CONSOLIDATED ANNUAL REPORT
OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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Ladies and Gentlemen,

2015 has been a challenging but also very rewarding year for GTC.

It marks a key milestone in GTC's history. After a harsh, but overall highly successful restructuring program, GTC has now completed its strategic repositioning and has once more revived as a major, profitable and acquisitive market player in its CEE & SEE target markets.

Completion of repositioning and restructuring process

Having revised and communicated our new strategy to the market, we have successfully completed GTC's repositioning process. We have implemented a more efficient and focused management structure, including a selective reallocation of management resources and responsibilities within the GTC Group. In parallel, GTC has successfully restructured several loans connected to some of its non-core assets. The refinancing of selected project loans combined with a more efficient interest hedging strategy has led to major savings in GTC's borrowing cost and provided headroom for further financing.

Completion of capital increase

We have presented GTC's new strategy during various meetings with our shareholders, who showed strong support for our capital increase through a rights issue by an overwhelming vote of confidence. The total proceeds from the capital increase of approximately €140 million allowed us to immediately start executing on our two-pillar growth strategy - acquisition of income-producing assets which offer value creation through improved asset management and development of high-quality office and retail projects in GTC's core regions.

Attractive asset portfolio and pipeline

During 2015, as a part of our restructuring process we disposed of a total of 5 non-core assets and freed up €15 million cash equity. In addition, we sold non-core land plots that were not earmarked for near-term, future developments, to free-up unproductive capital for our growth strategy.

As at 31 December 2015, the Gross Asset Value (GAV) of our portfolio was approximately €1.3 billion, of which 79% were income producing and 8% were projects under construction. Our unique development portfolio predominantly consists of landmark shopping centers and Class A office buildings with significant embedded Net Asset Value (NAV) growth potential upon completion. Our development portfolio includes 3 projects at construction stage and 5 projects at planning stage.

Improvement in key operating stats

In 2015, we worked intensively on our portfolio in order to keep our already impressive overall occupancy at the level of 92%. In our office portfolio, we successfully let out a total of 68,400 sq. m, thus improving our office occupancy rate by 100 bps to 93%. In our retail portfolio, our letting result was 39,100 sq. m, including 18,800 sq. m of pre-letting in the newly developed Galeria Północna and planned Galeria Wilanów, which puts our occupancy at the level of 89%.

Development projects on track

Aside from managing our core office and retail properties, we have also made significant progress in our development portfolio. During 2015, we accelerated the development and pre-letting of our major projects: Galeria Północna, a major shopping centre in Warsaw, with a total investment volume of €170 million, is under construction and scheduled for completion in 2017, a second phase of University Business Park Office in Łódź, with a total investment volume of €15 million, will be completed in the second quarter of 2016 and second phase of Fortyone, an office building in Belgrade with a total investment cost of €11 million, will be completed in the third quarter of 2016.

Implementing GTC acquisition strategy

In the fourth quarter of 2015, GTC re-entered the acquisition trail as outlined in its strategy. While the preceding periods were primarily focused on strategic realignment and financial restructuring, in 2015 we were able to grow our portfolio through selective value-enhancing acquisitions. In total, we completed 2 acquisitions with a total volume of €84 million. GTC acquired Duna Tower in Budapest (a 31,250 sq. m office building) and in the beginning of 2016 it acquired Pixel in Poznan (a 14,500 sq. m office building). Both assets are located in attractive business locations and benefit from an improving office market environment. In addition, we increased our stake in the City Gate, a landmark office project in Bucharest, to 100% by buying out our minority partner. All our new add-on acquisitions were entirely focused on our target markets in line with our new growth strategy.

Improving operating performance and LTV

Positive developments in our operating business translated also into solid financial results in 2015. Our net operating income (NOI) from leasing activities reached €80 million. This improvement, achieved despite a significant reduction in our asset portfolio, underlines our asset management competencies and achievements. In parallel, we were able to improve our debt profile. This comfortable level of financial leverage provides us with enough headroom to pursue our opportunistic growth strategy whilst maintaining a defensive financing structure. All these factors contributed to an increase in our Funds from Operations (FFO) from €28 million in 2014 to €38 million in 2015 which reflects significant operational progress and turnaround success achieved by GTC last year. Our EPRA NAV currently stands at €779 million (or €1.69 per share) as of end of 2015.

Outperforming the market and listed peers

Our clear commitment to the revised growth strategy and our ability to execute have been widely appreciated by our investors and translated into a positive GTC share price performance for the reported period. GTC shares closed the year at PLN 7.15 on the Warsaw Stock Exchange - an increase of 36%. With this performance, we significantly outperformed our key benchmark indices like the Warsaw Stock Exchange WIG Total Return Index ("WIG") or the WIG30.

2016 strategy update

In 2016, GTC will again focus on improving its core asset portfolio as well as further developing its development projects. In line with our growth strategy, we also plan to further expand our core portfolio through selected opportunistic acquisitions of value-add properties in our core markets. Ongoing construction projects such as Galeria Północna in Warsaw, the University Business Park Office in Łódź and the Fortyone in Belgrade are

planned to be completed in 2016 and 2017. These activities give us a lot of confidence that GTC is well positioned for 2016 and beyond to deliver superior growth to its all stakeholders.

Finally, we would like to take this opportunity to thank our employees, whose commitment and hard work significantly contributed to our 2015 performance. We would also like to thank our shareholders for their support and confidence in our strategy, as well as our business partners and tenants.

We are looking forward to a successful year 2016 and we are eager to further accelerate the implementation of our growth strategy.

Thomas Kurzmann

President of the Management Board

MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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Item 1. Introduction

The GTC Group is a leading developer and commercial real estate manager in CEE and SEE, operating in Poland, Romania, Hungary, Croatia, Serbia and Bulgaria. Additionally, it holds 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 commercial properties; (ii) commercial properties under construction; (iii) a commercial landbank intended for future development or for sale and (iv) residential projects and landbank.

Since its establishment and as at 31 December 2015 the Group: (i) has developed approximately 950 thousand sq. m of commercial space and approximately 300 thousand sq. m of residential space and (ii) has sold approximately 430 thousand sq. m of commercial space in completed commercial properties and approximately 299 thousand sq. m of residential space.

As of 31 December 2015, the Group`s property portfolio comprised the following properties:

- 25 completed commercial properties, including 20 office properties and 5 retail properties with a combined commercial space of approximately 524 thousand sq. m, of which the Group's proportional interest amounts to approximately 500 thousand sq. m of NRA;
- 3 commercial projects under construction, including 2 office projects and 1 retail project with total NRA of approximately 90 thousand sq. m, of which the Group's proportional interest amounts to 90 thousand of NRA;
- commercial landbank designated for future development, with approximately 862 thousand sq. m NRA;
- residential projects and landbank designated for approximately 369 thousand sq. m NRA designated for residential use; and
- 3 assets held for sale, 1 retail projects (Galleria Arad in Romania) and land plots in Serbia and Poland.

As of 31 December 2015, the book value of the Group’s portfolio amounts to €1.324.413 with: (i) the Group’s completed commercial properties accounting for 80% thereof; (ii) commercial properties under construction – 8%; (iii) a commercial landbank intended for future development or for sale - 10%; and (iv) residential projects and landbank accounting for 2%. Based on the Group’s assessment approximately 96% of the portfolio is core and remaining 4% is non-core assets, including assets held for sale and residential projects.

As of 31 December 2015, the Group’s completed properties in its three most significant markets, i.e. Poland, Hungary and Romania, constitute 39%, 20% and 14% of the total book value of all completed properties.

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 also holds a land plot located in Russia, and a land plot designated for Ana Tower located in Romania.

Additionally, the Group manages third party assets, including: one office building in Budapest and three office buildings in Warsaw.

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 and the Dow Jones STOXX Eastern Europe 300.

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 and PLGTC0000177; „the Report" refers to the consolidated interim 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); "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. 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. The occupancy rate given for each of the markets is as of 31 December 2015.

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 present the Group's selected historical financial data for the financial year ended 31 December 2015 and 2014. 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 2015 (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 2015.

Selected financial data presented in PLN is derived from the consolidated financial statements for the 12-month period ended 31 December 2015 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 12-month period ended 31 December			
	2015		2014	
(in thousands)	**€**	**PLN**	**€**	**PLN**
Consolidated Income Statement				
Revenues from operations	117,363	491,035	124,284	520,153
Cost of operations	(37,333)	(156,198)	(43,155)	(180,612)
Gross margin from operations	80,030	334,837	81,129	339,541
Selling expenses	(2,721)	(11,384)	(2,884)	(12,070)
Administrative expenses	(11,045)	(46,211)	(8,781)	(36,750)
Profit/(loss) from revaluation/impairment of assets, net	26,222	111,717	(194,404)	(821,742)
Share of profit/(loss) in associates	(8,163)	(34,153)	(27,568)	(115,378)
Financial income/(expense), net	(29,356)	(122,822)	(42,537)	(178,026)
Net profit / (loss)	43,639	184,158	(207,390)	(876,628)
Basic and diluted earnings per share (not in thousands)	0.12	0.50	(0.53)	(2.22)
Weighted average number of issued ordinary shares (not in thousands)	371,301,287	371,301,287	349,822,797	349,822,797
Consolidated Cash Flow Statement				
Net cash from operating activities	73,109	305,882	73,252	306,591
Net cash used in investing activities	(22,835)	(95,702)	(13,911)	(58,220)
Net cash from/(used in) financing activities	37,372	165,863	(32,944)	(140,318)
Cash and cash equivalents at the end of the period	169,472	722,205	81,063	345,515
Consolidated statement of financial position				
Investment property	1,288,529	5,491,066	1,221,319	5,205,628
Inventory	3,161	13,471	23,539	100,330
Cash and cash equivalents	169,472	722,205	81,063	345,515
Total assets	1,559,550	6,646,024	1,517,064	6,466,183
Non-current liabilities	806,969	3,438,897	944,680	4,026,509
Current liabilities	131,379	559,871	145,203	618,907
Equity	621,202	2,647,256	427,181	1,820,767
Share capital	10,410	46,022	7,849	35,131

Item 3. Key risk factors

Risk Factors Relating to the Group's Business

The Group's business could be affected if the general economic conditions in the countries in which the Group operates continue or worsen

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.

For example, due to the worsening macroeconomic situation and strong competition (which has led to a reduction in rents which were dependent, to a large degree, on the tenants' turnover), the Group had to lease out the Avenue Mall Osijek shopping centre at a loss for the period running from its completion date (i.e. from 2011) to its sale in 2015. This resulted in a substantial loss of value regarding that asset. Similarly, the Group was forced to lease out the Galleria Arad shopping centre at a loss for the period running from its completion date (i.e. from 2011), due to the worsening macroeconomic situation and the reduction in disposable income; this has also led to a reduction in value.

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, most attractive development projects in the Group's Property 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 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.

The fair value of investment properties and the undeveloped landbank 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.

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.

For instance, the value of some investment properties (those generating an operational loss, e.g. Galleria Arad and Avenue Mall Osijek) and some land plots (mostly in Hungary) were adjusted to their transaction price as at 31 December 2014, which resulted in the recognition of €160,300 of net revaluation losses and the impairment of assets in terms of investment properties and €34,100 in terms of residential projects in the twelve-month period ended 31 December 2014.

The decrease in the value of the above-mentioned real properties negatively affected the Group's covenants to maintain certain levels of loan-to-value ratios established in connection with the Group's loan agreements, and led to breach of its obligations under the loan agreements.

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 balance sheet 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 Company'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 loss is recognized 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 may recognize revaluation losses and impairment of assets and residential projects as well as profits in other years.

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 partly 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 depend, 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 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 or prospects.

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, in particular the levels of future rental values and the potential for the improvement of the NOI. 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 can also not 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 the Group to economic and financial disadvantages. 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 and 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 (for instance, the Group estimates that the sale of Kazimierz Office Centre will reduce the Group's annual rental income by approximately EUR 3.7 million) 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 management of the existing portfolio and in a lower valuation of the Group's properties and overall portfolio. Expected vacancies are already reflected in the valuation reports as of 31 December 2015. The fixed costs for maintaining vacant spaces and the lack of rental income generated by such 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. For example, in the case of Galleria Arad and Avenue Mall Osijek, due to the worsening macroeconomic conditions and strong competition, the Group was unable to pass on all the maintenance costs to the tenants in the period running from their completion to their sale, and had to lease out those commercial properties at a loss.

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 depend 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. 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 rates and rent levels, including Galleria Pietra Neamt and Galleria Arad in Romania. The Group is currently unable to attract new tenants or increase rent levels due to factors beyond its control, in particular due to 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 realisation 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 favourable 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 neighbouring 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, 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 endeavours 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, 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 delivery of this 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;
- liability to subcontractors related with bankruptcy of 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 realise 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 partners and 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 realisation 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, a Subsidiary may be a party to a shareholders agreement imposing some restrictions on it, including, inter alia, in relation to the disposal of its interest, and its income and capital distribution entitlements. Such a shareholders agreement, other than a joint arrangement in the meaning of IFRS 11, may entitle the other shareholders 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 Subsidiary's interest. Any such shareholders agreement may also impose obligations on the Subsidiary that is party thereto. 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 realise 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 which, if breached, could result in liability to pay damages. 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 the purchase of property by the Group. 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 the delivery of this 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 legal title and the absence of defects in quality, 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 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 delivery of this Report the Group is highly leveraged and have significant debt service obligations. The Group had approximately €1,089,883 and€938,348 of total non-current and current consolidated liabilities (including hedging instruments) as of 31 December 2014 and 31 December 2015, respectively.

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, could lead to the following:

- 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 cashflows from operations to the payment of the principal of and interest on its indebtedness, meaning that these cashflows 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 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 covenant to its creditors that it would not establish any further mortgages or pledges on its present and/or future assets without their consent (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, 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 the LTV ratios imposed by loan agreements. Consequently, the Company was forced, inter alia, to: (i) reclassify its obligations under the loan agreements from long-term liabilities to current liabilities because their recovery period was shorter than 12 months (in the case of the Galleria Arad and Galleria Stara Zagora projects); (ii) renegotiate loan agreements and sign restructuring agreements (in the case of the Galleria Piatra Neamt, Galleria Arad and Galleria Stara Zagora projects); or (iii) dispose of real properties or projects (in the case of the Galleria Varna project). 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 favourable 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 favourable 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, labour costs and remuneration for certain general contractors, are incurred in the currencies of the respective geographical markets, including Polish złoty, Bulgarian leva, Czech korunas, Croatian kunas, Hungarian forints, Romanian lei or Serbian dinars.

In making the assumptions regarding the level of equity required to implement its strategic objectives, the Group used Euro as the reference currency. Additionally the majority of the investments that the Group plans to make as part of its business strategy will be expressed in Euro. Therefore, no assurance can be given that the proceeds derived and expressed in Polish zloty will suffice to meet the investment requirements of the Group's contemplated acquisition pipeline. 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 vary 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 favourable 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 favourable 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 favourable 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 neighbouring 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 armed conflict in the territory of 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 neighbouring with Ukraine and Russia, where the Group operates.

The Group may not be able to realise 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 characterised 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 realise 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 materialisation 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 favourable 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, which stem 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 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 which apply to the Group Companies, which may prove unfavourable to the Group. One may not exclude the risk that the specific individual tax interpretations already obtained and applied by the Group Companies will not be changed or questioned. There is also a risk that once new tax law 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 changed or 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 Companies' business, financial standing, growth prospects or results of the Group.

Moreover, in relation to the cross-border nature of the Group's business, the international agreements, including the double tax treaties, to which the Republic of Poland is a party, also have an effect on the Group Companies' business. Different interpretations of the double tax treaties by the tax authorities as well as any changes to these treaties may have a material adverse effect on the business, financial standing or results of the Group Companies.

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

The Group Companies have carried out transactions with related parties. When concluding and performing related-party transactions, the Group Companies endeavour to take special care to ensure that such transactions comply with the applicable transfer pricing regulations. 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 or 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 business, financial standing, growth prospects, results of the Group Companies.

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, labour 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 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 the delivery 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, authorisations, 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 privatisation 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, authorisations, 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 the Group's controlling shareholder

LSREF III GTC Investments B.V. ("LSREF"), which is fully controlled by Lone Star Real Estate Fund III LP (with its registered office in the United States of America) and Lone Star Real Estate Fund III LP (with its registered office in Bermuda) (jointly, "Lone Star Real Estate Fund III"), is the Group's controlling shareholder as of the date of the delivery of this Report. Lone Star Real Estate Fund III, a fund specialising in real property investments, is managed by Lone Star Funds. Lone Star Funds ("Lone Star"), is a leading private equity firm that invests globally in real estate, equity, credit and other financial assets.

Lone Star's representatives constitute the majority of the Supervisory Board and may thus control the appointment of the Management Board. Consequently, Lone Star may influence the decision making process in the Company. 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 Lone Star and of Lone Star Real Estate Fund III may not be aligned with the interests of the Company or of its other stakeholders.

Moreover, Lone Star and Lone Star Real Estate Fund III operate in the same market as the Group and they 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 of debt or equity securities offered by the Company 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 developer and commercial real estate manager in CEE and SEE, operating in Poland, Romania, Hungary, Croatia, Serbia and Bulgaria. Additionally, it holds 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 commercial properties; (ii) commercial properties under construction; (iii) a commercial landbank intended for future development or for sale and (iv) residential projects and landbank.

Since its establishment and as at 31 December 2015 the Group: (i) has developed approximately 950 thousand sq. m of commercial space and approximately 300 thousand sq. m of residential space and (ii) has sold approximately 430 thousand sq. m of commercial space in completed commercial properties and approximately 299 thousand sq. m of residential space.

As of 31 December 2015, the Group`s property portfolio comprised the following properties:

- 25 completed commercial properties, including 20 office properties and 5 retail properties with a combined commercial space of approximately 524 thousand sq. m, of which the Group's proportional interest amounts to approximately 500 thousand sq. m of NRA;
- 3 commercial projects under construction, including 2 office projects and 1 retail project with total NRA of approximately 90 thousand sq. m, of which the Group's proportional interest amounts to 90 thousand of NRA;
- commercial landbank designated for future development, with approximately 862 thousand sq. m NRA;
- residential projects and landbank designated for approximately 369 thousand sq. m NRA designated for residential use; and
- 3 assets held for sale, 1 retail projects (Galleria Arad in Romania) and land plots in Serbia and Poland.

