CONSOLIDATED ANNUAL REPORT
OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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Ladies and Gentlemen,

2016 was both a challenging but also a very rewarding year for GTC. It marks another milestone in GTC's history. Having successfully implemented a stringent restructuring program, GTC has now established itself as a major, profitable and acquisitive market player in its CEE and SEE target markets.

Completion of restructuring process and beginning of investment momentum

Central to our success this year was the capital raised in 2015 and invested in 2016. In 2016 we invested about €162 million and acquired value-adding cash generating assets and a selected land bank in line with our strategy. We were able to acquire Pixel in Poznań (an office building with 14,500 sq m), Premium Plaza and Premium Point in Bucharest (two office buildings with a total of 15,000 sq. m), Neptun Office Center in Gdansk (a 16,000 sq. m high-rise office building) and Sterlinga Business Center in Łódź (a 13,500 sq. m high-rise office building), Artico (office under construction), land plot in Budapest, Belgrade and Sofia, as well as 41% stake in City Gate. All our new add-on acquisitions focused entirely on our target markets as set out in our new growth strategy. The acquisitions and completed assets added €9.4m annualized NOI.

The core contributor to the successful performance was also our rigorous restructuring of loans for the assets that were acquired and as a result materially improving the related FFO yield. The restructuring of the company's subsidiaries and refinancing of selected project loans combined with an efficient interest-hedging strategy led to major savings in GTC's borrowing cost and provided headroom for further financing.

Finance

In 2016 GTC raised corporate debt of €62 million (of which €28 million received in 2017) and also borrowed €240 million in 16 loans. Total finance costs decreased for the second consecutive year. In 2016 they totaled €29.5 million versus €33.2 million in 2015, despite an increase in total debt from €739 million as at 31 December 2015 to €893 million as at 31 December 2016.

All these factors, in particular the acquisitions and the savings in finance costs, contributed to an increase in our Funds from Operations (FFO) from €28 million in 2014 to €43 million in 2016. This reflects the significant operational progress and turnaround success that GTC achieved last year.

The improvement in FFO and recurring cash inflow led the management to recommend a dividend payment to shareholders for the first time in GTC's history and set up a dividend policy for the coming years.

Attractive asset portfolio and pipeline

During 2016, as a part of our restructuring process, we disposed of five non-core assets and freed up €23 million cash equity. Moreover, we sold non-core land plots that were not earmarked for near-term, future developments. This freed-up unproductive capital for our growth strategy. As at 31 December 2016 our EPRA NAV stood at €897 million (or €1.95 per share) (vs. €614 million as at end of 2014) and the gross asset value (GAV) of our portfolio was approximately €1.6 billion. 78% of those was made up of income-producing assets, and projects under construction accounted for 15%, while 3% were non-core assets. Our unique development portfolio consists predominantly of landmark shopping centers and Class A office buildings with significant embedded Net Asset Value (NAV) growth potential upon completion. Our development portfolio includes five projects at the construction stage and six projects at the planning stage.

Improvement in key operating statistics

In 2016, we put a great deal of effort into our portfolio in order to keep our already impressive overall occupancy at 94%. Our office portfolio noted success with letting out a total of 113,200 sq. m. Within our retail portfolio, we let out 30,800 sq. m, including 18,700 sq. m of pre-letting in the newly developed Galeria Północna. This puts our retail occupancy at 95%. The overall occupancy in 2016 was impacted by the acquisition of value add assets with certain vacancy and the completion of University Business Park B in Warsaw and FortyOne in Belgarde, for which leasing process was completed at the beginning of 2017. The rollover of Galeria Jurajska leases will further increase the overall occupancy level.

Development projects on track

In addition to managing our core office and retail properties, we also made significant progress in our development portfolio. During 2016 we accelerated the development and pre-letting of our major projects: Galeria Północna, a major shopping center in Warsaw with a total investment volume of €185 million, is under construction and scheduled for completion in August 2017. The second phase of University Business Park in Łódź, with a total investment volume of €15 million, was completed in the second quarter of 2016 and the second phase of FortyOne, an office building in Belgrade with a total investment cost of €11 million, was completed in the third quarter of 2016. Currently we have over 139,000 sq m of office and retail space under construction with five projects: Galeria Północna (Warsaw), Ada Mall (Belgrade), FortyOne III (Belgrade), Artico (Warsaw) and White House (Budapest).Projects in pre-construction stage include shopping mall Galeria Wilanów (Warsaw) and an office project Budapest City Tower (Budapest),Green Heart (Belgrade), GTC X (Belgrade), Avenue Park Zagreb (Zagreb) as well as Advance Business Center Sofia).

2017 Total Return strategy

In 2017 GTC is once again going to focus on growing its completed asset portfolio and continuing expansion of its development projects. In line with our growth strategy, we are going to further seek and seize selected acquisition opportunities of value-adding assets in our core markets. Ongoing construction projects such as Galeria Północna and Artico in Warsaw, White House in Budapest and FortyOne III and Ada Mall in Belgrade are scheduled to be completed in 2017 and 2018. These activities give us confidence that GTC is well-positioned for 2017 and beyond to deliver superior growth to its all stakeholders, alongside with impressive dividend growth.

Our stakeholders

Finally, we would like to take this opportunity to pay tribute to our employees, whose commitment and hard work significantly contributed to our 2016 performance. We would also like to thank our shareholders for their support and confidence in our strategy. And last but not least, a big thank you goes to our business partners and tenants.

We look forward to a successful year in 2017 and are eager to continue to accelerate the implementation of our growth strategy.

Thomas Kurzmann CEO	Erez Boniel CFO

MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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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 through its subsidiary. The Group was established in 1994 and has been present in the real estate market since then.

The Group's portfolio comprises: (i) completed commercial properties; (ii) commercial properties under construction; (iii) a commercial landbank intended for future development and (iv) residential projects and landbank.

Since its establishment and as at 31 December 2016 the Group: (i) has developed almost one million sq. m of gross commercial space and approximately 300 thousand sq. m of residential space; (ii) has sold almost 500 thousand sq. m of gross commercial space in completed commercial properties and approximately 299 thousand sq. m of residential space; and (iii) has acquired approximately 90 thousand sq. m of commercial space in completed commercial properties.

As of 31 December 2016, the Group`s property portfolio comprised the following properties:

- 31 completed commercial properties, including 27 office properties and four retail properties with a combined commercial space of approximately 596 thousand sq. m, of which the Group's proportional interest amounts to approximately 579 thousand sq. m of GLA;
- five commercial projects under construction, including three office projects and two retail project with total GLA of approximately 139 thousand sq. m, of which the Group's proportional interest amounts to 139 thousand sq. m of NLA;
- commercial landbank designated for future development, with approximately 842 thousand sq. m NLA;
- one residential project under construction with four thousand sq. m area designated for residential use; and
- residential projects and landbank designated for residential use.

The Group also holds a land plot designated for Ana Tower located in Bucharest through its associates and joint ventures and a land plot in Ukraine through its subsidiary.

As of 31 December 2016, the book value of the Group's portfolio amounts to €1,623,791 with: (i) the Group's completed commercial properties accounting for 78% thereof; (ii) commercial properties under construction – 15%; (iii) a commercial landbank intended for future development– 6%; (iv) residential projects and landbank accounting for 1%. Based on the Group's assessment approximately 97% of the portfolio is core and remaining 3% is non-core assets, including non-core landplots and residential projects.

As of 31 December 2016, the Group's completed properties in its three most significant markets, i.e. Poland, Hungary and Romania, constitute 44%, 17% and 15% of the total book value of all completed properties.

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

The Company's shares are listed on the WSE and inward listed on the Johannesburg Stock Exchange. The Company's shares are included in WIG 30 and the Dow Jones STOXX Eastern Europe 300.

The Group's headquarters are located in Warsaw, at 17 Stycznia 45A.

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 and inward listed on Johannesburg Stock Exchange in August 2016 and are marked under the ISIN 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, PLGTC0000177, PLGTC0000219 and PLGTC0000227; „the Report" refers to the consolidated annual report prepared pursuant to art. 92 of the Decree of the Finance Minister of 19 February 2009 on current and periodical information published by issuers of securities and conditions of qualifying as equivalent the information required by the provisions of law of a country not being a member state; "CEE" refers to the group of countries that are within the region of Central and Eastern Europe (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; gross rentable area", "GRA", or "gross leasable area", "GLA" refer to the metric of the all the leasable area of a property multiplied by add-on-factor; "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; "JSE" refers to the Johannesburg Stock Exchange .

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 consolidation method in each of the properties. The valuation of the properties is based on the value that the Group consolidates in it consolidated financial statements. The occupancy rate given for each of the markets is as of 31 December 2016.

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 2016 and 2015. 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 2016 (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 2016.

Selected financial data presented in PLN is derived from the consolidated financial statements for the 12-month period ended 31 December 2016 presented in accordance with IFRS and prepared in the Polish language and in Polish zloty as a presentation currency.

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			
	2016		2015	
(in thousands)	€	PLN	€	PLN
Consolidated Income Statement				
Revenues from operations	120,301	524,814	117,363	491,035
Cost of operations	(32,955)	143,766	(37,333)	(156,198)
Gross margin from operations	87,346	381,048	80,030	334,837
Selling expenses	(3,236)	14,117	(2,721)	(11,384)
Administrative expenses	(12,234)	53,371	(11,045)	(46,211)
Profit/(loss) from revaluation/impairment of assets, net	84,551	371,373	26,222	111,717
Share of profit/(loss) in associates	(4,474)	19,518	(8,163)	(34,153)
Financial income/(expense), net	(28,176)	(122,918)	(29,356)	(122,822)
Net profit / (loss)	159,575	699,369	43,639	184,158
Basic and diluted earnings per share (not in thousands)	0.34	1,51	0.12	0.50
Weighted average number of issued ordinary shares (not in thousands)	460,216,478	460,216,478	371,301,287	371,301,287
Consolidated Cash Flow Statement				
Net cash from operating activities	73,281	319,688	73,109	305,882
Net cash used in investing activities	(231,790)	(1,011,183)	(22,835)	(95,702)
Net cash from/(used in) financing activities	140,806	614,266	37,372	165,863
Cash and cash equivalents at the end of the period	149,812	662,768	169,472	722,205
Consolidated statement of financial position				
Investment property	1,501,770	6,643,830	1,163,522	4,959,244
Investment property landbank	102,905	455,252	124,977	531,822
Residential landbank and inventory	19,116	84,570	29,934	127,564
Cash and cash equivalents	149,812	662,768	169,472	722,205
Others	65,887	291,484	71,615	305,189
Total assets	1,839,490	8,137,904	1,559,550	6,646,024
Non-current liabilities	852,865	3,773,075	806,969	3,438,897
Current liabilities	196,302	868,439	131,379	559,871
Total Equity	790,323	3,496,390	621,202	2,647,256
Share capital	10,410	46,022	10,410	46,022

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 favorable 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 realize their values; and (ii) acquire properties suitable for management in the future at attractive prices or on favorable terms and conditions.

As a part of its strategy, the Group intends to focus on maximizing 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 favorable terms and conditions (if at all) or find and retain tenants willing to enter into leases on terms that are at least as favorable 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 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 realize 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 2016. 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 increases 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) optimization 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 no projects that are not profitable however in the past the Group had a number of projects that were not primarily due to insufficient occupancy rates and rent levels. The Group cannot exclude that 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 modernization, 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 modernization 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 neighboring properties and local residents may try to frustrate the obtainment of the necessary permits, consents or approvals.

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

If the Group cannot obtain the required approvals and permits in a timely manner or at all, its projects may 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 endeavors to require general contractors to secure the performance of their obligations under their respective agreements, in particular by presenting bank guarantees. However, there can be no assurance that such guarantees will cover the entire costs and damages incurred by the Group in connection with the non-performance of agreements entered into with general contractors.

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

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

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

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

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

- increased material, labor 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 authorizations relating to plots of land held by the Group;
- the Group's potential inability to obtain financing on favourable terms or at all for individual projects or in the context of multiple projects being developed at the same time;
- potential liabilities relating to acquired land, properties or entities owning properties with respect to which the Group may have limited or no recourse;
- tenants' unwillingness to vacate a development site;
- obligations regarding the development of adjacent properties;
- inability to receive required zoning permissions for intended use;
- discrepancies between the planned area and the post-construction area of developments; and
- obligations relating to the preservation and protection of the environment and the historic and cultural heritage of Poland and other jurisdictions in which the Group conducts its operations, as well as other social obligations.

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

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

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

In addition to the necessity of having adequate infrastructure during the construction process, the viability of the Group's projects, once completed, depends on the availability and sufficiency of the local infrastructure and utilities.

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

The Group is reliant on 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 €1,049,167 and €938,348 of total non-current and current consolidated liabilities (including hedging instruments) as of 31 December 2016 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 cash flows from operations to the payment of the principal of and interest on its indebtedness, meaning that these cash flows will not be available to fund its operations, capital expenditures, acquisitions or other corporate purposes;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the real estate market; and
- placing the Group at a competitive disadvantage compared to its competitors that are not as highly leveraged.

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

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

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

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

In addition, adverse political or economic developments in neighboring countries could have a significant negative impact on, among other things, gross domestic product, foreign trade or economies in general of individual countries. The countries and the region in which the Group operates have experienced and may still be subject to potential political instability caused by changes in governments, political deadlock in the legislative process, tension and conflict between federal and regional authorities, corruption among government officials and social and ethnic unrest. In particular, the 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 neighboring 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, labor laws, and land use restrictions. If the Group's projects and properties do not comply with these requirements, the Group may incur regulatory fines or damages.

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

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

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

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

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

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

The land and mortgage registry systems in certain of the CEE and SEE jurisdictions are non-transparent and inefficient, which may, inter alia, result in delays in the land acquisition process and the registration of many plots into one consolidated plot, which is a requirement before certain projects can be developed. This inefficiency could have a material adverse effect on the business, cash flows, financial condition, results of operations 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 and Hungary, 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 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 through its subsidiary. The Group was established in 1994 and has been present in the real estate market since then.

The Group's portfolio comprises: (i) completed commercial properties; (ii) commercial properties under construction; (iii) a commercial landbank intended for future development and (iv) residential projects and landbank.

Since its establishment and as at 31 December 2016 the Group: (i) has developed almost one million sq. m of gross commercial space and approximately 300 thousand sq. m of residential space; (ii) has sold almost 500 thousand sq. m of gross commercial space in completed commercial properties and approximately 299 thousand sq. m of residential space; and (iii) has acquired approximately 90 thousand sq. m of commercial space in completed commercial properties.

As of 31 December 2016, the Group`s property portfolio comprised the following properties:

- 31 completed commercial properties, including 27 office properties and four retail properties with a combined commercial space of approximately 596 thousand sq. m, of which the Group's proportional interest amounts to approximately 579 thousand sq. m of GLA;
- five commercial projects under construction, including three office projects and two retail project with total GLA of approximately 139 thousand sq. m, of which the Group's proportional interest amounts to 139 thousand sq. m of NLA;
- commercial landbank designated for future development, with approximately 842 thousand sq. m NLA;
- one residential project under construction with four thousand sq. m area designated for residential use; and
- residential projects and landbank designated for residential use.

The Group also holds a land plot designated for Ana Tower located in Bucharest through its associates and joint ventures and a land plot in Ukraine through its subsidiary.

As of 31 December 2016, the book value of the Group's portfolio amounts to €1,623,791 with: (i) the Group's completed commercial properties accounting for 78% thereof; (ii) commercial properties under construction – 15%; (iii) a commercial landbank intended for future development– 6%; (iv) residential projects and landbank accounting for 1%. Based on the Group's assessment approximately 97% of the portfolio is core and remaining 3% is non-core assets, including assets held for sale and residential projects.

As of 31 December 2016, the Group's completed properties in its three most significant markets, i.e. Poland, Hungary and Romania, constitute 44%, 17% and 15% of the total book value of all completed properties.

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

The Company's shares are listed on the WSE and inward listed on the Johannesburg Stock Exchange. The Company's shares are included in WIG 30 and the Dow Jones STOXX Eastern Europe 300.

The Group's headquarters are located in Warsaw, at 17 Stycznia 45A.

Item 4.2. Main events of 2016

In January 2016, the Group acquired the remaining 10% in GTC Ukraine B.V, and the minority shareholder's loans granted to the project, for a consideration of €1 (not in thousand). Following the transaction GTC remained the sole owner of the subsidiary. As a result of the transaction, the negative non-controlling interest increased by €2,200 and the capital reserve increased by €400 and the non-controlling interest loans decreased by €2,600. Consequently, the total equity increased by €2,600.

On 28 January 2016, the Group acquired Pixel office building in Poznań. The net purchase price for the property and other rights and movable assets under the agreement amounted to €32,200. The purchase of the property was financed by the Group's own sources and a bank loan from PKO BP in the amount of €22,500. The office building is entirely leased to renowned tenants and the Group intends to hold it as part of its investment portfolio.

In March 2016, the Group acquired a landplot in Budapest for €11,300. The Group intends to develop an office building on this land.

In April 2016, the Group acquired two office buildings Premium Plaza and Premium Point in Bucharest, consisting of approximately 15,000 sq. m of GLA for a total purchase price of €32,000. Property acquisition was financed by the Group's own sources. The office buildings are 90% leased to renowned tenants and the Group intends to hold it as part of its investment portfolio.

In April 2016, the Group completed University Business Park B, office building in Łódź. The University Business Park complex comprises two A-class office buildings and the total gross leasable area of the complex is aprox. 40,000 sq. m.

On 1 July 2016, the Group acquired two office buildings in Poland: Neptun Office Center and Sterlinga Business Center, located in Gdansk and Lodz respectively. These two Class A office buildings, featuring modern design and a total of 30,000 sq. m GLA of office space and 364 parking places. Additionally, the Company has signed a loan agreements for financing of these projects with Pekao S.A. in the amount of €39,000, and loan agreements for financing the VAT of these projects. The office buildings are 75% and 96% leased to renowned tenants and the Group intends to hold it as part of its investment portfolio.

In July 2016 the Group has signed a loan agreement for financing of the Duna Tower office project in Budapest with OTP Bank Nyrt. The total nominal amount of the new loan is €28,000. Furthermore, the Group and the bank undertook to refinance €38,900 of Center Point loans currently financed by MKB Bank Zrt. with a new €47,000 loan facility.

In July 2016, the Group sold a major part of the land known as Konstancja Commercial land consisting of ten hectare for approx. €8,600 (PLN 37,000).

In July 2016, the Group acquired an SPV Artico Sp. z o.o. that develops an office building in Warsaw. The building will consist of aprox. 7,600 sq. m. of leasable area and is almost fully pre-leased. The building is scheduled to be completed during 2017.

In June 2016, CID Holding S.A. sold the Galerie Harfa shopping centre in Prague. In July 2016, it repaid GTC's loan in the amount of €11,300.

In August 2016, the Group sold its shares in Lighthouse Holdings Limited S.A for €1.300.

In July 2016, Johannesburg Stock Exchange Limited ("JSE") has approved The Company's inward listing on the bourse's main board. Listing commenced on 18 August 2016.

In August and September 2016, the Group sold the companies which held Galleria Piatra Neamt and Galleria Arad shopping centers in Romania for €2,700 and €2,100 respectively.

In order to (i) to enable a fastest and most effective way to control Group companies and bring optimization of management processes within the Group, (ii) reduction of operating and administrative costs and (iii) increased transparency for owners and investors, on 30 March 2016, the Management of GTC S.A. announced a plan for a cross-border merger of GTC S.A. and two of its subsidiaries. In May 2016, the merger plan was approved by the Shareholders of GTC S.A. and finalized on 30 September 2016.

In September 2016, the Group completed FortyOne II, office building in Belgrade with total gross lettable area of 7,200 sq. m. Construction of the third building (10,700 sq. m NLA) began in the first half of 2016 and its completion is scheduled for the first quarter of 2017.

In November 2016, the Group acquired shares in a Serbian company which owns a land in Belgrade, for the total amount of €4,600. The Group intends to develop an office building on this land.

In December 2016, the Group acquired land in Sofia for the total amount of €6,100. The Group intends to construct an office building on this land.

In November 2016, the GTC SA has issued three year euro denominated bonds in the total amount of €28,781. The bonds bear a fixed 6-month coupon of 3.75% p.a.

In November 2016, GTC Group signed a loan agreement with Alfa Bank in the amount of €19,000 to finance Premium Point and Premium Plaza office buildings in Bucharest.

In December 2016, the GTC SA issued three year Schuldschein loan in the total amount of €5,000. The loan bears a fixed interest of 3.25% p.a (3.61% including tax), to be paid every six months.

In 2016 GTC Group started construction of Ada Mall shopping mall in Belgrade and White House office building in Budapest.

Events that took place after 31 December 2016:

In January 2017, the GTC SA issued three year Schuldschein loan in the total amount of €10,000. The loan bears a fixed 1-year coupon of 3.25% p.a (3.61% including tax), to be paid every six months.

In March 2017, the Company issued three-year euro denominated bonds in the total amount of €18,500.

