	10,342
Loan from Erste (Citygate)	88,782	94,262
Loan from EBRD and Raiffeisen Bank (NCC)	5,778	5,778
Loan from EBRD and Raiffeisen Bank (Arad)	27,575	27,836
Loan from MKB and Zagrabecka Banka (AMZ)	25,674	30,128
Loan from EBRD and Raiffeisen Bank Austria (Osijek)	15,750	15,750
Loan from MKB and OTP (Galeria Varna)	17,904	23,763
Loan from EBRD and Unicredit (Stara Zagora)	22,799	22,799
Loan from EBRD (Burgas)	25,356	26,288
Loan from VUB Bank (Jarosova)	3,475	3,067
Loans from minorities in subsidiaries and from joint ventures	118,268	67,861
Deferred issuance debt expenses	(6,815)	(7,007)
	922,191	**948,592**

(in thousands of Euro)

28. Long-term loans and bonds (continued)

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

	31 December 2014	31 December 2013 (restated)
Current portion of long term loans:		
Bonds series 0414		83,928
Bonds series 2017-2018	949	794
Bonds series 2018-2019	711	-
Loan from WBK (Globis Poznan)	507	507
Loan from WBK (Korona Business Park)	1,053	1,053
Loan from Berlin Hyp (UBP)	397	397
Loan from Pekao (Galeria Jurajska)	3,197	2,394
Loan from Pekao (Globis Wroclaw)	724	682
Loan from ING (Nothus)	662	432
Loan from ING (Zephirus)	662	432
Loan from Berlin Hyp (Corius)	421	408
Loan from WBK (Kazimierz office)	634	574
Loan from ING (Francuska)	540	540
Loan from MKB (Centre Point I)	1,600	1,550
Loan from MKB (Centre Point II)	1,626	1,626
Loan from Erste (Renaissance)	1,000	4,859
Loan from MKB (Sasad Resort)	8,327	8,727
Loan from CIB (Metro)	943	907
Loan from MKB (Spiral)	1,191	16,543
Loan from EBRD and Raiffeisen Bank (GTC House)	1,700	1,600
Loan from Erste (19 Avenue)	569	778
Loan from EBRD and Raiffeisen Bank (Block 41)	1,926	1,802
Loan from EBRD and Unicredit (Stara Zagora)	22,799	-
Loan from MKB and OTP (Galeria Varna)	918	859
Loan from EBRD (Burgas)	1,150	932
Loan from MKB and Zagrabecka Banka (AMZ)	4,454	4,454
Loan from EBRD and Raiffeisen Bank Austria (Osijek) (see page 48)	964	-
Loan from EBRD and Raiffeisen Bank (NCC)	-	-
Loan from EBRD and Raiffeisen Bank (Arad) (see page 48)	27,575	-
Loan from Erste (Citygate)	3,237	2,694
Loan from RZBR (Rose Garden)	2,987	3,342
Loan from Unicredit (Felicity)	25,563	25,563
Loan from VUB Bank (Jarosova)	574	427
Deferred issuance debt expenses	-	-
	119,560	**168,804**

(in thousands of Euro)

28. Long-term loans and bonds (continued)

	31 December 2014	31 December 2013 (restated)
Long term portion of long term loans:		
Bonds series 2017-2018	46,923	70,939
Bonds series 2018-2019	69,024	-
Loan from WBK (Globis Poznan)	14,407	14,913
Loan from WBK (Korona Business Park)	40,824	37,684
Loan from Pekao (Globis Wroclaw)	24,691	25,415
Loan from ING (Nothus)	12,570	15,732
Loan from ING (Zephirus)	12,570	15,732
Loan from Berlin Hyp (Corius)	11,874	12,290
Loan from WBK (Kazimierz office)	26,735	27,369
Loan from Pekao (Galeria Jurajska)	98,006	101,203
Loan from Berlin Hyp (UBP)	18,638	19,035
Loan from ING (Francuska)	15,737	16,277
Loan from MKB (Centre Point I)	18,401	20,001
Loan from MKB (Centre Point II)	22,199	23,825
Loan from CIB (Metro)	18,630	19,573
Loan from MKB (Spiral)	20,801	-
Loan from Erste (Renaissance)	2,859	-
Loan from EBRD and Raiffeisen Bank (GTC House)	9,400	11,100
Loan from Erste (19 Avenue)	21,708	24,856
Loan from EBRD and Raiffeisen Bank (Block 41)	13,759	15,685
Loan from RZBR (Rose Garden)	-	7,000
Loan from Erste (Citygate)	85,545	91,568
Loan from EBRD and Raiffeisen Bank (NCC)	5,778	5,778
Loan from EBRD and Raiffeisen Bank (Arad)		27,836
Loan from MKB and Zagrabecka Banka (AMZ)	21,220	25,674
Loan from EBRD and Raiffeisen Bank Austria (Osijek)	14,786	15,750
Loan from MKB and OTP (Galeria Varna)	16,986	22,904
Loan from EBRD (Burgas)	24,206	25,356
Loan from EBRD and Unicredit (Stara Zagora)	-	22,799
Loan from VUB Bank (Jarosova)	2,901	2,640
Loans from minorities in subsidiaries and from joint ventures	118,268	67,861
Deferred issuance debt expenses	(6,815)	(7,007)
	802,631	**779,788**