As of 31 December 2015, the book value of the Group's portfolio amounts to €1.324.413 with: (i) the Group's completed commercial properties accounting for 80% thereof; (ii) commercial properties under construction – 8%; (iii) a commercial landbank intended for future development or for sale - 10%; and (iv) residential projects and land accounting for 2%. Based on the Group's assessment approximately 96% of the portfolio is core and remaining 4% is non-core assets, including assets held for sale and residential projects.

As of 31 December 2015, the Group's completed properties in its three most significant markets, i.e. Poland, Hungary and Romania, constitute 39%, 20% and 14% of the total book value of all completed properties.

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 also holds a land plot located in Russia and a land plot designated for Ana Tower, located in Romania.

Additionally, the Group manages third party assets, including: one office building in Budapest and three office buildings in Warsaw.

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 and the Dow Jones STOXX Eastern Europe 300.

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 2015 is presented in the Consolidated Financial Statements for the year ended 31 December 2015 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 2015:

- In July 2015, the Group sold the shares of GTC Nekretnine Istok d.o.o (owner of Avenue Mall Osijek) for the amount of €1,300.
- In July 2015, the Group sold the shares of Galleria Varna AD (owner of Galleria Varna) for the amount of €5,500.
- In December 2015, the Group acquired remaining 41.1% stake in Bucharest City Gate B.V. (indirect owner of the City Gate office building in Bucharest) for the amount of €18,108.
- In December 2015, the Group purchased remaining shares in Europort Investment (Cyprus) 1 Limited, Europort LTD for €191.
- In 2015 the Group sold the shares of GTC Jarosova S.R.O (owner of Jarosova office building in Bratislava) for the amount of €5,500 and shares of GTC Vinohradis Villas S.R.O.
- In 2015, the Group established GTC Duna Kft.
- In 2015, the Group liquidated Yasmine Residential Complex S.R.L .
- GTC Hill S.R.O., GTC Real Estate Vinohrady s.r.o., GTC Real Estate Vinohrady 2 s.r.o. and GTC Vinohradis Piazza S.R.O merged into GTC Slovakia Real Estate s.r.o.

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, by investing its own funds, the proceeds from share capital increase and reinvesting potential proceeds from the sale of real properties.

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, present compelling real estate acquisition opportunities for both individual assets and portfolios at attractive prices. The Management Board will carefully consider and evaluate attractive investment 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 and Budapest, if the macro environment improves;
- the current constraints on bank lending 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:

- 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 short after)
- potential growth of NOI, through re-leasing optimising average occupancy and rental rates, and redevelopment;
- potential to increase return on equity through active asset management.

The Group's expansion will be selective and will be evaluated based on 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. The Group will also explore other options with regards to increasing the value of its business as opportunities arise.

Developing selected projects in the pre-construction or construction stage

Another core growth source under the Group's strategy is the development of commercial projects in areas where there is demand for commercial properties. These areas include the Galeria Wilanów and Galeria Północna shopping malls in Warsaw and an office project in Belgrade (Fortyone) as well as in Łódź (University Business Park II).

The development of those projects, which as at the date of the Report were in the pre-construction stage (Galeria Wilanów) or construction stage (Galeria Północna, University Business Park and Fortyone), is an important value driver of the Group. As of 31 December 2015, those projects represent approximately 8% of the Group's portfolio value (including assets held for sale).

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

- Galeria Północna - a retail and entertainment centre being built by the Group in Warsaw with the total NRA of approximately 63,400 sq. m;
- Fortyone - a complex of three office buildings being built in Belgrade, Serbia with the total NRA of up to 27,800 sq. m; construction of the first building (10,673 sq. m) completed in August 2015 and construction of the second building (7,500 sq. m) commenced in October 2015
- University Business Park second phase - an office building of 19,200 sq. m being built in office complex in Łódź
- Galeria Wilanów - a retail and entertainment centre with intended NRA of approximately 61,000 sq. m to be developed by the Group in Warsaw, and
- Ada Mall - located in Belgrade, a shopping centre with up to 31,100 sq. m of NRA;

Subject to market conditions, the Group may also decide to commence the development of the following projects:

- White House - located in Budapest, an office building with up to 23,000 sq. m of NRA;
- Ana Tower - located in Romania, an office building with up to 15,700 sq. m of NRA;
- Osiedle Konstancja – located on the outskirts of Warsaw, the sixth and last phase in the complex of high end luxury villas,

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 landbank, i.e. land designated for residential development and land designated for commercial development including specifically those 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 rationalise 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 and in the capital cities of CEE and SEE countries, as such are characterised by macroeconomic stability, continued GDP growth and investor and tenant demand. The Group believes that some other markets, in which 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 maximise 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 2015 , the book value of the Group's investment property, residential inventory, landbank and assets held for sale amounted to €1,324,413. The Groups investment properties include income generating assets (completed properties), projects under construction and commercial landbank.

Investment portfolio

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 524 thousand sq. m, including 20 office properties and 5 retail properties. As of 31 December 2015, income generating properties constituted 80% of the overall portfolio (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 centres 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.

Projects under construction

As of 31 December 2015, the Group had 3 assets classified as investment under construction with a book value of €108,000, which constituted 8% of the Group's overall portfolio (by value).

Commercial landbank

As of 31 December 2015, the Group had land classified as commercial landbank designated for future development of €124,796, which constituted 10% of the Group's overall portfolio(by value). This landbank includes projects that are on Group`s focus for coming years like: Galeria Wilanów, Ada Mall, White House, (49% of value).

Residential inventory and landbank

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 2015, the Group held residential inventory of both completed and landbank projects with a total value of €29,934, which constituted 2% of the Group's overall portfolio.

Assets held for sale

As of 31 December 2015, the Group had land and a shopping mall (Galleria Arad, Romania) classified as assets held for sale with a total book value of €5,950.

Item 4.5.1. Overview of investment portfolio

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 landbank.

Item 4.5.1.1. Overview of income generating assets

As of 31 December 2015, the Group had 25 own income generating assets under its management, totaling 524 thousand sq. m and valued €1,055,732. The average occupancy rate within the income generating portfolio was 92% as of 31 December 2015. The portfolio was valued based on average yield of 7.9%. Average duration of leases in Group`s income generating portfolio amounted to 3.4 years and the average rental rate was € 14.3 / sq. m / month.

Approximately 39% of the income generating portfolio are located in Poland, 20% is located in Hungary, 14% in Romania, 12% in Serbia and remaining 15% is located in other countries in which the Group operates.

As of 31 December 2015, the value of office properties accounted for around 71% and retail properties accounted for the remaining 29% of income generating portfolio.

The following table presents income generating portfolio by main usage type as of 31 December 2015:

Usage type	GTC`s consolidated share (sq. m)	Total net leasable area (sq. m)	% of total income generating portfolio (sq. m)	Average occupancy (%)	Book value (€)	% of total book value
Office	364,695	364,695	70%	93%	744,632	71%
Retail[1]	159,429	159,429	30%	89%	311,100	29%
Total	524,124	524,124	100%	92%	1,055,732	100%

[1]Including Avenue Center, Croatia

The following table presents income generating portfolio as by country in which the Group operates of 31 December 2015:

Country	GTC`s consolidated share (sq. m)	Total net leasable area (sq. m)	% of total income generating portfolio (sq. m)	Average occupancy (%)	Book value (€)	% of total book value
Poland	184,161	184,161	35%	91%	416,636	39%
Hungary	117,098	117,098	22%	95%	208,496	20%
Romania	60,954	60,954	12%	93%	150,000	14%
Serbia	64,421	64,421	12%	92%	123,600	12%
Croatia	36,138	36,138	7%	97%	102,100	10%
Bulgaria	61,352	61,352	12%	82%	54,900	5%
Total	**524,124**	**524,124**	**100%**	**92%**	**1,055,732**	**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 2015.

Item 4.5.1.1.1. Overview of the office portfolio

As of 31 December 2015, the Group office portfolio comprised of 20 office projects. Total net rentable office space was 365 thousand sq. m compared to 356 sq. m as of 31 December 2014. Total value of office portfolio as of 31 December 2015 was €744,632 compared to €712,876 as of 31 December 2014. Increase in value and space is mainly due to acquisition of Duna Tower, office building in Budapest and completion of Fortyone office building in Belgrade partially offset by sale of Kazimierz Office Centre office building in Krakow in May 2015 and Jarosova office building in Bratislava in December 2015. The Group's office buildings are located in Poland, Hungary, Serbia, Croatia (Avenue Center is a part of Avenue Mall Zagreb and its presented together with Avenue Mall Zagreb in retail segment) and Romania. Additionally, the Group holds office properties in the Czech Republic through its associates.

The following table presents office portfolio by country as of 31 December 2015:

Country	GTC`s consolidated share (sq. m)	Total net leasable area (sq. m)	% of total office portfolio (sq. m)	Average occupancy (%)	Book value (€)	% of total book value
Poland	135,484	135,484	37%	92%	266,436	36%
Hungary	117,098	117,098	32%	95%	208,496	28%
Romania	47,692	47,692	13%	95%	146,100	20%
Serbia	64,421	64,421	18%	82%	123,600	17%
Subtotal	**364,695**	**364,695**	**100%**	**93%**	**744,632**	**100%**
Czech Rep. [1]	10,868	34,502		85%		
Total	375,563	399,197		93%		

[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 2015.

Item 4.5.1.1.1.1 Office portfolio in Poland

The total net rentable area in Poland comprised 135 thousand sq. m in 11 office projects. The average occupancy rate was at the level of 92%. The average duration of leases was 2.7 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 €14.3 /sq. m/month. Book value of the office portfolio in Poland amounted to €266,436 as of 31 December 2015 compared to €300,711 as of 31 December 2014. The difference comes mainly from sale of Kazimierz Office Centre office building in Krakow in May 2015.

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

Property	Location	GTC's share (%)	GTC`s consolidated share (sq. m)	Total net rentable area (sq. m)	Year of completion
Galileo	Kraków	100%	10,270	10,270	2003
Globis Poznan	Poznań	100%	13,711	13,711	2003
Newton	Kraków	100%	10,454	10,454	2007
Edison	Kraków	100%	10,540	10,540	2007
Nothus	Warszawa	100%	9,139	9,139	2007
Zephirus	Warszawa	100%	9,113	9,113	2008
Globis Wroclaw	Wrocław	100%	15,455	15,455	2008
University Business Park	Łódź	100%	19,437	19,437	2010
Francuska Office Centre	Katowice	100%	22,530	22,530	2010
Corius	Warszawa	100%	9,216	9,216	2011
Pascal	Kraków	100%	5,619	5,619	2014
		Total	**135,484**	**135,484**	

Item 4.5.1.1.1.2 Office portfolio in Hungary

The Group's total net rentable area in Hungary comprised 117 thousand sq. m in four projects. The occupancy rate was at the level of 95%. The average duration of leases was 3.5 years and the year end and applied yield was at the level of 7.9%. The average rental rate generated by the office portfolio in Hungary was at the level of €11.7 / sq. m / month. Book value of the Group's office portfolio in Hungary amounted to €208,496 as of 31 December 2015, as compared to €154,865 as of 31 December 2014. This increase comes mainly from a acquisition of Duna Tower, office building in Budapest.

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%	37,130	37,130	2004/2006
Duna Tower*	Budapest	100%	31,249	31,249	2006
Spiral I&II	Budapest	100%	31,979	31,979	2009
Metro	Budapest	100%	16,740	16,740	2010
		Total	**117,098**	**117,098**	

*property acquired in 2015

Item 4.5.1.1.1.3 Office portfolio in Serbia

The Group's total net rentable area in Serbia comprised 64 thousand sq. m in four office buildings. The occupancy rate was at the level of 92%. The average duration of leases was 2.3 years at the year end and applied yield was at the level of 8.8%. 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 €123,600 as of 31 December 2014 compared to € 100,200 as of 31 December 2014. Increase comes mainly from completion of Fortyone office building in Belgrade.

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%	13,492	13,492	2005
Avenue 19	Belgrade	100%	17,521	17,521	2008
GTC Square	Belgrade	100%	22,735	22,735	2008
Fortyone phase I	Belgrade	100%	10,673	10,673	2015
		Total	**64,421**	**64,421**	

Item 4.5.1.1.1.4 Office portfolio in Romania

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 2.7 years at the year end and applied yield was at the level of 7.7%. The average rental rate generated by the office portfolio in Romania was at the level of €19.0/ sq. m / month. Book value of the Group's office portfolio in Romania amounted to €146,100 as of 31 December 2015, as compared to €148,000 as of 31 December 2014.

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	100%	47,692	47,692	2009
		Total	**47,692**	**47,692**	

Item 4.5.1.1.1.5 Office portfolio in Croatia

The Group's total net rentable area in Croatia comprises 7 thousand sq. m in one office building. The occupancy rate (100%) 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**	

Item 4.5.1.1.1.6 Office portfolio in the Czech Republic

The Group owns a number of properties in the Czech Republic through associates and as a result the properties valuation and results of operations in the Czech Republic are not consolidated but uncounted for under as the investment in associates.

Total office net rentable area in the Czech Republic comprises 35 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 €60,370 as of 31 December 2015. The Group's proportional interest is €19,017. Occupancy rate is at the level of 87%. 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	13,219	2009
Harfa Office	Prague	32%	6,704	21,283	2011
		Total	**10,868**	**34,502**	

Item 4.5.1.1.2. Overview of retail portfolio

As of 31 December 2015, the Group's retail properties comprised 5 shopping centres with a total net rentable area of 156 thousand sq. m compared to 192 sq. m as of 31 December 2014. The total value of retail investment properties as of 31 December 2015 was €311,100 compared to €316,400 as of 31 December 2014. The decrease in value and space comes mainly from sale of Avenue Mall Osijek in Osijek in June 2015. 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 portfolio by country as of 31 December 2015:

Country	GTC`s consolidated share (ths. sq. m)	Total net leasable area (ths. sq. m)	% of total retail portfolio (sq. m)	Average occupancy (%)	Book value (€)	% of total book value
Poland	48,677	48,677	31%	90%	150,200	48%
Croatia[1]	36,138	36,138	23%	97%	102,100	33%
Bulgaria	61,352	61,352	38%	82%	54,900	18%
Romania	13,262	13,262	8%	95%	3,900	1%
Subtotal	**159,429**	**159,429**	**100%**	**89%**	**311,100**	**100%**
Czech Republic[2]	13,057	41,450		92%		
Total	172,486	200,879		89%		

[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.

Retail properties in Romania are recognized by GTC Group as non-core. Additionally Galleria Arad is classified as assets held for sale following .

Item 4.5.1.1.2.1 Retail portfolio in Poland

The total net rentable area of retail space in Poland comprises 49 thousand sq. m in one retail scheme. The occupancy rate was at the level of 90%. The average duration of leases was 3.9 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 €19.3 / sq. m / month. Book value of the Group's retail portfolio in Poland amounted to €150,200 as of 31 December 2015, as compared to €150,000 as of 31 December 2014.

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

Property	Location	GTC's share (%)	GTC`s consolidated share (sq. m)	Total net rentable area (sq. m)	Year of completion
Galeria Jurajska	Częstochowa	100%	48,677	48,677	2009
		Total	**48,677**	**48,677**	

Item 4.5.1.1.2.2 Retail portfolio in Croatia

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 97%. The average duration of leases was 4.7 years at the year end and applied yield was at the level of 8.0%. The average rental rate generated by the retail portfolio in Croatia was at the level of €20.0 / sq. m / month. Book value of the Group's retail portfolio in Croatia amounted to €102,100 (including book value of Avenue Center) as of 31 December 2015 compared to €102,200 as of 31 December 2014.

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%	36,138	36,138	2007
		Total	**36,138**	**36,138**	

[1]Including Avenue Center

Item 4.5.1.1.2.3 Retail portfolio in Bulgaria

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 82%. The average duration of leases was 5.0 years at the year end and applied yield was at the level of 9.3%. The average rental rate generated by the retail portfolio in Bulgaria was at the level of €9.4 sq. m / month. Book value of the Group's retail properties in Bulgaria amounted to €54,900 as at 31 December 2015, as compared to €55,700 as at 31 December 2014.

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%	24,628	24,628	2010
Galleria Burgas	Burgas	80%	36,724	36,724	2012
		Total	**61,352**	**61,352**	

Item 4.5.1.1.2.4 Retail portfolio in Romania

The Group's total net rentable area of retail space in Romania comprised 13 thousand sq. m in one retail schemes. The occupancy rate was at the level of 95%. The average duration of leases was 5.2 years at the year end and applied yield was at the level of 11.5%. The average rental rate generated by the office portfolio in Romania was at the level of €5.7/ sq. m / month. Book value of the Group's retail portfolio in Romania amounted to €3,900 as of 31 December 2015, as compared to €8,500 as of 31 December 2014, which is based on the received offers to purchase those non-performing assets, following Group's classification of those assets as non-core.

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 Piatra Neamt	Piatra Neamt	100%	13,262	13,262	2009
		Total	**13,262**	**13,262**	

Item 4.5.1.1.2.5 Retail portfolio in the Czech Republic

The Group owns a number of properties in the Czech Republic through associates and as a result the properties valuation and results of operations in the Czech Republic are not consolidated but uncounted for under as the investment in associates.

Total retail 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 90%. Book value of the Group's retail space in the Czech Republic amounted to €99,400 as of 31 December 2015. The Group's proportional interest is €31,311. 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 4.5.1.2 Overview of properties under construction

As of 31 December 2015, the Group had three project under construction including one retail project and two office projects with a total net rentable area of 90 thousand sq. m and a book value of €108,000.

Property	Segment	Location	GTC's share	Total net leasable area (sq. m)	Expected completion
Fortyone second phase	office	Belgrade, Serbia	100%	7,500	Q3 2016
Galeria Północna	retail	Warsaw, Poland	100%	63,400	Q2 2017
University Business Park second phase	office	Łódź, Poland	100%	19,200	Q2 2016
Total				**90,100**	

Item 4.5.1.3. Overview of commercial landbank

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 landbank 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 2015, the Group had land classified as commercial landbank designated for future commercial development with same land plats defined as for sale of €124,796. This landbank, designated for future commercial development, includes projects that are on Group`s focus for coming years like: Galeria Wilanów, Ada Mall, White House (which constitute 49% of value).

Property	Segment	Location	GTC's share	Total net leasable area (sq. m)
Galeria Wilanów	retail	Warsaw, Poland	100%	61,000
Ada Mall	office	Belgrade, Serbia	100%	31,100
White House	office	Budapest, Hungary	100%	23,000
Fortyone III phase	office	Belgrade, Serbia	100%	9,900
Total				**125,000**

Item 4.5.2. Residential inventory and landbank

As of 31 December 2015, the Group held residential inventory of both completed projects and landbank with a total value of €29,934, which constituted 2% of the Group's overall portfolio. The residential sector is not a core sector for the GTC Group, thus GTC decided to develop one residential project – Osiedle Konstancja, the sixth and last phase in the complex of high end luxury villas, located on the outskirts of Warsaw. The remaining land is designated for sale.