Item 4.3. Structure of the Group

The structure of Globe Trade Centre S.A. Capital Group as of 31 December 2016 is presented in the Consolidated Financial Statements for the year ended 31 December 2016 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 2016:

- GTC Group acquired the minority stake in GTC Real Estate Investments Ukraine B.V.
- GTC Group acquired the minority stake in Complexul Residential Colentina S.R.L
- GTC Group purchased the minority stake in Galeria Stara Zagora AD
- GTC Group acquired Artico Sp. z o.o.
- GTC Group acquired Julesberg Sp. z o.o.
- GTC Group acquired Jowett Sp. z o.o.
- GTC Group acquired Calobra Sp. z o.o.
- GTC Group acquired Mantezja 4 Sp. z o.o.
- GTC Group acquired Glamp d.o.o.
- Immo Buda Kft and Szemi Ingatlan Ltd were merged into Albertfalva Kft (Hungary)
- GTC Real Estate Developments d.o.o. was merged into GTC Medj Razvoj Nekretnina d.o.o.
- GTC Real Estate Investments Ukraine B.V and GTC RH B.V. were merged into GTC SA
- GTC Renaissance Plaza Kft changed its name to GTC White House Kft (Hungary)

- VRK Tower Kft. was established (Hungary)
- ABC EAD was established (Bulgaria)
- Galeria Ikonomov GmbH (Austria) was liquidated
- Nibiru Developments doo was liquidated
- Mars Commercial Center S.R.L. was sold
- Preston Park Kft. was sold
- SASAD II Kft. was sold

Item 4.4. 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 4.5. 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 low levels due to the global financial crisis experienced by the financial markets in 2009, which slowed down the general economy in the countries in which GTC

operates, which in turn resulted in reduced demand for property, growth of vacancy rates and increased competition in the real estate market..

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 net operating income, through re-leasing optimising average occupancy and rental rates, and/or redevelopment; and
- 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.

Based on our market conditions and strict criteria we invested over €122,298 in income generating assets with value add potential over 2016 acquiring Class A office buildings in our core markets. During the year we acquired:

- Pixel (office building located in Poznań, Poland)
- Premium Point (office building located in Bucharest, Romania)
- Premium Plaza (office building located in Bucharest, Romania)
- Neptun Office Center (office building located in Gdańsk, Poland)
- Sterlinga Business Center (office building located in Łódź, Poland)

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, Ada Mall in Belgrade, and office projects FortyOne III, Green Heart and GTC X in Belgrade, White House and Budapest City Tower in Budapest, Artico in Warsaw, Avenue Park Zagreb in Zagreb as well as Advance Business Center in Sofia.

The development of those projects, which as at the date of the Report were in the construction stage (Galeria Północna, Ada Mall, Artico, White House and FortyOne III) or the pre-construction stage (Galeria Wilanów, Green Hear, GTC X, Budapest City Tower, Avenue Park Zagreb, Advance Business Center), is an important value driver of the Group. As of 31 December 2016, projects under construction represent approximately 15% of the Group's portfolio value.

Currently, we have 5 projects consisting of, including: 139,000 sq. m of office and retail space under construction .

- Galeria Północna – a retail and entertainment center that we will build in Warsaw with up to approximately 64,800 sq. m of NLA; its construction commenced in June 2015 and we plan grand opening for August 2017;
- Ada Mall - a retail and entertainment centre being built by the Group in Belgrade with up to approximately 34,400 sq. m of NLA;
- FortyOne III – the last building in complex of three office buildings being built in Belgrade, Serbia; construction of the first phase (10,100 sq. m GLA) completed in August 2015, construction of the second building (7,200 sq. m GLA) completed in September 2016 and construction of the third building (10,700 sq. m NLA) began in the first half of 2016 and its completion is scheduled for the first quarter of 2017
- Artico – fully let office building in Warsaw with approximately 7,600 sq. m of NLA;
- White House – an office building in Budapest with approximately 21,500 sq. m of NLA;

Additionally we have six projects consisting of 180,900 sq. m in the pre-construction stage:

- Green Heart - a complex of office buildings being built in Belgrade, Serbia with intended NLA of approximately 25,500 sq. m;
- GTC X - an office building being built in Belgrade, Serbia with intended NLA of approximately 17,000 sq. m;
- Budapest City Tower - an office building being built in Budapest, Hungary with intended NLA of approximately 42,500 sq. m NLA
- Avenue Park Zagreb - an office building being built in Zagreb, Croatia with intended NLA of approximately 20,800 sq. m
- Advance Business Center - an office building being built in Sofia, Bulgaria with intended NLA of approximately 14,100 sq. m
- Galeria Wilanów - a retail and entertainment centre with intended NLA of approximately 61,000 sq. m to be developed by the Group in Warsaw.

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 real estate management and development 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 4.6. 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 2016 , the book value of the Group’s investment property, residential inventory and landbank amounted to €1,623,791. The Groups investment properties include income generating assets (completed properties), projects under construction and commercial landbank.

Investment portfolio

As of 31 December 2016, the Group manages completed commercial properties with a combined gross rentable area of approximately 596 thousand sq. m, including 27 office properties and four retail properties, which constituted 78% of the overall portfolio.

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 and Croatia. 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 2016, the Group had five projects classified as investment under construction with a book value of €240,726, which constituted 15% of the Group's overall portfolio.

Commercial landbank

As of 31 December 2016, the Group had land classified as commercial landbank designated for future development of €102,905, which constituted 6% of the Group's overall portfolio (by value). This landbank includes projects that are on Group`s focus for coming years like: Galeria Wilanów, Avenue Park Zagreb, Budapest City Tower, Green Heart, GTC X and Advance Business Center which constitute 4% of group's overall portfolio (55% of commercial landbank).

Residential inventory and landbank

Over past 23 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 2016, the Group held residential inventory of both completed and landbank projects with a total value of €19,116, which constituted 1% of the Group's overall portfolio.

Item 4.6.1. 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 and Bulgaria. 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 4.6.1.1. Overview of income generating assets

As of 31 December 2016, the Group had 31 income generating assets totaling 596 thousand sq. m and valued €1,261,044. The average occupancy rate within the income generating portfolio was 94% as of 31 December 2016. The portfolio was valued based on average yield of 7.5%. Average duration of leases in Group`s income generating portfolio was 4.0 years and the average rental rate was €14.7 / sq. m / month.

Approximately 44% of the income generating portfolio is located in Poland, 17% in Hungary, 15% in Romania, 11% in Serbia and remaining 13% is located in other countries in which the Group operates.

As of 31 December 2016, the value of office properties accounted for around 74% and retail properties accounted for the remaining 26% of income generating portfolio.

The following table presents income generating portfolio by main usage type as of 31 December 2016:

Usage type	GTC`s consolidated share (sq. m)	Total gross leasable area (sq. m)	% of total income generating portfolio (sq. m)	Average occupancy (%)	Book value (€)	% of total book value
Office	456,000	456,000	76%	93%	936,125	74%
Retail[1]	140,000	140,000	24%	95%	324,919	26%
Total	596,000	596,000	100%	93%	1,261,044	100%

[1]Including Avenue Center, Zagreb,Croatia

The following table presents income generating portfolio by country in which the Group operates of 31 December 2016:

Country	GTC`s consolidated share (sq. m)	Total gross leasable area (sq. m)	% of total income generating portfolio (sq. m)	Average occupancy (%)	Book value (€)	% of total book value
Poland	254,000	254,000	42%	91%	558,924	44%
Hungary	119,000	119,000	20%	96%	216,206	17%
Romania	62,000	62,000	10%	94%	185,520	15%
Serbia	70,000	70,000	12%	95%	139,981	11%
Croatia	34,000	34,000	6%	99%	103,213	8%
Bulgaria	57,000	57,000	10%	97%	57,200	5%
Total	**596,000**	**596,000**	**100%**	**94%**	**1,261,044**	**100%**

Item 4.6.1.1.1. Overview of the office portfolio

As of 31 December 2016, the Group office portfolio comprised of 27 office projects. Total gross rentable office space was 456 thousand sq. m compared to 365 sq. m as of 31 December 2015. Total value of office portfolio as of 31 December 2016 was €936,271 compared to €744,632 as of 31 December 2015. Increase in value and space is mainly due to acquisition of: Pixel in Poznań, Premium Point and Premium Plaza in Bucharest, Sterlinga Business Center in Łódź, and Neptun Office Center in Gdańsk and completion of FortyOne II in Belgrade and University Business Park B in Łódź. The Group's office buildings are located in Poland, and capital cities of other countries of CEE and SEE region: Budapest, Belgrade, Zagreb and Buchares (Avenue Center is a part of Avenue Mall Zagreb and its presented together with Avenue Mall Zagreb in retail segment)

The following table presents office portfolio by country as of 31 December 2016:

Country	GTC`s consolidated share (sq. m)	Total gross leasable area (sq. m)	% of total office portfolio (sq. m)	Average occupancy (%)	Book value (€)	% of total book value
Poland	205,000	205,000	45%	91%	394,418	42%
Hungary	119,000	119,000	26%	96%	216,206	23%
Romania	62,000	62,000	14%	94%	185,520	20%
Serbia	70,000	70,000	15%	95%	139,981	15%
Subtotal	**456,000**	**456,000**	**100%**	**93%**	**936,125**	**100%**

Item 4.6.1.1.1.1 Office portfolio in Poland

The total gross rentable area in Poland comprised 205 thousand sq. m in 14 office projects located in Warsaw, Kraków, Łódź, Katowice, Poznań, Wrocław and Gdańsk. The average occupancy rate was at the level of 91%. The average duration of leases was 3.7 years at the year end and applied yield was at the level of 7.5%. The average rental rate generated by the office portfolio in Poland was at the level of €13.7 /sq. m/month. Book value of the office portfolio in Poland amounted to €394,418 as of 31 December 2016 compared to €266,436 as of 31 December 2015. The difference comes mainly from acquisition of Pixel, Sterlinga Business Center and Neptun Office Center and completion of University Business Park B.

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

Property	Location	GTC's share (%)	GTC`s consolidated share (sq. m)	Total gross rentable area (sq. m)	Year of completion
Galileo	Kraków	100%	11,000	11,000	2003
Globis Poznan	Poznań	100%	13,000	13,000	2003
Newton	Kraków	100%	11,000	11,000	2007
Edison	Kraków	100%	11,000	11,000	2007
Nothus	Warszawa	100%	10,000	10,000	2007
Zephirus	Warszawa	100%	10,000	10,000	2008
Globis Wroclaw	Wrocław	100%	16,000	16,000	2008
University Business Park A	Łódź	100%	20,000	20,000	2010
Francuska Office Centre	Katowice	100%	23,000	23,000	2010
Corius	Warszawa	100%	10,000	10,000	2011
Pascal	Kraków	100%	6,000	6,000	2014
Pixel[1]	Poznań	100%	15,000	15,000	2013
University Business Park B[2]	Łódź	100%	20,000	20,000	2016
Sterlinga Business Center[1]	Łódź	100%	13,000	13,000	2010
Neptun Office Center[1]	Gdańsk	100%	16,000	16,000	2014
		Total	**205,000**	**205,000**	

[1]Property acquired in 2016

[2]Property completed in 2016

Item 4.6.1.1.1.2 Office portfolio in Hungary

The Group's total gross rentable area in Hungary comprised 119 thousand sq. m in four projects located in Budapest. The occupancy rate was at the level of 96%. The average duration of leases was 3.1 years at the year end and applied yield was at the level of 7.5%. The average rental rate generated by the office portfolio in Hungary was at the level of €12.0 / sq. m / month. Book value of the Group's office portfolio in Hungary amounted to €216,206 as of 31 December 2016, as compared to €208,496 as of 31 December 2015. An increase comes mainly from value appreciation of Duna Tower due to improved occupancy and yield compression.

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

Property	**Location**	**GTC's share**	**GTC`s consolidated share**	**Total gross rentable area**	**Year of completion**
		(%)	**(sq. m)**	**(sq. m)**	
Center Point I&II	Budapest	100%	41,000	41,000	2004/2006
Duna Tower	Budapest	100%	31,000	31,000	2006
Spiral I&II	Budapest	100%	31,000	31,000	2009
Metro	Budapest	100%	16,000	16,000	2010
		Total	**119,000**	**119,000**	

Item 4.6.1.1.1.3 Office portfolio in Serbia

The Group's total gross rentable area in Serbia comprised 70 thousand sq. m in five office buildings located in Belgrade. The occupancy rate was at the level of 95%. The average duration of leases was 2.9 years at the year end and applied yield was at the level of 8.5%. The average rental rate generated by the office portfolio in Serbia was at the level of €16.3 / sq. m / month. Book value of the Group's office portfolio in Serbia amounted to €139,981 as of 31 December 2016 compared to €123,600 as of 31 December 2015. An increase comes mainly from completion of FortyOne phase II and value appreciation.

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

Property	**Location**	**GTC's share**	**GTC`s consolidated share**	**Total gross rentable area**	**Year of completion**
		(%)	**(sq. m)**	**(sq. m)**	
GTC House	Belgrade	100%	14,000	14,000	2005
Avenue 19	Belgrade	100%	17,000	17,000	2008
GTC Square	Belgrade	100%	22,000	22,000	2008
FortyOne phase I	Belgrade	100%	10,000	10,000	2015
FortyOne phase II[1]	Belgrade	100%	7,000	7,000	2016
		Total	**70,000**	**70,000**	

[1]Property completed in 2016

Item 4.6.1.1.1.4 Office portfolio in Romania

The Group's total gross rentable area in Romania comprised 62 thousand sq. m in three office projects located in Bucharest. The occupancy rate was at the level of 94%. The average duration of leases was 4.3 years at the year end and applied yield was at the level of 7.5%. The average rental rate generated by the office portfolio in Romania was at the level of €18.2/ sq. m / month. Book value of the Group's office portfolio in Romania amounted to €185,520 as of 31 December 2016, as compared to €146,100 as of 31 December 2015. An increase comes mainly from acquisition of Premium Point and Premium Plaza and their value appreciation since acquisition due to improvement performance.

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

Property	Location	GTC's share	GTC`s consolidated share	Total gross rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
City Gate	Bucharest	100%	48,000	48,000	2009
Premium Point[1]	Bucharest	100%	6,000	6,000	2009
Premium Plaza[1]	Bucharest	100%	8,000	8,000	2008
		Total	**62,000**	**62,000**	

[1] Property acquired in 2016

Item 4.6.1.1.1.5 Office portfolio in Croatia

The Group's total gross rentable area in Croatia comprises seven thousand sq. m in one office building located in Zagreb. 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 gross rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
Avenue Center	Zagreb	70%	7,000	7,000	2007
		Total	**7,000**	**7,000**	

Item 4.6.1.1.2. Overview of retail portfolio

As of 31 December 2016, the Group's retail properties comprised four shopping centres with a total gross rentable area of 140 thousand sq. m compared to 159 thousand sq. m as of 31 December 2015. The total value of retail investment properties as of 31 December 2016 was €324,919 compared to €311,100 as of 31 December 2015. An increase in value comes mainly from value appreciation of Galeria Jurajska and Galleria Burgas following an improvement in operations, partially offset by disposal of Galleria Arad and Galleria Piatra Neamt. The Group's retail properties are located in Poland, Bulgaria and Croatia.

The following table presents retail portfolio by country as of 31 December 2016:

Country	GTC`s consolidated share (sq. m)	Total gross leasable area (sq. m)	% of total retail portfolio (%)	Average occupancy (%)	Book value (€)	% of total book value
Poland	49,000	49,000	35%	90%	164,506	51%
Croatia[1]	34,000	34,000	24%	99%	103,213	32%
Bulgaria	57,000	57,000	41%	97%	57,200	17%
Total	140,000	140,000	**100%**	**95%**	**324,919**	**100%**

[1] Including book value of Avenue Center, Croatia

Item 4.6.1.1.2.1 Retail portfolio in Poland

The total gross rentable area of retail space in Poland comprises 49 thousand sq. m in one retail scheme in secondary city. The occupancy rate was at the level of 90%. The average duration of leases was 5.8 years at the year end and applied yield was at the level of 6.9%. The average rental rate generated by the retail portfolio in Poland was at the level of €19.8 / sq. m / month. Book value of the Group's retail portfolio in Poland amounted to €164,506 as of 31 December 2016, as compared to €150,200 as of 31 December 2015. An increase comes from value appreciation following an improvement in operations and yield compression.

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

Property	Location	GTC's share	GTC`s consolidated share	Total gross rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
Galeria Jurajska	Częstochowa	100%	49,000	49,000	2009
		Total	**49,000**	**49,000**	

Item 4.6.1.1.2.2 Retail portfolio in Croatia

The Group's total gross rentable area of retail space in Croatia comprised 34 thousand sq. m (including Avenue Center) in one retail scheme in Zagreb. The occupancy rate was at the level of 97%. The average duration of leases was 5.8 years at the year end and applied yield was at the level of 7.1%. The average rental rate generated by the retail portfolio in Croatia was at the level of €20.8 / sq. m / month. Book value of the Group's retail portfolio in Croatia amounted to €103,213 (including book value of Avenue Center) as of 31 December 2016 compared to €102,100 as of 31 December 2015.

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

Property	Location	GTC's share	GTC`s consolidated share	Total gross rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
Avenue Mall Zagreb[1]	Zagreb	70%	34,000	34,000	2007
		Total	**34,000**	**34,000**	

[1]Including Avenue Center

Item 4.6.1.1.2.3 Retail portfolio in Bulgaria

The Group's total gross rentable area of retail space in Bulgaria comprised 57 thousand sq. m in two projects in secondary cities. Occupancy rate is at the level of 97%. The average duration of leases was 5.2 years at the year end and applied yield was at the level of 8.6%. The average rental rate generated by the retail portfolio in Bulgaria was at the level of €10.5 sq. m / month. Book value of the Group's retail properties in Bulgaria amounted to €57,200 as at 31 December 2016, as compared to €54,900 as at 31 December 2015. An increase comes from value appreciation of Galleria Burgas following an improvement in operations.

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

Property	Location	GTC's share	GTC`s consolidated share	Total gross rentable area	Year of completion
		(%)	(sq. m)	(sq. m)	
Galleria Stara Zagora	Stara Zagora	100%	21,000	21,000	2010
Galleria Burgas	Burgas	80%	36,000	36,000	2012
		Total	**57,000**	**57,000**	

Item 4.6.1.2 Overview of properties under construction

As of 31 December 2016, the Group had five project under construction including two retail projects and three office projects with a total net rentable area of 139 thousand sq. m and a book value of €240,726.

The following table lists the Group's properties under construction:

Property	Segment	Location	GTC's share	Total net leasable area (sq. m)	Expected completion
Fortyone phase III	office	Belgrade, Serbia	100%	11,000	Q1 2017
Galeria Północna	retail	Warsaw, Poland	100%	65,000	Q3 2017
Artico	office	Warsaw, Poland	100%	7,000	2017
White House	office	Budapest, Hungary	100%	22,000	2018
Ada Mall	retail	Belgrade, Serbia	100%	34,000	2018
Total				**139,000**	

Item 4.6.1.3. 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 2016, the Group had land classified as commercial landbank designated for future commercial development with same land plots defined as for sale of €102,905. This landbank, designated for future commercial development, includes projects that are on Group`s focus for coming years.

The following table lists the Group's projects that are in pre-construction stage

Property	Segment	Location	GTC's share	Total net leasable area (sq. m)
Galeria Wilanów	retail	Warsaw, Poland	100%	61,000
GTC X	office	Belgrade, Serbia	100%	17,000
Budapest City Tower	office	Budapest, Hungary	100%	42,500
Green Heart	office	Belgrade, Serbia	100%	25,500
Avenue Park Zagreb	office	Zagreb, Croatia	100%	21,000
Advance Business Center	office	Sofia, Bulgaria	100%	14,000
Total				**181,000**

Item 4.6.2. Residential inventory and landbank

As of 31 December 2016, the Group held residential inventory of both completed projects and landbank with a total value of €19,116, which constituted 1% 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 4.7. 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 4.7.1. 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

Warsaw: 2016 was a sound year on the Warsaw leasing market. Despite the much lower number of large leases (only two transactions of more than 10,000 sq. m, compared to ten in 2015), the market did very well. An interesting characteristic of the office market in 2016 was the return of Warsaw as an important location for modern business services. As the labour market became increasingly saturated and wages in regional cities rose, the city once again became an option for new services centres in Poland. That hasn't been the case for the last few years and offers significant opportunities for the capital's office market. All of the above resulted in total demand for the year of 754,900 sq. m, a figure slightly lower than the record breaking 2015, but still 23% up on the whole of 2014. What's important is that occupiers' confidence in Warsaw is constantly increasing, which bodes well for the next few years. Companies from a wide variety of sectors leased space in Warsaw in 2016; however, there are a few that had particular interest in premises in the city. Services, manufacturing companies, IT & Telecoms and firms from the banking sector together accounted for more than 74% of total demand in Warsaw. Almost 328,300 sq. m of the leased space (43%) was for new deals in existing buildings, which is a consequence of the relatively high vacancy and availability of existing office space in Warsaw. Approximately 219,400 sq. m came from lease renewals, 125,500 sq. m was for pre-lets and 6,100 sq. m was owner occupied. Expansions accounted for 75,700 sq. m, an amount greater than that for the whole of 2015, which is an impressive result considering the fall in demand y-o-y overall.

2016 was an exceptional year for Warsaw on the supply side of the market. More than 407,000 sq. m of modern office space was completed within the city, with the most spectacular new developments including two towers, i.e. Warsaw Spire A (59,100 sq. m, by Ghelamco Poland) and Q22 (46,400 sq. m, by Echo Investment), as well as Gdański Business Center D (29,300 sq. m, by HB Reavis) and West Station I (28,700 sq. m, by HB Reavis), among others. Currently approximately 675,000 sq. m of office space is under construction in Warsaw, of which 46% is located in Central locations and 54% outside of those. The developer activity is quite high in Warsaw; however, the volume of completions in 2017 will soften compared to that in 2016. Last year brought significant fluctuations in the vacancy rate in Warsaw. It surged in the first half of 2016, as a consequence of the extensive supply entering the market. However, sound demand enabled the gradual absorption of the new space, and thus the second half of 2016 saw a slight decrease in the rate.