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

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

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

28. Long-term loans and bonds (continued)

Galleria Arad and Stara Zagora. The loan agreements entered into in connection with the Arad and Stara Zagora projects, with outstanding total loan amount of EUR 27.6 million and EUR 22.8 million respectively, include loan-to-value ('"LTV") financial covenants. As at 31 December 2014 the external valuations of the assets were estimated below the threshold set by the LTV covenants. As stipulated in the loan agreement, Arad and Stara Zagora have six months from a notice given by the lender, to remediate the breach. The loans are guaranteed by GTC. The notice has not been served by the lender. Consequently, both loans were classified as current liabilities according to the remediation period which is less than 12 months.

Avenue Mall Osijek. The loan agreement entered into in connection with the Osijek project, with outstanding total loan amount of approximately EUR 15.8 million (long-term part of EUR 14.8 million), include LTV covenant. As at 31 December 2014 the external valuation of the asset was estimated below the threshold set by the LTV covenant. As stipulated in the restructuring amendment, Osijek has twelve months from a notice given by the lender, to remediate the breach. The loan is guaranteed by GTC. The notice has not been served by the Lender. Consequently, part of the loan was classified as non-current liability according to the remediation period and original repayment schedule.

In addition, the amount outstanding under the loan related to the Galeria Piatra Neamt project, of EUR 5.8 million, was higher than the asset value of EUR 3.9 million as of 31 December 2014. The loan is guaranteed by GTC. The loan is currently classified as non-current liability.

The Company is currently in the process of negotiating with the respective lenders of the restructuring of such loans. Subsequent to the Balance sheet date, the Company has discussed an agreement with lenders, according to which the loans will be taken over by GTC and will be amortized over 2.5 years.

Felicity and Sasad residential projects. The loan agreements related to the Felicity and Sasad residential projects with an outstanding loan amount of EUR 25.6 million and EUR 8.3 million respectively also include LTV financial covenants .
As at 31 December 2014 the external valuations of the assets were estimated below the threshold set by the LTV covenant. These loans are currently classified as current liabilities. These loans are not guaranteed by GTC. The Company plans to settle the loans during 2015 with the respective project value.

According to the loan agreement related to the **Varna**, project, with an outstanding amount of EUR 17.9 million (long-term part of EUR 17 million), the LTV covenant under such loan agreement will be applicable from December 2017. However, as at 31 December 2014 the external valuation of the asset was estimated below the threshold set by the LTV covenant. The loan is guaranteed by GTC. The Company is currently negotiating with the lenders the restructuring of the relevant loan.

(in thousands of Euro)

29. Capital and Reserves

As at 31 December 2014, the shares structure was as follows:

Number of Shares	Share series	Total value in PLN	Total value in euro
139,286,210	A	13,928,621	3,153,995
1,152,240	B	115,224	20,253
235,440	B1	23,544	4,443
8,356,540	C	835,654	139,648
9,961,620	D	996,162	187,998
39,689,150	E	3,968,915	749,022
3,571,790	F	357,179	86,949
17,120,000	G	1,712,000	398,742
100,000,000	I	10,000,000	2,341,372
31,937,298	J	3,193,729	766,525
351,310,288		**35,131,028**	**7,848,947**

All shares are entitled to the same rights.