Property	Location	GTC's share	Number of houses
Osiedle Kontancja, phase VI	Kontancin Jeziorna (outskirts of Warsaw) Poland	100%	17

Item 4.5.3. Assets held for sale

As of 31 December 2015, the Group had land and one retail project classified as assets held for sale with a total book value of €5,950.

Property	Location	GTC's share	Total NRA/plot area (sq. m)
Galleria Arad	Arad, Romania	100%	33,142
Land plot	Subotica, Serbia	100%	12,366
Land plot	Łódź, Poland	100%	12,203

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

2015 proved to be extremely busy for the Warsaw office market. Leasing activity boomed, reaching a record - breaking 834,000 sq. m let, an impressive 36% growth y – o – y. Take - up volumes have been boosted by new transactions and corporate tenants that decided to renew their leases in 2015. Approximately 379,000 sq. m of the office space leased in 2015 was for new deals in existing buildings, a further 124,400 sq. m of space was pre-let and 60,500 sq. m came from expansions. Net take-up accounted for 68% of total demand, a result comparable with previous quarters. Positive market sentiment is further confirmed by the net absorption level, which stood at almost 280,000 sq. m in 2015. This robust occupier activity will likely continue in 2016 and 2017. In 2015, approximately 277,600 sq. m of modern office space entered the market in Warsaw. The vacancy rate decreased marginally in 2015 and stood 12.3% (15.8% in the CBD, 11.9% in the City Centre Fringe and 11.8% in Non-Central locations). JLL expects the rate to grow with the new office completions planned for delivery in 2016 and onwards. However, if the long-term vacant space of more than two years is excluded, the rate stands at 8.5%. Prime headline rents in Warsaw edged down over the course of 2015, with City Centre rents declining from €22–24 / sq. m/ month to €21–23.5 sq. m/ month and Non-Central locations commanding rents of €11–18 / sq. m/ month. Downward pressures are applicable to effective rents, which are on average 15–20% below headline rents and we may expect even higher levels of incentives in terms of strategic occupiers.

The major regional office markets outside of Warsaw continue to grow at a robust pace, with 2015 full year take-up surging to 682,900 sq. m, the best outcome on record, up by 54% on the strong 2014 total of 444,600 sq. m. A significant proportion of this was leased in Kraków, which accounted for around one third of the total (226,000 sq. m leased). The market which has seen a particular turnaround in fortunes is Poznań, which recorded take-up of around 65,000 sq. m, more than triple the level achieved in 2014. Elsewhere, the Tri-City, Łódź, Wrocław and Katowice also witnessed substantial growth in volumes, with leasing activity up 61%, 53%, 34% and 29% y-o-y, respectively. As much as 28% of the high 2015 take-up was pre-leasing, 36% came from new deals signed in existing office schemes and 11% from lease expansions. Lease renewals accounted for around 25%. Development activity broadly kept pace. In 2015, around 365,000 sq. m of new office space was brought to the market outside of Warsaw, up 13% on the amount recorded in 2014. A further 768,000 sq. m is currently under construction (of which 25% is already secured by pre-let agreements). Kraków and Wrocław maintain their lead in this respect, and each account for around 24% of that pipeline. Most of the regional office markets registered minor fluctuations in quarterly vacancy rates over the course of 2015 and those rates remain similar and even

slightly below the previous year (e.g. in Kraków, Wrocław, the Tri-City, Katowice, Łódź and Lublin). The significant pipeline underway for 2016 is, however expected to apply gradual upward pressure to vacancy rates, particularly in Kraków, Wrocław, the Tri-City and Łodź. Rental levels across core regional office markets levelled off in 2015. Currently, prime headline rents range between €11 to €12 / sq. m/ month in Lublin and €14 to €14.5 / sq. m/ month in Poznań, Wrocław and Kraków. Looking ahead, JLL anticipates slight reductions in prime headline rents. Moreover, in the case of cities with the largest office pipelines incentives will be a strong driver of activity and widely used to attract new tenants.

Romania

Total take-up in Bucharest amounted to 248,000 sq. m out of which 109,000 sq. m accounted for the net take-up. Demand in 2015 was generated mainly by IT companies, which accounted for 36% of the total annual volume registered in Bucharest, followed by professional services companies with 16% and BPO/SSCs with 15%. Two sub-markets in the north of Bucharest, Floreasca Barbu Vacarescu and Dimtrie Pompeiu, attracted more than half of the total take-up, mainly due to the good accessibility, including metro, amenities in the area and quality office premises. Vacancy in Bucharest increased marginally over the quarter to 13.3%, 20 bps above the level of Q3 2015. This is mainly due to the fact that the Romanian operations of Volksbank were taken over by a local bank and therefore the space which they previously occupied remained vacant. Vacancy is expected to increase by the end of 2016, due to the large volume of space planned for delivery which is only partially pre-leased. Vacancy rates continue to be uneven between sub-markets, which is also reflected in the evolution of the rental levels. While in South, Baneasa and Pipera North vacancy is above 30%, the vacancy rate in Dimitrie Pompeiu, Floreasca Barbu Vacarescu, CBD and West is below 10%.

Serbia

Following the delivery of the first phase of GTC's Fortyone there were no new office schemes delivered to the Belgrade market. The office market however is witnessing a growth in construction activity, with several ongoing and announced projects located mainly in New Belgrade – CBD. High demand for new schemes has been recorded as new office schemes are being absorbed quickly. As a result, the vacancy rate continues to drop. Market activity was split by net take-up (52%), including relocations, new leases and expansion, while 48% was attributed to renewals. The most active sector was IT, followed by the banking and the insurance sectors.

Hungary

In 2015, Budapest's modern office stock expanded by four buildings totalling 50,885 sq. m. Out of this volume, 30,885 sq. m included assets for letting purposes, while the remaining 20,000 sq. m accounted for an owner-occupied headquarters. As a result the size of the modern office stock in Budapest increased to 3.28 million sq. m. Annual gross take-up reached an all-time high of 538,050 sq. m, reflecting a ca. 16% growth on 2014. Annual net take-up totalled 364,240 sq. m, reaching a record peak, indicating a significant 45% growth on 2014. Vacancy declined constantly throughout the year and bottomed at 12.1% by the year end, representing the lowest rate since 2008. The high annual net absorption played an important role in the sharp fall of availability. The annual level reached a record high with 175,975 sq. m, reflecting a 41% improvement on 2014.

Item 4.6.2. Retail market

Poland

The Warsaw Agglomeration is the largest Polish retail market in terms of supply, accommodating ca.1.65 million sq. m of retail space distributed among all retail formats. The spending power of its inhabitants (€10,807 per person per annum) exceeds the national average by 68%. However, with respect to shopping centre density per 1,000 inhabitants, Warsaw with a ratio of 447 sq. m, remains behind other major metropolitan areas such as Wrocław, Poznań, Tri-City, Łódź, and Kraków. This situation, however, is likely to change in the mid to long-term as ca. 120,000 sq. m of retail space is now under construction. Albeit a considerable volume, the available stock is well absorbed by the market, which is reflected in one of the lowest vacancy rates countrywide. Warsaw remains the bridgehead for further expansion in Poland for most retailers, particularly those aiming to locate in

prestigious assets. Approx. 20 new brands entered Polish market in 2015, including: Arior Barcelona, Benihana, Courir, Decimas, Kiabi, Origins, Patisserie Paul and Superdry. However, changes on the political scene negatively impacted the sentiment to the polish retail sector, tenants value established localisations and new brands are more cautious while entering the Polish market.

Romania

2015 was a good year for the retail market in Romania. Close to 175,000 sq. m of GLA has been delivered – a value 143% higher when compared to 2014. Over 196,000 sq. m of shopping centers are planned to be delivered in 2016, supported by the strong growth of retail sales, consumer confidence and the growing economy. Two large, new shopping centers and several extensions of existing assets were inaugurated in 2015, mainly targeting areas which were previously lacking major schemes such as Brasov, the east of Bucharest, Deva or Drobeta. Moreover, large, new projects planned to be delivered in the next 2 years are following the same pattern of aiming at undersupplied cities such as Timisoara, Piatra Neamt or Satu Mare. In terms of retail formats, large shopping centres continue to dominate in major cities while local centres and convenience-type schemes are predominant in smaller cities. Developers more rarely decide to develop retail parks. According to the National Institute of Statistics, in 2015, retail sales grew by an impressive 8.9%, which together with the increasing consumer confidence, encouraged retailers to expand. However, even though retailers are developing dynamically, they are increasingly selective when it comes to the standard and location of new retail objects. As a result, they are thoroughly revising the leasing of further units, targeting mainly the performing shopping centers, due to the lack of high-street retail. Debenhams is among the most famous fashion brands to debut on the Romanian retail market in 2015 and reopened their unit in Bucuresti Mall after a two year break. Luxury retailer Marc Cain opened its first shop in the commercial gallery attached to the Radisson Blu hotel, Armani Jeans and Chanel opened their first Romanian operations in Baneasa Shopping City and Tally Weijl and Liu Jo opened new locations in AFI Palace Cotroceni.

Serbia

There was one large retail scheme completion: Aviv Park Zvezdara in November 2015. We see continued expansion of retail parks. Further future shopping centre development in Belgrade remains quite uncertain with several projects planned for completion in 2017 (Rajiceva and Belgrade Plaza) and with few other projects being planned (Delta Planet). 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. During 2015 the market saw the first Cinestar opening and Jeordie's new store opening. However there are other big retailers willing to enter the Serbian market: Decathlon plans to enter the market in 2016.

Croatia

Croatia's economic recovery continues, with GDP growth accelerating to a seasonally adjusted 2.3% during the third quarter, along with strong tourism figures and improved industrial output. In terms of the retail sector 2015 noted no larger scale retail completions. During year, we have noted one market entry, namely Kiehl's. Debenhams plans to enter the market. Currently, there is more construction activity in secondary cities.

Bulgaria

There were no new shopping centers delivered in 2015. The previous completions of Mega Mall Sofia and Sofia Ring Mall during 2014 increased Sofia's stock by 29%. On the demand side: Marks & Spencer announce closure of its operations, while Kaufland and Billa plan further expansion.

Item 4.6.3. Investment market

Poland

In Q4 2015, the volume of traded commercial real estate in Poland reached €2.043 billion bringing the total annual investment volume to €4.1 billion, the highest figure recorded since the record year of 2006 (€ 5.05 billion). This amount has been distributed between the following sectors: retail - €1.308 billion, office - €515 million, and industrial - €221 million. The Q4 2015 result represents 161% of the respective 2014 figure, which confirms very strong investment market sentiment with investors being active in all asset classes and risk profiles. The retail sector, with 10 deals closed, outperformed Q4 2014 figure by more than 8 times and included numerous high profile shopping centre and retail park deals in major but also secondary and tertiary cities. Regional offices continued to strengthen their position on the investment map, achieving a considerable result of over €342 million across six transactions. Similarly to earlier quarters of the year, there were more office deals concluded in regional cities in Q4 2015, (67% share) than in Warsaw (33%), which resulted in 2015 being the first year in the history of the Polish office investment market, in which the volume of transactions in regional cities exceeded the volume registered in the capital city. This proves how increased liquidity and strong investor interest in assets located outside Warsaw has developed. The buyers included reputable institutional investors including Gramercy, Deka, GLL, Hillwoodand Savills Investment Management. Bearing in mind transactions already signed in 2015 that shall close this year, JLL expects to see a significant investment volume in the coming months and for 2016 to be another busy year.

Romania

The property investment volume in 2015 is estimated at approximately €675 million, coming off the back of a very strong 2014, when ca. €1.17 billion was transacted, including a number of unique, very large deals. However, 2015 witnessed an equally large number of transactions proving that the market remains liquid and is maintaining momentum. Bucharest accounted for more than 80% of the total investment volume. Market volumes were dominated by industrial transactions (41%), making 2015 an all-time record year for this segment, followed by office (38%). The most active buyer in 2015 was Czech investor CTP, who acquired 6 industrial properties across Romania, for a combined total value of over €130 million. 2015 saw the entry of several new players on the Romanian real estate market. In industrial, P3 and CTP bought their first standing assets in the country. On the office market, GLL -the German institutional buyer acquired, after a 6 years hiatus, Floreasca Park and Victoria Center, 2 office buildings in major office areas in Bucharest for a combined value of close to €130 million. Investors looking for distressed property in Romania will struggle to find any that can be worked out. More core players wanting to secure properties with stable, long term income, in a steadily growing economy are coming in as they see the opportunity to improve their returns. With financing conditions having improved significantly over the past 12 months and increased appetite from banks for good product and serious sponsors is encouraging this flow of capital. We also see interest from foreign banks looking to finance in Romania again, which will put further pressure on margins offered locally. Prospects for 2016 are positive given that the projected economic growth of the country is forecast to be one of Europe's top performers, but also the availability of quality product and the still significant yield spread between Romania and Poland or the Czech Republic. Prime office and retail yields are at 7.50% while prime industrial yields are at 9.00%. Yields have compressed between 25 and 75 bps since the start of 2015, but no significant further compression is expected in the first half of 2016.

Hungary

The annual transactional volume amounted to ca. €790 million, the highest volume since the peak of the market in 2007. From this volume, offices had a share of 50% followed by retail with 25%, industrial and hotel with 9% each and other assets for redevelopment purposes with the remaining 7%. Almost 60% of the annual volume was generated by portfolio transactions, which clearly reflects the increasing interest of investors for large platforms in an attempt to gain significant exposure to the market. The outstanding performance of the market was supported by various factors. Market fundamentals improved remarkably, with record breaking occupier demand, declining vacancy rates and a limited development pipeline. The pool of buyers deepened: the importance of Hungarian real estate funds and overseas investors increased strikingly, the presence of exotic private money remained significant, while European capital (British and Austrian investors) was also active. Moreover, the yield spread

with Western European and other leading CEE markets guarantees the attraction of the market. Finally, it is highly anticipated that Hungary's sovereign debt rating will be upgraded from junk level to investment grade in March 2016, which could be encouraging even for the more conservative investors for whom the strong market fundamentals and relatively high yields have not be compelling enough arguments. The gap in pricing expectations between vendors and bidders narrowed and liquidity increased in every asset class along with improved debt finance terms. Based on the latest transactional evidence the prime office yields stand at 7.00% along with prime retail while we now price prime logistics at 8.75%. Further compression is expected over the course of 2016. Interest for Hungarian assets will further increase in 2016. JLL expects large platforms to be sold, as well as large ticket landmark buildings. Secondary debt trading will remain an essential part of the activity in 2016.

Serbia

Serbia remained the least developed country among the CEE countries, however, more development is expected in the upcoming 24 months. The second half of the year was significant as Atterbury Europe, a joint venture company formed by the Atterbury Group and foreign investors, acquired a one third stake (ca. € 86 million) of seven Serbian retail schemes, including the country's prime and the largest shopping center Ušće. Another significant investment recently signed, was the joint venture between the Serbian government and the United Arab Emirates real estate developer, Eagle Hills. This large 1.8 million sq. m project (gross construction area) has officially started and will comprise both residential and commercial elements.

Item 4.7 Information on the Company's policy on sponsorship, charity and other similar activities.

The Group actively pursue the policies adopted by them which envisage supporting local communities that reside within or in close proximity of the areas where the Group's investments are situated. Such support involves:

- Enhancement of local infrastructure, including road and traffic infrastructure. The infrastructure created in connection with or for the purposes of the developments constructed is handed over to the local self-government free of charge to be used by all residents. Moreover, prior to the development of the Group's projects, public green areas (such as squares and parks) are placed on undeveloped plots or plots which will surround future developments following their completion by the Group.
- Sponsoring local initiatives. The Group participates in and supports local initiatives (such as the "*Bieg przez Most*" run and the "*Dni Wilianowa*" event).
- Embracing environmental certification. Out of concern for the environment, the investments of the Company and the Group are fully compliant with LEED guidelines.

Item 5. Operating and financial review

Item 5.1. General factors affecting operating and financial results

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 the countries, 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 2014 and for the year ended 31 December 2015, 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 year ended 31 December 2014 and for the year ended 31 December 2015, respectively, the Group derived 21% and 22% 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 year ended 31 December 2014 and for the year ended 31 December 2015, amounted for 12% and 11% 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 landbank additionally depends on among others the building rights and the expected timing of the projects. The value of landbank 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 profit from revaluation and impairment of assets and residential projects of €26,222 and loss of €194,404 in the year ended 31 December 2015 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. Increases in interest rates generally increase the Group's financing costs. As of 31 December 2015 approximately 58% of the Group's loans were hedged or partially hedged. For example, an interest rate increase of 50 basis points for the year ended 31 December 2015 would have increased the Group's interest expense for the year ended 31 December 2015 by approximately €1,115. 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, 0,076% as of 2 January 2015 and –0,1320% as of 4 January 2016 (EURIBOR for three-month deposits).

Impact of foreign exchange rate movements

For the year ended 31 December 2014 and for the year ended 31 December 2015 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

As of 31 December 2014, the loan agreements with Unicredit related to the Felicity residential project with an outstanding loan amount of €25,600 exceeded the fair value of related asset. In March 2015, the Company transferred the Felicity project to a subsidiary of Unicredit. Unicredit released the Company from any payment obligations arising from the loan agreements.

On 29 May 2015, the Group, signed with Kazimierz Office Center Sp. z o.o., a subsidiary of a fund managed by GLL Real Estate Partners, an agreement for the sale of an office building Kazimierz Office Centre in Krakow. The net price for the property and the other rights and movable assets under the sale agreement is €41,600.

In June 2015, the Group fully repaid the loan from OTP and MKB (Galleria Varna) in the amount of €17,700. At the same time, MKB and OTP granted GTC S.A a new loan in the amount of €12,600.

On 26 June 2015, the Company and EBRD entered into an agreement for the restructuring of a loan to Mars Commercial Center SRL (Galleria Piatra Mall), and Mercury Commercial Center SRL (Galleria Arad), in Romania. Furthermore, in June 2015, the Company and EBRD agreed on the restructuring of a loan granted to Galleria Stara Zagora AD, the owner of Galleria Stara Zagora, Bulgaria. On 3 July 2015, the Company and EBRD entered into an agreement for the restructuring of a loan extended by the EBRD to Galleria Stara Zagora AD

In June 2015, the Group fully repaid the loan from EBRD and Raiffeisen Bank Austria (Avenue Mall Osijek) in the amount of €15,800.

