CONSOLIDATED INTERIM REPORT
OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP
FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

Place and date of publication: Warsaw, 21 August 2017

GLOBE TRADE CENTRE S.A.

MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF CAPITAL GROUP FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

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Item 1. Introduction

The GTC Group is a leading real estate investor and developer focusing on Poland and three capital cities in Eastern and Southern Europe. The GTC Group is 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 30 June 2017 the Group: (i) has developed 1.1 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 30 June 2017, the Group`s property portfolio comprised the following properties:

- 33 completed commercial buildings, including 31 office buildings and two retail properties with a total combined commercial space of approximately 526 thousand sq. m of GLA, of which the Group's proportional interest amounts to approximately 516 thousand sq. m of GLA;
- five commercial projects under construction, including three office projects and two retail project with total GLA of approximately 174 thousand sq. m, of which the Group's proportional interest amounts to 174 thousand sq. m of GLA;
- commercial landbank designated for future development;
- one residential project under construction; and
- residential landbank.

The Group also holds a land plot in Ukraine through its subsidiary.

As of 30 June 2017, the book value of the Group's portfolio amounts to €1,710,269 with: (i) the Group's completed commercial properties account for 70% thereof; (ii) commercial properties under construction – 21%; (iii) a commercial landbank intended for future development– 7%; (iv) residential projects and landbank account 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 30 June 2017, the Group's completed properties in its three most significant markets, i.e. Poland, Hungary and Romania, constitute 47%, 18% and 15% of the total book value of all completed properties.

Additionally, the Group manages third party assets in Warsaw, in Katowice and in Prague.

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 PLGTC0000227, PLGTC0000235 and PLGTC0000243; „the Report" refers to the consolidated interim report prepared pursuant to art. 90 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", 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.

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 5. "Operating and financial review" in this quarterly report and under Item 12. "Key risk factors". 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 three and six-month periods ended 30 June 2017 and 2016. The historical financial data should be read in conjunction with Item 5. "Operating and Financial Review" and the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2017 (including the notes thereto). The Group has derived the financial data presented in accordance with IFRS from the reviewed unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Selected financial data presented in PLN is derived from the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2017 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 six-month period ended 30 June				For the three-month period ended 30 June			
	2017		2016		2017		2016	
(in thousands)	EUR	PLN	EUR	PLN	EUR	PLN	EUR	PLN
Interim Condensed Consolidated Income Statement								
Revenues from operations	58,423	249,513	58,826	256,864	28,193	118,796	28,016	122,526
Cost of operations	(15,431)	(65,917)	(16,226)	(70,851)	(7,106)	(29,919)	(6,817)	(29,826)
Gross margin from operations	42,992	183,596	42,600	186,013	21,087	88,877	21,199	92,700
Selling expenses	(964)	(4,117)	(1,397)	(6,100)	(511)	(2,158)	(770)	(3,366)
Administrative expenses	(7,654)	(32,686)	(4,997)	(21,819)	(5,012)	(21,262)	(2,303)	(10,073)
Profit/(loss) from revaluation/impairment of assets, and impairment of residential projects	51,094	215,785	24,067	105,340	26,670	112,721	16,631	73,600
Share of profit in associates	184	796	(3,803)	(16,606)	-	-	(3.320)	(14,500)
Financial income/(expense), net	(12,921)	(55,178)	(12,726)	(55,568)	(6,431)	(27,115)	(6,445)	(28,181)
Net profit /(loss)	59,599	252,416	35,207	153,983	27,504	116,106	18,868	83,340
Basic and diluted earnings per share (not in thousands)	0.13	0.55	0.08	0.34	0.06	0.25	0.04	0.18
Weighted average number of issued ordinary shares (not in thousands)	460,550,855	460,550,855	460,216,478	460,216,478	460,881,557	460,881,557	460,216,478	460,216,478