In detail, compared to the end of 2015 the vacancy rate rose by 1.9 pp (from 12.3% in the fourth quarter of 2015 to 14.2% in the fourth quarter of 2016). During the first half of 2016, when more than 360,100 sq. m of modern office space entered the market, the vacancy rate for Warsaw spiked at 15.4% (17.1% in the Central Business District, 17.9% in the City Center Fringe and 14.4% in Non-Central locations). Prime rents were mostly unchanged over the course of 2016. However, a few subzones saw some minor corrections, primarily in the lower rental bands. Currently, prime headline rents in Warsaw City Centre range between €20.5 and €23.5 / sq. m / month (a decrease from the €21 – €23.5 / sq. m / month in previous quarters). Non-Central locations lease at €11 to €17 / sq. m / month (very slightly down from €11 to €18 / sq. m / month).

Prime rental levels may face some downward pressure as we move into 2017. However, that pressure is more likely to be reflected in more generous incentive levels (usually rent-free periods and contributions towards the fit-out) rather than reductions in headline rents.

Regional cities: 2016 was definitely a spectacular year for the regional markets: developer activity and net absorption there far outstripped that of Warsaw, with the large leases that were signed in most of the markets and stable rents being the major contributing factors for such a result. The eight major cities outside of Warsaw have kept up a robust pace in all aspects of the market. Among the stars of 2016 were, as usual, Kraków and Wrocław, joined this year by an amazing performance by Łódź, which attracted a number of large, international companies and finished the year with the lowest vacancy rate in Poland. 2017 will undoubtedly continue with the rapid growth and further development of the market.

Demand for office space in 2016 was almost 585,700 sq. m, with the two unquestionable leaders, Kraków and Wrocław (187,800 sq. m and 124,500 sq. m leased, respectively), accounting for 53% of the total take-up. Approximately 38% of all signed transactions (222,000 sq. m) were pre-lets, followed by new deals in existing building (33%, i.e. 190,700 sq. m) and renewals (16%, i.e. 94 700 sq. m). Expansions accounted for 78,300 sq. m. Once again demand was driven by companies from the modern business services sector, which accounted for 59%

of all of the deals in markets outside of Warsaw. In all major cities except Poznań and Szczecin the share of this sector in total take-up exceeded 50%. The growth forecasts for this sector remain very positive, which will further enhance the market.

2016 brought a record breaking volume of new supply (more than 491,400 sq. m) to the eight major office markets outside of Warsaw. Kraków and Wrocław together accounted for almost 59% of that space; however, completion volumes were also substantial in the Tri-City and Katowice. Construction activity is still substantial, with 819,700 sq. m of office space under construction, of which almost 33% is pre-leased. Kraków is the clear frontrunner in that respect, with more than 259,000 sq. m under construction, while the Tri-City and Wrocław have 40% lower developer activity than that of Kraków. Another city which sees strong construction activity is Łódź, which also boasts the highest ratio of pre-leased space in Poland (more than half of the space is secured with pre-lease transactions).

Most of the regional office markets saw minor fluctuations in quarterly vacancy rates over the course of 2016. Poznań and Łódź had falls the vacancy rates compared to the fourth quarter of 2015, while most other cities had increases of their rates. The Tri-City's vacancy rate remained stable.

Rents remained relatively flat throughout the fourth quarter, with a minor correction noted in Poznań. Currently, prime headline rents range between €11 to €12 / sq. m / month in Lublin and €14 to €14.5 / sq. m / month in Wrocław. The outlook for rents in 2017 is stable, with some slight corrections possible. However, due to the fierce competition on the leasing market tenants may expect some generous incentive packages.

Romania

Demand in Bucharest in 2016 reached an all time record level of 364,000 sq. m, a 46% growth when compared to 2015. Net take-up (new leases and extensions) reached approximately 155,000 sq. m, a 42% increase when compared with 2015. IT&C and BPO companies were the most active in terms of leases, followed by automotive and professional services companies. The Center-West and West sub-markets attracted close to 37% of the total take-up followed by the northern area of Bucharest (Floreasca Barbu Vacarescu and Dimitrie Pompeiu) which together attracted close to 31% of the total take-up. Vacancy in Bucharest increased over the year to 13.5%, 20 bps above the level of the fourth quarter of 2015. This is mainly due to the large volume of new supply which was only partially pre-let. Vacancy is expected to remain relatively stable in 2017, as the supply will most likely be covered by new demand. Approximately 184,000 sq. m are announced to be completed by the end of 2017. Vacancy rates continue to be uneven between sub-markets, which is also reflected in the evolution of rental levels.

Serbia

From the beginning of 2016 there has been an increase in construction activity with several new buildings delivered to the market, mainly in New Belgrade. The developers delivered 62,000 sq. m of office space during the year and as a result the market reached 703,000 sq. m as a the year end. Market activity was dominated by net take-up, underpinned by relocations and new leases (86% of all lease transactions). The most active sector was IT followed by professional services. Vacancy rate a little bit up to 6.7% (from 4.2% in 2015). Prime rents stable.

Hungary

During the year, six new buildings were delivered to the market: the third phase of Váci Greens (25,600 sq. m), Váci 1 (5,700 sq. m of office space), V17 (12,350 sq. m), Nordic Light (24,900 sq. m), Buda Loft (2,320 sq. m) and Nokia Skypark (25,400 sq. m). Gross take-up amounted to 467,110 sq. m, whereas net take-up reached 284,590 sq. m. Although both indicators are below the volumes of 2015, they are significantly above the 10-year average gross and net take-up volumes and are the second best annual volumes on record. Net absorption totaled 147,860 sq. m, which is 27% stronger than the 10-year average of the annual absorption volume. The volume of new supply is increasing dynamically. The projects secure pre-leases quickly, hence they are delivered with a significant occupancy rate. Speculative constructions have also reappeared.

Croatia

During the second half of 2016,construction activity noted an increase with two new office projects delivered. Prior to this, in the first half of the year, one smaller sized project, Avenija project, was delivered. Increasing market activity was driven by net take-up –relocations and new occupation. The majority of activity took place in Business District Eastand city centre. The most active sectors were IT and consumer goods. Future supply will rely mainly on the delivery of smaller scale projects, while the completion of larger projects is still uncertain. VMD plans to complete its Kuniščak mixed-use project in the second quarter of 2017, while an additional major project, Crystal Tower, was announced in Ilica and will include residential units, a hotel and retail.

Bulgaria

With 9% increase of the take-up volume to 104,942 sq. m the office market in Sofia registered a high nine months activity. The ongoing expansion of tenants in the BPO and ITO sectors continues to drive the office space market, taking part in almost 60% of the leases. Prime rents remain stable at €13/sq. m/month in Sofia while the vacancy rate continued to decrease in the third quarter of 2016 and in the Top 15 office buildings vacancy stayed below 3%.

Item 4.7.2. Retail market

Poland

At the end of 2016, the modern retail stock in the Warsaw Agglomeration totalled 1.7 million sq. m with shopping centres representing the largest share (69%). Warsaw features one of the lowest shopping centre densities amongst the largest Polish cities at 463 sq. m per 1,000 residents. The limited new supply, demonstrated by the lack of new completions in the second and third quarter of 2016, coupled with a 1.4% vacancy rate in existing retail assets boosts the appetites of developers for the capital city. Approx..186,300 sq. m of GLA in all retail formats are now under construction. With the highest purchasing power in Poland, exceeding the national average by 68%, Warsaw is the most sought-after location for retailers, who often perceive Warsaw as a bridgehead for further expansion on the Polish market.

Serbia

During 2016, market activity relied on the construction of retail parks, with several new schemes delivered throughout the country. Belgrades prime shopping density is the lowest in the region at 78 sq. m per 1000 inhabitants. Market sees significant interest from new comers (CCC, Huawei Experience are opening their first shops). Prime rental rates stable

Croatia

No new shopping centres delivered in Zagreb. Construction activity is focused on the secondary cities with Pula City Mall opening.

Bulgaria

No new shopping centres were delivered in Sofia. Increasing construction activity in secondary cities. Refurbishment of existing schemes continues. Existing retail chains are expanding.

Item 4.7.3. Investment market

Poland

2016 was an exceptional year with investment transaction volumes reaching €4.54 billion. The sector split comprised approx. €1.958 billion in retail, €1.8 billion in offices and €769 million in warehousing. Across all sectors, the full spectrum of investor profiles were represented; core through opportunistic, with deals ranging from small single-let assets through to complex platform transactions.

The headline deal of 2016 was the Redefine purchase of a 75% stake in the Echo Prime Property Portfolio which is heavily weighted towards retail. Investors of South African origin accounted for 75% of the entire volume of the sector. Other key deals included the acquisition of four shopping centres by Rockcastle including Bonarka City Centre in Krakow for €361 million, Focus Mall Portfolio (including centres in Zielona Gora and Piotrkow Trybunalski) for €161 million and Galeria Warminska in Olsztyn for €150 million. Prime retail yields stand at 5.00%.

In offices in 2016, a new prime yield of 5.25% was established with Warburg-HIH Invest Real Estate purchasing Prime Corporate Center transaction from Golub GetHouse. Further transactions included Invesco's purchase of Q22 from Echo Investment for €273 million (fully let price) at a yield of 5.35% and Hansainvest's purchase of Atrium 2 from Skanska at yield of 5.40%. Malaysian Capital entered the Warsaw office market with EPF via SIM, purchasing Gdanski Business Center (A&B) from HB Reavis for €186 million. Prime yields are forecast to remain stable with possible compression to circa 5.00% during 2017.

Investor interest and the 2017 pipeline look promising. Volumes could potentially exceed those of 2016.

Romania

The 2016 property investment volume for Romania totaled over €860 million, a value almost 30% higher than that registered in 2015 (€663 million). However, the number of transactions was slightly smaller, meaning that the average deal size increased. Bucharest accounted for over 70% of the total investment volume, less than in 2015, showing that liquidity in secondary cities has somewhat improved. Market volumes were dominated by office transactions (45%), while retail and industrial accounted for close to 26% each. The largest transaction registered in 2016 was the acquisition of 26.88% of Globalworth's shares by South African group Growthpoint for approximately €186 million. Globalworth is the largest owner of office space in Romania. The most notable retail transaction was the acquisition of Sibiu Shopping City by NEPI from ARGO for a total of €100 million, which represents the largest single asset deal outside of Bucharest since the economic crisis. In industrial, the largest deal was the acquisition of P3 Logistic Parks by GIC, the Singapore sovereign wealth fund, through the pan-European acquisition of P3.

2016 marked the entry of several new names on the Romanian real estate market, either through the purchase of regional platforms or, individual assets. Among them Logicor (Blackstone's European industrial division), GIC, PPF and Growthpoint. Market fundamentals remain robust. Occupier demand is at record high levels in all market segments. Availability of quality product is increasing and there is significant yield spread between Romania and Poland or the Czech Republic. On the financing side, terms and conditions have improved significantly over the past year and becoming closer to what can be expected in the core CEE markets. Consequently, sentiment is strong, with transactions totaling approximately €630 million in different stages of negotiation. Prime office yields are at 7.5%, prime retail yields at 7.25%, while prime industrial yields are at 9.00%. Yields for office and industrial are at the same level as 12 months ago, while retail yields have compressed by 25 bps over the year. In 2017, we expect further yield compression, particularly in industrial and mild compression in both offices and retail.

Hungary

The fourth quarter of 2016 total transactional volume reached some €255 million, pushing the annual investment volume to approx.. €1.7 billion, the highest volume since the peak of the market in 2007. The headline deal of the last quarter was the acquisition of Váci 1, a recently refurbished multi-purpose development by GLL Real Estate Partners. Further notable transactions included the sale of Váci Greens C by Atenor and the acquisition of Office Garden I. Both properties were purchased by new market entrants. Within the annual volume, offices had a share of 47% followed by retail with 28%, industrial and hotel with 15% and other assets for redevelopment purposes with the remaining 10%. Prime office yields remained flat at 6.75%, whereas they compressed by 25 bps q-o-q in the retail and logistics sectors falling to 6.50% and 8.25% respectively.

Croatia

After years of recession, Croatia's recovery is gathering pace. This is not only a result of stronger private consumption, but also a rise in exports and investment following EU accession in 2013. Other favourable developments include improvements in the labour market and booming tourism. Croatia's tourism performance in 2016 may be its strongest ever. Consumer spending is also showing positive trend, with a 5.8 % real increase recorded in December 2016 when compared to December 2015, representing the biggest increase since 2007.

Bulgaria

Investors' interest in Bulgaria office market was rising in 2016 as the fundamentals supporting the occupational market stabilize. The focus remains on good quality income-producing assets. Prime yields are coming under downward pressure (reaching 8%) in anticipation of the rising levels of interest and a number of deals that are in the advanced stages of negotiation (among them are Business Park Sofia, Sofia Tower, ETC, Tao Business Center). Among the active international funds who are currently looking for acquisition opportunities in the country are Kildare, Griffin Capital, PIMCO, New Europe Property Investments (NEPI), Reef Investment.

Item 4.8 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, "Mini Euro" event, the "Dni Wilianowa" event and volleyball tournament).
- Charity. GTC made a donation to *ISKIERKA* foundation. The donation was used to acquire special medical equipment for the oncological ward of the Hospital of Medical University in Katowice.
- ·Local initiatives. The Company organized and helped with relocation of eleven families from *Dom Samotnej Matki "Bajka"*
- "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 2016 and for the year ended 31 December 2015, the Group derived 72% 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 2016 and for the year ended 31 December 2015, the Group derived 23% 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 2016 and for the year ended 31 December 2015, amounted for 5% 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 €84,551 and €26,222 in the year ended 31 December 2016 and in the year ended 31 December 2015, 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 2016 and 31 December 2015 approximately 70% and 58% of the Group's loans were hedged or partially hedged. For example, a 50bp change in Euribor rate would lead to €2,846 change in profit (loss) before tax. 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, -0.3180% as of 2 January 2017 (EURIBOR for three-month deposits).

Impact of foreign exchange rate movements

For the 12-month period ended 31 December 2016 and for the 12-month period 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, 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

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.

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.

On 28 January 2016, the Group acquired Pixel office building in Poznań. The net purchase price for the property and other rights and movable assets under the agreement amounted to €32,200. The purchase of the Property was financed by the Group's own sources and a bank loan from PKO BP in the amount of €22,500. The office building is entirely leased to renowned tenants and the Group intends to hold it as part of its investment portfolio.

In March 2016, the Group acquired a land plot in Budapest for the total amount of €11,300. The Group intends to develop an office building on this land

In April 2016, the Group acquired two office buildings in Bucharest (Premium Plaza and Premium Point), consisting of approximately 15,000 sq. m of GLA for a total purchase price of €32,000. Property acquisition was financed by the Group's own sources. The office buildings are 90% leased to renowned tenants and the Group intends to hold it as part of its investment portfolio.

In April 2016, the Group completed University Business Park B, office building in Łódź. The University Business Park complex comprises two A-class office buildings and the total gross leasable area of the complex is aprox. 40,000 sq. m.

On 1 July 2016, the Group acquired two office buildings in Poland: Neptun Office Center and Sterlinga Business Center, located in Gdansk and Lodz respectively. These two Class A office buildings, featuring modern design and a total of 30,000 sq. m GLA of office space and 364 parking places. Additionally, the Company has signed a loan agreements for financing of these projects with Pekao S.A. in the amount of €39,000, and loan agreements for financing the VAT of these projects. The office buildings are 75% and 96% leased to renowned tenants and the Group intends to hold it as part of its investment portfolio.

In July 2016 the Group has signed a loan agreement for financing of the Duna Tower office project in Budapest with OTP Bank Nyrt (the "Bank"). The total nominal amount of the new loan is €28,000. Furthermore, the Group and the Bank undertook to refinance the €38,900. Center Point loans currently financed by MKB Bank Zrt. with a new €47,000 loan facility.

In July 2016 the Group acquired an SPV Artico Sp.z o.o. that develops an office building in Warsaw. The building will consist of aprox. 7,600 sq. m. of leasable area and is almost fully pre-leased. The building is scheduled to be completed during 2017.

In June 2016, CID sold the Galerie Harfa shopping centre in Prague. In July 2016, it repaid GTC's loan in the amount of €11,300.

In August and September 2016, the Group sold the companies which holds Galleria Piatra Nemat and Galleria Arad shopping Centers in Romania for €2,700 and €2,100 respectively

In order to (i) to enable a fastest and most effective way to control Group companies and bring optimization of management processes within the Group, (ii) reduction of operating and administrative costs and (iii) increased transparency for owners and investors, on 30 March 2016, the Management of GTC S.A. announced a plan for a cross-border merger of GTC S.A. and two of its subsidiaries (the "Merger"). In May 2016, the Merger plan was approved by the Shareholders of GTC S.A. and finalized on 30 September 2016.

In September 2016, the Group completed FortyOne II, office building in Belgrade with total gross lettable area of 7,200 sq. m. Construction of the third building (10,700 sq. m NLA) began in the first half of 2016 and its completion is scheduled for the first quarter of 2017.

In November 2016, the Group acquired shares in a Serbian company which owns a land in Belgrade, for the total amount of €4,600. The Group intends to develop an office building on this land.

In December 2016, the Group acquired land in Sofia for the total amount of €6,100. The Group intends to construct an office building on this land.

In November 2016, GTC SA has issued three year euro denominated bonds in the total amount of €28,781. The bonds bear a fixed 6-month coupon of 3.75% p.a.

In November 2016, the Group signed a loan agreement with Alfa Bank in the amount of €19,000 to finance Premium Point and Premium Plaza office buildings in Bucharest.

In December 2016, the GTC SA issued three year Schuldschein loan in the total amount of €5,000. The loan bears a fixed interest of 3.25% p.a (3.61% including tax), to be paid every six months.

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

The Group did not present forecasts for 2016.

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; and (iii) commercial landplots.

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 2016 compared to 31 December 2015

Total assets increased by €279,940 (18%) to €1,839,490 as of 31 December 2016. This increase was mainly due to an increase in investment property which is driven by acquisitions and development activity.

Assets

The value of investment property and commercial landbank increased by €316,146 (25%) to €1,604, as of 31 December 2016 from €1,288,529 as of 31 December 2015 mainly as a result of an investment of €152,597 in purchase of completed assets, land and subsidiaries due to acquisition of Pixel, Premium Plaza and Premium, Sterlinga Business Center, Neptun Office Center, Artico and land plots in Budapest, Belgrade and Sofia as well as an investment of €96,966 mainly into assets under construction such as Galeria Północna, Artico, University Business Park B, Fortyone II&III and Ada Mall, as well as revaluation gain attributed to completed assets and assets under construction.

The value of residential landbank and inventory decreased by €10,818 (36%) to €19,116 as of 31 December 2016 from €29,934 as of 31 December 2015, mainly due to disposal of residential landbank.

The value of investment in associates and joint ventures decreased by €19,264 to €3,803 as of 31 December 2016 from €23,067 as of 31 December 2015 mainly due to repayment of loans by CID Holding S.A (as a result of sale of property).

The value of VAT and other tax receivable increased by €12,404 to €17,389 as of 31 December 2016 from 4,985 as of 31 December 2015, mainly as a result of VAT paid for the acquisition in the third quarter of 2016 of Neptun Office Center and Sterlinga Business Center as well as VAT related to the construction activity.

The value of cash and cash equivalents decreased by €19,660 (12%) to €149,812 as of 31 December 2016 from €169,472 as of 31 December 2015, mainly as a result of the investment activities mentioned above.

Liabilities

The value of loans and bonds increased by €153,821 (21%) to €892,933 as of 31 December 2015 from €739,112 as of 31 December 2015. This increase comes mainly from drawdowns of €52,000 (including VAT loans) under new loan facilities related to newly acquired Sterlinga Business Center and Neptun Office Center office buildings, additional €43,600 under loan facility related to Galeria Pólnocna shopping mall under construction, €28,000 under the loan facilities related to Duna Tower office building, €22,500 under new loan facility related to Pixel office building, €19,000 under new loan facility related to Premium Point and Premium Plaza office buildings as well as from issue of bonds in amount of €28,781 and Schuldschein loan in the amount of €5,000. The increase was partially offset mainly by repayment of €29,200 under loan facility related to Galleria Arad and galleria Piatra Neamt shopping malls, €7,700 under loan facility related to Pixel office buildings

Provision for deferred tax decreased by €35,218(26%) to €98,237 as of 31 December 2016 from €133,455 as of 31 December 2015. The decrease is due to de-recognition of temporary deferred tax differences in the amount of €54,899 related to intra-group loans. In addition, reduction of tax rate in Hungary and Croatia had a positive impact of €8,439. The decrease was partially offset by a net increase of €29,596 related to recognition of profit in financial year ended 31 December 2016..

The value of trade and other payables increased by €7,965 (28%) to €36,739 as of 31 December 2016 from €28,774 as of 31 December 2015 mainly due to an increase in construction activity.