During the second quarter 2015, the Group acquired remaining 35% in Galeria Ikonomov GmbH (owner of Galleria Varna) and remaining 20% in GTC Nekretnine Istok d.o.o. (owner of Avenue Mall Osijek). As a result, the impact of on the equity attributable to equity holders of the parent amounted to a decrease of €35,800.

In April 2015 as a result of liquidation of one of the joint venture companies, investment in joint ventures decreased by €67,000 and long term liabilities decreased by €63,000.

In July 2015, the Group sold the shares of GTC Nekretnine Istok d.o.o (owner of Avenue Mall Osijek) for the amount of €1,300.

In July 2015, the Group sold the shares of Galleria Varna AD (Galleria Varna) for the amount of €5,500.

In July 2015, the Group commenced the construction of Galeria Połnocna shopping centre, Warsaw.

In July 2015, the Group has completed the first building in its new office complex in Belgrade – Fortyone. Very good leasing results and an increasing interest from the tenants allowed GTC to commence the construction of second building in this project in October 2015.

In August 2015, the Group signed a credit facility agreement with Bank Polska Kasa Opieki S.A., concerning financing and refinancing of total project costs of the construction of Galeria Północna. These facilities comprise a construction loan facility in the amount of up to €116,000 and investment loan facility in the amount of up to €150,000. (Under financial thresholds the investment facility may be increased up to €175,000.)

In September 2015, the Group commenced the construction of University Business Park second phase in office complex located in Łódź.

On 21 October 2015, the District Court for the Capital City of Warsaw in Warsaw, registered the increase of the Company's share capital from PLN 35,131,028.80 (not in thousand) to PLN 46,021,647.80 (not in thousand) through the issuance of 108,906,190 series K ordinary bearer shares in the Company with a nominal value of PLN 0.10 (ten groszy) each. On 26 October 2015, the funds from the share issuance in the amount of PLN 595,700 (€140,102) were received by Company.

In November 2015, the Group acquired Duna Tower office building in Budapest, Hungary, the total acquisition cost amount to €53,080. Duna Tower office building is located in the 13th District of Budapest and is leased to international tenants. GTC intends to continue the leasing activity through upgrading the property and improving its occupancy.

In December 2015, the Group acquired remaining 41.1% in BCG (owner of a company, which owns City Gate office building in Bucharest) for the total amount of €18,108 which was paid in 2016. The impact of on the equity attributable to equity holders of the parent amounted to an increase of €5,400.

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

The Group did not present forecasts for 2015.

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 landbank

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 landbank, 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 increased by €42,486 (3%) to €1,559,550 as of 31 December 2015. This increase was mainly due to an increase in investment property and cash and cash equivalents following share issue, partially offset by disposal of residential inventory and landbank.

Assets

The value of investment property increased by €67,210 (6%) to €1,288,529 as of 31 December 2015 from €1,221,319 as of 31 December 2014 mainly as a result of acquisition of Duna Tower office building in Budapest for the amount of €53,080 (including acquisition cost), an investment of €40,679 mainly in Fortyone office building in Belgrade, University Business Park II office building in Łódź and Galeria Północna shopping centre in Warsaw as well as revaluation gain attributed to these projects. This increase was partially offset by sale of Kazimierz Office Centre in Kraków for the amount of €41,577 and Jarossova €8,949.

The value of assets held for sale of €5,950 as of 31 December 2015 includes Galleria Arad in Romania and land plots in Serbia and Poland that are under preliminary sale agreements.

The value of residential landbank and inventory decreased by €35,049 (54%) to €29,934 as of 31 December 2015 from €64,983 as of 31 December 2014, mainly due to disposal of residential landbank and inventory in Felicity project as part of the restructuring arrangement with the lender and sale of completed apartments in other projects in the amount of €12,364.

The value of investment in associates and joint ventures decreased by €72,979 to €23,067 as of 31 December 2015 from €96,046 as of 31 December 2014 mainly due to liquidation of a joint venture company (Galeria Kazimierz) €66,637 and a reclassification of land in Ukraine into investment property following acquisition of remaining shares in Europort Investment (Cyprus) 1 Limited, Europort LTD. The Galeria Kazimierz asset was sold in prior year whilst the joint venture company was liquidated in the second quarter of 2015 following dividend distribution to the joint venture shareholders.

The value of cash and cash equivalents increased by €88,409 (109%) to €169,472 as of 31 December 2015 from €81,063 as of 31 December 2014, mainly due recognition of proceeds from the issue of shares in the net amount of €137,621 , which were partially offset by acquisition of Duna Tower in the amount of €53,080 (including acquisition cost) and investment in an amount of €33,519 in development of investment property, mainly in Galeria Północna, University Business Park, Fortyone (I+II), and Ada Mall projects.

Liabilities

The value of loans and bonds decreased by €183,079 (20%) to €739,112 as of 31 December 2015 from €922,191 as of 31 December 2014, mainly due to repayment of loans in the amount of €66,637 as part of liquidation of Galeria Kazimierz, €27,368 as part of sale of Galeria Kazimierz Office, €46,700 as part of loan restructuring exercise executed in the second quarter of 2015, €35,100 as part of ongoing amortization.

The value of trade and other payables increased by €9,124 (46%) to €28,774 as of 31 December 2015 from €19,650 as of 31 December 2014 and consisted mainly of €11,396 of construction invoices which were paid in January 2016.

The value of purchase of non-controlling interest amounted to €18,108 as of 31 December 2015 and consisted €18,108 acquisition of the minority stake in City Gate, which was paid on 5 January 2016

Equity

Equity increased by €194,021 (45%) to €621,202 as of 31 December 2015 from €427,181 on 31 December 2014 mainly due to an increase in share capital and premium in the amount of €137,621 following share issue.

Accumulated profit increased by €45,192 to €156,647 as of 31 December 2015.

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 decreased by €6,921 to €117,363 in the 12-month period ended 31 December 2015. Residential revenues decreased by €2,285 to €12,364 in the 12-month period ended 31 December 2015 due to a decrease in inventory available for sale. The sale of the remaining residential inventory is scheduled to end by end of March 2016. Rental and service revenues decreased by €4,636 to €104,999 in the 12-month period ended 31 December 2015 due to sale of Kazimierz Office Centre, Galleria Buzau, Jarosova and Avenue Mall Osijek combined with rent free periods and a decrease in rental rates in certain office properties.

Cost of operations

Cost of operations decreased by €5,882 to €37,333 in the 12-month period ended 31 December 2015. Residential costs decreased by €3,581 to €10,871 in the 12-month period ended 31 December 2015 resulting from recognition of costs related to sales of residential properties in Romania and Poland. Cost of rental operations decreased by €2,241 to €26,462 in the 12-month period ended 31 December 2015 as a result of the sale of Kazimierz Office Centre, Galleria Buzau, Jarosova and Avenue Mall Osijek.

Gross margin from operations

Gross margin (profit) from operations decreased by €1,099 to €80,030 in the 12-month period ended 31 December 2015. The gross margin (profit) on rental activities decreased by €2,395 to €78,537 in the 12-month period ended 31 December 2015 from €80,932 in the 12-month period ended 31 December 2014. Gross margin on rental activities in the 12-month period ended 31 December 2015 was 75% compared to 74% in the 12-month

period ended 31 December 2014. The gross margin (profit) on residential activities increased by €1,296 to €1,493 in the 12-month period ended 31 December 2015 from €197 in the 12-month period ended 31 December 2014. Gross margin on residential activities was 12% in the 12-month period ended 31 December 2015 as compared to 1% in the 12-month period ended 31 December 2014.

Selling expenses

Selling expenses decreased by €163 to €2,721 in the 12-month period ended 31 December 2015 from €2,884 the 12-month period ended 31 December 2014.

Administrative expenses

Administrative expenses (before provision for stock based program) decreased by €1,169 to €10,182 in the 12-month period ended 31 December 2015. The decrease is due to optimization of certain cost items. In addition, mark-to-market of Phantom Shares program (see: Item 12.9 Stock option plan) resulted in recognition of cost of €863 in the 12-month period ended 31 December 2015 compared to recognized income of €2,570 in the 12-month period ended 31 December 2014.

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

Net profit from the revaluation of the investment properties and impairment of residential projects amounted to €26,222 in the 12-month period ended 31 December 2015, as compared to a net loss of €194,404 in the 12-month period ended 31 December 2014.

Other income/(expense), net

Other expenses (net of other income) related to landbank properties were at €785 in the 12-month period ended 31 December 2015 as compare to an income of €616 in the 12-month period ended 31 December 2014.

Foreign exchange profit/(loss)

Foreign exchange profit amounted to €1,394 in the 12-month period ended 31 December 2015, as compared to a foreign exchange loss amounting to €93 in the 12-month period ended 31 December 2014.

Financial income/(cost), net

Net financial cost decreased by €13,181 to €29,356 in the 12-month period ended 31 December 2015 as compared to €42,537 in the 12-month period ended 31 December 2014 mainly due to deleveraging activity, restructuring of loans and repayment of loan related to Kazimierz Office Centre following its sale and repayment of loan related to Felicity project following the restructuring arrangement with the lender. The decrease was also supported by low EURIBOR environment and resulted in a decrease in average borrowing cost to 3.4% in the 12-month period ended 31 December 2015 from 4.2% in the 12-month period ended 31 December 2014.

Share of loss of associates

Share of loss of associates was €8,163 in the 12-month period ended 31 December 2015 as compared to a share of loss of €27,568 in the 12-month period ended 31 December 2014. The share of loss in 2015 is mainly due to decrease in value of plots in Ukraine and Russia.

Taxation

Taxation amounted to €11,937 the 12-month period ended 31 December 2015. Taxation consist of €7,011 of current tax expenses and €5,011 of deferent tax expenses.

Net profit/ (loss)

Net profit amounted to €43,639 in the 12-month period ended 31 December 2015, as compared to a net loss of €207,390 in the 12-month period ended 31 December 2014, mostly due to recognition of profit from the revaluation of the investment properties and impairment of residential projects of €26,222 combined with significant decrease in financial cost net.

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").

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 (South and Eastern Europe) 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.

Segment analysis for the year ended 31 December 2015 and year ended 31 December 2014 is presented below:

	Poland and Hungary		Capital cities in SEE countries		Bulgaria-secondary cities		Croatia-secondary cities		Romania-secondary cities		Consolidated	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Rental and service income	58,181	60,226	35,335	36,704	7,956	7,346	705	1,611	2,822	3,748	104,999	109,635
Contract income	5,311	3,509	7,053	11,140	-	-	-	-	-	-	12,364	14,649
Total income	**63,492**	**63,735**	**42,388**	**47,844**	**7,956**	**7,346**	**705**	**1,611**	**2,822**	**3,748**	**117,363**	**124,284**
Rental and service costs	12,623	12,028	8,936	9,124	2,083	2,445	695	1,803	2,125	3,303	26,462	28,703
Contract costs	4,003	2,203	6,868	12,249	-	-	-	-	-	-	10,871	14,452
Total costs	**16,626**	**14,231**	**15,804**	**21,373**	**2,083**	**2,445**	**695**	**1,803**	**2,125**	**3,303**	**37,333**	**43,155**
Rental result	45,558	48,198	26,399	27,580	5,873	4,901	10	(192)	697	445	78,537	80,932
Contract result	1,308	1,306	185	(1,109)	-	-	-	-	-	-	1,493	197
Segment result	**46,866**	**49,504**	**26,584**	**26,471**	**5,873**	**4,901**	**10**	**(192)**	**697**	**445**	**80,030**	**81,129**

Loss from revaluation/ impairment of assets

Investment properties	27,958	(39,812)	1,811	(56,120)	(90)	(21,624)	(520)	(15,104)	(1,637)	(27,665)	27,522	(160,325)
Residential	(1,300)	(9,432)	-	(16,047)	-	-	-	(8,600)	-	-	(1,300)	(34,079)
	26,658	**(49,244)**	**1,811**	**(72,167)**	**(90)**	**(21,624)**	**(520)**	**(23,704)**	**(1,637)**	**(27,665)**	**26,222)**	**(194,404)**

	Poland and Hungary		Capital cities in SEE countries		Bulgaria-secondary cities		Croatia-secondary cities		Romania-secondary cities		Consolidated	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Segment assets												
Allocated assets rental	809,611	732,293	448,317	418,927	59,460	64,533	-	1,751	6,819	13,273	1,324,207	1,230,777
Allocated assets residential	10,605	17,399	6,609	44,756	-	-	6,850	6,740	-	-	24,064	68,895
Unallocated assets	141,890	176,676	62,321	35,428	4,876	2,482	1,385	1,666	808	1,140	211,280	217,392
Total assets	**962,106**	**926,368**	**517,247**	**499,111**	**64,336**	**67,015**	**8,235**	**10,157**	**7,627**	**14,413**	**1,559,551**	**1,517,064**
Segment liabilities												
Allocated liabilities rental	68,796	25,365	65,823	43,741	2,637	1,548	-	887	1,145	698	138,401	72,239
Allocated liabilities residential	1,110	1,356	2,462	1,485	-	-	-	1,363		-	3,572	4,204
Unallocated liabilities	543,076	610,254	160,542	276,063	48,221	70,231	-	23,107	44,535	33,785	796,374	1,013,440
Total liabilities	**612,982**	**636,975**	**228,827**	**321,289**	**50,858**	**71,779**	**-**	**25,357**	**45,680**	**34,483**	**938,347**	**1,089,883**

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 2015 and 2014:

	Year ended 31 December 15	Year ended 31 December 14
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	**73,109**	**73,252**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investment property under construction	(33,519)	(25,821)
Purchase of completed investment property	(53,080)	-
Sale of investment property and residential landbank	51,169	10,614
Tax Paid	(4,571)	0
Purchase of subsidiary	(191)	0
Purchase of minority	(800)	(279)
Selling of subsidiary	13,032	0
Liquidation of Joint ventures	3,890	0
VAT/CIT on sale of investment property	-	-
Other, interest and similar costs	1,235	1,575
Net cash used in investing activities	**(22,835)**	**(13,911)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares	140,102	53,680
Share issuance expenses	(2,481)	(841)
Proceeds from long-term borrowings	62,947	124,494
Repayment of long-term borrowings	(137,970)	(149,409)
Repayment of hedge	(1,928)	(20,762)
Interest paid	(26,708)	(38,456)
Loans origination cost	(1,148)	(1,561)
Decrease (increase) in short term deposits	4,558	(89)
Net cash from (used in) financing activities	**37,372**	**(32,944)**
Effect of foreign currency translation	763	(1,773)
Net increase/(decrease) in cash and cash equivalents	88,409	24,624
Cash and cash equivalents, at the beginning of the year	**81,063**	**56,439**
Cash and cash equivalents, at the end of the year	**169,472**	**81,063**

Cash flow from operating activities was €73,109 in the 12-month period ended 31 December 2015 compared to €73,252 in the 12-month period ended 31 December 2014 mainly due to sale of Kazimierz Office Centre and Jarosova.

Cash flow used in investing activities amounted do €22,835 in the 12-month period ended 31 December 2015 compared to €13,911 used in the 12-month period ended 31 December 2014. Cash flow from investing activities mostly composed of expenditure on investment property under construction of €33,519 in the 12-month period ended 31 December 2015 and related mainly to investment in Fortyone (Belgrade, Serbia), University Business Park (Łódź, Poland) and Galeria Północna (Warsaw, Poland). Cash from divestment activity relates to sale in the amount of €51,169 in the 12-month period ended 31 December 2015, mainly of Kazimierz Office Centre, Galleria Buzau, Avenue Mall Osjiek, Jarosova Office and residential land plots.

Cash flow from financing activities amounted to €37,372 in the 12-month period ended 31 December 2015, compared to €32,944 of cash flow used in financing activities in the 12-month period ended 31 December 2014. Cash flow from financing activities mostly composed of net proceeds from the issuance of shares of €137,621m and proceeds from long-term borrowings of €62,947, offset partially by repayment of long term borrowings of €137,970 related mostly to Kazimierz Office Centre, Avenue Mall Osijek and Galeria Varna and standard amortization of loans and payment of interest in the amount of €26,708.

Cash and cash equivalents as of 31 December 2015 amounted to €169,472 compared to €81,063 as of 31 December 2014. 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 2015, the Group holds cash and cash equivalent in the amount of approximately €169,472. During the third quarter of 2015, the Group increased its share capital via the rights issue. The proceeds from the share issue amounted to €140,102. The Group attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) development and acquisition of commercial properties, (ii) debt servicing of its existing assets portfolio and (iii) capex. Such funding will be sourced through available cash, operating income, sales of assets and refinancing.

As of 31 December 2015, the Group's non-current liabilities amounted to €806,969 compared to €944,680 as of 31 December 2014.

The Group's total debt from long and short-term loans and borrowings as of 31 December 2015 amounted to €739,112 as compared to €922,191 as of 31 December 2014. The Group's loans and borrowings are mainly denominated in Euro, except for the corporate bonds that are denominated in PLN.

The Group's loan-to-value ratio amounted to 39.4% as of 31 December 2015, as compared to 54.0% as of 31 December 2014. The Group's strategy is to keep its loan-to-value ratio at the level of around 50%.

As of 31 December 2015, 58% 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

On 30 September 2015, the Company issued 108,906,190 Series K Shares at a price of 5.47 PLN per share. The net proceeds from the issuance of the shares amounted to €137,621 (PLN 585,296).

Net proceeds from the issuance of the shares of €137,621 (net of issuance expenses in the amount of €2,481) were used to finance acquisition of Duna Tower in amount of €53,080 (including acquisition cost), acquisition of remaining shares in City Gate in the amount of €18,108, acquisition of Pixel in the amount of €32,000 (in 2016) and investment in Ada Mall and University Business Park projects of €7,466. Remaining amount will be used to further finance the acquisition of value-add projects and development of selective assets as outlined in the prospectus published on 7 September 2015.

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

During 2015, the Group did not grant any new loans to its associates or joint ventures.

The following table presents the balance as of 31 December 2015 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	32,944	USD	9%
Ana Tower Offices S.R.L	1,422	EUR	3m Euribor+3.25%
CID Holding S.A.	23,987	EUR	85%*(3 m Euribor +4.5%)
Lighthouse Holdings Limited S.A.	3,965	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 granted guarantees to third parties in order to secure construction cost-overruns and loans to its subsidiaries. As of 31 December 2015 and 31 December 2014, the guarantees granted amounted to €74,000 and €149,000, 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 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. Too broad for present situation. Should be soften and focused.