Shareholders who as at 31 December 2014 held above 5% of the Company shares were as follows:

- LSREF III
- ING OFE
- AVIVA OFE BZ WBK
- OFE PZU

The statutory financial statements of GTC S.A are prepared in accordance with Polish Accounting Standards. Dividends may be distributed based on the net profit reported in the standalone annual financial statements prepared for statutory purposes.

On 13 May 2014, the Company held an ordinary shareholders meeting. The ordinary shareholders meeting decided that the loss for the year 2013 presented in the financial statements of Globe Trade Centre S.A. prepared in accordance with the Polish Accounting Standards shall be presented under Retained earnings.

Reserves are created based on provisions of the Polish Code of commercial companies.

30. Phantom shares

Certain key management personnel are entitled to the Company Phantom Shares.

The Phantom Shares grant the entitled persons a right for a settlement from the Company in the amount equal to the difference between the average closing price for the Company's shares on the Warsaw Stock Exchange during the 30-day period prior to the date of delivery to the Company of the exercise notice, and settlement price (“strike”) amount per share (adjustable for dividend).

(in thousands of Euro)

30. Phantom shares (continued)

The income/(expenses) recognized during the period is shown below:

	Year ended 31 December 2014	Year ended 31 December 2013
Income arising from cash settled share based payments	2,570	2,724

As at 31 December 2014, phantom shares issued were as follows:

Last exercise date	Strike (in PLN)	Amount of phantom shares
31/12/2014	8.36	1,248,065
11/08/2015	8.36	1,805,355
31/12/2015	8.36	601,799
30/06/2016	8.36	3,521,739
31/12/2016	8.36	361,068
31/05/2018	7.23	1,500,000
Total		**9,038,026**

In May 2014, the company granted 1,500,000 new phantom shares.

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

31. Earnings per share

Basic earnings per share were calculated as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Profit / (loss) for the period attributable to equity holders (euro)	(183,822,000)	(146,828,000)
Weighted average number of shares for calculating basic earnings per share	349,822,797	319,372,990
Basic earnings per share (euro)	(0.53)	(0.46)

There have been no potentially dilutive instruments as at 31 December 2014 and 31 December 2013.

(in thousands of Euro)

32. Restatement

IFRS 11 has been applied starting from 1 January 2014. Under IFRS 11, investment in joint ventures, which was previously consolidated using the proportionate consolidation method, is now presented under the equity method. Presentation of comparable periods presented in the financial statements has been restated. The equity and the result for comparable periods haven't been changed due to above restatements.

Selected lines from financial statements were restated as following:

CONSOLIDATED STATEMENT	**31 December 2013**			**1 January 2013**		
OF FINANCIAL POSITION	Restated	Reported	Adjustment	Restated	Reported	Adjustment
ASSETS						
Investment properties	1,375,738	1,396,647	(20,909)	1,499,520	1,613,745	(114,225)
Investment in associates and joint ventures	119,624	34,225	85,399	117,087	42,074	75,013
Other	89,709	111,896	(22,187)	82,824	104,332	(21,508)
Non-current assets	1,585,071	1,542,768	42,303	1,699,431	1,760,151	(60,720)
Assets HFS	-	-	-	42,453	42,453	-
Cash and cash equivalents	56,439	130,336	(73,897)	224,799	227,897	(3,098)
Other	81,009	81,709	(700)	120,696	122,363	(1,667)
Current assets	137,448	212,045	(74,597)	345,495	350,260	(4,765)
Total Assets	**1,722,519**	**1,754,813**	**(32,294)**	**2,087,379**	**2,152,864**	**(65,485)**
EQUITY AND LIABILITIES						
Equity	575,881	575,881	-	740,731	740,731	-
Non -current liabilities	918,116	928,178	(10,062)	1,019,744	1,083,684	(63,940)
Current liabilities	228,522	250,754	(22,232)	326,904	328,449	(1,545)
Total equity and liabilities	**1,722,519**	**1,754,813**	**(32,294)**	**2,087,379**	**2,152,864**	**(65,485)**

(in thousands of Euro)