Payables related to purchase of non-controlling interest decreased by €18,108 (100%) to €0 as of 31 December 2016 from €18,108 as of 31 December 2015 as a result of payment for buyout of the minority partner in City Gate, Romania (in the first quarter of 2016).

Equity

Equity increased by €160,121 (27%) to €790,323 as of 31 December 2016 from €621,202 on 31 December 2015 mainly due to an increase in accumulated profit by €158,548 to €315,195 as of 31 December 2016.

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; 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 2016 with the result for the corresponding period of 2015

Revenues from operations

Revenues from operations increased by €2,938 to €120,301 in the 12-month period ended 31 December 2016. Rental and service revenues increased by €9,342 to €114,341 in the 12-month period ended 31 December 2016 following acquisition of five income generating properties and completion of two office buildings. Residential revenues decreased by €6,404 to €5,960 in the 12-month period ended 31 December 2016 due to completion of sale of almost all residential projects in previous periods.

Cost of operations

Cost of operations decreased by €4,378 to €32,955 in the 12-month period ended 31 December 2016. Cost of rental operations increased by €1,428 to €27,890 in the 12-month period ended 31 December 2016 as a result of acquisition of properties. Residential costs decreased by €5,806 to €5,065 in the 12-month period ended 31 December 2016 resulting from completion of sale of almost all residential projects in previous periods.

Gross margin from operations

Gross margin (profit) from operations increased by €7,316 to €87,346 in the 12-month period ended 31 December 2016. The gross margin (profit) on rental activities increased by €7,914 to €86,451 in the 12-month period ended 31 December 2016 from €78,537 in the 12-month period ended 31 December 2015. Gross margin on rental activities in the 12-month period ended 31 December 2016 was 76% compared to 75% in the 12-month period ended 31 December 2015. The gross margin (profit) on residential activities decreased by €598 to €895 in the 12-month period ended 31 December 2015 from €1,493 in the 12-month period ended 31 December 2015. Gross margin on residential activities was 15% in the 12-month period ended 31 December 2016 as compared to 12% in the 12-month period ended 31 December 2015.

Selling expenses

Selling expenses increased by €515 to €3,236 in the 12-month period ended 31 December 2016 from €2,721 the 12-month period ended 31 December 2015.

Administrative expenses

Administrative expenses (before provision for stock based program) increased by €1,158 to €11,340 in the 12-month period ended 31 December 2016. In addition, mark-to-market of Phantom Shares program (see: Item 12.9 Stock option plan) resulted in recognition of expenses of €894 in the 12-month period ended 31 December 2016 compared to recognized expenses of €863 in the 12-month period ended 31 December 2015.

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 €84,551 in the 12-month period ended 31 December 2016, as compared to a net profit of €26,222 in the 12-month period ended 31 December 2015. Net profit from the revaluation of the investment properties and impairment of residential projects reflects mainly progress in the construction of Galeria Północna, University Business Park B and Fortyone II&III as well as profit from the revaluation of Galeria Jurajska, Duna Tower, Premium Point and Premium Plaza and Galleria Burgas following an improvement in their operating results.

Other expense, net

Other expenses (net of other income) related to landbank properties were at €1,642 in the 12-month period ended 31 December 2016 as compare to an expenses of €785 in the 12-month period ended 31 December 2015.

Foreign exchange profit

Foreign exchange profit amounted to €2,435 in the 12-month period ended 31 December 2016, as compared to a foreign exchange profit amounting to €1,394 in the 12-month period ended 31 December 2015 mostly due to the impact of the Euro exchange rate versus monetary balances in other currencies which the company operate in.

Financial income

Financial income decreased by €2,525 to €1,324 in the 12-month period ended 31 December 2016 as compared to €3,849 in the 12-month period ended 31 December 2015

Financial cost

Financial cost decreased by €3,705 to €29,500 in the 12-month period ended 31 December 2016 as compared to €33,205 in the 12-month period ended 31 December 2015 mainly due a decrease in average borrowing cost from 3.4% in the 12-month period ended 31 December 2015 to 3.2% in the 12-month period ended 31 December 2016 as well as optimization of hedging costs, despite an increase in the average debt balance.

Share of loss of associates

Share of loss of associates decreased by €3,689 to €4,474 in the 12-month period ended 31 December 2016 as compared to a share of loss of €8,163 in the 12-month period ended 31 December 2015 mainly due to impairment on CID Holding S.A Lighthouse Holdings Limited S.A. and Yatelsis Viborgskaya Limited of Nicosia.

Taxation

Tax benefit amounted to €35,005 in the 12-month period ended 31 December 2016. Taxation consist of €3,679 of current tax expenses and €35,632 of deferent tax expenses as well as tax refund of €3,052.

Net profit/ (loss)

Net profit amounted to €159,575 in the 12-month period ended 31 December 2016, as compared to a net profit of €43,639 in the 12-month period ended 31 December 2015, mostly due to improvement in operating results, recognition of profit from the revaluation of the investment properties and impairment of residential projects of €84,551 combined with recognition of tax benefit, following a merger of GTC S.A. with its Dutch subsidiaries.

Business segmental analysis

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 SEE (Bulgaria, Croatia, Romania).

Management monitors gross margin from operations of its business units for the purposes of making performance assessment and decision making. Operating segment performance is evaluated based on gross margin from operations.

The resource allocation decisions made by the management are based, amongst others, on segmental analysis.

The following table presents segment analysis for the year ended 31 December 2016 and year ended 31 December 2015:

	Poland and Hungary		SEE capital cities		SEE secondary cities		Total	
	31 December 2016	31 December 2015 (restated)	31 December 2016	31 December 2015 (restated)	31 December 2016	31 December 2015 (restated)	31 December 2016	31 December 2015 (restated)
Revenue from operations	66,028	63,492	44,253	42,388	10,020	11,483	120,301	117,363
Costs of operations	(15,585)	(16,626)	(14,292)	(15,804)	(3,078)	(4,903)	(32,955)	(37,333)
Gross margin	50,443	46,866	29,960	26,584	6,943	6,580	87,346	80,030
Gain/(loss) from revaluation/ impairment of:								
Investment properties	75,283	27,958	9,882	1,811	(561)	(2,247)	84,604	27,522
Residential projects	1,479	(1,300)	(532)	-	(1,000)	-	(53)	(1,300)
	76,762	**26,658**	**8,350**	**1,811**	**(1,561)**	**(2,247)**	**84,551**	**26,222**
Total assets	**1,226,239**	**962,106**	**532,052**	**517,247**	**81,199**	**80,198**	**1,839,490**	**1,559,551**
Total liabilities	**755,908**	**612,982**	**256,402**	**228,827**	**36,857**	**96,358**	**1,049,167**	**938,347**

tem 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 2016 and 2015:

	Year ended 31 December 16	Year ended 31 December 15
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	**73,281**	**73,109**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investment property under construction	(93,259)	(33,519)
Purchase of completed investment property and land	(139,646)	(53,080)
Sale of investment property and residential landbank and inventory	12,640	51,169
VAT/tax on purchase/sale of investment property	(8,900)	(4,571)
Purchase of subsidiary	(9,844)	(191)
Purchase of minority	(18,558)	(800)
Selling of subsidiary	10,179	13,032
Liquidation of Joint ventures	-	3,890
Sale of associates and joint ventures	3,947	-
Other loans, interest and similar costs	11,651	1.235
Net cash used in investing activities	**(231,790)**	**(22,835)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares	-	140,102
Share issuance expenses	-	(2,481)
Proceeds from long-term borrowings	273,517	62,947
Repayment of long-term borrowings	(103,193)	(137,970)
Repayment of hedge	-	(1,928)
Interest paid	(25,075)	(26,708)
Loans origination payment	(2,229)	(1,148)
Decrease (increase) in short term deposits	(2,214)	4,558
Net cash from (used in) financing activities	**140,806**	**37,372**
Effect of foreign currency translation	(1,957)	763
Net increase/(decrease) in cash and cash equivalents	(19,660)	88,409
Cash and cash equivalents, at the beginning of the year	**169,472**	**81,063**
Cash and cash equivalents, at the end of the year	**149,812**	**169,472**

Cash flow from operating activities excluding changes in residential inventory and advances from residential buyers was €69,205 in the 12-month period ended 31 December 2016 compared to €63,391 in the 12-month period ended 31 December 2015 mainly due to growth of the income generating asset portfolio.

Cash flow used in investing activities amounted do €231,790 in the 12-month period ended 31 December 2016 compared to €22,835 used in the 12-month period ended 31 December 2015. Cash flow used in investing activities mostly composed of acquisition of completed assets, an asset under construction and land of €139,646 in the 12-month period ended 31 December 2016 related mainly acquisition of five income generating properties, one office under construction and three land plots for office developments; expenditure on investment property under construction of €93,259 are related mainly to investment in Fortyone II (Belgrade, Serbia), University Business Park (Łódź, Poland), Artico, Galeria Północna (Warsaw, Poland) and Ada Mall (Belgrade Serbia) and expenditure on investment in buyout of minority partner in City Gate of €18,558, and purchase of subsidiaries in the amount of €9,844.

Net Cash flow from financing activities amounted to €140,806 in the 12-month period ended 31 December 2016, compared to €37,372 of cash flow from financing activities in the 12-month period ended 31 December 2015. Cash flow from financing activities mostly composed of proceeds from long-term borrowings of €273,517 related mainly to loans for to the newly acquired assets, refinanced assets and assets under construction as well as issue of bonds and Schuldschein loan in the amount of €33,781 offset partially by repayment of long term borrowings of €103,193 related to amortization of investment loans including restructured loans.

Cash and cash equivalents as of 31 December 2016 amounted to €149,812 compared to €169,472 as of 31 December 2015. 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 2016, the Group holds cash and cash equivalent in the amount of approximately €149,812. The Group believes that its cash balances and cash generated from leasing activities of its investment properties as well as cash available under its existing and future loan facilities will fund these needs.

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 and refinancing.

As of 31 December 2016, the Group's non-current liabilities amounted to €852,865 compared to €806,969 as of 31 December 2015.

The Group's total debt from long and short-term loans and borrowings as of 31 December 2016 amounted to €892,933 as compared to €739,112 as of 31 December 2015. The Group's loans and borrowings are mainly denominated in Euro (83%), other currencies include binds in PLN and projects loans in HUF.

The Group's loan-to-value ratio amounted to 43.3% as of 31 December 2016, as compared to 39.4% as of 31 December 2015. The Group's strategy is to keep its loan-to-value ratio at the level not exceeding 50%.

As of 31 December 2016, 70% 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

In November 2016, the GTC SA has issued three year euro denominated bonds in the total amount of €28,781. The net proceeds from the issuance of the bonds amounted to €28,464 and were designated for repayment of existing bonds and corporate debt as well as for general corporate activities.

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

During 2016, the Group did not grant any new loans to its associates or joint ventures.

The following table presents the balance as of 31 December 2016 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	2,843	USD	9%
Ana Tower Offices S.R.L	960	EUR	3m Euribor+3.25%

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

GTC gave guarantees to third parties in order to secure construction cost-overruns and loans to its subsidiaries. As of 31 December 2016 and 31 December 2015, the guarantees granted amounted to €63,000 and €74,000, 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

Commitments

As of 31 December 2016 (31 December 2015), the Group had commitments contracted for in relation to future building construction without specified date, amounting to €126,000 (€158,000). 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 2016 and 31 December 2015, the guarantees granted amounted to €63,000 and €74,000, 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 expired 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. Since 2015 parliamentary elections have taken place twice, the most recent being in September 2016. This temporarily froze the formalization of the amendment. Towards the end of 2016 contact was established with the newly formed Government who have requested a rewording of the amendment which is currently being reviewed by the relevant ministries. Since formalization of the amendment is no longer at the sole discretion of the Group, the Management has decided to revalue the freehold asset in assuming no development of the golf course project. Consequently, as a prudential measure, the Management has decided to write off the related collaterals in the amount of €1,000 provided to the Ministry as a guarantee for completing the golf course. As of 31 December 2016 the book value of the investment in Marlera was assessed by an independent valuer at €6,900 and is assumed to be fully recoverable.

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 €2,846 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:

	2016 PLN/Euro				2015 PLN/Euro			
	+10%	+5%	-5%	-10%	+10%	+5%	-5%	-10%
Cash and cash equivalents	3,390	1,695	(1,695)	(3,390)	5,588	2,794	(2,794)	(5,588)
Trade and other receivables	1,848	924	(924)	(1,848)	662	331	(331)	(662)
Trade and other payables	(1,792)	(876)	876	1,792	(1,598)	(779)	779	1,598
Short term loans	(1,310)	(654)	654	1,310	-	-	-	-
Bonds	(11,326)	(5,663)	5,663	11,326	(11,756)	(5,588)	5,588	11,756

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 Group, which comprise cash and cash equivalents and blocked deposits the Group'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 2016, the Group holds cash and cash equivalent (as defined in IFRS) in the amount of approximately €150,000 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 Group 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 2016	31 December 2015
First year	176	100
Second year	130	165
Third year	149	119
Fourth year	184	176
Fifth year	166	150
Thereafter	176	87
	981	**797**

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 2016 and 2015, all loans bear floating interest rate (however, as of 31 December 2016 and 2015, 70% and 58% 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 consolidated financial statements for the financial year ended 31 December 2016.

Fair value hierarchy

As at 31 December 2016, 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 2016 and 31 December 2015, 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 Group'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 2016 and 31 December 2015.

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 2016	**31 December 2015**
(1) Loans, net of cash and deposits (*)	703,229	521,559
(2) Investment properties, inventory and assets held for sale	1,623,790	1,324,413
Gearing ratio [(1)/(2)]	43.3%	39.4%

(*) 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 2016 and 2015 the number of full time equivalent working in the Group companies was 172 and 143 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.

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 2016 for the 12 months ended 31 December 2016:

Name	Fixed remuneration[1] (€) (not in thousand)	Variable remuneration[1] (€) (not in thousand)	Vested Phantom Shares (not in thousand)
Thomas Kurzmann	330,000	150,000	512,000
Erez Boniel	322,200	85,000	204,800

[1] Remuneration (or fees to entities in which the holder is a key personnel) consists of payment for 2016 and success fee amounts paid for present and past year in addition to Group's Phantom Shares program vested during 2016, as detailed in Item 12.9. Stock option plan. During the year none of the Phantom Shares were exercised.

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 2016	0	0
Philippe Couturier	1 January - 31 December 2016	0	0
Jan Düdden	1 January - 31 December 2016	0	0
Mariusz Grendowicz	1 January - 31 December 2016	26,068	0
Klaus Helmrich	1 January – 19 May 2016	0	0
Ryszard Koper	27 May - 31 December 2016	13,086	0
Jarosław Karasiński	1 January – 24 May 2016	8,714	0
Marcin Murawski	1 January - 31 December 2016	23,580	0
Katharina Schade	1 January - 31 December 2016	0	0
Tomasz Styczyński	13 June- 31 December 2016	12,030	0

[1] Remuneration (or fees to entities in which the holder is a key personnel) consists of payment for 2016 and success fee amounts paid for present and past year in addition to Group's Phantom Shares program vested during 2016, as detailed in Item 12.9. Stock option plan. During the year none of the Phantom Shares were exercised.

On 19 May 2016, LSREF III GTC Investments B.V. dismissed Klaus Helmrich from the function of a member of the supervisory board of the Company.

On 24 May 2016, i.e. on the date of the annual shareholders meeting of the Company, the mandate of Jarosław Karasiński, member of the supervisory board, expired.

On 27 May 2016, Powszechne Towarzystwo Emerytalne PZU SA, acting on behalf of Otwarty Fundusz Emerytalny PZU "Złota Jesień" appointed Ryszard Koper to the supervisory board of the Company.

On 13 June 2016, Powszechne Towarzystwo Emerytalne PZU SA, acting on behalf of Otwarty Fundusz Emerytalny PZU “Złota Jesień” appointed Tomasz Styczyński to 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 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.

Last exercise date	Strike (in PLN)	Blocked	Vested	Number of phantom shares
31/05/2018	7.09	512,000	1,024,000	1,536,000
30/06/2019	7.09	2,764,800	1,177,600	3,942,400
Total		3,276,800	2,201,600	5,478,400

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

	2016	2015
Changes in the provision Income (expenses) for share based payments	(894)	(863)

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 12.10 Information on any liabilities arising from pension and *similar benefits for former members of the Management Board and the Supervisory Board*

There are no liabilities arising from pension and similar benefits for former members of the Management Board and the Supervisory 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 20 March 2017, 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 2016) on 28 November 2016.

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 20 March 2017 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 28 November 2016 (not in thousand)
Thomas Kurzmann	0	0	No change
Erez Boniel	143,500	14,350	No change
Total	**143,500**	**14,350**	

Phantom Shares vested to members of the Management Board

The following table presents Phantom Shares vested to members of the Company's Management Board as of 31 December 2016 and change since 30 September 2016. 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 2016 (not in thousand)	Change since 30 September 2016 (not in thousand)
Thomas Kurzmann	512,000	No change
Erez Boniel	204,800	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 20 March 2017, 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 2016) on 28 November 2016.

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 20 March 2017 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 28 November 2016
Alexander Hesse	0	0	No change
Philippe Couturier	0	0	No change
Jan Düdden	0	0	No change
Mariusz Grendowicz	10,158	1,016	No change
Ryszard Koper	0	0	No change
Marcin Murawski	0	0	No change
Katharina Schade	0	0	No change
Tomasz Styczyński	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 2016 in Note 34 *Related Party Transactions*.

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

On 28 January 2016, the Group has signed a loan agreement for financing of the Pixel office building in Poznań with PKO BP in the amount of €22,500. Agreement the loan will be expired on 1/2021, and will be amortized 3% per year.

In January 2016, the Group refinanced the loan agreement of GTC House, in Serbia. The total loan in the amount of €14,000 will be expired in 12/2023.

On 1 July 2016, has signed a loan agreement for financing of two office buildings in Poland: Neptun Office Center and Sterlinga Business Center, with Pekao S.A. in the amount of €39,000, and loan agreements for financing the VAT of these projects. Agreement the loan will be expired on 9/2021, and will be amortized 3% per year.

In July 2016 the Group has signed a loan agreement for financing of the Duna Tower office project in Budapest with OTP Bank Nyrt. The total nominal amount of the new loan is €28,000. Furthermore, the Group and the bank undertook to refinance €38,900 of Center Point loans currently financed by MKB Bank Zrt. with a new €47,000 loan facility. Agreement the loan will be expired on 6/2031, and will be amortized in 4% per year.

On 12 August 2016, the Group signed an extension of the loan agreement with MKB regarding Sasad project. According to the agreement the loan will be extended by three years until 30 June 2019, and will be amortized in four equal annual payments starting upon signing.

In November 2016, the Group signed a loan agreement with Alfa Bank in the amount of €19,000 to finance Premium Point and Premium Plaza office buildings in Bucharest.

On 31 December 2016, the group early repaid the loan granted from EBRD (previously financed Galleria Arad and Galleria Piatra Neamt shopping centers).

In December 2016, the GTC SA issued three year Schuldschein loan in the total amount of €5,000. The loan bears a fixed interest of 3.25% p.a (3.61% including tax), to be paid every six months

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 2016, including insurance contracts and co-operation contracts.

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

In November 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 2016 and 2017. 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 2016 and 31 December 2015.

	For year ended	
	31 December 2016	**31 December 2015**
	€	€
Fee for audit and review of financial statements	580	583
Tax and other advisory services	26	108
Total	**606**	**691**

Globe Trade Centre S.A.

Report on application of the principles of corporate governance for the financial year ended 31 December 2016

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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 "**WSE Best Practices**"). The WSE Best Practices have been amended several times since then and were brought in line with recent legislative amendments, current international corporate governance trends, and the expectations of market participants. The last amendment took place on 13 October 2015, when the Warsaw Stock Exchange supervisory board adopted resolution approving a new code of corporate governance "Best Practice of GPW Listed Companies 2016" which came to force as at 1 January 2016 and is a base for this report on application of the principles of corporate governance for the financial year ended 31 December 2016.

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 2016 the Company did not comply with the following principle of the WSE Best Practices:

II. Best practice for Management Board, Supervisory Board

Rule		Company's Comment
II.Z.8.	*"The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4."*	According to the Company's Articles of association the chairman of the audit committee is being nominated by the Supervisory Board based on his/her experience and expertise. The Audit Committee consists of three members, working as a collegiate body and at least one member meets independence criteria.

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*:

- deposit certificate attached to statement of OFE PZU "Złota Jesień". (see: Current report no 15/2016);
- deposit certificate attached to statement of LSREF III GTC Investments B.V and Lone Star Real Estate Partners III L.P. (see: Current report no 14/2016) and
- deposit certificate attached to statement of AVIVA OFE Aviva BZ WBK (see: Current report no 10/2016).

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]	278,849,657	60,59%	278,849,657	60,59%
OFE PZU Złota Jesień	47,847,000	10.40%	47,847,000	10.40%
AVIVA OFE Aviva BZ WBK	32,922,000	7.15%	32,922,000	7.15%
Other shareholders	100,597,821	21.86%	100,597,821	21.86%
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 2016 there was no change in the composition of the management board.