Commitments

As of 31 December 2015 (31 December 2014), the Group had commitments contracted for in relation to future building construction without specified date, amounting to €158,000 (€8,000). 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

GTC gave guarantees to third parties in order to secure construction cost-overruns and loans to its subsidiaries. As of 31 December 2015 and 31 December 2014, the guarantees granted amounted to €74,000 and €149,000, 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.

Croatia

In relation to the Marlera Golf project in Croatia, part of the land is held on a lease basis from the State. There is furthermore a Consortium agreement with the Ministry of Tourism of Croatia (Ministry) which includes a deadline for the completion of a golf course that has passed in 2014. The Company has taken active steps to achieve an extension of the period for completing the project. In February 2014, the Company received a draft amendment from the Ministry expressing its good faith and intentions to prolong the abovementioned timeline however the amendment was not formalized. At the end of 2015 parliamentary elections were held in Croatia and in January 2016 a new Government was appointed. The Company has formally approached the new Minister of Tourism with a request to formalize the amendment to the Consortium agreement however the extension is no longer at the sole discretion of the Group. As a result, the Management has decided to revalue the freehold asset in assuming no development of the golf course project. As of 31 December 2015 the book value of the investment in Marlera was assessed by an independent valuer at €6,900 and is assumed to be fully recoverable.

Russia

As of 31 December 2015, the Group holds 50% interest in Yatelsis, which indirectly owns land and buildings in St. Petersburg, Russia.
During the last year, the economic and political uncertainty in Russia remained high. The market uncertainty created an unclear view as for potential future development of the St. Petersburg project and availability of reliable information related to such project. The Group's balance sheet exposure to St. Petersburg amounted to approximately €4,600. The above mentioned events could adversely impact the results and financial position of the Group and its St. Petersburg investments in a manner that could not be estimated at this stage.

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 cap transactions.

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

A 50bp change in Euribor rate would lead to €1,115 change in profit (loss) before tax.

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 inflow, outflow and cash and cash equivalent with that of the expenditures.

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

	2015 PLN/Euro				2014 PLN/Euro			
	+10%	+5%	-5%	-10%	+10%	+5%	-5%	-10%
Cash and cash equivalents	5,588	2,794	(2,794)	(5,588)	2,878	1,439	(1,439)	(2,878)
Trade and other receivables	662	331	(331)	(662)	214	106	(106)	(214)
Trade and other payables	(1,598)	(779)	779	1,598	(558)	(279)	279	558
Bonds	(11,756)	(5,588)	5,588	11,756	(11,594)	(5,797)	5,797	11,594

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 2015, the Company holds Cash and Cash Equivalent (as defined in IFRS) in the amount of approximately €169,000. As described above, 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. 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 (Euro million):

	31 December 2015	31 December 2014
First year	100	139
Second year	165	76
Third year	119	172
Fourth year	176	134
Fifth year	150	179
Thereafter	87	302
	797	**1,002**

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 2-5 years from the balance sheet date.

Fair Value

As of 31 December 2015 and 2014, all loans bear floating interest rate (however, as of 31 December 2015 and 2014, 58% and 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 in consolidated financial statements for the financial year ended 31 December.

Fair value hierarchy

As at 31 December 2015, 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 2015 and 31 December 2014, 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 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 2015 and 31 December 2014.

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 the level of around 50%.

	31 December 2015	31 December 2014
(1) Loans and derivatives, net of cash and deposits (*)	521,559	697,970
(2) Investment properties, inventory and assets held for sale	1,324,413	1,292,956
Gearing ratio [(1)/(2)]	39.4%	54.0%

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

Item 12. Remuneration policy and human resources management

Item 12.1 Remuneration policy

Employees of the Group may receive the following remuneration components: base remuneration, bonuses for specific achievements and share based payment in a form of participation in phantom share plan.

Item 12.2 Number of employees as at 31 December 2015,

As of 31 December 2015 and 2014 the number of full time equivalent working in the Group companies was 143 and 144 respectively.

Item 12.3 Incentive system

The Company has a remuneration and incentive system that consists of a bonus for meeting specific goals or objectives set by the Management Board or Supervisory Board (as the case may be) or achieving special achievements. The Company's key managers are also incentivized by participation in phantom share plan, according to which a certain number of phantom shares is vested to the employee once a year.

Item 12.4 Training policy

The Company offers its employees various forms to raise professional qualifications. The key strategic training and workshops are conducted by external companies. Such training opportunities focus mainly on market and product knowledge, marketing, processes and IT applications competencies, asset management, legal, tax and accounting. The Company believes that such training is increasing the employee's commitment to the performance of business tasks, improving his/her skills and maintaining high customer service quality.

Item 12.5 Benefits for Supervisory and Management Board members

Principles of remunerating the Management Board members

According to principles of remuneration of the Company's Management Board members which drew by the Supervisory Board, members of the Company's Management Board are entitled to: basic remuneration at an amount determined by the Company's Supervisory Board for each member of the Board, variable remuneration components as a result of meeting specific goals and achievements, severance payout related to the termination of the employment, and participation in phantom share plan according to which, every year a certain amount of phantom shares are vested to the member of the Board.

Management contracts with members of the Management Board setting out severance payouts as a result of their dismissal from their position without a material cause. Such payout is subject to 6-month prior notice and compensation according to the Polish law.

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.

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Principles of remunerating the Supervisory Board members

Members of the Supervisory Board are entitled to a fixed monthly amount set by the shareholders meeting.

Item 12.6 Agreements concluded between GTC and Management Board members

The Company has concluded agreement with its two Members of the Board, providing for their basic compensation, performance related bonus, participation if phantom share plan, severance payment in the case of their dismissal. Furthermore, the agreements contain a non-competition clause and confidentiality clause.

Item 12.7 Evaluation of the remuneration policy for the realization of its objectives

The remuneration policy is consistent with the shareholders target to have a long-term increase in shareholder value. Furthermore it aims to provide stability in managing the Company and carrying out its policies by attracting and retaining highly skilled employees across the organization and operation countries of the Company. Such goals guarantee motivation for quality work and the good attitude of employees, stable financial results in the long run, sound and effective risk management, supporting the implementation of the business strategy and the reduction of conflict of interest.

Item 12.8 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 2015 for the 12 months ended 31 December 2015:

Name	Period	Fixed Remuneration[1] (€) (not in thousand)	Variable Remuneration[1] (€) (not in thousand)	Vested Phantom Shares (not in thousand)
Thomas Kurzmann	1 January - 31 December 2015	328,669	56,700	512,000
Erez Boniel	1 January - 31 December 2015	323,430	15,900	0
Yovav Carmi	1 January - 28 August 2015	0	191,442	0
Mariusz Kozłowski	1 January - 23 April 2015	79,098	78,000	0
Piotr Kroenke	1 January - 23 April 2015	83,260	0	0
Jacek Wachowicz	1 January - 28 August 2015	162,249	0	0
Witold Zatoński	1 January - 21 July 2015	149,510	63,000	0

[1] Remuneration (or fees to entities in which the holder is a key personnel) consists of payment for 2015 and success fee amounts paid for present and past year in addition to Group's Phantom Shares program vested during 2015, as detailed in Item 13.9. Stock option plan. During the year none of the Phantom Shares were exercised.

On 23 April 2015, i.e. on the date of the annual shareholders meeting of the Company approving the financial statements for the last full financial year of their service as members of the management board of the Company, the mandates of management board members Piotr Kroenke and Mariusz Kozłowski expired pursuant to Article 369 § 4 of the Commercial Companies Code.

On 21 July 2015, Witold Zatoński resigned from his function of a Member of the Management Board of GTC SA.

On 28 August 2015, Jacek Wachowicz and Yovav Carmi have assumed new functions within the GTC organization. At the same time both, Mr Wachowicz and Mr Carmi resigned from their functions of Member of the Management Board of GTC SA and will remain senior executives at GTC.

Supervisory Board

The following table presents the remuneration of the members of the Supervisory Board as of 31 December 2015 for the 12 months ended 31 December 2015:

Name	Periods	Remuneration[1] (€) (not in thousand)	Vested Phantom Shares (not in thousand)
Alexander Hesse	1 January - 31 December 2015	0	0
Philippe Couturier	1 January - 31 December 2015	0	0
Michael Damnitz	1 January – 13 July 2015	0	0
Jan Düdden	1 January - 31 December 2015	0	0
Krzysztof Gerula	1 January – 10 June 2015	10,176	0
Mariusz Grendowicz	1 January - 31 December 2015	22,896	0
Klaus Helmrich	13 July - 31 December 2015	0	0
Jarosław Karasiński	1 January - 31 December 2015	22,896	0
Tomasz Mazurczak	1 January – 10 June 2015	10,176	0
Marcin Murawski	1 January - 31 December 2015	22,896	0
Katharina Schade	1 January - 31 December 2015	0	0
Dariusz Stolarczyk	1 January – 10 June 2015	10,176	0

[1] Remuneration (or fees to entities in which the holder is a key personnel) consists of payment for 2015 and success fee amounts paid for present and past year in addition to Group's Phantom Shares program vested during 2015, as detailed in Item 12.9. Stock option plan. During the year none of the Phantom Shares were exercised.

In June 2015 AVIVA OFE AVIVA BZ WBK decreased to 7.15% of the total number of votes in the Company. Following the decrease, according to Art. 7 paragraph. 7.1.5 Articles of Association, the mandate of Mr. Tomasz Mazurczak acting as a supervisory board member in GTC automatically expired on 10 June 2015.

In June 2015 ING OFE decreased to 0% of the total number of votes in the Company. Following the decrease, according to Art. 7 paragraph. 7.1.5 Articles of Association, the mandates of Mr. Dariusz Stolarczyk and Krzysztof Gerula acting as a supervisory board members in GTC automatically expired on 10 June 2015.

On 13 June 2015, LSREF III GTC Investments B.V. dismissed Michael Damnitz from the function of a member of the supervisory board of the Company and appointed Klaus Helmrich as a member of the supervisory board of the Company.

Item 12.9 Stock option plan

Certain key management personnel of the Company are entitled to specific payments resulting from phantom shares in the Company (the "**Phantom Shares**").

The Phantom Shares grant to 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 Phantom Shares are not securities convertible or exchangeable into shares in the Company, in particular, they are not options on such shares. The Phantom Shares are merely a mean of calculation of variable compensation of the entitled persons, which depends on the future market price of the shares on the regulated market.

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

Strike (PLN)	Blocked	Vested	Total
8.22	-	724,100	724,100
7.09	5,171,200	512,000	5,683,200
Total	**5,171,200**	**1,236,100**	**6,407,300**

As at 31 December 2015, Phantom Shares granted were as follows:

Last exercise date	Strike (in PLN)	Amount of Phantom Shares
30/06/2016	8.22	724,100
31/05/2018	7.09	1,536,000
30/06/2019	7.09	4,147,200
Total		**6,407,300**

Item 12.9.1. Stock option control system

Granting phantom shares to members of the Management Board and setting their condition is reviewed and approved by the Remuneration Committee and the Supervisory Board. Remuneration to other key personnel is set by the Management Board.

Item 13. 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 17 March 2016, 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 2015) on 13 November 2015.

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 Trading in Financial Instruments.

Management Board Member	Balance as of 17 March 2016 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 13 November 2015 (not in thousand)
Thomas Kurzmann	0	0	No change
Erez Boniel	143,500	14,350	No change
Total	**143,500**	**14,350**	

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 2015 since 30 September 2015. 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	512,000	No change
Erez Boniel	0	No change

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 17 March 2015, 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 2015) on 13 November 2015.

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 Trading in Financial Instruments.

Members of Supervisory Board	Balance as of 17 March 2016 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 13 November 2015
Alexander Hesse	0	0	No change
Philippe Couturier	0	0	No change
Michael Damnitz	0	0	No change
Jan Düdden	0	0	No change
Mariusz Grendowicz	10,158	1,016	No change
Jarosław Karasiński	0	0	No change
Marcin Murawski	0	0	No change
Katharina Schade	0	0	No change
Total	**10,158**	**1,016**	

Item 14. 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 2015 in Note 33 *Related Party Transactions*.

Item 15. Information on signed and terminated loan agreements within a given year

As of 31 December 2014, the loan agreements with Unicredit related to the Felicity residential project with an outstanding loan amount of €25,600 exceeded the fair value of related asset. In March 2015, the Company

transferred the Felicity project to a subsidiary of Unicredit. Unicredit released the Company from any payment obligations arising from the loan agreements.

In June 2015, the Group fully repaid the loan from OTP and MKB (Galleria Varna) in the amount of €17,700. At the same time, MKB and OTP granted GTC S.A a new loan in the amount of €12,600.

On 26 June 2015, the Company and EBRD entered into an agreement for the restructuring of a loan to Mars Commercial Center SRL (Galleria Piatra Mall), and Mercury Commercial Center SRL (Galleria Arad), in Romania. Furthermore, in June 2015, the Company and EBRD agreed on the restructuring of a loan granted to Galleria Stara Zagora AD, the owner of Galleria Stara Zagora, Bulgaria. On 3 July 2015, the Company and EBRD entered into an agreement for the restructuring of a loan extended by the EBRD to Galleria Stara Zagora AD

In June 2015, the Group fully repaid the loan from EBRD and Raiffeisen Bank Austria (Avenue Mall Osijek) in the amount of €15,800.

In August 2015, the Group signed a credit facility agreement with Bank Polska Kasa Opieki S.A., concerning financing and refinancing of total project costs of the construction of Galeria Północna. These facilities comprise a construction loan facility in the amount of up to €116,000 and investment loan facility in the amount of up to €150,000. (Under financial thresholds the investment facility may be increased up to €175,000.)

Item 16. 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 17. 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 18. Material contracts signed during the year, including insurance contracts and co-operation contracts

There are no material contracts signed during the year 2015, including insurance contracts and co-operation contracts.

Item 19. Agreements with an entity certified to execute an audit of the financial statements

In March 2015, 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 2015. Additionally to that agreement, the Group entered into various agreements with EY in the countries of the relevant 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 2015 and 31 December 2014.

	For year ended	
	31 December 2015	**31 December 2014**
	€	€
Fee for audit and review of financial statements	583	759
Tax and other advisory services	108	246
Total	**691**	**1,005**

Globe Trade Centre S.A.

Report on application of the principles of corporate governance for the financial year ended 31 December 2015

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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. On 13 October 2015, the Warsaw Stock Exchange supervisory board adopted resolution approving a new code of corporate governance "Best Practice of GPW Listed Companies 2016" which comes to force as at 1 January 2016.

Company prepared report on application of the principles of corporate governance for the financial year ended 31 December 2015 according to WSE Best Practices adopted by resolution of Warsaw Stock Exchange supervisory board No. 19/1307/2012, which were in force until 31 December 2015.

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 2015, 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 ensure 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. 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, *inter alia*:

- notification received 15 June 2015 on decrease in the total number of votes in the Company from Aviva OFE Aviva BZ WBK (see: Current report no 20/2015),
- notification received 16 June 2015 on decrease in the total number of votes in the Company from ING OFE (see: Current report no 21/2015),
- notification received 5 November 2015 on increase in the total number of votes in the Company from OFE PZU "Złota Jesień" (see: Current report no 44/2015),
- notification received 18 December 2015 on increase in the total number of votes in the Company received from LSREF III GTC Investments B.V and Lone Star Real Estate Partners III L.P. (see: Current report no 49/2015).

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]	275,049,658	59,77%	275,049,658	59.77%
OFE PZU Złota Jesień	46,045,798	10.01%	46,045,798	10.01%
AVIVA OFE Aviva BZ WBK	32,922,901	7.15%	32,922,901	7.15%
Other shareholders	106,198,121	23.07%	106,198,121	23.07%
Total	**460,216,478**	**100.00%**	**460,216,478**	**100.00%**

[1]LSREF III GTC Investments B.V. is 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 two members. During 2015 the following changes in the composition of the management board took place:

- on 23 April 2015, mandates of Piotr Kroenke and Mariusz Kozłowski expired pursuant to Article 369 § 4 of the Commercial Companies Code (see: Current report no 14/2015);
- on 21 July 2015, Witold Zatoński resigned from his function as a member of the management board of GTC SA (see: Current report no 29/2015);
- on 28 August 2015, Jacek Wachowicz and Yovav Carmi resigned from their functions as members of the management board of GTC SA (see: Current report no 31/2015).

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 2015:

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	2015	2018

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 eight members. During 2015 the following change in the composition of the supervisory board took place:

- on 10 June 2015, mandates of Tomasz Mazurczak, Dariusz Stolarczyk and Krzysztof Gerula automatically expired after the sale of GTC shares by AVIVA OFE AVIVA BZ WBK and ING OFE (see: Current reports no 20/2015 and 21/2015);
- on 13 June 2015, LSREF III GTC Investments B.V. dismissed Michael Damnitz and appointed Klaus Helmrich to the supervisory board of GTC S.A (see: Current report no 28/2015).

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 2015:

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
Jan Düdden	Member of the supervisory board	2014	2014	2017
Klaus Helmrich	Member of the supervisory board	2015	2015	2018
Mariusz Grendowicz[1]	Independent member of the supervisory board	2000	2013	2016
Jarosław Karasiński	Member of the supervisory board	2013	2013	2016
Marcin Murawski[1]	Independent member of the supervisory board	2013	2013	2016
Katharina Schade	Member of the supervisory board	2013	2013	2016

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

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 2015, 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 2015, the members of the Remuneration Committee were Alexander Hesse, Marcin Murawski 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

hereby represents that:

- to the best of its knowledge the consolidated financial statements for twelve months ended 31 December 2015 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, 16 March 2016

GLOBE TRADE CENTRE S.A.