32. Restatement (continued)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**Year ended 31 December 2013**		
	Restated	Reported	Adjustment
Revenues from operations	122,861	131,114	(8,253)
Cost of operations	(44,908)	(47,124)	2,216
Gross margin from operations	**77,953**	**83,990**	**(6,037)**
Loss from revaluation/ impairment of assets	(162,526)	(167,639)	5,113
Other	(36,999)	(37,786)	787
Loss from continuing operations before tax and finance income / (expense)	**(121,572)**	**(121,435)**	**(137)**
Finance expenses, net	(43,875)	(46,675)	2,800
Share of profit (loss) of associates and joint ventures	3,813	(4,474)	8,287
Loss before tax	**(161,634)**	**(172,584)**	**10,950**
Taxation	(15,163)	(4,213)	(10,950)
Loss for the period	**(176,797)**	**(176,797)**	**-**
Net cash from in operating activities	**69,377**	**73,776**	**(4,399)**
Sale of investment property	32,554	120,784	(88,230)
Tax/VAT on sale of investment property inflow	-	21,190	(21,190)
Other	(61,623)	(61,851)	228
Net cash from/(used in) investing activities	**(29,069)**	**80,123**	**(109,192)**
Repayment of long-term borrowings	(198,735)	(240,719)	41,984
Proceeds from long-term borrowings	43,167	43,167	-
Interest paid	(46,524)	(48,781)	2,257
Other	(7,127)	(6,035)	(1,092)
Net cash used in financing activities	**(209,219)**	**(252,368)**	**43,149**
Effect of foreign currency translation	284	621	(337)
Net decrease in cash and cash equivalents	**(168,627)**	**(97,848)**	**(70,779)**
Cash and cash equivalents, at the beginning of the year	224,779	227,897	(3,118)
Cash classified as part of assets held for sale	287	287	-
Cash and cash equivalents, at the end of the year as per Consolidated Statement of Financial Position	56,439	130,336	(73,897)

(in thousands of Euro)

33. Related party transactions

Service and consultancy fees relate to management services provided by GTC Holdings, and Kardan Real Estate, for the benefit of the Group companies. Kardan ceased to be related party in 2013.

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

The transactions and balances with related parties are presented below:

	Year ended 31 December 2014	Year ended 31 December 2013
Transaction		
Service and consultancy fees to parent/ultimate parent	-	287
Balances		
Loans granted to associates	47,018	42,555
Loans granted to joint ventures	33,297	32,212
Creditors	-	-
Loans from Joint ventures	62,426	12,141

Management and Supervisory Board remuneration (including severance payment to the Company's former CEO) for the year ended 31 December 2014, amounted to Euro 2.9 million, and 1,345,542 phantom shares were vested. Management and Supervisory Board remuneration for the year ended 31 December 2013, amounted to Euro 2.5 million, and 1,967,449 phantom shares were vested.

34. Commitments, contingent liabilities and Guarantees

Investment properties in secondary cities

In certain real estate markets in which the Company is active, including especially non-capital cities of SEE, there are indications of slower than expected recovery and revival of demand, as well as absence of liquidity and transactions, resulting in a lack of clarity and uncertainty as to estimated rental values, yields and property values. There are also markets with rising vacancies due to oversupply of real estate product and lack of economic growth that would create appropriate demand. Therefore property values are going through a period of increased volatility. This has resulted in a continual devaluation of commercial property values, especially in SEE. As a result there is less certainty with regard to market values that change rapidly in the current market environment.

Commitments

As of 31 December 2014 (31 December 2013), the Group had commitments contracted for in relation to future building construction without specified date, amounting to Euro 8 million (Euro 9 million). These commitments are expected to be financed from available cash and current financing facilities, other external financing or future instalments under already contracted sale agreements and yet to be contracted sale agreements.

Guarantees

GTC gave guarantees to third parties in order to secure construction cost-overruns and loans to its subsidiaries. As of 31 December 2014 and 31 December 2013, the guarantees granted amounted to Euro 149 million and Euro 168 million, respectively. Additionally, in connection with the sale of its assets, the Company gave typical warranties under the sale agreements, which are limited in time and amount. The risk involved in above warranties is very low.

Litigations

Following the completion of Avenue 19 and GTC Square in Serbia, two Serbian subsidiaries and the general contractor raised mutual claims. In 2014 the cases were resolved and GTC received net amount of approximately Euro 0.6 million.