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 2016:

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 2016 the following changes in the composition of the supervisory board took place:

- on 19 May 2016, LSREF III GTC Investments B.V. dismissed Klaus Helmrich from the function of a member of the supervisory board of the Company (see current report no 11/2016);

- on 24 May 2016, i.e. on the date of the annual shareholders meeting of the Company, the mandate of Jarosław Karasiński, member of the supervisory board, expired (see current report no 14/2016);

- on 27 May 2016, Powszechne Towarzystwo Emerytalne PZU SA, acting on behalf of Otwarty Fundusz Emerytalny PZU "Złota Jesień" appointed Ryszard Koper to the supervisory board of the Company (see current report no 15/2016);

- on 13 June 2016, Powszechne Towarzystwo Emerytalne PZU SA, acting on behalf of Otwarty Fundusz Emerytalny PZU "Złota Jesień" appointed Tomasz Styczyński to the supervisory board of the Company (see current report no 16/2016); .

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 2016:

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	2016	2019
Philippe Couturier	Member of the supervisory board	2013	2016	2019
Jan Düdden	Member of the supervisory board	2014	2014	2017
Mariusz Grendowicz	Member of the supervisory board	2000	2016	2019
Ryszard Koper [1]	Independent member of the supervisory board	2016	2016	2019
Marcin Murawski [1]	Independent member of the supervisory board	2013	2016	2019
Katharina Schade	Member of the supervisory board	2013	2016	2019
Tomasz Styczyński [1]	Independent member of the supervisory board	2016	2016	2019

[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 2016, 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 2016, the members of the Remuneration Committee were Alexander Hesse, Marcin Murawski and Mariusz Grendowicz.

Part 12. Diversity policy in terms of the management, supervisory, or administrative bodies of the Company.

The Company's diversity policy is centered on respecting the employees as an element of diversity-oriented culture regardless of gender, age, education and cultural heritage. It includes integrating employees in their workplace and ensuring that all employees are treated equally at work. The Company supports various social initiatives, which promote equal opportunities. Additionally, the Company joins charitable activities initiated by the employees. The principles of equal treatment at the workplace have been reflected in the company's bylaws, which are available to all employees. The Company values its enriched diversity policy in pursuing its goals.

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 2016 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, 17 March 2017

GLOBE TRADE CENTRE S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016
WITH THE INDEPENDENT AUDITOR'S REPORT

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2016
(in thousands of Euro)

	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Investment property	17	1,501,770	1,163,552
Investment property landbank	17	102,905	124,977
Residential landbank	18	13,761	26,773
Investment in associates and joint ventures	19	3,803	23,067
Property, plant and equipment	16	6,002	1,070
Deferred tax asset	15	1,075	647
Other non-current assets		353	386
		1,629,669	**1,340,472**
Assets held for sale	30	**-**	**5,950**
Current assets			
Residential inventory	18	5,355	3,161
Accounts receivables		5,363	5,505
Accrued income		767	1,655
VAT receivable	27	17,389	4,985
Income tax receivable		652	316
Prepayments and deferred expenses		2,558	1,323
Short-term deposits	22	27,925	26,711
Cash and cash equivalents	23	149,812	169,472
		209,821	**213,128**
TOTAL ASSETS		**1,839,490**	**1,559,550**

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 2016
(in thousands of Euro)

	Note	31 December 2016	31 December 2015
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	31	10,410	10,410
Share premium	8	499,288	499,288
Capital reserve	8	(35,702)	(20,646)
Hedge reserve	20	(3,631)	(4,563)
Foreign currency translation		1,872	1,405
Accumulated profit		315,195	156,647
		787,432	**642,541**
Non-controlling interest	28	2,891	(21,339)
Total Equity		**790,323**	**621,202**
Non-current liabilities			
Long-term portion of long-term borrowing	29	739,031	658,744
Deposits from tenants	25	8,043	6,242
Long term payable	26	2,730	4,621
Provision for share based payment	31	2,046	1,152
Derivatives	20	2,778	2,755
Provision for deferred tax liability	15	98,237	133,455
		852,865	**806,969**
Current liabilities			
Investment and trade payables and provisions	21	36,739	28,774
Payables related to purchase of non-controlling interest		-	18,108
Current portion of long-term borrowing	29	153,902	80,368
VAT and other taxes payable		1,122	1,572
Income tax payable		530	363
Derivatives	20	2,553	2,194
Advances received from residential buyers		1,456	-
		196,302	**131,379**
TOTAL EQUITY AND LIABILITIES		**1,839,490**	**1,559,550**

Globe Trade Centre S.A.
Consolidated Income Statement
for the year ended 31 December 2016
(in thousands of Euro)

	Note	2016	2015
Revenue from rental activity	9	114,341	104,999
Residential revenue	9	5,960	12,364
Cost of rental activity	10	(27,890)	(26,462)
Residential costs	10	(5,065)	(10,871)
Gross margin from operations		**87,346**	**80,030**
Selling expenses	11	(3,236)	(2,721)
Administration expenses	12	(12,234)	(11,045)
Profit from revaluation/ impairment of assets	17	84,604	27,611
Impairment of residential projects	18	(53)	(1,389)
Other income		1,354	1,645
Other expenses	24	(2,996)	(2,430)
Profit/(Loss) from continuing operations before tax and finance income / expense		**154,785**	**91,701**
Foreign exchange differences gain/(loss), net		2,435	1,394
Finance income	13	1,324	3,849
Finance cost	13	(29,500)	(33,205)
Share of loss of associates and joint ventures	19	(4,474)	(8,163)
Profit/(loss) before tax		**124,570**	**55,576**
Taxation	15	35,005	(11,937)
Profit/(Loss) for the year		**159,575**	**43,639**
Attributable to:			
Equity holders of the Company		158,548	45,192
Non-controlling interest		1,027	(1,553)
Basic earnings per share (in Euro)	33	0.34	0.12

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 2016
(In thousands of Euro)

	2016	2015
Profit/(loss) for the period	**159,575**	**43,639**
Gain/(loss) on hedge transactions	1,160	(531)
Income tax	(228)	85
Net gain/(loss) on hedge transactions	**932**	**(446)**
Foreign currency translation	464	143
Total comprehensive income/ (loss) for the period, net of tax to be reclassified to profit or loss in subsequent periods	**160,971**	**43,336**
Attributable to:		
Equity holders of the Company	159,947	44,745
Non-controlling interest	1,024	(1,409)

Globe Trade Centre S.A.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2016
(In thousands of Euro)

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2016	**10,410**	**499,288**	**(20,646)**	**(4,563)**	**1,405**	**156,647**	**642,541**	**(21,339)**	**621,202**
Other comprehensive income	-	-	-	932	467	-	1,399	(3)	1,396
Profit / (loss) for the year ended 31 December 2016	-	-	-	-	-	158,548	158,548	1,027	159,575
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**932**	**467**	**158,548**	**159,947**	**1,024**	**160,971**
Purchase of NCI shares	**-**	**-**	(14,284)	-	-	-	(14,284)	23,206	8,922
Other	**-**	**-**	(772)	-	-	-	(772)	-	(772)
Balance as of 31 December 2016	**10,410**	**499,288**	**(35,702)**	**(3,631)**	**1,872**	**315,195**	**787,432**	**2,891**	**790,323**
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	-	-	-	(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**

Globe Trade Centre S.A.
Consolidated Statement of Cash Flow
for the year ended 31 December 2016
(In thousands of Euro)

	Note	Year ended 31 December 2016	Year ended 31 December 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		124,570	55,576
Adjustments for:			
Loss/(profit) from revaluation/impairment of assets and residential projects		(84,551)	(26,222)
Share of loss of associates and joint ventures	19	4,474	8,163
Loss / (Profit) on disposal of asset		65	(1,014)
Foreign exchange differences loss/(gain), net		(2,434)	(1,394)
Finance income	13	(1,324)	(3,849)
Finance cost	13	29,500	33,205
Provision for share based payment loss/(profit)	12	894	863
Depreciation and amortization	16	468	509
Operating cash before working capital changes		**71,662**	**65,837**
Increase / (Decrease) in accounts receivables and prepayments and other current assets		374	(1,340)
Decrease in residential inventory		2,303	10,263
Decrease/(increase) in advances received from residential		1,456	(545)
Increase in deposits from tenants		1,801	663
Increase/(decrease) in trade payables		(202)	966
Cash generated from operations		**77,394**	**75,844**
Tax paid in the period		(4,113)	(2,735)
Net cash from operating activities		**73,281**	**73,109**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property		(93,259)	(33,519)
Purchase of completed assets and land	8	(139,646)	(53,080)
Sale of investment property		12,640	42,665
Sale of residential landbank and inventory		-	8,504
VAT/tax on purchase/sale of investment property		(8,900)	(4,571)
Sale of subsidiary		10,179	13,032
Purchase of subsidiary	7	(9,844)	(191)
Purchase of minority		(18,558)	(800)
Sale of associates and Joint ventures		3,947	-
Interest received		425	1,279
Liquidation of Joint Ventures	8	-	3,890
Loans granted to associates		(123)	(288)
Loans repayments from associates		11,349	244
Net cash used in investing activities		**(231,790)**	**(22,835)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of shares	8	-	140,102
Share issuance expenses		-	(2,481)
Proceeds from long-term borrowings		273,517	62,947
Repayment of long-term borrowings		(103,193)	(137,970)
Repayment of hedge		-	(1,928)
Interest paid		(25,075)	(26,708)
Loans origination payment		(2,229)	(1,148)
Decrease/(Increase) in short term deposits		(2,214)	4,558
Net cash from /(used) in financing activities		**140,806**	**37,372**
Net foreign exchange difference		**(1,957)**	**763**
Net increase/ (Decrease) in cash and cash equivalents		**(19,660)**	**88,409**
Cash and cash equivalents at the beginning of the period		**169,472**	**81,063**
Cash and cash equivalents at the end of the period		**149,812**	**169,472**

1. Principal activities

Globe Trade Centre S.A. (the "Company", "GTC S.A." 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 17 Stycznia 45a. 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 2016 and 2015, the number of full time equivalent working employees in the Group companies was 172 and 143, respectively.

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

GTC is primarily listed on the Warsaw Stock Exchange and is inward listed in Johannesburg 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 278,849,657 shares 60.59% of total share as of 31 December 2016.

2. Functional and presentation currencies

The functional currency of GTC S.A. and most of its subsidiaries 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 and statement of compliance

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU ("EU IFRS"). At the date of authorisation of these consolidated financial statements, taking into account the EU'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 is aware of the fact that IFRS 15 and IFRS 9, which are effective for financial years beginning on or after 1 January 2018, have been already endorsed by the European Union. The Group is currently in the process of analysis of quantitative and qualitative impact of those two standards, as well as of IFRS 16, which is not yet endorsed, on the Group’s consolidated financial statements.

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. Further details of liquidity risks and capital management processes are described in Note 36.

As of 31 December 2016, the Group’s net working capital (defined as current assets less current liabilities) was positive and amounted to Euro 14 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

Standards issued but not yet effective

The accounting policies applied in the preparation of the attached consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2015 with the exception of presentation of investment properties in balance sheet, which in prior year financial statements were presented within one line and in current year was divided into investment property and investment property landbank

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

- IFRS 9 Financial Instruments, issued on 24 July 2014 (effective for annual periods beginning on or after 1 January 2018);
- IFRS 14 Regulatory Deferral Accounts, issued on 30 January 2014 (effective for annual periods beginning on or after 1 January 2016);
- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014), including amendments to IFRS 15 Effective Date of IFRS 15, issued on 11 September 2015 − effective for annual periods beginning on or after 1 January 2018;
- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016) − effective for annual periods beginning on or after 1 January 2018;
- IFRS 16 Leases (issued on 13 January 2016) − effective for annual periods beginning on or after 1 January 2019;
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; issued on 11 September 2014 − work on approval of the amendments has been postponed by the EU for an indefinite term; thus, the effective date of the amendments has been postponed by the IASB for an indefinite term;
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses, issued on 19 January 2016 (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IAS 7 Disclosure Initiative, issued on 29 January 2016 (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IFRS 4: Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016) – effective for annual periods beginning on or after 1 January 2018;
- Amendments to IFRS 2: Share-based Payment (issued on 20 June 2016) − effective for annual periods beginning on or after 1 January 2018.
- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements – Amendments to IFRS 12 are effective for financial years beginning on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 are effective for financial years beginning on or after 1 January 2018;
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018;
- Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018.

5. Changes in accounting policies (continued)

The Group has not elected to early adopt any of the standards, interpretations, or amendments which have not yet become effective. The Company's Management Board is analysing and assessing the effect of the new standards and interpretations on the accounting policies applied by the Group and on the Group's future consolidated financial statements.

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, share based payments and derivative financial instruments that have been measured at fair value.

(b) Property, 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 %
Buildings	2 %
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 2016 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. 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 completion is expected in the future, 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 joint ventures

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) Residential 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.

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

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

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)
Cap	Hedging (cash flow hedges)	Fair value – adjusted to profit and loss
Forex forward	Hedging (cash flow hedges)	Fair value – adjusted to profit and loss

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 Board to determine whether impairment may exist. In particular, the Management Board 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 non-controlling interest

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.

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

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

(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.

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

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6. Summary of significant accounting policies (continued)

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

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

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

(x) Basis of Consolidation

The consolidated financial statements comprise the financial statements of GTC and the financial statements of its subsidiaries for the year ended 31 December 2016.

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

The 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 remunerates key personnel by granting them rights for payments based on GTC’s share price performance in PLN, in exchanges for their services (“Phantom shares”).

The cost of the phantom shares is measured initially at fair value at the grant date. The liability is re-measured to fair value at each reporting date up and including the settlement date, with changes in fair value recognised in administration expenses.

(in thousands of Euro)

6. Summary of significant accounting policies (continued)

(aa) Leases

Lessor:
Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases.

7. Investment in Subsidiaries, Associates and Joint Ventures

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

Subsidiaries

Name	Holding Company	Country of incorporation	31 December 2016	31 December 2015
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 Neptune Gdansk Sp. z o.o. (formerly 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 Sterlinga Sp. z o.o. (formerly 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 Pixel Sp. z o.o. (formerly GTC Wilson Park)	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%
GTC Galeria CTWA Sp. z o.o.	GTC S.A.	Poland	100%	100%
Artico Sp. z o.o (1)	GTC S.A.	Poland	100%	-
Julesberg Sp. z o.o. (1)	GTC S.A.	Poland	100%	-
Jowett Sp. z o.o. (1)	GTC S.A.	Poland	100%	-
Calobra Sp. z o.o. (1)	GTC S.A.	Poland	100%	-
Mantezja 4 Sp. z o.o. (1)	GTC S.A.	Poland	100%	-
Havern Investments sp. z o.o.	GTC S.A.	Poland	100%	100%

(1) Purchased in 2016

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	31 December 2016	31 December 2015
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	Netherlands	100%	100%
GTC Duna Kft.	GTC Hungary	Hungary	100%	100%
Vaci Ut 81-85 Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartmanok Kft. (“Riverside”) (5)	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft. (“Centre Point I”)	GTC Hungary	Hungary	100%	100%
Centre Point II. Kft.	GTC Hungary	Hungary	100%	100%
Spiral Holding Kft.	GTC Hungary	Hungary	100%	100%
Spiral I.Kft.	GTC Hungary	Hungary	100%	100%
Spiral II Hungary. Kft.	GTC Hungary	Hungary	100%	100%
River Loft Apartmanok Ltd. (5)	GTC Hungary	Hungary	100%	100%
SASAD Resort Kft. (“Sasad”)	GTC Hungary	Hungary	100%	100%
Albertfalva Üzletközpont Kft. (“formerly 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 White House Kft. (“formerly GTC Renaissance Plaza Kft.”)	GTC Hungary	Hungary	100%	100%
VRK Tower Kft (3)	GTC Hungary	Hungary	100%	-
SASAD II Kft.(4)	GTC Hungary	Hungary	-	100%
Amarantan Ltd.	GTC Hungary	Hungary	100%	100%
Abritus Kft.	GTC Hungary	Hungary	100%	100%
Immo Buda Kft. (1)	GTC Hungary	Hungary	-	100%
Szemi Ingatlan Ltd.(1)	GTC Hungary	Hungary	-	100%
Preston Park Kft.(4)	GTC Hungary	Hungary	-	100%
GTC Real Estate Investments Ukraine B.V. (“GTC Ukraine”) (2)	GTC S.A.	Netherlands	-	90%
GTC Slovakia Real Estate s.r.o. (6)	GTC S.A.	Slovakia	100%	100%
GTC Real Estate Vinohrady s.r.o.	GTC S.A.	Slovakia	100%	100%

(1) Merged into Albertfalva Kft

(2) NCI was purchased in January 2016, merged into GTC S.A on 30 September 2016

(3) Company was incorporated in 2016

(4) Subsidiaries were sold in 2016.

(5) Under liquidation

(6) Sold in 2017

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	31 December 2016	31 December 2015
GTC Nekretnine Zagreb d.o.o.("GTC Zagreb")	GTC S.A.	Croatia	100%	100%
Euro Structor d.o.o.	GTC S.A.	Croatia	70%	70%
Marlera Golf LD d.o.o.	GTC S.A.	Croatia	80%	80%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o	Croatia	80%	80%
GTC Nekretnine Jug. d.o.o. (4)	GTC S.A.	Croatia	100%	100%
GTC Sredisnja tocka d.o.o.	GTC S.A.	Croatia	100%	100%
GTC Nekretnine Zapad d.o.o. (3)	GTC S.A.	Croatia	-	100%
Towers International Property S.R.L.	GTC S.A.	Romania	100%	100%
Galleria Shopping Center S.R.L. (formerly "International Hotel and Tourism S.R.L.")	GTC S.A.	Romania	100%	100%
BCG Investment B.V.	GTC S.A.	Netherlands	100%	100%
Green Dream S.R.L.	GTC S.A.	Romania	100%	100%
Aurora Business Complex S.R.L	GTC S.A.	Romania	71.5%	71.5%
Bucharest City Gate B.V. ("BCG")	GTC S.A.	Netherlands	100%	100%
City Gate Bucharest S.R.L.	BCG	Romania	100%	100%
Mablethompe Investitii S.R.L.	GTC S.A.	Romania	100%	100%
Mercury Commercial Center S.R.L. ("Galeria Arad") (1)	GTC S.A.	Romania	-	100%
Venus Commercial Center S.R.L.	GTC S.A.	Romania	100%	100%
Mars Commercial Center S.R.L. ("Galeria Piatra Neamt") (1)	GTC S.A.	Romania	-	100%
Beaufort Invest S.R.L.	GTC S.A.	Romania	100%	100%
Fajos S.R.L.	GTC S.A.	Romania	100%	100%
City Gate S.R.L.	BCG	Romania	100%	100%
Brightpoint Investments Limited (5)	GTC S.A.	Cyprus	50.1%	50.1%
Complexul Residential Colentina S.R.L. (2)	GTC S.A.	Romania	100%	50.1%
Operetico Enterprises Ltd.	GTC S.A.	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 S.A.	Romania	66.7%	66.7%

(1) Sold in 2016

(2) NCI was purchased in 2016

(3) Liquidated in 2016

(4) Liquidated in January 2017

(5) Under liquidation

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	31 December 2016	31 December 2015
GTC RH B.V. (3)	GTC S.A.	Netherlands	-	100%
Galeria Stara Zagora AD ("Stara Zagora") (4)	GTC S.A.	Bulgaria	100%	75%
Galeria Burgas AD	GTC S.A.	Bulgaria	80%	80%
GTC Business Park EAD	GTC S.A.	Bulgaria	100%	100%
NRL EAD	GTC S.A.	Bulgaria	100%	100%
Advance Business Center EAD (6)	GTC S.A.	Bulgaria	100%	
Galeria Ikonomov GmbH (2)	GTC S.A.	Austria	-	100%
GTC Yuzhen Park EAD ("GTC Yuzhen")	GTC S.A.	Bulgaria	100%	100%
GTC Medj Razvoj Nekretnina d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
GTC Business Park d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial and Residential Ventures d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Real Estate Developments d.o.o. Beograd (8)	GTC Commercial Development d.o.o.	Serbia	-	100%
Demo Invest d.o.o. Novi Beograd	GTC S.A.	Serbia	100%	100%
Atlas Centar d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial Development d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Glamp d.o.o. Beograd (5)	GTC S.A.	Serbia	100%	-
Nibiru Developments doo Beograd (2)	GTC S.A.	Serbia	-	100%
Europort Investment (Cyprus) 1 Limited (1)	GTC S.A.	Cyprus	100%	95%
Black Sea Management LLC (1,7)	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	95%
Europort Ukraine Holdings 1 LLC (1)	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	95%
Europort Ukraine Holdings 2 LLC (1,7)	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	95%
Europort Ukraine LL (1)	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	95%
Europort Project Ukraine 1 LLC (1)	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	95%

(1) NCI was purchased in January 2016

(2) Liquidated

(3) Company merged into GTC S.A. on 30 September 2016

(4) NCI was purchased in September 2016

(5) Purchased in 2016

(6) Established in 2016

(7) Under liquidation

(8) Merged into GTC Medj Razvoj Nekretnina d.o.o.

Investment in Associates and Joint Ventures

Name	Holding Company	Country of incorporation	31 December 2016	31 December 2015
Yatelsis Viborgskaya Limited of Nicosia ("YVL")	GTC S.A.	Cyprus	50%	50%
Ana Tower Offices S.R.L.	GTC S.A.	Romania	50%	50%
Lighthouse Holdings Limited S.A. ("Lighthouse") (1)	GTC S.A.	Luxembourg	-	35%
CID Holding S.A. ("CID")	GTC S.A.	Luxembourg	35%	35%
Europort LTD (1)	GTC S.A.	Israel	-	9.9%

(1) Sold in 2016

8. Events in the period

Acquisition of Pixel office building in Poznan
In January 2016, the Group purchased Pixel office building in Poznan, Poland for EUR 32.2 million. The office building is entirely leased to renowned tenants. The Group 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 Group's own sources and a bank loan from PKO BP in the amount of EUR 22.5 million.