IFRS CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2015
WITH THE INDEPENDENT AUDITOR'S REPORT

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2015
(in thousands of Euro)

	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Investment property	17	1,288,529	1,221,319
Residential landbank	18	26,773	41,444
Investment in associates and joint ventures	19	23,067	96,046
Property, plant and equipment	16	1,070	1,480
Deferred tax asset	15	647	2,245
Other non-current assets		386	639
		1,340,472	**1,363,173**
Assets held for sale	17	**5,950**	**6,654**
Current assets			
Residential inventory	18	3,161	23,539
Accounts receivables		5,505	5,035
Accrued income		1,655	1,358
VAT and other tax receivable		4,985	1,840
Income tax receivable		316	429
Prepayments and deferred expenses		1,323	2,268
Short-term deposits	22	26,711	31,705
Cash and cash equivalents	23	169,472	81,063
		213,128	**147,237**
TOTAL ASSETS		**1,559,550**	**1,517,064**

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

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2015
(in thousands of Euro)

	Note	31 December 2015	31 December 2014
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	29	10,410	7,849
Share premium	8	499,288	364,228
Capital reserve	8	(20,646)	8,392
Hedge reserve		(4,563)	(3,839)
Foreign currency translation		1,405	1,128
Accumulated profit		156,647	111,455
		642,541	**489,213**
Non-controlling interest	27	(21,339)	(62,032)
Total Equity		**621,202**	**427,181**
Non-current liabilities			
Long-term portion of long-term loans and bonds	28	658,744	802,631
Deposits from tenants	25	6,242	5,415
Long term payable	26	4,621	3,391
Provision for share based payment	29	1,152	289
Derivatives	20	2,755	2,892
Provision for deferred tax liability	15	133,455	130,062
		806,969	**944,680**
Current liabilities			
Trade and other payables and provisions	21	28,774	19,650
Payables related to purchase of non-controlling interest	21	18,108	-
Current portion of long-term loans and bonds	28	80,368	119,560
VAT and other taxes payable		1,572	1,736
Income tax payable		363	521
Derivatives	20	2,194	3,152
Advances received from residential		-	584
		131,379	**145,203**
TOTAL EQUITY AND LIABILITIES		**1,559,550**	**1,517,064**

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 2015
(in thousands of Euro)

	Note	2015	2014
Revenue	9	117,363	124,284
Cost of operations	10	(37,333)	(43,155)
Gross margin from operations		**80,030**	**81,129**
Selling expenses	11	(2,721)	(2,884)
Administration expenses	12	(11,045)	(8,781)
Profit/(Loss) from revaluation/ impairment of assets	17	27,611	(160,325)
Impairment of residential projects	18	(1,389)	(34,079)
Other income		1,645	3,145
Other expenses	24	(2,430)	(2,529)
Profit/(Loss) from continuing operations before tax and finance income / expense		**91,701**	**(124,324)**
Foreign exchange differences gain/(loss), net		1,394	(93)
Finance income	13	3,849	3,904
Finance cost	13	(33,205)	(46,441)
Share of loss of associates and joint ventures	19	(8,163)	(27,568)
Profit/(loss) before tax		**55,576**	**(194,522)**
Taxation	15	(11,937)	(12,868)
Profit/(Loss) for the period		**43,639**	**(207,390)**
Attributable to:			
Equity holders of the Company		45,192	(183,822)
Non-controlling interest		(1,553)	(23,568)
Basic earnings per share (in Euro)	31	0.12	(0.53)

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 2015
(In thousands of Euro)

	2015	2014
Profit/(loss) for the period	**43,639**	**(207,390)**
Gain/(loss) on hedge transactions	(531)	10,549
Income tax	85	(2,001)
Net gain/(loss) on hedge transactions	**(446)**	**8,548**
Foreign currency translation	143	(3,294)
Total comprehensive income/ (loss) for the period, net of tax to be reclassified to profit or loss in subsequent periods	**43,336**	**(202,136)**
Attributable to:		
Equity holders of the Company	44,745	(178,616)
Non-controlling interest	(1,409)	(23,520)

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

Globe Trade Centre S.A.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2015
(In thousands of Euro)

	Issued and paid in share capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2015	**7,849**	**364,228**	**8,392**	**(3,839)**	**1,128**	**111,455**	**489,213**	**(62,032)**	**427,181**
Other comprehensive income / (loss)	-	-	-	(724)	277	-	(447)	144	(303)
Profit / (loss) for the year ended 31 December 2015	-	-	-	-	-	45,192	45,192	(1,553)	43,639
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(724)**	**277**	**45,192**	**44,745**	**(1,409)**	**43,336**
Issuance of shares	2,561	135,060	-	-	-	-	137,621	-	137,621
Purchase of NCI shares	-	-	(29,038)	-	-	-	(29,038)	42,102	13,064
Balance as of 31 December 2015	**10,410**	**499,288**	**(20,646)**	**(4,563)**	**1,405**	**156,647**	**642,541**	**(21,339)**	**621,202**

	Issued and paid in share capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation	Accumulated profit	Total	Non-controlling interest	Total
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 / (loss)	-	-	-	8,505	(3,299)	-	5,206	48	5,254
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
Purchase of NCI shares	**-**	**-**	(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 2015
(In thousands of Euro)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) before tax		55,576	(194,522)
Adjustments for:			
Loss/(profit) from revaluation/impairment of assets and residential projects		(26,222)	194,404
Share of loss of associates and joint ventures	19	8,163	27,568
Profit on disposal of asset		(1,014)	(4)
Foreign exchange differences loss/(gain), net		(1,394)	(445)
Finance income	13	(3,849)	(3,904)
Finance cost	13	33,205	46,441
Share based payment loss/(profit)	12	863	(2,538)
Depreciation and amortization	16	509	499
Operating cash before working capital changes		**65,837**	**67,499**
Increase in accounts receivables and prepayments and other current assets		(1,340)	(1,680)
Decrease in residential inventory		10,263	12,895
Decrease in advances received from residential		(545)	(2,082)
Increase in deposits from tenants		663	17
Increase/(decrease) in trade and other payables		966	(945)
Cash generated from operations		**75,844**	**75,704**
Tax paid in the period		(2,735)	(2,452)
Net cash from operating activities		**73,109**	**73,252**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property		(33,519)	(25,821)
Purchase of completed investment property	8	(53,080)	-
Sale of investment property		42,665	10,614
Sale of residential landbank and inventory		8,504	-
Tax Paid		(4,571)	-
Sale of subsidiary		13,032	-
Purchase of subsidiary	7	(191)	-
Purchase of minority		(800)	(279)
Interest received		1,279	2,019
Lease origination expenses		-	(208)
Liquidation of Joint Ventures	8	3,890	-
Loans granted		(288)	(566)
Loans repayments		244	330
Net cash used in investing activities		**(22,835)**	**(13,911)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of shares	8	140,102	53,680
Share issuance expenses		(2,481)	(841)
Proceeds from long-term borrowings		62,947	124,494
Repayment of long-term borrowings		(137,970)	(149,409)
Repayment of hedge		(1,928)	(20,762)
Interest paid		(26,708)	(38,456)
Loans origination cost		(1,148)	(1,561)
Decrease/(Increase) in short term deposits		4,558	(89)
Net cash from /(used) in financing activities		**37,372**	**(32,944)**
Effect of foreign currency translation		**763**	**(1,773)**
Net increase in cash and cash equivalents		**88,409**	**24,624**
Cash and cash equivalents at the beginning of the period		**81,063**	**56,439**
Cash and cash equivalents at the end of the period		**169,472**	**81,063**

The accompanying notes are an integral part of this Consolidated Statement of Cash Flow

1. Principal activities

Globe Trade Centre S.A. (the “Company” or “GTC”) and its subsidiaries (“GTC Group” or “the Group”) are an international real-estate corporation. The Company was registered in Warsaw on 19 December 1996. The Company’s registered office is in Warsaw, Poland at 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.

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 2015 and 2014, the number of full time equivalent working employees in the Group companies was 143 and 144, 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 275,049,658 shares 59.77% of total share as of 31 December 2015.

2. Functional and reporting currencies

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 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.

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 34.

As of 31 December 2015, the Group’s net working capital (defined as current assets less current liabilities) was positive and amounted to Euro 82 million.

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

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 Group for the year ended 31 December 2014, except for the following amendments to existing standards and new regulations that are effective for financial years beginning on or after 1 January 2015:

- Amendments introduced as part of the Improvements to IFRSs 2011-2013 cycle, published on December 12th 2013 (effective for annual periods beginning on or after July 1st 2014) − in the EU effective for annual periods beginning on or after 1 January 2015,
- IFRIC 21 Levies, published on 20 May 2013 (applicable to annual periods beginning on or after 1 January 2014 – in the EU effective for annual periods beginning on or after 17 June 2014).

Standards issued but not yet effective

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

- Amendments introduced as part of the Improvements to IFRSs 2010-2012 cycle, published on December 12th 2013 (effective for annual periods beginning on or after July 1st 2014) − in the EU effective for annual periods beginning on or after 1 February 2015,
- Amendments introduced as part of the Improvements to IFRSs 2011-2013 cycle, published on December 12th 2013 (effective for annual periods beginning on or after July 1st 2014) − in the EU effective for annual periods beginning on or after 1 January 2015,
- Amendments to IAS 19 Employee Benefits: Defined Benefit Plans − Employee Contributions (effective for annual periods beginning on or after July 1st 2014) − in the EU effective for annual periods beginning on or after 1 February 2015,
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation, published on 12 May 2014 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants, published on 30 June 2014 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 Separate Financial Statements: Equity method in separate financial statements, published on August 12th 2014 (effective for annual periods beginning on or after 1 January 2016),
- Amendments introduced as part of the Improvements to IFRSs 2012-2014 cycle, published on 25 September 2014 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 Presentation of financial statements − Disclosures, published on 18 December 2014 (effective for annual periods beginning on or after 1 January 2016).

5. Changes in accounting policies (continued)

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 completed investment properties, IPUC if certain condition described in note 6(c) ii are met, 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).

6. Summary of significant accounting policies (continued)

(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 appraisers as of 31 December 2015 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.

(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.

6. Summary of significant accounting policies (continued)

(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.

(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.

6. Summary of significant accounting policies (continued)

(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.

(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.

6. Summary of significant accounting policies (continued)

(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.

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.

6. Summary of significant accounting policies (continued)

(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.

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

Item	Category	Measurement
	Financial assets/liabilities	
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)

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.

6. Summary of significant accounting policies (continued)

(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.

(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.

6. Summary of significant accounting policies (continued)

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

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

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

(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

6. Summary of significant accounting policies (continued)

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.

(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.

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 2015	31 December 2014
GTC Konstancja Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Korona S.A.	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o.	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Ogrody Galileo Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC GK Office Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Com 1 Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Karkonoska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Ortal Sp. z o.o.	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Wilson Park Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o.	GTC S.A.	Poland	100%	100%
CH Wilanow Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Management sp. z o.o. (*)	GTC S.A.	Poland	100%	100%
GTC Corius sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Światowida sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments Sp. z o.o. s.k.a.	GTC S.A.	Poland	100%	100%
Omikron Development Inwestycje Sp. z o.o. (**)	GTC S.A.	Poland	-	100%
GTC Galeria CTWA Sp. z o.o.	GTC S.A.	Poland	100%	100%

(*) Previously Alfa Development Inwestycje Sp. z o.o.
(**) Liquidated

7. Investment in Subsidiaries, Associates and Joint Ventures (continued)

Name	Holding Company	Country of incorporation	31 December 2015	31 December 2014
GTC Hungary Real Estate Development Company Ltd. (“GTC Hungary”)	GTC S.A.	Hungary	100%	100%
Commercial Properties B.V. (formerly Budapest Offices B.V.)	GTC Hungary	Netherland	100%	100%
GTC Duna Kft.(***)	GTC Hungary	Hungary	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.	GTC Hungary	Hungary	100%	100%
SASAD Resort Offices 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%
GTC Slovakia Real Estate s.r.o.	GTC RH B.V.	Slovakia	100%	100%
GTC Vinohradis Piazza S.R.O. (*)	GTC RH B.V.	Slovakia	-	100%
GTC Jarosova S.R.O. (**)	GTC RH B.V.	Slovakia	-	100%
GTC Hill S.R.O. (*)	GTC RH B.V.	Slovakia	-	100%
GTC Vinohradis Villas S.R.O. (**)	GTC RH B.V.	Slovakia	-	100%
GTC Real Estate Vinohrady s.r.o. (“GTC Vinohrady”) (*)	GTC RH B.V.	Slovakia	-	100%
GTC Real Estate Vinohrady 2 s.r.o. (“GTC Vinohrady 2”) (*)	GTC RH B.V.	Slovakia	-	100%

(*) Merged into GTC Slovakia Real Estate s.r.o.
(**) Sold
(***)The company was established in 2015

7. Investment in Subsidiaries, Associates and Joint Ventures (continued)

Name	Holding Company	Country of incorporation	31 December 2015	31 December 2014
GTC Nekretnine Zagreb d.o.o.("GTC Zagreb")	GTC RH B.V.	Croatia	100%	100%
Euro Structor d.o.o.	GTC RH B.V.	Croatia	70%	70%
Marlera Golf LD d.o.o.	GTC RH B.V.	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 RH B.V.	Croatia	-	80%
GTC Nekretnine Jug. d.o.o. (under liquidation)	GTC RH B.V.	Croatia	100%	100%
GTC Sredisnja tocka d.o.o.	GTC RH B.V.	Croatia	100%	100%
GTC Nekretnine Zapad d.o.o. (under liquidation)	GTC RH B.V.	Croatia	100%	100%
Towers International Property S.R.L.	GTC RH B.V.	Romania	100%	100%
Galleria Shopping Center S.R.L. (formerly "International Hotel and Tourism S.R.L.")	GTC RH B.V.	Romania	100%	100%
BCG Investment B.V.	GTC RH B.V.	Netherlands	100%	100%
Green Dream S.R.L.	GTC RH B.V.	Romania	100%	100%
Aurora Business Complex S.R.L ("Felicity")	GTC RH B.V.	Romania	71.5%	71.5%
Yasmine Residential Complex S.R.L. (**)	GTC RH B.V.	Romania	-	100%
Bucharest City Gate B.V. ("BCG")	GTC RH B.V.	Netherlands	100%	58.9%
City Gate Bucharest S.R.L.	BCG	Romania	100%	58.9%
Mablethompe Investitii S.R.L.	GTC RH B.V.	Romania	100%	100%
Mercury Commercial Center S.R.L. ("Galeria Arad")	GTC RH B.V.	Romania	100%	100%
Venus Commercial Center S.R.L.	GTC RH B.V.	Romania	100%	100%
Mars Commercial Center S.R.L. ("Galeria Piatra Neamt")	GTC RH B.V.	Romania	100%	100%
Beaufort Invest S.R.L.	GTC RH B.V.	Romania	100%	100%
Fajos S.R.L.	GTC RH B.V.	Romania	100%	100%
City Gate S.R.L.	GTC RH B.V.	Romania	100%	58.9%
Brightpoint Investments Limited	GTC RH B.V.	Cyprus	50.1%	50.1%
Complexul Residential Colentina S.R.L.	GTC RH B.V.	Romania	50.1%	50.1%
Operetico Enterprises Ltd.	GTC RH B.V.	Cyprus	66.7%	66.7%
Deco Intermed S.R.L.	Operetico Enterprises Ltd.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L.	GTC RH B.V.	Romania	66.7%	66.7%

(*) Sold
(**) Liquidated

7. Investment in Subsidiaries, Associates and Joint Ventures (continued)

Name	Holding Company	Country of incorporation	31 December 2015	31 December 2014
GTC RH B.V. (formerly GTC Bulgaria B.V.)	GTC S.A.	Netherlands	100%	100%
Galeria Stara Zagora AD ("Stara Zagora")	GTC RH B.V.	Bulgaria	75%	75%
Galeria Burgas AD	GTC RH B.V.	Bulgaria	80%	80%
Galeria Varna AD ("Varna") (***)	Galeria Ikonomov GmbH	Bulgaria	-	65%
GTC Business Park EAD	GTC RH B.V.	Bulgaria	100%	100%
NRL EAD	GTC RH B.V.	Bulgaria	100%	100%
Galeria Ikonomov GmbH (**)	GTC RH B.V.	Austria	100%	65%
GTC Yuzhen Park EAD ("GTC Yuzhen")	GTC RH B.V.	Bulgaria	100%	100%
GTC Medj Razvoj Nekretnina d.o.o.	GTC RH B.V.	Serbia	100%	100%
GTC Business Park d.o.o.	GTC RH B.V.	Serbia	100%	100%
GTC Commercial and Residential Ventures d.o.o.	GTC RH B.V.	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 RH B.V.	Serbia	100%	100%
Atlas Centar d.o.o.	GTC RH B.V.	Serbia	100%	100%
GTC Commercial Development d.o.o.	GTC RH B.V.	Serbia	100%	100%
Europort Investment (Cyprus) 1 Limited (*)	GTC RH B.V.	Cyprus	95%	-
Black Sea Management LLC (*)	Europort Investment (Cyprus) 1 Limited	Ukraine	95%	-
Europort Ukraine Holdings 1 LLC (*)	Europort Investment (Cyprus) 1 Limited	Ukraine	95%	-
Europort Ukraine Holdings 2 LLC (*)	Europort Investment (Cyprus) 1 Limited	Ukraine	95%	-
Europort Ukraine LL (*)	Europort Investment (Cyprus) 1 Limited	Ukraine	95%	-
Europort Project Ukraine 1 LLC (*)	Europort Investment (Cyprus) 1 Limited	Ukraine	95%	-

Investment in Associates and Joint Ventures

Name	Holding Company	Country of incorporation	31 December 2015	31 December 2014
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 RH B.V.	Cyprus	50%	50%
Ana Tower Offices S.R.L.	GTC RH B.V.	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 Ukraine B.V.	Cyprus	-	49.9%
Europort LTD	GTC RH B.V.	Israel	9.9%	9.9%

(*) In Dec 2015, the Company purchased the majority shares for Euro 191 thousands,
(**) Purchased as part of NCI acquisition of GTC Varna (see note 8),
(***)Sold

8. Events in the period

As of 31 December 2014, the loan agreements with Unicredit related to the Felicity residential project with an outstanding loan amount of EUR 25.6 million exceeded the fair value of related asset. In March 2015, the Company transferred the Felicity project to a subsidiary of Unicredit. Unicredit released the Company from any payment obligations arising from the loan agreements.

In April 2015, as a result of liquidation of joint venture, investments in joint ventures decreased by EUR 67 million and long term liabilities decreased by EUR 63 million.

On 29 May 2015, the Group sold Centrum Biurowe Kazimierz in Krakow for the net price of EUR 41.6 million.

In June 2015, the loan from EBRD and Raiffeisen Bank Austria, related to Osijek, in the amount of Euro 15.8 million was fully repaid.

In June 2015, the loan from OTP and MKB, related to Varna, in the amount of Euro 17.7 million was fully repaid. At the same time, MKB and OTP granted to GTC a new loan in the amount of Euro 12.6 million.

On 26 June 2015, the Company and EBRD entered into an agreement for the restructuring of a loan to Mars Commercial Center SRL (Piatra Mall) and Mercury Commercial Center SRL (Arad Mall). Furthermore, in June 2015 the Company and EBRD agreed on the restructuring of a loan granted to Galleria Stara Zagora AD, the owner of a shopping center in Stara Zagora, Bulgaria.