Croatia

In relation to Marlera Golf project in Croatia, part of the land is on concession lease from Ministry of Tourism of Croatia (Ministry) and the agreement with the Ministry included a deadline for the completion a golf course that has passed in 2014. The Company has taken steps to achieve extension of the period for completing the project. In February 2014, the Company received a draft agreement from the Ministry expressing its good faith and intentions to prolong the abovementioned timeline. Negotiations in this respect are still on-going, however the extension of the lease agreement is no longer at sole discretion of the Group. As a result, the Management decided to revalue the freehold asset in Q4 2014 assuming no development of the golf course project. As of 31 December 2014 the investment in Marlera amounts to Euro 6.8 million and is fully recoverable.

34. Commitments, contingent liabilities and Guarantees (continued)

Ukraine

As of 31 December 2014, the Group holds 49.9% interest in Europort Investment 1 Limited, which indirectly owns undeveloped land in Odessa, Ukraine.

In 2014, the economic and political uncertainty in Ukraine increased significantly resulting in civil war in parts of the country. Furthermore, between 1 January 2014 and 31 December 2014, the Ukrainian Hryvnia devalued to major foreign currencies by approximately 97% calculated based on the NBU exchange rate of US$ as of the respective date, and the National Bank of Ukraine imposed certain restrictions on purchase of foreign currencies at the inter-bank market. International rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity, much tighter credit conditions, where credit is available and absence of real estate transactions.

At 31 December 2014, the Group's balance sheet exposure to Ukrainian risk amounted to approximately Euro 4.8 million (the full amount of investment), consisting of the aggregate value of unimpaired investments in equity and loans, granted to the Ukrainian associates. In the year ended 31 December 2014, the impairment amounted to Euro 2.8 million. These and any further negative developments in Ukraine could adversely impact results and financial position of the Group and its Ukrainian investments in a manner not currently determinable.

Russia

As of 31 December 2014, the Group holds 50% interest in Yatelsis, which indirectly owns land and buildings in St. Petersburg Russia.

In 2014, the economic and political uncertainty in Russia increased significantly. The Moscow Stock Market decreased, the Russian ruble devalued and there has been evidence of capital outflow caused by international sanctions against Russia. The above events have resulted in a deterioration of liquidity, much tighter credit conditions, where credit is available and absence real estate transactions. The market uncertainty created an unclear view as for potential future development of the St. Petersburg project.

At 31 December 2014, the Group's balance sheet exposure to St. Petersburg amounted to approximately Euro 5.8 million (the full amount of investment). In the year ended 31 December 2014, the impairment amounted to Euro 10.3 million. The above mentioned events could adversely impact the results and financial position of the Group and its St. Petersburg investments in a manner not currently determinable.

(in thousands of Euro)

35. Financial instruments and risk management

The Group's principal financial instruments comprise bank and shareholders' loans, hedging instruments, trade payables and other long-term financial liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, loans granted, derivatives and cash and short-term deposits.
The main risks arising from the Group's financial instruments are cash flow interest risk, liquidity risk, foreign currency risk and credit risk.

Interest rate risk

The Group exposure to changes in interest rates which are not offset by hedge relates primarily to the Group's long-term debt obligations and loans granted.
The Group's policy is to obtain finance bearing variable interest rate. To manage the interest rate risk in a cost-efficient manner, the Group enters into interest rate swaps or collar transactions.

The majority of the Company's loans are nominated or swapped into Euro.

The table below presents the sensitivity of profit (loss) before tax due to change in Euribor:

	31 December 2014	31 December 2013
50bp increase in Euribor rate	(1,585)	(999)
50bp decrease in Euribor rate	1,585	999

It does not include hedged loans.

Foreign currency risk

The group enters into transactions in currencies other than the Group's functional currency. Therefore it hedges the currency risk by either matching the currency of the income with that of the expenditures or obtaining an appropriate currency hedge instruments.

(in thousands of Euro)

35. Financial instruments and risk management (continued)

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

	2014 PLN/Euro				2013 PLN/Euro			
	+10%	**+5%**	**-5%**	**-10%**	**+10%**	**+5%**	**-5%**	**-10%**
Cash and cash equivalents	2,878	1,439	(1,439)	(2,878)	7,376	3,688	(3,688)	(7,376)
Trade and other receivables	214	106	(106)	(214)	372	186	(186)	(372)
Trade and other payables	(558)	(279)	279	558	(3,050)	(1,525)	1,525	3,050
Hedge	-	-	-	-	17,361	8,681	(8,681)	(17,361)
Bonds	(11,594)	(5,797)	5,797	11,594	(15,394)	(7,697)	7,697	15,394

Exposure to other currencies and other positions in statement of financial position are not material.