Purchase of non-controlling interest
In January 2016, the Group acquired the remaining 10% in GTC Ukraine B.V, and the minority shareholder's loans granted to the project, for a consideration of Euro 1. Following the transaction GTC remained the sole owner of the subsidiary. As a result of the transaction, the negative NCI increased by Euro 2.2 million, the capital reserve increased by Euro 0.4 million and the NCI loans decreased by Euro 2.6 million. Consequently, the total equity increased by Euro 2.6 million.

Acquisition of Premium office Buildings in Bucharest
In April 2016, the Group purchased two office buildings in Bucharest, Romania (Premium Plaza and Premium Point) for EUR 32 million, consisting of approximately 15,000 sq. m. NRA. Property acquisition was financed by the Group's own sources.

Completion of the second phase of University Business Park ("UBP II") in Lodz
In April 2016, the second phase of University Business Park in Łódź received occupancy permit, marking the completion of the investment. The UBP complex comprises two A-class office buildings and the total gross leasable area of the complex is 40,300 sq. m.

Purchase of non-controlling interest
In April 2016, the Group acquired the remaining 49.9% in Complexul Residential Colentina S.R.L. (Rose Garden) and the minority shareholder's loans granted to the project, for a consideration of Euro 12.5 thousand. Following the transaction GTC remained the sole owner of the subsidiary. As a result of the transaction, the negative NCI increased by Euro 3.9 million, the capital reserve increased by Euro 0.4 million, and the NCI loans decrease by Euro 4.3 million. Consequently, the total equity increased by Euro 4.3 million.

8. Events in the period (continued)

Galleria - Stara Zagora AD

In September 2016, the Company and the minority partner signed an agreement to buy out the minority interest in GSZ. According to the agreement, the minority partner sells its shares in GSZ and the related shareholders loans to the Company for Euro 0.4 million (such amount may be increased contingently upon increase in the project value within an agreed time frame).

As result of the transaction, the Company's total equity increased by Euro 2 million. This amount comprises elimination of a negative NCI in the amount of Euro 17 million, decrease in the capital reserve in the amount of Euro 15 million, decrease in loans from NCI in the amount of Euro 2.4 million and creating a liability in the amount of Euro 0.4 million, which was paid in November 2016.

Acquisition of two office buildings in Poland

In 1 July 2016, the Group acquired two office buildings: Neptun Office Center and Sterlinga Business Center, located in Gdansk and Lodz respectively. These two Class A office buildings, featuring modern design and a total of 30,000 sq. m GLA of office space and 364 parking places, will enrich the Group's Polish investment portfolio. The purchase of the two buildings was financed by the Group's own sources and a bank loan from bank Pekao in the amount of EUR 39 million.

Financing of Duna Tower and refinancing of Center Point projects in Budapest

In July 2016, the Group signed a loan agreement for financing of the Duna Tower office project in Budapest with OTP Bank Nyrt (the "Bank"). The total nominal amount of the new loan is EUR 28 million. Furthermore, the Group and the Bank undertook to refinance the EUR 38.9 million Center Point loans currently financed by MKB Bank Zrt. with a new EUR 47 million loan facility.

Sell of Konstancja land

In July and November 2016, the Group sold a major part of the land known as Konstancja Commercial land consisting of 10 hectare for EUR 8.6 million (PLN 37 million).

Acquisition of Artico Office Project

In July 2016, the Group has acquired Artico Sp. z o.o. that is developing an office building in Warsaw. The building will consist of approximately 7,600 sq.m. of leasable area and is almost fully pre-leased. The building is scheduled to be completed in 2017.

Listing on Johannesburg Stock Exchange

In July 2016, Johannesburg Stock Exchange ("JSE") has approved the Company's inward listing on the stock exchange main board. Listing was commenced in August 2016.

Sale of Piatra and Arad shopping centres in Romania

In August and September 2016, the Group sold subsidiaries which hold Piatra and Arad shopping centers in Romania for Euro 2.7 million and 2.1 million, respectively.

8. Events in the period (continued)

Merger of the Company's Dutch subsidiaries

In order to (i) enable a fastest and most effective way to control Group companies and bring optimization of management processes within the Group, (ii) reduction of operating and administrative costs and (iii) increased transparency for owners and investors, on 30 March 2016, the Management of GTC S.A. announced a plan for a cross-border merger of GTC S.A. and two of its subsidiaries (the "Merger"). In May 2016, the Merger plan was approved by the Shareholders of GTC S.A. and finalized on 30 September 2016.

Acquisition of lands

In March 2016, GTC Group purchased a land in Budapest for the total amount of EUR 11.3 million. The Group intends to construct an office building on this land.

In November 2016, GTC Group purchased shares in a Serbian company which owns a land in Belgrade, for the total amount of EUR 4.6 million. The Group intends to construct an office building on this land.

In December 2016, GTC Group purchased land in Sofia for the total amount of EUR 6.1 million. The Group intends to construct an office building on this land.

Financing

In November 2016, GTC Group signed a loan agreement with Alfa Bank in the amount of EUR 19 million for the finance of Premium office buildings in Romania.

In November 2016, the Company issued 3-year Euro denominated bonds in the total amount of EUR 28.8 million.

In December 2016, the Company issued 3-year Schuldschein loan in the total amount of EUR 5 million,

See also subsequent events (note 37).

9. Revenue from operations

Revenue from operations comprises of the following:

	2016	2015
Rental revenue	86,509	79,636
Service revenue	27,832	25,363
Residential revenue	5,960	12,364
	120,301	**117,363**

Rental income includes turnover rent for the year ended 31 December 2016 of Euro 2,201 thousand (2015: Euro 2,347 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 European CPI.

Future minimum rental receivables under operating leases from completed projects are, as follows (in millions of Euro):

	31 December 2016	31 December 2015
Within 1 year	82	78
After 1 year, but not more than 5 years	199	183
More than 5 years	41	19
	322	**280**

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:

	2016	2015
Rental and service costs	27,890	26,462
Residential costs	5,065	10,871
	32,955	**37,333**

Majority of service costs represents external services costs. Service costs relate to investment properties, which generate rental income.

(in thousands of Euro)

11. Selling expenses

Selling expenses comprise of the following:

	2016	2015
Brokerage and similar fees	155	203
Advertising and marketing	1,942	1,798
Payroll and related expenses	1,139	720
	3,236	**2,721**

12. Administration expenses

Administration expenses comprise of the following:

	2016	2015
Remuneration and fees	7,194	6,244
Audit and valuations	1,141	1,221
Legal and tax advisers	964	930
Office and insurance expenses	1,031	799
Travel expenses	337	298
Supervisory board remuneration fees	84	109
Depreciation	468	523
Investors relations and other expenses	121	58
Total before share based payment	**11,340**	**10,182**
Share based payment	894	863
Total	**12,234**	**11,045**

(in thousands of Euro)

13. Financial income and financial expense

Financial income comprise of the following:

	2016	**2015**
Interest on loans granted to associates and joint ventures	899	2,999
Interest on deposits and other	425	850
	1,324	**3,849**

Financial expense comprise of the following:

	2016	**2015**
Interest expenses (on financial liabilities that are not fair valued through profit or loss) and other charges	(25,951)	(29,559)
Settlement of financial instruments (derivatives)	-	(928)
Change in fair value of financial instruments	(1,542)	(432)
Loan raising amortization	(2,007)	(2,286)
	(29,500)	**(33,205)**

The average interest rate (including hedges) on the Group's loans as of 31 December 2016 was 3.2% p.a. (3.4% p.a. as of 31 December 2015).

(in thousands of Euro)

14. Segmental analysis

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 SEE (Bulgaria, Croatia, 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 2016 and year ended 31 December 2015 is presented below:

	Poland and Hungary		**SEE capital cities**		**SEE secondary cities**		**Total**	
	31 December 2016	**31 December 2015 (restated)**	**31 December 2016**	**31 December 2015 (restated)**	**31 December 2016**	**31 December 2015 (restated)**	**31 December 2016**	**31 December 2015 (restated)**
Revenue from operations	66,028	63,492	44,253	42,388	10,020	11,483	120,301	117,363
Costs of operations	(15,585)	(16,626)	(14,292)	(15,804)	(3,078)	(4,903)	(32,955)	(37,333)
Gross margin	50,443	46,866	29,960	26,584	6,943	6,580	87,346	80,030
Gain/(loss) from revaluation/ impairment of:								
Investment properties	75,283	27,958	9,882	1,811	(561)	(2,247)	84,604	27,522
Residential projects	1,479	(1,300)	(532)	-	(1,000)	-	(53)	(1,300)
	76,762	**26,658**	**9,350**	**1,811**	**(1,561)**	**(2,247)**	**84,551**	**26,222**
Total assets	**1,226,239**	**962,106**	**532,052**	**517,247**	**81,199**	**80,198**	**1,839,490**	**1,559,551**
Total liabilities	**755,908**	**612,982**	**256,402**	**228,827**	**36,857**	**96,358**	**1,049,167**	**938,347**

In prior year financial statements secondary cities in Romania, Bulgaria and Croatia were presented as separate geographical regions. Starting from 31 December 2016 Management decided to combine all these properties into one reportable segment – SEE secondary cities.

(in thousands of Euro)

15. Taxation

The major components of tax expense are as follows:

	Year ended 31 December 2016	**Year ended 31 December 2015**
Current corporate and capital gain tax expense	3,679	7,011
Previous year's tax refund	(3,052)	(85)
Deferred tax expense / (income)	(35,632)	5,011
	(35,005)	**11,937**

The Group companies is subject to 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 2016	**Year ended 31 December 2015**
Accounting profit before tax	124,570	55,576
Taxable expenses at the applicable tax rate in each country of activity	**22,810**	**12,506**
Tax effect of expenses that are not deductible in determining taxable profit	367	1,631
Share of profit in associates and joint ventures	911	1,231
Cancellation of provision(*)	(54,889)	-
Tax effect of foreign currency differences	480	(1,045)
Cancellation of provision due to reduction of corporate tax rate	(8,439)	(341)
Previous year's tax refund	(3,052)	(85)
Unrecognised deferred tax asset, net	6,786	(2,077)
Other	21	117
Tax expense / (income)	**(35,005)**	**11,937**

(*) In May 2016, the shareholders of GTC S.A. approved a cross-border merger of GTC S.A., as the acquiring company, with its 100% subsidiaries GTC Real Estate Investments Ukraine B.V. and GTC RH B.V. The cross-border merger was finalised on 30 September 2016 and was part of group restructuring process. As a consequence, temporary deferred tax differences related to interest and exchange rates on Euro denominated loans granted by GTC S.A. to GTC RH B.V. were derecognized as tax income in the amount of EUR 48 million in the year ended 31 December 2016. Additionally, certain intercompany loans were impaired, thereby reducing related provisions.

(in thousands of Euro)

15. Taxation (continued)

The components of the deferred tax balance were calculated at a rate applicable when the Company expects to recover or settle the carrying amount of the asset or liability.

Net deferred tax assets comprise the following:

	As of 1 January 2015	Credit / (charge) to income statement	As of 31 December 2015	Credit / (charge) to income statement	As of 31 December 2016
Financial instruments	405	(285)	120	(75)	45
Tax loss carried forwards	3,724	4,526	8,250	3,908	12,158
Basis differences in non-current assets	(1,166)	1,166	-	81	81
Accruals	-	-	-	414	414
Netting (**)	(718)	(7,005)	(7,723)	(3,900)	(11,623)
Net deferred tax assets	**2,245**	**(1,598)**	**647**	**428**	**1,075**

Net deferred tax liability comprises of the following:

	As of 1 January 2015	Credit / (charge) to equity	Foreign exchange differences	Credit / (charge) to income statement	As of 31 December 2015	Credit / (charge) to equity	Foreign exchange differences	Credit / (charge) to income statement	As of 31 December 2016
Financial instruments (*)	(51,035)	85	(65)	(412)	(51,427)	228	(215)	46,008	(5,406)
Basis differences in non-current assets	(80,229)	-	-	(9,337)	(89,566)	-	-	(14,888)	(104,454)
Other	484	-	-	(669)	(185)	-	-	185	-
Netting (**)	718	-	-	7,005	7,723	-	-	3,900	11,623
Net deferred tax liability	**(130,062)**	**85**	**(65)**	**(3,413)**	**(133,455)**	**228**	**(215)**	**35,205**	**(98,237)**

(*) Mostly, unrealized interest and foreign exchange differences,
(**)within a particular company, deferred tax asset are accounted separately from deferred tax liabilities as they are independent in their nature. However, as they represent a future settlement between the same parties, they are netted off for the purpose of the presentation in financial statements.

(in thousands of Euro)

15. Taxation (continued)

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

Tax rate	Year ended 31 December 2016	Year ended 31 December 2015
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%

(*) Tax rate is reduced to 9% starting 1 January 2017.
(**) Tax rate is reduced to 18% starting 1 January 2017.

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, inconsistent interpretations not consistent and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax settlements and other areas of activity (e.g. customs or foreign currency related issues) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system.

Effective 15 July 2016, the Polish Tax Code was amended for the General Anti-Abuse Rule (GAAR) provisions. The new regulation will require significantly more judgement in assessment of the tax consequences of particular transactions.

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 2016 available in the amount of Euro 297 million. The expiry dates of these tax losses as of 31 December 2016 are as follows: within one year - Euro 63 million, between 2-5 years - Euro 197 million, afterwards – Euro 36 million.

(in thousands of Euro)

16. Property, Plant and Equipment

The movement in property, plant and equipment for the periods ended 31 December 2016 and 31 December 2015 was as follows:

	Buildings	Equipment	Vehicles	Total
Gross carrying amount				
As of 1 January 2016	**-**	**2,872**	**757**	**3,629**
Additions	668	181	318	1,167
Transfers from investment properties	4,236	-	-	4,236
Disposals, impairments and other decreases	-	(201)	(278)	(479)
As of 31 December 2016	**4,904**	**2,852**	**797**	**8,553**
Accumulated Depreciation				
As of 1 January 2016	-	2,045	514	2,559
Charge for the period	66	305	97	468
Disposals, impairments and other decreases	-	(239)	(237)	(476)
As of 31 December 2016	**66**	**2,111**	**374**	**2,551**
Net book value as of 31 December 2016	**4,838**	**741**	**423**	**6,002**
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)
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)
As of 31 December 2015	**-**	**2,045**	**514**	**2,559**
Net book value as of 31 December 2015	**-**	**827**	**243**	**1,070**

(in thousands of Euro)

17. Investment Property

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

Investment property can be split up as follows:

	31 December 2016	31 December 2015
Completed investment property	1,261,044	1,055,732
Investment property under construction	240,726	108,000
Investment property landbank at cost	102,905	124,797
Total	**1,604,675**	**1,288,529**

The movement in investment property for the periods ended 31 December 2016 and 31 December 2015 was as follows:

	Level 2	Level 3	Total
Carrying amount as of 1 January 2016	**771,232**	**517,297**	**1,288,529**
Capitalised subsequent expenditure	14,712	82,254	96,966
Reclassified after completion (1)	23,844	(23,844)	-
Purchase of completed assets and land (2)	122,298	17,348	139,646
Adjustment to fair value / impairment	31,491	54,522	86,013
Disposals of assets (3)	-	(10,316)	(10,316)
Sale of subsidiaries (4)	-	(4,878)	(4,878)
Purchase of subsidiaries (5)	-	12,951	12,951
Reclassified to fixed assets (6)	(2,927)	(1,309)	(4,236)
Carrying amount as of 31 December 2016	**960,650**	**644,025**	**1,604,675**

(1) Completion of second phase of UBP office in Lodz

(2) Purchase of Pixel, Sterlinga and Neptun office buildings in Poland, Premium offices in Romania, and land plot in Hungary, and Bulgaria

(3) Bistrita land in Romania and Konstancja land in Poland

(4) Sale of Piatra shopping centre in Romania, and Sasad in Hungary

(5) Acquisition of Artico office project, and Glamp, Serbia

(6) Office space used by the Group

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 (1)	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 (2)	-	(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**

(1) Purchase of Duna tower office building in Budapest

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

(in thousands of Euro)

17. Investment Property (continued)

Fair value and impairment adjustment consists of the following:

	2016	2015
Adjustment to fair value of completed assets	34,476	2,546
Adjustment to fair value of property under construction	49,289	25,828
Reversal of impairment /(impairment) of asset held for sale	(1,409)	606
Reversal of impairment /(impairment) of IP landbank at cost	2,248	(1,369)
Total	**84,604**	**27,611**

Assumptions used in the valuations of completed assets as of 31 December 2016 are presented below:

Potfolio	Book value	GLA thousand	Ocupancy	Actual rent	ERV	Fair Value Hierarchy Level
	'000 Euro	sqm	%	Euro/ sqm	Euro/ sqm	
Poland retail	164,506	49	90%	19.8	19.8	2
Poland office	394,418	205	91%	13.7	13.8	2
Serbia office capital city	139,981	70	95%	16.3	15.7	3
Croatia retail capital city	103,213	34	99%	20.8	20.8	3
Hungary office capital city	216,206	119	96%	12.0	12.8	2
Romania office capital city	185,520	62	94%	18.2	18.0	2
Bulgaria retail secondary cities	57,200	57	97%	10.5	10.5	3
Total	**1,261,044**	**596**	**94%**	**14.7**	**14.8**	

Assumptions used in the valuations of completed assets as of 31 December 2015 are presented below:

Potfolio	Book value	NRA thousand	Ocupancy	Actual rent	ERV	Fair Value Hierarchy Level
	'000 Euro	sqm	%	Euro/ sqm	Euro/ sqm	
Poland retail	150,200	49	90%	19.3	19.7	2
Poland office	266,436	135	92%	14.3	14.0	2
Serbia office capital city	123,600	64	92%	14.7	15.0	3
Croatia retail capital city	102,100	36	97%	20.0	21.3	3
Hungary office capital city	208,496	117	95%	12.4	12.0	2
Romania retail secondary cities	3,900	13	95%	5.7	5.6	3
Romania office capital city	146,100	48	93%	19.0	17.4	2
Bulgaria retail secondary cities	54,900	61	82%	9.4	9.3	3
Total	**1,055,732**	**524**	**92%**	**14.4**	**14.2**	

(in thousands of Euro)

17. Investment Property (continued)

The average yield as of 31 December 2016 and 2015 was 7.5% and 7.9% 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 2016 amounted to: EUR 33.3 million.

Information regarding to investment properties under construction as of 31 December 2016 is presented below:

	Book value	**Estimated area (NRA)**
	'000 Euro	thousand sqm
Poland	185,496	72
Serbia	47,473	45
Hungary	7,757	22
Total	**240,726**	**139**

Information regarding to investment properties under construction as of 31 December 2015 is presented below:

	Book value	**Estimated area (NRA)**
	'000 Euro	thousand sqm
Poland	101,300	84
Serbia	6,700	7
Total	**108,000**	**91**

Information regarding Investment property landbank as of 31 December 2016 and 2015 is presented below

	Book value '000 Euro	Book value '000 Euro
	31 December 2016	31 December 2015
Poland	48,702	54,224
Serbia	4,390	29,669
Croatia	2,420	2,440
Hungary	23,650	19,010
Romania	11,403	13,367
Bulgaria	9,885	3,800
Ukraine	2,455	2,467
Total	**102,905**	**124,977**

(in thousands of Euro)

18. Inventory and Residential landbank

The movement in residential landbank and inventory for the year ended 31 December 2016 was as follows:

	Residential Inventory	Residential landbank	Total
Carrying amount as of 1 January 2016	**3,161**	**26,773**	**29,934**
Construction costs	2,460	284	2,744
Reversal of Impairment (impairment) to net realisable value	-	947	947
Cost of units sold	(266)	(4,799)	(5,065)
Disposal of subsidiary	-	(9,444)	(9,444)
Carrying amount as of 31 December 2016	**5,355**	**13,761**	**19,116**

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

	Residential Inventory	Residential landbank	Total
Carrying amount as of 1 January 2015	**23,539**	**41,444**	**64,983**
Construction and foreign exchange differences	495	140	635
Reclassification	2,100	(2,100)	-
Reversal of Impairment (impairment) to net realisable value	-	(1,389)	(1,389)
Sale of subsidiary	-	(728)	(728)
Cost of units sold	(9,048)	(1,823)	(10,871)
Disposal of assets	(13,925)	(8,771)	(22,696)
Carrying amount as of 31 December 2015	**3,161**	**26,773**	**29,934**

(in thousands of Euro)

19. Investment in associates and Joint ventures

The investment in associates and joint ventures comprises the following:

	31 December 2016	31 December 2015
Czech Republic (3)	-	15,489
Russia (1)	2,843	4,598
Other (2) (4)	960	2,980
Investment in associates and joint ventures	**3,803**	**23,067**

(1) In September 2016, the Company signed an agreement, in which the investment in Russia will be sold for Euro 3,849. Proceeds from sale will be received during two years. Decrease in book value was due to impairments of investments in the amount of Euro 0.8 million and proceeds of Euro 1 million from the sale.