In June 2015, the Company acquired remaining 35% in Galeria Ikonomov GmbH (owner of Galeria Varna) and remaining 20% in GTC Nekretnine Istok d.o.o. As a result, the impact of on the equity attributable to equity holders of the parent amounted to a decrease of Euro 35.8 million. In July 2015, GTC Group sold the shares of GTC Nekretnine Istok d.o.o (Galeria Osijek) for the amount of Euro 1.3 million and the shares of Galleria Varna AD (Galeria Varna) for the amount of Euro 5.5 million (see note 27).

On 30 June 2015, the shareholders of the Company approved a resolution regarding the issuance of up to 140,000,000 new shares at a price of not less than PLN 5 per share to existing shareholders. On 30 September 2015, the Company was informed that the exercise of the pre-emptive rights resulted in allocation of 108,906,190 Series K Shares at a price of PLN 5.47 per share.

In July 2015, the Company commenced the construction of Galeria Polnocna shopping centre, Warsaw. In August 2015, the Company signed a credit facility agreement with Bank Polska Kasa Opieki S.A., finance the Galeria Północna project. The facility comprises a construction loan in the amount of up to EUR 116 million and investment loan in the amount of up to EUR 150 million. (Under certain financial threshold the investment facility may be increased up to EUR 175 million).

8. Events in the period (continued)

On 21 October 2015, the share capital increase (in relation to shareholders' resolution from 30 June 2015) was registered by the district court in Warsaw. The Company increased its share capital from PLN 35,131,028.80 to PLN 46,021,647.80 through the issuance of 108,906,190 series K ordinary bearer shares in the Company with a nominal value of PLN 0.10 (ten groszy) each. On 26 October 2015, the funds from shares issuance in the total amount of PLN 595.7 million (Euro 140.1 million) were received by the Company.

In November 2015, the Company acquired Duna tower office building in Budapest, Hungary, for the total cost of Euro 53.1 million. Duna Tower office building is located in the 13th District of Budapest and is leased to international tenants. GTC intends to continue the leasing activity through upgrading the property and improving its occupancy.

In December 2015, the Company acquired remaining 41.1% in BCG (owner of a company, which owns City Gate office building in Bucharest) for the total amount of Euro 18.1 million, which was paid in January 2016.

The impact of on the equity attributable to equity holders of the parent amounted to an increase of Euro 5.4 million (see note 27).

9. Revenue from operations

Revenue from operations comprises of the following:

	2015	**2014**
Rental revenue	79,636	84,124
Service revenue	25,363	25,511
Residential revenue	12,364	14,649
	117,363	**124,284**

Rental income includes turnover rent for the year ended 31 December 2015 of approximately Euro 2,347 thousand (2014: Euro 2,736 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 from completed projects are, as follows (in millions of Euro):

	31 December 2015	31 December 2014
Within 1 year	78	84
After 1 year, but not more than 5 years	229	221
More than 5 years	26	72
	333	**377**

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:

	2015	2014
Rental and service costs	26,462	28,703
Residential costs	10,871	14,452
	37,333	**43,155**

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:

	2015	2014
Brokerage and similar fees	203	242
Advertising and marketing	1,798	1,894
Payroll and related expenses	720	748
	2,721	**2,884**

12. Administration expenses

Administration expenses comprise of the following:

	2015	2014
Remuneration and management fees	6,089	6,645
Audit and valuations	1,221	1,395
Legal and tax advisers	930	779
Office expenses	799	744
Investors relations	58	116
Travel expenses	298	362
Supervisory board remuneration fees	109	133
Severance expenses	155	444
Depreciation and other	523	733
Total before share based payment	**10,182**	**11,351**
Share based payment	863	(2,570)
Total	**11,045**	**8,781**

13. Financial income and financial expense

Financial income comprise of the following:

	2015	2014
Interest on loans granted to associates and joint ventures	2,999	2,730
Interest on deposits and other	850	1,174
	3,849	**3,904**

Financial expense comprise of the following:

	2015	2014
Interest expenses (on financial liabilities that are not at fair value through profit or loss) and other charges	(29,559)	(41,225)
Settlement of financial instruments (derivatives)	(928)	(1,636)
Change in fair value of financial instruments and hedge ineffectiveness (derivatives)	(432)	(1,826)
Loan raising expenses	(2,286)	(1,754)
	(33,205)	**(46,441)**

The average interest rate (including hedges) on the Group's loans during the year ended 31 December 2015 was 3.4% p.a. (4.2% p.a. in year 2014).

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”).

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 (South and Eastern Europe) 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.

14. Segmental analysis (continued)

Segment analysis for the year ended 31 December 2015 and year ended 31 December 2014 is presented below:

	Poland and Hungary		Capital cities in SEE countries		Bulgaria-secondary cities		Croatia-secondary cities		Romania-secondary cities		Consolidated	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Rental and service income	58,181	60,226	35,335	36,704	7,956	7,346	705	1,611	2,822	3,748	104,999	109,635
Contract income	5,311	3,509	7,053	11,140	-	-	-	-	-	-	12,364	14,649
Total income	**63,492**	**63,735**	**42,388**	**47,844**	**7,956**	**7,346**	**705**	**1,611**	**2,822**	**3,748**	**117,363**	**124,284**
Rental and service costs	12,623	12,028	8,936	9,124	2,083	2,445	695	1,803	2,125	3,303	26,462	28,703
Contract costs	4,003	2,203	6,868	12,249	-	-	-	-	-	-	10,871	14,452
Total costs	**16,626**	**14,231**	**15,804**	**21,373**	**2,083**	**2,445**	**695**	**1,803**	**2,125**	**3,303**	**37,333**	**43,155**
Rental result	45,558	48,198	26,399	27,580	5,873	4,901	10	(192)	697	445	78,537	80,932
Contract result	1,308	1,306	185	(1,109)	-	-	-	-	-	-	1,493	197
Segment result	**46,866**	**49,504**	**26,584**	**26,471**	**5,873**	**4,901**	**10**	**(192)**	**697**	**445**	**80,030**	**81,129**
Gain/(loss) from revaluation/ impairment of assets												
Investment properties	27,958	(39,812)	1,811	(56,120)	(90)	(21,624)	(520)	(15,104)	(1,637)	(27,665)	27,522	(160,325)
Residential	(1,300)	(9,432)	-	(16,047)	-	-	-	(8,600)	-	-	(1,300)	(34,079)
	26,658	**(49,244)**	**1,811**	**(72,167)**	**(90)**	**(21,624)**	**(520)**	**(23,704)**	**(1,637)**	**(27,665)**	**26,222**	**(194,404)**

14. Segmental analysis (continued)

	Poland and Hungary		Capital cities in SEE countries		Bulgaria-secondary cities		Croatia-secondary cities		Romania-secondary cities		Consolidated	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Segment assets												
Allocated assets rental	809,611	732,293	448,317	418,927	59,460	64,533	-	1,751	6,819	13,273	1,324,207	1,230,777
Allocated assets residential	10,605	17,399	6,609	44,756	-	-	6,850	6,740	-	-	24,064	68,895
Unallocated assets	141,890	176,676	62,321	35,428	4,876	2,482	1,385	1,666	808	1,140	211,280	217,392
Total assets	**962,106**	**926,368**	**517,247**	**499,111**	**64,336**	**67,015**	**8,235**	**10,157**	**7,627**	**14,413**	**1,559,551**	**1,517,064**
Segment liabilities												
Allocated liabilities rental	68,796	25,365	65,823	43,741	2,637	1,548	-	887	1,145	698	138,401	72,239
Allocated liabilities residential	1,110	1,356	2,462	1,485	-	-	-	1,363	-	-	3,572	4,204
Unallocated liabilities	543,076	610,254	160,542	276,063	48,221	70,231	-	23,107	44,535	33,785	796,374	1,013,440
Total liabilities	**612,982**	**636,975**	**228,827**	**321,289**	**50,858**	**71,779**	**-**	**25,357**	**45,680**	**34,483**	**938,347**	**1,089,883**

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 2015	Year ended 31 December 2014
Current (corporate and capital gain) tax expense	7,011	2,766
Tax related to previous years	(85)	(42)
Deferred tax expense	5,011	10,144
	11,937	**12,868**

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.

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

	Year ended 31 December 2015	Year ended 31 December 2014
Accounting profit/(loss) before tax	55,576	(194,522)
Taxable expenses (income) at the applicable tax rate in each country of activity	**12,506**	**(41,785)**
Tax effect of expenses that are not deductible in determining taxable profit	1,631	2,278
Share of profit/(loss) in associates and Joint ventures	1,231	5,264
Tax effect of foreign currency differences	(1,045)	(447)
Change of tax rate	(341)	(605)
Previous year's tax	(85)	(42)
Unrecognised deferred tax asset, net	(2,077)	48,270
Other	117	(65)
Tax expense	**11,937**	**12,868**

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 2014	Credit / (charge) to income statement	As of 31 December 2014	Credit / (charge) to income statement	As of 31 December 2015
Financial instruments	508	(103)	405	(285)	120
Tax loss carried forwards	4,124	(400)	3,724	4,526	8,250
Basis differences in non-current assets	735	(1,901)	(1,166)	1,166	-
Netting (**)	(1,215)	497	(718)	(7,005)	(7,723)
Net deferred tax assets	**4,152**	**(1,907)**	**2,245**	**(1,598)**	**647**

Net deferred tax liability comprises of the following:

	As of 1 January 2014	Credit / (charge) to equity	Foreign exchange differences	Credit / (charge) to income statement	As of 31 December 2014	Credit / (charge) to equity	Foreign exchange differences	Credit / (charge) to income statement	As of 31 December 2015
Financial instruments (*)	(37,315)	(2,001)	(32)	(11,687)	(51,035)	85	(65)	(412)	(51,427)
Basis differences in non-current assets	(83,841)	-	-	3,612	(80,229)	-	-	(9,337)	(89,566)
Other	149	-	-	335	484	-	-	(669)	(185)
Netting (**)	1,215	-	-	(497)	718	-	-	7,005	7,723
Net deferred tax liability	**(119,792)**	**(2,001)**	**(32)**	**(8,237)**	**(130,062)**	**85**	**(65)**	**(3,413)**	**(133,455)**

(*) Mostly, unrealized interest and foreign exchange differences,
(**) Relate to deferred tax asset on tax losses carried forward

15. Taxation (continued)

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

Tax rate	Year ended 31 December 2015	Year ended 31 December 2014
Poland	19%	19%
Hungary	10%/19%	10%/19%
Ukraine	18%	18%
Bulgaria	10%	10%
Slovakia	22%	22%
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 2015 available in the amount of Euro 374 million. The expiry dates of these tax losses as of 31 December 2015 are as follows: within one year - Euro 19 million, between 2-5 years - Euro 140 million, afterwards – Euro 215 million.

16. Property, Plant and Equipment

The movement in property, plant and equipment for the periods ended 31 December 2015 and 31 December 2014 was as follows:

	Equipment	Vehicles	Total
Gross carrying amount			
As of 1 January 2015	2,862	935	3,797
Additions	130	50	180
Disposals, impairments and other decreases	(120)	(228)	(348)
Translation differences	-	-	-
As of 31 December 2015	**2,872**	**757**	**3,629**
Accumulated Depreciation			
As of 1 January 2015	**1,685**	**632**	**2,317**
Charge for the period	410	99	509
Disposals, impairments and other decreases	(50)	(217)	(267)
Translation differences	-	-	-
As of 31 December 2015	**2,045**	**514**	**2,559**
Net book value as of 31 December 2015	**827**	**243**	**1,070**
Gross carrying amount			
As of 1 January 2014	3,011	959	3,970
Additions	528	144	672
Disposals	(677)	(161)	(838)
Translation differences	-	(7)	(7)
As of 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	(421)	(142)	(564)
Translation differences	-	(2)	(2)
As of 31 December 2014	**1,685**	**632**	**2,317**
Net book value as of 31 December 2014	**1,177**	**303**	**1,480**

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 2015	31 December 2014
Completed investment property	1,055,732	1,029,276
Investment property under construction at fair value	108,000	-
Investment property under construction at cost	124,797	192,043
Total	**1,288,529**	**1,221,319**

The movement in investment property for the periods ended 31 December 2015 and 31 December 2014 was as follows:

	Level 2	Level 3	Total
Carrying amount as of 1 January 2015	**753,576**	**467,743**	**1,221,319**
Capitalised subsequent expenditure	4,489	36,190	40,679
Purchase of completed asset	53,080	-	53,080
Adjustment to fair value / impairment	1,664	25,341	27,005
Disposals of Galeria Kazimiez office	(41,577)	-	(41,577)
Sale of subsidiary (Jarosova)	-	(8,494)	(8,494)
Reclassified as assets held for sale (*)	-	(5,950)	(5,950)
Purchase of subsidiary (Europort Cyprus 1)	-	2,467	2,467
Carrying amount as of 31 December 2015	**771,232**	**517,297**	**1,288,529**
Carrying amount as of 1 January 2014	**762,355**	**613,383**	**1,375,738**
Reclassification	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	-	(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**

(*) It relates to Arad (Romania), Lodz 1 (Poland) and Subotica (Serbia) in secondary cities

Fair value and impairment adjustment consists of the following:

	2015	2014
Adjustment to fair value of completed assets	2,546	(104,780)
Adjustment to fair value of property under construction	25,828	-
Impairment adjustment of IPUC at cost	(1,369)	(55,020)
Total (*)	**27,005**	**(159,800)**

(*) The amount does not include an amount of Euro 606 thousand as fair value adjustment on assets held for sale

17. Investment Property (continued)

Assumptions used in the valuations of completed assets as of 31 December 2015 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	150,200	49	90%	19.3	19.7	3.9	2	7,624
Poland office	266,436	135	92%	14.3	14.0	2.7	2	19,059
Serbia office capital city	123,600	64	92%	14.7	15.0	2.3	3	8,260
Croatia retail capital city	102,100	36	97%	20.0	21.3	4.7	3	4,793
Hungary office capital city	208,496	117	95%	11.7	12.0	3.5	2	17,341
Romania retail secondary cities	3,900	13	95%	5.7	5.6	5.2	3	696
Romania office capital city	146,100	48	93%	19.0	17.4	2.7	2	8,397
Bulgaria retail secondary cities	54,900	61	82%	9.4	9.3	5.0	3	5,931
Total	**1,055,732**	**524**	**92%**	**14.3**	**14.2**	**3.4**		

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 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**		

17. Investment Property (continued)

The average yield as of 31 December 2015 and 2014 was 7.9% and 8.1% respectively.

The estimated impact on profit (loss) before tax due to change in yield of 0.25% for the whole investment property portfolio (in absolute terms) as of 31 December 2015 amounted to: EUR 33.3 million.

Investment properties under construction - Information regarding investment properties under construction valued at cost and fair value as of 31 December 2015 is presented below:

	Book value	**Estimated building rights (GLA)**	**Average Book value/sqm of building rights**
	'000 Euro	thousand sqm	Euro/sqm
Poland	155,344	353	440
Serbia	36,369	48	758
Croatia	2,440	21	116
Hungary	19,010	286	66
Romania	13,367	66	203
Bulgaria	3,800	88	43
Ukraine	2,467	90	27
Total	**232,797**	**952**	**245**

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**

18. Inventory and Residential landbank

The movement in residential landbank and inventory for the periods ended 31 December 2015 and 31 December 2014 was as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Carrying amount at the beginning of the period	**64,983**	**121,267**
Construction and foreign exchange differences	635	564
Impairment to net realisable value	(1,389)	(34,079)
Cost of units sold	(10,871)	(14,452)
Sale of subsidiary	(728)	-
Disposal of assets (*)	(22,696)	(8,317)
Carrying amount at the end of the period	**29,934**	**64,983**

(*) Disposal of Felicity in 2015

During 2015 a land in Poland in the amount of Euro 2,100 thousand was reclassified from Residential landbank into inventory.

Completed inventory as of 31 December 2015 consists of the following:

	Book value	Estimated building rights GLA	Average Book value/sqm of building rights
	'000 Euro	Thousand sqm	Euro/sqm
Poland	466	<1	1,333
Hungary	59	<1	391
Serbia	275	<1	810
Slovakia	145	<1	851
Romania	116	<1	789
Total/Average	**1,061**	**1**	**917**
Uncompleted inventory	**2,100**		
Total inventory	**3,161**		

Residential landbank and uncompleted inventory as of 31 December 2015 consists of the following:

	Book value	Estimated building rights GLA	Average Book value/sqm of building rights
	'000 Euro	Thousand sqm	Euro/sqm
Poland	2,100	4	525
Croatia	6,850	48	143
Hungary	7,980	123	65
Slovakia	4,500	56	80
Romania	7,443	138	54
Total/Average	**28,873**	**369**	**78**

18. Inventory and Residential landbank (continued)

Completed inventory as of 31 December 2014 consists of the following:

	Book value	Estimated building rights GLA	Average Book value/sqm of building rights
	'000 Euro	Thousand sqm	Euro/sqm
Poland	3,923	3	1,348
Hungary	119	<1	745
Serbia	275	<1	810
Slovakia	173	<1	1,020
Romania	19,049	33	572
Total/Average	**23,539**	**37**	**638**

Residential landbank and uncompleted inventory as of 31 December 2014 consists of the following:

	Book value	Estimated building rights GLA	Average Book value/sqm of building rights
	'000 Euro	Thousand sqm	Euro/sqm
Poland	2,100	4	512
Croatia	6,700	48	143
Hungary	9,431	138	68
Slovakia	6,999	68	103
Romania	16,214	207	79
Total/Average	**41,444**	**465**	**89**

19. Investment in associates and Joint ventures

The investment in associates and joint ventures comprises the following:

	31 December 2015	31 December 2014
Equity method accounting – associates (1)	(8,878)	(24,165)
Loans granted	26,352	47,018
Investment in associates	**17,474**	**22,853**
Equity method accounting – joint ventures (2)	(28,773)	39,896
Loans granted	34,366	33,297
Investment in joint ventures	**5,593**	**73,193**
Investment in associates and joint ventures	**23,067**	**96,046**

(1) Majority share in company Europort Investment Cyprus 1 was purchased in December 2015 (decrease of loans granted by EUR 23.7 million and investment by EUR 22.3 million),

(2) Decrease in the amount of Euro 67 million, relates to a joint venture liquidation in 2015

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 2015	31 December 2014
Non-current assets	176,994	342,304
Current assets	9,025	15,072
Total assets	**186,019**	**357,376**
Equity	(79,306)	54,428
Non-current liabilities	165,509	173,434
Current liabilities	99,816	129,514
Total equity and liabilities	**186,019**	**357,376**

	2015	2014
Rental revenue	12,762	11,263
Expenses	(12,986)	(10,271)
Loss from revaluation	(9,770)	(63,405)
Loss before tax	(9,994)	(62,413)
Tax income	636	5,800
Loss for the year	(9,358)	(56,613)
The Group's share in loss	**(8,163)**	**(27,568)**

19. Investment in associates and Joint ventures (continued)

Summarised financial information of the material associates interest is presented below:

	CID (Harfa mall)	
	As of 31 December 2015	As of 31 December 2014
Non-current assets	141,219	156,481
Current assets	7,186	1,557
Total assets	**148,405**	**158,038**
Equity	(27,598)	(25,347)
Non-current liabilities	92,730	75,556
Current liabilities	83,273	107,829
Total equity and liabilities	**148,405**	**158,038**

	2015	2014
Rental revenue	8,893	7,110
Loss for the year	(1,153)	(21,220)

20. Derivatives

The Company holds instruments (IRS and Cap) that hedge the risk involved in fluctuations of interest rate and currencies rates. The instruments hedge interest on loans for a period of 2-5 years

The movement in derivatives for the years ended 31 December 2015 and 31 December 2014 was as follows:

	31 December 2015	31 December 2014
Fair value as of beginning of the year	**(6,044)**	**(32,890)**
Charged to other comprehensive income	527	10,550
Charged to income statements	(1,360)	(6,102)
Disposals/paid	1,928	22,398
Fair value as of end of the year	**(4,949)**	**(6,044)**

For more information regarding derivatives, see note 34

21. Trade and other payables

An amount of Euro 11 million of trade creditors and accruals relates to payables due to development activity to be financed mostly by long term loans.