Credit risk

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

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

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

The maximum exposure to credit risk as of the reporting date is the full amount presented. The Company cooperates with reputable banks.

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

Liquidity risk

As at 31 December 2014, the Company holds Cash and Cash Equivalent (as defined in IFRS) in the amount of approximately EUR 81 million. As described above, there are certain loans outstanding that may become due prior to original maturity and might require immediate partial repayment. The Company attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) debt servicing of its existing assets portfolio; (ii) capex; and (iii) development of commercial properties. Such funding will be sourced through available cash, operating income, sales of assets and refinancing. Whilst liquidity uncertainties exist, the Management Board believes that based on its current assumptions, the Company will be able to settle all its liabilities for at least the next twelve months.

(in thousands of Euro)

35. Financial instruments and risk management (continued)

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

	31 December 2014	31 December 2013 (restated)
First year	139	193
Second year	76	55
Third year	172	75
Fourth year	134	168
Fifth year	179	190
Thereafter	302	364
	1,002	**1,045**

The above table does not contain payments relating to derivative instruments. The Group hedges significant parts of the interest risk related to floating interests rate with derivative instruments.

All derivative instruments mature within 5 years from the balance sheet date.

Fair Value

As of 31 December 2014 and 2013, all loans bear floating interest rate (however, as of 31 December 2014, 41% of loans are hedged).
Therefore, the fair value of the loans which is related to the floating component of the interest equals to the market rate.

Fair value of all other financial assets/liabilities equals to carrying value.
For fair value of investment property please refer to note 17.
Fair value of other short term financial assets and liabilities approximates their book value presented in these financial statements.

Fair value hierarchy
As at 31 December 2014, the Group held several hedge instruments carried at fair value on the statement of financial position.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Valuations of hedges are considered as level 2 fair value measurements. During the year ended 31 December 2014 and 31 December 2013, there were no transfers between Level 1 and Level 3 fair value measurements.

(in thousands of Euro)

35. Financial instruments and risk management (continued)

Price risk

The Group is exposed to fluctuations of in the real estate markets in which it operates. These can have an effect on the Company's results.

Capital management

The primary objective of the Group's capital management is to ensure capital preservation and maintaining healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group decides on leverage policy, repayment of loans, investment or divestment of assets, dividend policy and the need, if any, to issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.
The Company monitors its gearing ratio, which is Gross Debt less Cash & Deposits (as defined in IFRS) divided by its investment in real estate. The Company's policy is to maintain the gearing ratio at between 40% and 60%.

	31 December 2014	**31 December 2013** (restated)
(1) Loans, net of cash and deposits (*)	697,970	799,640
(2) Investment properties, inventory and assets held for sale	1,292,956	1,497,005
Gearing ratio [(1)/(2)]	54%	53%

(*) Excluding loans from joint ventures and minorities and deferred issuance debt expenses.

36. Subsequent events

In January 2015, the Company received notifications on a change in the shareholding of the Company from LSREF III GTC Investments B.V. ("LSREF III") and Lone Star Real Estate Partners III L.P. ("Lone Star") (jointly referred as "Parties").

The Parties announced that, as a result of transactions involving the purchase of shares in the Company it held 114,179,790 ordinary shares in the Company, which constituted 32.5% of its share capital.

37. Approval of the financial statements

The financial statements were authorised for issue by the Management Board on 20 March 2015.

Building a better
working world

Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1
00-124 Warszawa
Tel. +48 22 557 70 00
Faks +48 22 557 70 01
warszawa@pl.ey.com
www.ey.com/pl

INDEPENDENT AUDITORS' OPINION

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

We have audited the attached consolidated financial statements of Globe Trade Centre Group ('the Group'), for which the holding company is Globe Trade Centre S.A. ('the Company'), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and other explanatory notes to the consolidated financial statements ("the attached consolidated financial statements").

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the attached consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the attached consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the attached consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the attached consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

We also reported separately on the consolidated financial statements of Globe Trade Centre S.A. for the same period prepared in accordance with the International Financial Reporting Standards, as adopted by the EU using Polish zloty as the presentation currency.

ERNST & YOUNG AUDYT POLSKA SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ SP. K

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.

Warsaw, 20 March 2015