(2) In April 2016, shares of Europort LTD were sold

(3) In June 2016, CID sold the Harfa shopping centre in Prague. In July 2016, it repaid GTC's loan in the amount of Euro 11.3 million. Post the sale CID's shareholders have decided to liquidate the company.
In August 2016, the Company sold its shares in Lighthouse for Euro 1.3 million.
Additionally, during year ended 31 December 2016 the Group recognized impairment in the amount of EUR 2.9 million.

(4) In February 2017, investment in Ana Tower was sold for Euro 1.2 million.

(in thousands of Euro)

20. Derivatives

The Company holds instruments (IRS, Cap and currency forward) 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 2016 and 31 December 2015 was as follows:

	31 December 2016	31 December 2015
Fair value as of beginning of the year	**(4,949)**	**(6,044)**
Charged to other comprehensive income	1,160	527
Charged to income statements	(1,542)	(1,360)
Disposals/paid	-	1,928
Fair value as of end of the year	**(5,331)**	**(4,949)**

For more information regarding derivatives, see note 36

21. Trade and other payables

An amount of Euro 25 million of trade creditors and accruals relates to payables due to development activity to be financed mostly by long term loans.

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. See note 36, regarding write off of Euro 1 million deposit related to Marlera project.

23. Cash and cash equivalents

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

All cash and cash equivalents are available for use by the Group.

24. Other expenses

Other expenses relate mainly to perpetual usufruct expenses of landbank, as well as unrecoverable taxes.

25. Deposits from tenants

Deposits from tenants represent amounts deposited by tenants to guarantee their performance of their obligations under tenancy agreements.

(in thousands of Euro)

26. Long term payables

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

27. VAT and other tax receivable

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

28. Non-controlling interest

The movement in non-controlling interest and inventory for the periods ended 31 December 2016 and 31 December 2015 was as follows:

	2016	2015
Balance as of 1 January	**(21,339)**	**(62,032)**
Other comprehensive income	(3)	144
Profit /(loss) for the year	1,027	(1,553)
Total comprehensive income / (loss) for the period	**1,024**	**(1,409)**
Purchase of NCI shares (Stara Zagora)	17,033	-
Purchase of NCI shares (Rose Garden)	3,883	-
Purchase of NCI shares (Europort)	2,290	-
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	**2,891**	**(21,339)**

(in thousands of Euro)

28. Non-controlling interest (continued)

Summarised financial information of the material non-controlling interest as of 31 December 2016 is presented below:

	Avenue Mall	Burgas	Non-core residential projects	NCI purchased during the year	Total
Non-current assets	103,807	46,131	13,761		163,699
Current assets	2,078	3,120	444		5,643
Total assets	**105,886**	**49,251**	**14,205**		**169,342**
Equity	67,865	(3,761)	(60,856)		3,248
Non-current liabilities	32,309	50,143	72,489		154,941
Current liabilities	5,712	2,869	2,572		11,153
Total equity and liabilities	**105,886**	**49,251**	**14,205**		**169,342**
Revenue	10,591	6,169	-		16,760
Profit /(loss) for the year	6,867	5,708	(4,020)		8,555
NCI share in equity	**20,360**	**(752)**	**(16,717)**		**2,891**
NCI share in profit / (loss)	**2,060**	**1,142**	**(1,042)**	**(1,133)**	**1,027**

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 in 2016

(in thousands of Euro)

29. Long-term loans and bonds

	31 December 2016	31 December 2015
Bonds mature in 2017-2018	67,167	69,717
Bonds mature in 2018-2019	46,088	47,847
Bonds mature in December 2019 (Note 8)	28,967	-
Schuldschein mature in December 2019 (Note 8)	5,007	-
Loan from OTP (GTC)	7,863	11,008
Loan from WBK (Globis Poznan)	16,070	14,407
Loan from WBK (Korona Business Park)	41,153	42,319
Loan from PKO BP (Pixel)	21,930	-
Loan from Pekao (Globis Wroclaw)	23,922	24,692
Loan from ING (Nothus)	10,824	11,570
Loan from ING (Zephirus)	10,824	11,570
Loan from Berlin Hyp (Corius)	11,405	11,874
Loan from Pekao (Sterlinga)	17,238	-
Loan from Pekao (Neptun)	21,735	-
Loan from Pekao (Sterlinga VAT)	5,787	-
Loan from Pekao (Neptun VAT)	7,301	-
Loan from Pekao (Galeria Polnocna)	48,088	4,519
Loan from mBank (Artico)	4,574	-
Loan from Pekao (Galeria Jurajska)	94,622	98,010
Loan from Berlin Hyp (UBP)	31,000	18,639
Loan from ING (Francuska)	23,197	23,737
Loan from OTP (Centre Point I) (Note 8)	20,711	-
Loan from OTP (Centre Point II) (Note 8)	25,314	-
Loan from MKB (Centre Point I)	-	18,401
Loan from MKB (Centre Point II)	-	22,199
Loan from CIB (Metro)	17,647	18,630
Loan from Erste (Spiral)	26,067	27,146
Loan from Erste (White House)	2,109	2,859
Loan from OTP (Duna) (Note 8)	27,419	-
Loan from MKB (Sasad)	-	8,327
Loan from Erste (GTC House)	13,281	-
Loan from EBRD and Raiffeisen Bank (GTC House)	-	9,400
Loan from Erste (19 Avenue)	21,138	21,707
Loan from Intesa Bank (GTC Square)	13,825	
Loan from EBRD and Raiffeisen Bank (GTC Square)	-	13,760
Loan from Raiffeisen Bank (Forty one)	21,779	9,500
Loan from Erste (Citygate)	84,100	86,544
Loan from Alpha (Premium) (Note 8)	18,875	-
Loan from EBRD and Raiffeisen Bank (GTC)	-	29,335
Loan from MKB and Zagrabecka Banka (AMZ)	16,766	21,220
Loan from EBRD and Unicredit (Galeria Stara Zagora)	6,900	15,799
Loan from EBRD (Burgas)	20,272	23,006
Loans from minorities in subsidiaries and from joint ventures	18,230	27,047
Deferred issuance debt expenses	(6,262)	(5,677)
	892,933	**739,112**

(in thousands of Euro)

29. Long-term loans and bonds (continued)

Long-term loans and bonds have been separated into the current portion and the long-term portion as disclosed below:

	31 December 2016	31 December 2015
Current portion of long term loans and bonds:		
Bonds mature in 2017-2018	45,000	680
Bonds mature in 2018-2019	880	915
Bonds mature in December 2019	189	-
Schuldschein mature in December 2019	7	-
Loan from OTP (GTC)	3,145	3,145
Loan from WBK (Globis Poznan)	493	14,407
Loan from WBK (Korona Business Park)	41,153	1,166
Loan from PKO BP (Pixel)	677	-
Loan from Berlin Hyp (UBP)	930	397
Loan from Pekao (Galeria Jurajska)	3,446	3,388
Loan from Pekao (Globis Wroclaw)	816	769
Loan from ING (Nothus)	746	746
Loan from ING (Zephirus)	746	746
Loan from Berlin Hyp (Corius)	11,405	469
Loan from Pekao (Sterlinga)	525	-
Loan from Pekao (Neptun)	662	-
Loan from Pekao (Sterlinga VAT)	5,787	-
Loan from Pekao (Neptun VAT)	7,301	-
Loan from Pekao (Galeria Polnocna)	1,125	
Loan from ING (Francuska)	540	540
Loan from OTP (Centre Point I)	888	-
Loan from OTP (Centre Point II)	1,086	-
Loan from MKB (Centre Point I)	-	1,700
Loan from MKB (Centre Point II)	-	1,626
Loan from Erste (White House)	1,250	1,000
Loan from OTP (Duna)	1,176	-
Loan from MKB (Sasad)	-	8,327
Loan from CIB (Metro)	1,024	983
Loan from Erste (Spiral)	1,326	1,254
Loan from Erste (GTC House)	781	-
Loan from EBRD and Raiffeisen Bank (GTC House)	-	750
Loan from Erste (19 Avenue)	569	569
Loan from Intesa Bank (GTC Square)	700	
Loan from EBRD and Raiffeisen Bank (GTC Square)	-	2,060
Loan from Raiffeisen Bank (Forty one)	681	264
Loan from EBRD and Unicredit (Galeria Stara Zagora)	6,900	8,900
Loan from EBRD (Galeria Burgas)	1,725	1,424
Loan from MKB and Zagrabecka Banka (Avenue Mall Zagreb)	4,454	4,454
Loan from EBRD and Raiffeisen Bank (GTC)	-	15,200
Loan from Erste (City Gate)	2,890	2,306
Loan from Alpha (Premium)	631	-
Loans from minorities in subsidiaries	2,248	2,183
	153,902	**80,368**

(in thousands of Euro)

29. Long-term loans and bonds (continued)

	31 December 2016	31 December 2015
Long term portion of long term loans and bonds:		
Bonds mature in 2017-2018	22,167	69,037
Bonds mature in 2018-2019	45,208	46,932
Bonds mature in December 2019	28,778	-
Schuldschein mature in December 2019	5,000	-
Loan from OTP (GTC)	4,718	7,863
Loan from WBK (Globis Poznan)	15,577	-
Loan from WBK (Korona Business Park)	-	41,153
Loan from PKO BP (Pixel)	21,253	-
Loan from Pekao (Globis Wroclaw)	23,106	23,923
Loan from ING (Nothus)	10,078	10,824
Loan from ING (Zephirus)	10,078	10,824
Loan from Pekao (Sterlinga)	16,713	-
Loan from Pekao (Neptun)	21,073	-
Loan from Berlin Hyp (Corius)	-	11,405
Loan from Pekao (Galeria Polnocna)	46,963	4,519
Loan from Pekao (Galeria Jurajska)	91,176	94,622
Loan from Berlin Hyp (UBP)	30,070	18,242
Loan from mBank (Artico)	4,574	-
Loan from ING (Francuska)	22,657	23,197
Loan from OTP (Centre Point I)	19,823	-
Loan from OTP (Centre Point II)	24,228	-
Loan from OTP (Duna)	26,243	-
Loan from MKB (Centre Point I)	-	16,701
Loan from MKB (Centre Point II)	-	20,573
Loan from CIB (Metro)	16,623	17,647
Loan from Erste (Spiral)	24,741	25,892
Loan from Erste (White House)	859	1,859
Loan from Erste (GTC House)	12,500	-
Loan from EBRD and Raiffeisen Bank (GTC House)	-	8,650
Loan from Erste (19 Avenue)	20,569	21,138
Loan from Intesa Bank (GTC Square)	13,125	-
Loan from EBRD and Raiffeisen Bank (GTC Square)	-	11,700
Loan from Raiffeisen Bank (Forty one)	21,098	9,236
Loan from Erste (City Gate)	81,210	84,238
Loan from Alpha (Premium)	18,244	-
Loan from EBRD and Raiffeisen Bank (GTC)	-	14,135
Loan from MKB and Zagrabecka Banka (Avenue Mall Zagreb)	12,312	16,766
Loan from EBRD (Galeria Burgas)	18,547	21,582
Loan from EBRD and Unicredit (Galeria Stara Zagora)	-	6,899
Loans from minorities in subsidiaries and from joint ventures	15,982	24,864
Deferred issuance debt expenses	(6,262)	(5,677)
	739,031	**658,744**

(in thousands of Euro)

29. Long-term loans and bonds (continued)

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

In its financing agreements with banks, the 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.

Loan granted to Spiral is nominated in Hungarian Huf.

Bonds (mature in 2017-2018 and 2018-2019) and VAT loans for Neptune and Sterlinga are nominated in PLN. All other bank loans and bonds issued in 2016 are denominated in Euro.

As of 31 December 2016, there were no breach of loan covenants.

For information regarding maturity dates and hedges on loans, see note 36.

30. Assets held for sale

The movements in assets held for sale for the year ended 31 December 2016 were as follows:

	Total
Carrying amount as of 1 January 2016	**5,950**
Reclassified from investment property and residential landbank	22,087
Disposal (1)	(26,628)
Adjustment to fair value less cost to sell	(1,409)
Carrying amount as of 31 December 2016	**-**

(1) Sold – land plot in Lodz/Poland, Subotica land plot in Serbia, Piatra and Arad shopping centres in Romania, majority of commercial land plot in Konstancin/Poland, Sasad land in Hungary, and Bistrita land in Romania.

(in thousands of Euro)

31. Capital and Reserves

As at 31 December 2016, the shares structure was as follows:

Number of Shares	Share series	Total value in PLN	Total value in Euro
139,286,210	A	13,928,621	3,153,995
1,152,240	B	115,224	20,253
235,440	B1	23,544	4,443
8,356,540	C	835,654	139,648
9,961,620	D	996,162	187,998
39,689,150	E	3,968,915	749,022
3,571,790	F	357,179	86,949
17,120,000	G	1,712,000	398,742
100,000,000	I	10,000,000	2,341,372
31,937,298	J	3,193,729	766,525
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 2016 held above 5% of the Company shares were as follows:

- LSREF III
- PZU OFE
- AVIVA OFE BZ WBK

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 24 May 2016, the Company held an ordinary shareholders meeting. The ordinary shareholders meeting decided that the loss for the year 2015 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.

(in thousands of Euro)

32. 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.

Last exercise date	Strike (in PLN)	Blocked	Vested	Number of phantom shares
31/05/2018	7.09	512,000	1,024,000	1,536,000
30/06/2019	7.09	2,764,800	1,177,600	3,942,400
Total		**3,276,800**	**2,201,600**	**5,478,400**

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

	2016	2015
Changes in the provision Income (expenses) for share based payments	(894)	(863)

(in thousands of Euro)

33. Earnings per share

Basic earnings per share were calculated as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Profit for the period attributable to equity holders (Euro)	158,548,000	45,192,000
Weighted average number of shares for calculating basic earnings per share	460,216,478	371,301,287
Basic earnings per share (Euro)	0.34	0.12

There have been no potentially dilutive instruments as at 31 December 2016 and 31 December 2015.

34. Related party transactions

The Company provides asset management services to subsidiaries controlled by Lone Star, 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 2016	Year ended 31 December 2015
Transaction		
Asset management services	641	476
Interest income from associates and joint Ventures	899	2,999
Balances		
Loans granted to associates	-	26,352
Investment in joint ventures and associates	3,803	23,067

Management and Supervisory Board remuneration for the year ended 31 December 2016, amounted to EUR 0.98 million, and 716,800 phantom shares were vested. Management and Supervisory Board remuneration for the year ended 31 December 2015, amounted to EUR 1.6 million, and 512,000 phantom shares were vested.

35. Commitments, contingent liabilities and Guarantees

Commitments

As of 31 December 2016 (31 December 2015), the Group had commitments contracted for in relation to future building construction without specified date, amounting to Euro 126 million (Euro 158 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 2016 and 31 December 2015, the guarantees granted amounted to Euro 63 million and Euro 74 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 expired 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. Since 2015 parliamentary elections have taken place twice, the most recent being in September 2016. This temporarily froze the formalization of the amendment. Towards the end of 2016 contact was established with the newly formed Government who have requested a rewording of the amendment which is currently being reviewed by the relevant ministries. Since formalization of the amendment is no longer at the sole discretion of the Group, the Management has decided to revalue the freehold asset in assuming no development of the golf course project. Consequently, as a prudential measure, the Management has decided to write off the related collaterals in the amount of Euro 1 million provided to the Ministry as a guarantee for completing the golf course. As of 31 December 2016 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.

36. 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 finance 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 2,846 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.

(in thousands of Euro)

36. Financial instruments and risk management (continued)

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

	2016				**2015**			
	PLN/Euro				**PLN/Euro**			
	+10%	**+5%**	**-5%**	**-10%**	**+10%**	**+5%**	**-5%**	**-10%**
Cash and cash equivalents	3,390	1,695	(1,695)	(3,390)	5,588	2,794	(2,794)	(5,588)
Trade and other receivables	1,848	924	(924)	(1,848)	662	331	(331)	(662)
Trade and other payables	(1,792)	(876)	876	1,792	(1,598)	(779)	779	1,598
Short term loans	(1,310)	(654)	654	1,310	-	-	-	-
Bonds	(11,326)	(5,663)	5,663	11,326	(11,756)	(5,588)	5,588	11,756

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 2016, the Company holds Cash and Cash Equivalent (as defined in IFRS) in the amount of approximately EUR 150 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.

(in thousands of Euro)

36. Financial instruments and risk management (continued)

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

	31 December 2016	31 December 2015
First year	176	100
Second year	130	165
Third year	149	119
Fourth year	184	176
Fifth year	166	150
Thereafter	176	87
	981	**797**

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. Management plans to refinance some of the repayment amounts.

All derivative instruments mature within 2-5 years from the balance sheet date.

Fair Value

As of 31 December 2016 and 2015, all loans bear floating interest rate (however, as of 31 December 2016 and 2015, 70% and 58% 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 2016, 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 2016 and 31 December 2015, there were no transfers between Level 1 and Level 3 fair value measurements.

(in thousands of Euro)

36. 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 Group'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 2016 and 31 December 2015.

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 2016	31 December 2015
(1) Loans, net of cash and deposits (*)	703,229	521,559
(2) Investment properties, inventory and assets held for sale	1,623,790	1,324,413
Gearing ratio [(1)/(2)]	43.3%	39.4%

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

37. Subsequent events

In January 2017, the Company issued 3-year Schuldschein loan in the total amount of EUR 10 million.

In March 2017, the Company issued 3-year Euro denominated bonds in the total amount of EUR 18.5 million.

38. Approval of the financial statements

The financial statements were authorised for issue by the Management Board on 17 March 2017.

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the General Shareholders' Meeting and Supervisory Board of Globe Trade Centre S.A.

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements for the year ended 31 December 2016 of Capital Group of Globe Trade Centre Group ('the Group'), with parent's company Globe Trade Centre S.A. ('the Company') registered office located in Warsaw which comprise the consolidated statement of financial position as at 31 December 2016 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 from 1 January 2016 to 31 December 2016, and other explanatory notes to the consolidated financial statements (the "attached consolidated financial statements").

Responsibilities of the Management Board and members of the Supervisory Board for the consolidated financial statements

The Management Board is responsible in accordance with the Accounting Act dated 29 September 1994 ('the Accounting Act'), regulations issued on the basis of the Accounting Act for the preparation of the consolidated financial statements and fair presentation in accordance with International Accounting Standards, International Financial Reporting Standards and related Interpretations announced in the form of European Commission regulations ('International Financial Reporting Standards as adopted by European Union') and other applicable laws. The Management Board is also responsible 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.

According to the Accounting Act the Management Board and members of the Supervisory Board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to express an opinion on accompanying consolidated financial statements based on our audit.

We conducted our audit in accordance with chapter 7 of the Accounting Act and National Auditing Standards in the version of International Standards on Auditing as adopted by Resolution no 2783/52/2015 of the National Council of Statutory Auditors dated 10 February 2015 with subsequent amendments ('National Auditing Standards'). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Building a better working world

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 Company'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 Company'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 consolidated financial statements.

In accordance with National Auditing Standard 320 point 5 the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the consolidated financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report, including those on other information or regulatory requirements, are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the financial position of a Group as at 31 December 2016 and its financial performance and its cash flows for the year from 1 January 2016 to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by European Union and accounting policies;
- are in respect of the form and content, in accordance with legal regulations governing the preparation of consolidated financial statements and the Company's Articles of Association.

Report on Other Legal and Regulatory Requirements

Report on the Directors' Report of the Group

Our opinion on the consolidated financial statements does not include the Directors' Report of the Group.

The Company's Management Board is responsible for preparation of the Directors' Report of the Group in accordance with the Accounting Act and other applicable laws. In addition the Company's Management Board and members of the Supervisory Board are obliged to state that the Directors' Report of the Group meet the requirements of the Accounting Act.

In connection with the audit of the consolidated financial statements, our responsibility was to read the content of the Directors' Report of the Group and consider whether the information contained in it take into account the provisions of art. 49 of the Accounting Act and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states ('the Decree on current and periodic information') and whether they are consistent with the information contained in the accompanying consolidated financial statements. Our responsibility was also to report, based on our knowledge of the Group and its environment obtained during the audit of the consolidated financial statements, whether the Directors' Report does not include material misstatements.

We have concluded that the information included in the Directors' Report of the Group corresponds with the relevant regulations of art. 49 of the Accounting Act and the Decree on current and periodic information and that the information derived from the accompanying consolidated financial statements reconciles with the Directors' Report of the Group. Based on our knowledge of the Group and its environment obtained during the audit of the consolidated financial statements, we have not identified material misstatements in the Directors' Report of the Group.

In connection with the conducted audit of the consolidated financial statements, our responsibility was also to read the Company's representation on application of corporate governance which constitutes a separate part of the Directors' Report of the Group. We concluded that in the representation the Company included information required by implementing rules issued under art. 60 para. 2 of the Act of 29 July 2005 on public offering and on the terms of introducing financial instruments into an organised trading system and on public companies. This information is, in all material respects, in accordance with applicable regulations and with the information included in the accompanying consolidated financial statements.

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.

Warsaw, 17 March 2017

Key Certified Auditor

Łukasz Jarzynka
Certified Auditor
No. 11959

Partner

Mikolaj Rytel

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
Reg. No. 130

CAPITAL GROUP
GLOBE TRADE CENTRE S.A

LONG-FORM AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

I. General Notes

1. Background

The holding company of the Globe Trade Centre S.A Group (hereinafter 'the Group' or 'the Capital Group') is Globe Trade Centre S.A. ('the holding company', 'the Company').