An amount of Euro 18.1 million relates to purchase of non-controlling interest in BCG.

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.

26. Long term payables

Long term payables represent long term commitments related with purchase of land and development of infrastructure.

27. Non-controlling interest

The movement in non-controlling interest and inventory for the periods ended 31 December 2015 and 31 December 2014 was as follows:

	2015	2014
Balance as of 1 January	**(62,032)**	**(45,870)**
Other comprehensive income	144	48
Profit /(loss) for the year	(1,553)	(23,568)
Total comprehensive income / (loss) for the period	**(1,409)**	**(23,520)**
Purchase of NCI shares (Slovakian Projects)	-	7,358
Purchase of NCI shares (Galeria Varna) (*)	27,982	-
Purchase of NCI shares (Osijek shopping center) (*)	16,663	-
Purchase of NCI shares (City Gate) (*)	(2,543)	-
Balance as of 31 December	**(21,339)**	**(62,032)**

(*) See note 8

28. Long-term loans and bonds

	31 December 2015	31 December 2014
Bonds series 2017-2018	47,847	47,872
Bonds series 2018-2019	69,717	69,735
Loan from OTP (GTC)	11,008	-
Loan from WBK (Globis Poznan)	14,407	14,914
Loan from WBK (Korona Business Park)	42,319	41,877
Loan from Pekao (Globis Wroclaw)	24,692	25,415
Loan from ING (Nothus)	11,570	13,232
Loan from ING (Zephirus)	11,570	13,232
Loan from Berlin Hyp (Corius)	11,874	12,295
Loan from Peko (Galeria Polnocna)	4,519	-
Loan from WBK (Kazimierz office)	-	27,369
Loan from Pekao (Galeria Jurajska)	98,010	101,203
Loan from Berlin Hyp (UBP)	18,639	19,035
Loan from ING (Francuska office Centre)	23,737	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 Erste (Spiral)	27,146	-
Loan from MKB (Spiral)	-	21,992
Loan from Erste (White House)	2,859	3,859
Loan from MKB (Sasad Resort)	8,327	8,327
Loan from EBRD and Raiffeisen Bank (GTC House)	9,400	11,100
Loan from Erste (19 Avenue)	21,707	22,277
Loan from EBRD and Raiffeisen Bank (GTC Square)	13,760	15,685
Loan from Raiffeisen Bank (Forty one 1)	9,500	-
Loan from Unicredit (Felicity)	-	25,563
Loan from RZBR (Rose Garden)	-	2,987
Loan from Erste (City Gate)	86,544	88,782
Loan from EBRD and Raiffeisen Bank (Galeria Piatra)	5,042	5,778
Loan from EBRD and Raiffeisen Bank (Galeria Arad)	24,293	27,575
Loan from MKB and Zagrabecka Banka (Avenue Mall Zagreb)	21,220	25,674
Loan from EBRD and Raiffeisen Bank Austria (Osijek)	-	15,750
Loan from MKB and OTP (Galeria Varna)	-	17,904
Loan from EBRD and Unicredit (Galeria Stara Zagora)	15,799	22,799
Loan from EBRD (Galeria Burgas)	23,006	25,356
Loan from VUB Bank (Jarosova)	-	3,475
Loans from minorities in subsidiaries and from joint ventures	27,047	118,268
Deferred issuance debt expenses	(5,677)	(6,815)
	739,112	**922,191**

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 2015	31 December 2014
Current portion of long term loans and bonds:		
Bonds series 2017-2018	915	949
Bonds series 2018-2019	680	711
Loan from OTP (GTC)	3,145	-
Loan from WBK (Globis Poznan)	14,407	507
Loan from WBK (Korona Business Park)	1,166	1,053
Loan from Berlin Hyp (UBP)	397	397
Loan from Pekao (Galeria Jurajska)	3,388	3,197
Loan from Pekao (Globis Wroclaw)	769	724
Loan from ING (Nothus)	746	662
Loan from ING (Zephirus)	746	662
Loan from Berlin Hyp (Corius)	469	421
Loan from WBK (Kazimierz office)	-	634
Loan from ING (Francuska office Centre)	540	540
Loan from MKB (Centre Point I)	1,700	1,600
Loan from MKB (Centre Point II)	1,626	1,626
Loan from Erste (White House)	1,000	1,000
Loan from MKB (Sasad Resort)	8,327	8,327
Loan from CIB (Metro)	983	943
Loan from Erste (Spiral)	1,254	-
Loan from MKB (Spiral)	-	1,191
Loan from EBRD and Raiffeisen Bank (GTC House)	750	1,700
Loan from Erste (19 Avenue)	569	569
Loan from EBRD and Raiffeisen Bank (GTC Square)	2,060	1,926
Loan from Raiffeisen Bank (Forty one 1)	264	-
Loan from EBRD and Unicredit (Galeria Stara Zagora)	8,900	22,799
Loan from MKB and OTP (Galeria Varna)	-	918
Loan from EBRD (Galeria Burgas)	1,424	1,150
Loan from MKB and Zagrabecka Banka (Avenue Mall Zagreb)	4,454	4,454
Loan from EBRD and Raiffeisen Bank Austria (Osijek)	-	964
Loan from EBRD and Raiffeisen Bank (Galeria Piatra)	2,613	-
Loan from EBRD and Raiffeisen Bank (Galeria Arad)	12,587	27,575
Loan from Erste (City Gate)	2,306	3,237
Loan from RZBR (Rose Garden)	-	2,987
Loan from Unicredit (Felicity)	-	25,563
Loan from VUB Bank (Jarosova)	-	574
Loans from minorities in subsidiaries	2,183	-
	80,368	**119,560**

28. Long-term loans and bonds (continued)

	31 December 2015	31 December 2014
Long term portion of long term loans and bonds:		
Bonds series 2017-2018	46,932	46,923
Bonds series 2018-2019	69,037	69,024
Loan from OTP (GTC)	7,863	-
Loan from WBK (Globis Poznan)	-	14,407
Loan from WBK (Korona Business Park)	41,153	40,824
Loan from Pekao (Globis Wroclaw)	23,923	24,691
Loan from ING (Nothus)	10,824	12,570
Loan from ING (Zephirus)	10,824	12,570
Loan from Berlin Hyp (Corius)	11,405	11,874
Loan from Peko (Galeria Polnocna)	4,519	-
Loan from WBK (Kazimierz office)	-	26,735
Loan from Pekao (Galeria Jurajska)	94,622	98,006
Loan from Berlin Hyp (UBP)	18,242	18,638
Loan from ING (Francuska office Centre)	23,197	15,737
Loan from MKB (Centre Point I)	16,701	18,401
Loan from MKB (Centre Point II)	20,573	22,199
Loan from CIB (Metro)	17,647	18,630
Loan from Erste (Spiral)	25,892	-
Loan from MKB (Spiral)	-	20,801
Loan from Erste (White House)	1,859	2,859
Loan from EBRD and Raiffeisen Bank (GTC House)	8,650	9,400
Loan from Erste (19 Avenue)	21,138	21,708
Loan from EBRD and Raiffeisen Bank (GTC Square)	11,700	13,759
Loan from Raiffeisen Bank (Forty one 1)	9,236	-
Loan from Erste (City Gate)	84,238	85,545
Loan from EBRD and Raiffeisen Bank (Galeria Piatra)	2,429	5,778
Loan from EBRD and Raiffeisen Bank (Galeria Arad)	11,706	-
Loan from MKB and Zagrabecka Banka (Avenue Mall Zagreb)	16,766	21,220
Loan from EBRD and Raiffeisen Bank Austria (Osijek)	-	14,786
Loan from MKB and OTP (Galeria Varna)	-	16,986
Loan from EBRD (Galeria Burgas)	21,582	24,206
Loan from EBRD and Unicredit (Galeria Stara Zagora)	6,899	-
Loan from VUB Bank (Jarosova)	-	2,901
Loans from minorities in subsidiaries and from joint ventures	24,864	118,268
Deferred issuance debt expenses	(5,677)	(6,815)
	658,744	**802,631**

28. Long-term loans and bonds (continued)

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

In its financing agreements with banks, the 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.

All bank loans except of loan granted to Spiral are nominated in Euro and bonds are nominated in PLN.

As of 31 December 2015, there were no breach of loan covenants.

For information regarding maturity dates and hedges on loans, see note 34.

29. Capital and Reserves

As at 31 December 2015, the shares structure was as follows:

Number of Shares	Share series	Total value	Total value
		in PLN	in euro
139,286,210	A	13,928,621	3,153,995
1,152,240	B	115,224	20,253
235,440	B1	23,544	4,443
8,356,540	C	835,654	139,648
9,961,620	D	996,162	187,998
39,689,150	E	3,968,915	749,022
3,571,790	F	357,179	86,949
17,120,000	G	1,712,000	398,742
100,000,000	I	10,000,000	2,341,372
31,937,298	J	3,193,729	766,525
108,906,190	K	10,890,619	2,561,293
460,216,478		**46,021,647**	**10,410,240**

All shares are entitled to the same rights.

Shareholders who as at 31 December 2015 held above 5% of the Company shares were as follows:

- LSREF III
- 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 23 April 2015, the Company held an ordinary shareholders meeting. The ordinary shareholders meeting decided that the loss for the year 2014 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

Phantom shares

Certain key management personnel of the Company are entitled to specific payments resulting from phantom shares in the Company (the "Phantom Shares").

The Phantom Shares grant to 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 Phantom Shares are not securities convertible or exchangeable into shares in the Company, in particular, they are not options on such shares. The Phantom Shares are merely a means of calculation of deferred variable compensation of the entitled persons, which depends on the future market price of the shares on the regulated market. The Phantom Shares (as presented in below mentioned table) have been accounted for based on future cash settlement.

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

Strike (PLN)	Blocked	Vested	Total
8.22	-	724,100	724,100
7.09	5,171,200	512,000	5,683,200
Total	**5,171,200**	**1,236,100**	**6,407,300**

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

	2015	2014
Income (expenses) arising from cash settled share based payments	(863)	2,570

As at 31 December 2015, phantom shares issued were as follows:

Last exercise date	Strike (in PLN)	Number of phantom shares
30/06/2016	8.22	724,100
31/05/2018	7.09	1,536,000
30/06/2019	7.09	4,147,200
Total		**6,407,300**

31. Earnings per share

Basic earnings per share were calculated as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Profit / (loss) for the period attributable to equity holders (euro)	45,192,000	(183,822,000)
Weighted average number of shares for calculating basic earnings per share	371,301,287	349,822,797
Basic earnings per share (euro)	0.12	(0.53)

There have been no potentially dilutive instruments as at 31 December 2015 and 31 December 2014.

32. Related party transactions

The company provides asset management services to subsidiaries within Lone Star group, which own real estate projects.

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

The transactions and balances with related parties are presented below:

	Year ended 31 December 2015	Year ended 31 December 2014
Transaction		
Asset management services	476	-
Interest income from associates and Joint Ventures	2,999	2,730
Balances		
Loans granted to associates	26,352	47,018
Loans granted to joint ventures	34,366	33,297
Loans from Joint ventures	-	62,426

Management and Supervisory Board remuneration (including severance payment to the Company's former Management board members) for the year ended 31 December 2015, amounted to EUR 1.6 million, and 512,000 phantom shares were vested. Management and Supervisory Board remuneration for the year ended 31 December 2014, amounted to EUR 2.9 million, and 1,345,542 phantom shares were vested.

33. 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.

Commitments

As of 31 December 2015 (31 December 2014), the Group had commitments contracted for in relation to future building construction without specified date, amounting to Euro 158 million (Euro 8 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 2015 and 31 December 2014, the guarantees granted amounted to Euro 74 million and Euro 149 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.

Croatia

In relation to the Marlera Golf project in Croatia, part of the land is held on a lease basis from the State. There is furthermore a Consortium agreement with the Ministry of Tourism of Croatia (Ministry) which includes a deadline for the completion of a golf course that has passed in 2014. The Company has taken active steps to achieve an extension of the period for completing the project. In February 2014, the Company received a draft amendment from the Ministry expressing its good faith and intentions to prolong the abovementioned timeline however the amendment was not formalized. At the end of 2015 parliamentary elections were held in Croatia and in January 2016 a new Government was appointed. The Company has formally approached the new Minister of Tourism with a request to formalize the amendment to the Consortium agreement however the extension is no longer at the sole discretion of the Group. As a result, the Management has decided to revalue the freehold asset in assuming no development of the golf course project. As of 31 December 2015 the book value of the investment in Marlera was assessed by an independent valuer at Euro 6.9 million and is assumed to be fully recoverable.

33. Commitments, contingent liabilities and Guarantees (continued)

Russia

As of 31 December 2015, the Group holds 50% interest in Yatelsis, which indirectly owns land and buildings in St. Petersburg, Russia.

During the last year, the economic and political uncertainty in Russia remained high. The market uncertainty created an unclear view as for potential future development of the St. Petersburg project and availability of reliable information related to such project. The Group's balance sheet exposure to St. Petersburg amounted to approximately Euro 4.6 million. The above mentioned events could adversely impact the results and financial position of the Group and its St. Petersburg investments in a manner that could not be estimated at this stage.

34. 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 cap transactions.

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

A 50bp change in Euribor rate would lead to Euro 1,115 thousand change in profit (loss) before tax.

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 inflow, outflow and cash and cash equivalent with that of the expenditures.

34. Financial instruments and risk management (continued)

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

	2015				2014			
	PLN/Euro				PLN/Euro			
	+10%	**+5%**	**-5%**	**-10%**	**+10%**	**+5%**	**-5%**	**-10%**
Cash and cash equivalents	5,588	2,794	(2,794)	(5,588)	2,878	1,439	(1,439)	(2,878)
Trade and other receivables	662	331	(331)	(662)	214	106	(106)	(214)
Trade and other payables	(1,598)	(779)	779	1,598	(558)	(279)	279	558
Bonds	(11,756)	(5,588)	5,588	11,756	(11,594)	(5,797)	5,797	11,594

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.

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 2015, the Company holds Cash and Cash Equivalent (as defined in IFRS) in the amount of approximately EUR 169 million. As described above, 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. 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.

34. Financial instruments and risk management (continued)

Repayments of long-term debt and interest are scheduled as follows (Euro million):

	31 December 2015	31 December 2014
First year	100	139
Second year	165	76
Third year	119	172
Fourth year	176	134
Fifth year	150	179
Thereafter	87	302
	797	**1,002**

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 2-5 years from the balance sheet date.

Fair Value

As of 31 December 2015 and 2014, all loans bear floating interest rate (however, as of 31 December 2015 and 2014, 58% and 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 hierarchy

As at 31 December 2015, 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 2015 and 31 December 2014, there were no transfers between Level 1 and Level 3 fair value measurements.

34. 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 2015 and 31 December 2014.

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 the level of around 50%.

	31 December 2015	31 December 2014
(1) Loans, net of cash and deposits (*)	521,559	697,970
(2) Investment properties, inventory and assets held for sale	1,324,413	1,292,956
Gearing ratio [(1)/(2)]	39.4%	54.0%

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

35. Material non-controlling interest

Summarised financial information of the material non-controlling interest as of 31 December 2015 is presented below:

	Avenue Mall	**Burgas**	**Stara Zagora**	**GTC Ukraine (*)**	**Non-core residential projects**	**Total**
Non-current assets	102,189	42,030	13,324	1,203	14,293	173,039
Current assets	2,310	3,322	2,881	55	2,735	11,303
Total assets	**104,499**	**45,352**	**16,205**	**1,258**	**17,028**	**184,342**
Equity	60,998	(9,469)	(63,749)	(26,384)	(64,545)	(103,149)
Non-current liabilities	37,355	52,183	69,458	27,622	78,618	265,236
Current liabilities	6,146	2,638	10,496	20	2,955	22,255
Total equity and liabilities	**104,499**	**45,352**	**16,205**	**1,258**	**17,028**	**184,342**
Revenue	10,501	5,611	2,382	-	5,149	23,643
Profit /(loss) for the year	3,602	3,153	(5,677)	(5,521)	(3,491)	(7,934)
NCI share in equity	**18,304**	**(1,894)**	**(15,937)**	**(2,290)**	**(19,521)**	**(21,339)**
NCI share in profit / (loss)	**1,081**	**631**	**(1,419)**	**(552)**	**(1,293)**	**(1,553)**

(*) NCI was purchased for Euro 1 in January 2016

36. Subsequent events

In January 2016, the Company purchased Pixel office building in Poznan, Poland for EUR 32 million. The office building is entirely leased to renowned tenants. The Company intends to hold the office building as part of the income-producing portfolio of the GTC Group. The purchase of the Property was financed by the Company's own sources and a bank loan.

37. Approval of the financial statements

The financial statements were authorised for issue by the Management Board on 16 March 2016.

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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 2015 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.

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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 2015, 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, 16 March 2016