The holding company was incorporated on the basis of a Notarial Deed dated 9 December 1996 year as a result of the transformation of Globe Trade Centre Limited Liability Company into Public Limited Company. The Company's registered office is located in Warsaw, Poland at 17 Stycznia 45a.

The holding company is an issuer of securities as referred to in art. 4 of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 on the application of international accounting standards and, based on the article 55.5 of the Accounting Act dated 29 September 1994 ('the Accounting Act'), prepares consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU.

The holding company was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 000061500 on 13 November 2011 year.

The Company was issued with tax identification number (NIP) 527-00-25-113 on 4 March 1997 year and statistical number (REGON) 012374369 on 27 February 1997 year.

The principal activities of the holding company are as follows:

- Buying and selling of own real estate (PKD 68.10 Z)
- Rental and operating of own or leased real estate (PKD 68.20 Z)
- Real estate agencies (PKD 68.31 Z)
- Management of real estate on a fee or contract basis (PKD 68.32 Z)
- Development of building projects (PKD 41.10 Z)
- Other credit granting (PKD 64.92 Z)
- Other financial service activities, except insurance and pension funding n.e.c. (PKD 64.99 Z)
- Legal activities (PKD 69.10 Z)
- Other building completion and finishing (PKD 43.39 Z)
- Construction of residential and non-residential buildings (PKD 41.20 Z)
- Activities of holding companies (PKD 64.20 Z)
- Other activities auxiliary to financial services, except insurance and pension funding (PKD 66.19 Z)
- Accounting, bookkeeping and auditing activities; tax consultancy (PKD 69.20 Z)
- Activities of head offices (PKD 70.10 Z)
- Business and other management consultancy activities (PKD 70.22 Z)
- Architectural activities (PKD 71.11 Z)
- Combined office administrative service activities (PKD 82.11 Z)
- Activities of other membership organisations n.e.c. (PKD 94.99 Z)

The scope of activities of the Group's subsidiaries, jointly controlled entities and associates are similar to this of the holding company.

As at 31 December 2016, the Company's issued share capital amounted to 10,410 thousand EUR. Equity as at that date amounted to 790,323 thousand EUR.

(in thousand EUR)

According to the register of shareholders, maintained by the Management Board on the basis of the notifications received from shareholders whose ownership of shares exceeded the threshold requiring notification to the Company, as at 31 December 2016 the ownership structure of the share capital of the parent company was as follows:

Shareholder	Number of Shares	Number of votes	Par value of shares	% of issued share capital
LSREF III GTC Investments B.V.	278,849,657	278,849,657	6,307	60.59%
Otwarty Fundusz Emerytalny PZU „Złota Jesień"	48,638,000	48,638,000	1,100	10.57%
AVIVA Otwarty Fundusz Emerytalny Aviva BZ WBK	33,088,000	33,088,000	749	7.19%
Other	99,640,821	99,640,821	2,254	21.65%
Total	**460,216,478**	**460,216,478**	**10,410**	**100.00%**

There were no movements in the share capital in the reporting period.

There were no changes in the ownership structure of the holding company during the reporting period as well as during the period from the balance sheet date to the date of the opinion.

As at 17 March 2017, the holding company's Management Board was composed of:

Thomas Kurzmann - President
Erez Boniel - Member

There were no changes in the holding company's Management Board during the reporting period as well as from the balance sheet date to the date of the opinion.

2. Group structure

Subsidiaries (directly and indirectly dependent from the Company) and jointly controlled commercial companies, which are part of the Group as at 31 December 2016 and their consolidation method are listed in Note 7 of the explanatory notes to the consolidated financial statements. The Annex 1 to this report presents the Polish entities which are the part of the Group. Audit for statutory purposes of companies set out in Note 7 of the explanatory notes is in progress. The financial statements of all of the entities included in the consolidated financial statements for the year ended 31 December 2016 were prepared for the same reporting period ending 31 December 2016.

Shares in associated companies (directly and indirectly) listed in Note 7 of the explanatory notes to the consolidated financial statements, were recognized using the equity method in the consolidated financial statements for the year ended 31 December 2016.

3. Consolidated Financial Statements

3.1 Auditors' opinion and audit of consolidated financial statements

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. was appointed by Board of Directors on 10 November 2015 to audit the Group's financial statements.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. and the key certified auditor in charge of the audit meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009.

Under the contract executed on 11 April 2016 with the holding company's Management Board, we have audited the consolidated financial statements for the year ended 31 December 2016.

Our responsibility was to express an opinion on the consolidated financial statements based on our audit. The auditing procedures applied to the consolidated financial statements were designed to enable us to express an opinion on the consolidated financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the consolidated financial statements taken as a whole.

Based on our audit, we issued an unqualified opinion dated 17 March 2017, stating the following:

"To the General Meeting of Shareholders and the Supervisory Board of Globe Trade Centre S.A."

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements for the year ended 31 December 2016 of Capital Group of Globe Trade Centre Group ('the Group'), with parent's company Globe Trade Centre S.A. ('the Company') registered office located in Warsaw which comprise the consolidated statement of financial position as at 31 December 2016 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 from 1 January 2016 to 31 December 2016, and other explanatory notes to the consolidated financial statements (the "attached consolidated financial statements").

Responsibilities of the Management Board and members of the Supervisory Board for the consolidated financial statements

The Management Board is responsible in accordance with the Accounting Act dated 29 September 1994 ('the Accounting Act'), regulations issued on the basis of the Accounting Act for the preparation of the consolidated financial statements and fair presentation in accordance with International Accounting Standards, International Financial Reporting Standards and related Interpretations announced in the form of European Commission regulations ('International Financial Reporting Standards as adopted by European Union') and other applicable laws. The Management Board is also responsible 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.

According to the Accounting Act the Management Board and members of the Supervisory Board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to express an opinion on accompanying consolidated financial statements based on our audit.

We conducted our audit in accordance with chapter 7 of the Accounting Act and National Auditing Standards in the version of International Standards on Auditing as adopted by Resolution no 2783/52/2015 of the National Council of Statutory Auditors dated 10 February 2015 with subsequent amendments ('National Auditing Standards'). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 Company'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 Company'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 consolidated financial statements.

In accordance with National Auditing Standard 320 point 5 the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the consolidated financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report, including those on other information or regulatory requirements, are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements:

– give a true and fair view of the financial position of a Group as at 31 December 2016 and its financial performance and its cash flows for the year from 1 January 2016 to 31 December 2016

in accordance with International Financial Reporting Standards as adopted by European Union and accounting policies;

– are in respect of the form and content, in accordance with legal regulations governing the preparation of consolidated financial statements and the Company's Articles of Association.

Report on Other Legal and Regulatory Requirements

Report on the Directors' Report of the Group

Our opinion on the consolidated financial statements does not include the Directors' Report of the Group.

The Company's Management Board is responsible for preparation of the Directors' Report of the Group in accordance with the Accounting Act and other applicable laws. In addition the Company's Management Board and members of the Supervisory Board are obliged to state that the Directors' Report of the Group meet the requirements of the Accounting Act.

In connection with the audit of the consolidated financial statements, our responsibility was to read the content of the Directors' Report of the Group and consider whether the information contained in it take into account the provisions of art. 49 of the Accounting Act and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states ('the Decree on current and periodic information') and whether they are consistent with the information contained in the accompanying consolidated financial statements. Our responsibility was also to report, based on our knowledge of the Group and its environment obtained during the audit of the consolidated financial statements, whether the Directors' Report does not include material misstatements.

We have concluded that the information included in the Directors' Report of the Group corresponds with the relevant regulations of art. 49 of the Accounting Act and the Decree on current and periodic information and that the information derived from the accompanying consolidated financial statements reconciles with the Directors' Report of the Group. Based on our knowledge of the Group and its environment obtained during the audit of the consolidated financial statements, we have not identified material misstatements in the Directors' Report of the Group.

In connection with the conducted audit of the consolidated financial statements, our responsibility was also to read the Company's representation on application of corporate governance which constitutes a separate part of the Directors' Report of the Group. We concluded that in the representation the Company included information required by implementing rules issued under art. 60 para. 2 of the Act of 29 July 2005 on public offering and on the terms of introducing financial instruments into an organised trading system and on public companies. This information is, in all material respects, in accordance with applicable regulations and with the information included in the accompanying consolidated financial statements.

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."

We conducted the audit of consolidated financial statements of the Company from the 7 November 2016 year to 17 March 2017, including the days spent in the Company office from 7 November 2016 to 11 November 2016 year, from 19 December 2016 to 23 December 2016 and from 30 January 2017 to 17 February 2017.

3.2 Representations provided and data availability

The Management Board of the holding company confirmed its responsibility for the truth and fairness of the consolidated financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and the correctness of consolidation documentation. The Board stated that it provided us with all financial statements of the Group companies included in the consolidated financial statements, consolidation documentation and other required documents as well as all necessary explanations. We also obtained a written representation dated 17 March 2017, from the Management Board of the holding company confirming that:

- the information included in the consolidation documentation was complete;
- all contingent liabilities had been disclosed in the consolidated financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the consolidated financial statements;

and confirmed that the information provided to us was true and fair to the best of the holding company Management Board's knowledge and belief, and included all events that could have had an effect on the consolidated financial statements.

At the same time declare that during the audit of the financial statements, there were no limitations of scope.

3.3 Consolidated financial statements for prior financial year

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by Łukasz Jarzynka, key certified auditor no. 11959, acting on behalf of Ernst & Young Audyt Polska spółka z o.o., sp. k., with office in Warsaw, Rondo ONZ 1, the company entered on the list of entities authorized to audit financial statements conducted by the National Council of Statutory Auditors with the number 130. The key certified auditor issued an unqualified opinion on the consolidated financial statements for the year ended 31 December 2015. The consolidated financial statements for the year ended 31 December 2015 were approved by the General Shareholders' Meeting on 24 May 2016.

(in thousand EUR)

4. Analytical Review

4.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2014 – 2016. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2015 and 31 December 2016.

	2016	2015	2014
Total assets	1,839,490	1,559,550	1,517,064
Shareholders' equity	790,323	621,202	427,181
Net result for the year	159,575	43,639	(207,390)
Return on assets (%)	8.7%	2.8%	(13.7%)
Net profit/ (loss) x 100% / Total assets			
Return on equity (%)	25.7%	10.2%	(36.0%)
Net profit/ (loss) x 100% / Shareholders' equity at the beginning of the period			
Profit margin (%)	132.6%	37.2%	(166.9%)
Net profit/ (loss) x 100% / Sales of finished goods, goods for resale and raw materials			
Liquidity I	1.07	1.62	1.01
Current assets / Short-term creditors			
Liquidity III	0.76	1.29	0.56
Cash and cash equivalents / Short-term creditors			
Debtors days	16 days	17 days	15 days
Trade debtors x 365 / Revenue from operations			

(in thousand EUR)

	2016	2015	2014
Creditors days	407 days	281 days	166 days
Trade creditors x 365 / Costs of operations			
Inventory days	59 days	31 days	199 days
Inventory x 365 / Cost of operations			
Stability of financing (%)	89.3%	91.6%	90.4%
(Equity + long-term provisions and liabilities) x 100% / Total liabilities, provisions and equity			
Debt ratio (%)	57.0%	60.2%	71.8%
(Total liabilities and provisions) x 100% / Total assets			
Rate of inflation:			
Yearly average	-0.6%	-0.9%	0.0%
December to December	0.8%	-0.1%	-1.0%

4.2 Comments

The following trends may be observed based on the above financial ratios:

- The return on assets was positive in the year ended 31 December 2016 and amounted to 8.7% and increased in relation to the year ended 31 December 2015, when it amounted to 2.8% and increased in relation to the year ended 31 December 2014, when it amounted to (13.7%);
- The return on equity was positive in the year ended 31 December 2016 and amounted to 25.7% and increased in relation to the year ended 31 December 2015, when it amounted to 10.2% and in relation to the year ended 31 December 2014, when it amounted to (36.0%);
- Profit margin was positive in the year ended 31 December 2016 and amounted to 132.6% and increased in relation to the year ended 31 December 2015 when it amounted to 37.2% and in relation to the year ended 31 December 2014 when it amounted to (166.9%);
- Liquidity I as at 31 December 2016 year amounted to 1.07 and decreased in relation to the ratio as at 31 December 2015 year when it amounted to 1.62 and increased in relation to the ratio as at 31 December 2014 when it amounted to 1.01.
- Liquidity III as at 31 December 2016 year amounted to 0.76 and decreased in relation to the ratio as at 31 December 2015 year when it amounted to 1.29 and increased in relation to the ratio as at 31 December 2014 when it amounted to 0.56;
- Debtors days in year ended 31 December 2016 amounted to 16 days and decreased in relation to the year ended 31 December 2015 when it amounted to 17 days and increased in relation to the year ended on the 31 December 2014 when it amounted to 15 days;
- Creditors days in the year ended 31 December 2016 amounted to 407 days and increased in relation to the year ended 31 December 2015 and 31 December 2014 when these amounted to 281 and 166 days, respectively;
- Inventory days in the year ended 31 December 2016 amounted to 59 days and increased in relation to the year ended 31 December 2015 when these amounted to 31 days and decreased in relation to the year ended 31 December 2014 when these amounted to 199 days;
- Stability of financing ratio in the year ended 31 December 2016 amounted to 89.3% and decreased in relation to the year ended 31 December 2015 and 31 December 2014 when it amounted to 91.6% and 90.4%, respectively;
- Debt ratio in the year ended 31 December 2016 amounted to 57.0% and decreased in relation to the year ended 31 December 2015 and 31 December 2014 when it amounted to 60.2% and 71.8%, respectively.

4.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the holding company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2016 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 4 of the additional notes and explanations to the audited consolidated financial statements for the year ended 31 December 2016, the Management Board of the holding company has analyzed the time frames, the nature and scale of the potential financial needs of individual subsidiaries and believes that the available cash, as well as the expected cash flows will be sufficient to fund the Group's anticipated cash needs for the working capital, for a period of at least twelve months subsequent to 31 December 2016 and that there are no circumstances that would indicate a threat to its continued activity. As a result the consolidated financial statements were prepared on the assumption that the entities, which are the part of the Group, will continue as a going concern for a period of at least twelve months subsequent to 31 December 2016.

II. Detailed Report

1. Completeness and accuracy of consolidation documentation

During the audit no material irregularities were noted in the consolidation documentation which could have a material effect on the audited consolidated financial statements, and which were not subsequently adjusted. These would include matters related to the requirements applicable to the consolidation documentation (and in particular eliminations relating to consolidation adjustments).

2. Accounting policies for the valuation of assets and liabilities

The Group's accounting policies and rules for the presentation of data are detailed in note 6 of the additional notes and explanations to the Group's consolidated financial statements for the year ended 31 December 2016.

3. Structure of assets, liabilities and equity

The structure of the Group's assets and equity and liabilities is presented in the audited consolidated financial statements for the year ended 31 December 2016.

The data disclosed in the consolidated financial statements reconcile with the consolidation documentation.

3.1 Goodwill on consolidation and amortisation

The method of determining goodwill on consolidation, the method of determining impairment of goodwill, the impairment charged in the financial year and up to the balance sheet date were presented in note 6 of the additional notes and explanations to the consolidated financial statements

3.2 Shareholder's funds including non-controlling interest

The amount of shareholders' funds is consistent with the amount stated in the consolidation documentation and appropriate legal documentation. Non-controlling interest amounted to 2,891 thousand EUR as at 31 December 2016. It was correctly calculated and is consistent with the consolidation documentation.

Information on shareholders' funds has been presented in note 31 of the additional notes and explanations to the consolidated financial statements.

3.3 Financial year

The financial statements of all Group companies forming the basis for the preparation of the consolidated financial statements were prepared as at 31 December 2016 and include the financial data for the period from 1 January 2016 to 31 December 2016.

4. Consolidation adjustments

4.1 Elimination of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of consolidated entities

All eliminations of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of the consolidated companies reconcile with the consolidation documentation.

4.2 Elimination of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends

All eliminations of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends reconcile with the consolidation documentation.

5. Disposal of all or part of shares in a subordinated entity

The effects of the sale of all of the shares of Europort Ltd. and Lighthouse Holdings Limited S.A were disclosed in the Group's consolidated financial statements in accordance with the appropriate legal documents and consolidation documentation.

6. Items which have an impact on the Group's result for the year

Details of the items which have an impact on the Group's result for the year have been included in the audited consolidated financial statements for the year ended 31 December 2016.

7. The appropriateness of the departures from the consolidation methods and application of the equity accounting as defined in International Financial Reporting Standards as adopted by the EU

During the process of preparation of the consolidated financial statements there were no departures from the consolidation methods or application of the equity accounting

8. Additional Notes and Explanations to the Consolidated Financial Statements

The additional notes and explanations to the consolidated financial statements for the year ended 31 December 2016 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

9. Directors' Report

We have read the 'Directors' Report for the period from 1 January 2016 to 31 December 2016 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information contained in it take into account the provisions of 49 para 2 of the Accounting Act and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states and they are consistent with the information contained in the accompanying financial statements. We have also concluded, based on our knowledge of the Company and its environment obtained during the audit of the financial statements, that the Directors' Report does not include material misstatements. We have read also the Company's representation on application of corporate governance which constitutes a separate part of the Directors' Report of the Capital Group. We concluded that in the representation the Company included information required by implementing rules issued under art. 60 para. 2 of the Act of 29 July 2005 on public offering and on the terms of introducing financial instruments into an organised trading system and on public companies. This information is, in all material respects, in accordance with applicable regulations and with the information included in the consolidated financial statements.

10. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board of the holding company confirming that no laws, regulations or provisions of the Group entities' Articles of Association were breached during the financial year.

Warsaw, 17 March 2017

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warszawa
Reg. No 130

Key Certified Auditor

Łukasz Jarzynka
Certified Auditor
No. 11959

Partner

Mikołaj Rytel

(in thousand EUR)

Attachment 1

List of Polish companies included in the consolidated financial statements

Name	Consolidation Method	Type of opinion on financial statements	Entity authorized to examine financial statements	The balance sheet date of preparation of financial statements	31 December 2016
Centrum Światowida sp. z o.o.	Full Consolidation	In audit	EY	31 December 2016	100%
GTC Korona S.A.	Full Consolidation	In audit	EY	31 December 2016	100%
Globis Poznań Sp. z o.o.	Full Consolidation	In audit	EY	31 December 2016	100%
GTC Aeropark Sp. z o.o.	Full Consolidation	In audit	EY	31 December 2016	100%
Globis Wrocław Sp. z o.o.	Full Consolidation	In audit	EY	31 December 2016	100%
GTC Francuska Sp. z o.o.	Full Consolidation	In audit	EY	31 December 2016	100%
GTC UBP Sp. z o.o.	Full Consolidation	In audit	EY	31 December 2016	100%
GTC Corius sp. z o.o.	Full Consolidation	In audit	EY	31 December 2016	100%
GTC Neptune Gdansk Sp. z o.o. (previously GTC Ogrody Galileo Sp. z o.o.)	Full Consolidation	In audit	EY	31 December 2016	100%
GTC Sterlinga Sp. z o.o.	Full Consolidation	In audit	EY	31 December 2016	100%
GTC Galeria CTWA Sp. z o.o.	Full Consolidation	In audit	EY	31 December 2016	100%
Artico Sp. z o.o. (*)	Full Consolidation	In audit	EY	31 December 2016	100%
GTC Pixel Sp. z o.o. (previously GTC Wilson Park Sp. z o.o.)	Full Consolidation	In audit	EY	31 December 2016	100%
GTC Konstancja Sp. z o.o.	Full Consolidation	In audit	EY	31 December 2016	100%
GTC Satellite Sp. z o.o.	Full Consolidation	n/a	n/a	31 December 2016	100%
GTC GK Office Sp. z o.o.	Full Consolidation	n/a	n/a	31 December 2016	100%
GTC Sterlinga Sp. z o.o. (previously GTC Com 1 Sp. z o.o.)	Full Consolidation	n/a	n/a	31 December 2016	100%
GTC Karkonoska Sp. z o.o.	Full Consolidation	n/a	n/a	31 December 2016	100%
GTC Ortal Sp. z o.o.	Full Consolidation	n/a	n/a	31 December 2016	100%
Diego Sp. z o.o.	Full Consolidation	n/a	n/a	31 December 2016	100%
GTC Moderna Sp. z o.o.	Full Consolidation	n/a	n/a	31 December 2016	100%
CH Wilanow Sp. z o.o.	Full Consolidation	n/a	n/a	31 December 2016	100%
GTC Management Sp. z o.o.	Full Consolidation	n/a	n/a	31 December 2016	100%
Glorine investments sp. z o.o.	Full Consolidation	n/a	n/a	31 December 2016	100%
Glorine investments Sp. z o.o. s.k.a.	Full Consolidation	n/a	n/a	31 December 2016	100%
Omikron Development Inwestycje Sp. z o.o.	Full Consolidation	n/a	n/a	31 December 2016	100%
Julesberg Sp. z o.o. (*)	Full Consolidation	n/a	n/a	31 December 2016	100%
Calobra Sp. z o.o. (*)	Full Consolidation	n/a	n/a	31 December 2016	100%
Jowett Sp. z o.o. (*)	Full Consolidation	n/a	n/a	31 December 2016	100%
Mantezja Sp. z o.o. (*)	Full Consolidation	n/a	n/a	31 December 2016	100%

(*) Purchased in 2016 year