Consolidated Cash Flow Statement	For the 6-month period ended 30 June			
	2017		2016	
	€	PLN	€	PLN
(in thousands)				
Net cash from operating activities	36,240	154,762	36,412	158,993
Net cash used in investing activities	(61,757)	(263,400)	(205,227)	(896,124)
Net cash from/(used in) financing activities	36,779	157,102	74,591	325,702
Cash and cash equivalents at the end of the period	162,306	685,986	73,892	327,009

Consolidated statement of financial position	As of 30 June 2017		As of 31 Dec. 2016	
(in thousands)	€	PLN	€	PLN
Investment property and property landbank	1,689,883	7,142,290	1,604,675	7,099,082
Residential landbank and inventory	20,386	86,162	19,116	84,570
Cash and cash equivalents	162,306	685,986	149,812	662,768
Others	74,098	313,276	65,887	291,484
Total assets	1,946,673	8,227,614	1,839,490	8,137,904
Non-current liabilities	898,070	3,773,075	852,865	3,773,075
Current liabilities	204,726	865,274	196,302	868,439
Total Equity	843,877	3,566,647	790,323	3,496,390
Share capital	10,651	47,031	10,410	46,022

Item 3. Presentation of the Group

Item 3.1. General information about the Group

The GTC Group is a leading real estate investor and developer focusing on Poland and three capital cities in Eastern and Southern Europe. The GTC Group is 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.

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

Item 3.2. Structure of the Group

The structure of Globe Trade Centre S.A. Capital Group is presented in the Consolidated Financial Statements for the six-month period ended 30 June 2017 in Note 4 "Investment in subsidiaries, associates and joint ventures".

The following changes in structure of the Group occurred in the six-month period ended 30 June 2017:

- GTC Nekretnine Jug. d.o.o was liquidated
- Havern Investments sp. z o.o. was liquidated
- GTC GK Office Sp. z o.o was liquidated
- Black Sea Management LLC was liquidated
- Ana Tower Offices S.R.L. was sold
- GTC Slovakia Real Estate s.r.o. was sold

- Galeria Stara Zagora EAD was sold
- Galeria Burgas AD was sold
- Spiral I. Kft. and Spiral Holding Kft. were merged
- Mastix Ltd. was merged into GTC White House Ltd
- Kompakt Land Kft was purchased.

Item 3.3. Changes to the principal rules of the management of the Company and the Group

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

Item 4. Main events

In January 2017, GTC SA issued three year Schuldschein loan in the total amount of €10,000.

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

In March 2017, the Group signed a prolongation of the loan agreement for Corius building, part of Aeropark Business Centre office complex

In March 2017, the Group completed the third building of the FortyOne office complex in Belgrade.

On 4 May 2017, the Group sold Galleria Burgas and Galleria Stara Zagora in Bulgaria in line with its strategy to focus its investment on Poland and three capital cities in CEE and SEE region.

In the first quarter of 2017, the Group sold its shares in Ana Tower project.

In the first quarter of 2017, the Group started Green Heart office project in Belgrade. Complex will include two existing buildings (GTC Square) which will have massive renovation. Three new building will offer 25,500 sq. m of premium office space. The total leasable area of complex will be 46,000 sq m.

In May 2017, the Company's shareholders adopted a resolution regarding a distribution of dividend in the amount of PLN 124,258 (€29,500) and allowing the Company's shareholders to elect to receive the dividend in the form of newly issued shares or in cash depending what shareholders prefer. As a result in June 2017, the Company issued 10,087,026 series L Shares to some of the Company's shareholders €21,400 and paid a dividend in the amount of €8,100 to remaining shareholders.

In June 2017, the Company issued 3-year Euro denominated bonds in the total amount of €40,000.

In May 2017, the Group acquired a subsidiary, which holds a land plot in Budapest, Hungary (Kompakt), for a total amount of €12,500. The Group intends to build an office building on the plot.

In June 2017, the Group acquired a land plot in Bucharest, Romania, for a total amount of €10,525. The Group intends to build an office building on the plot.

Events that took place after 30 June 2017:

In July 2017, the group acquired Cascade Office Building, an office building in Bucharest, Romania (City Rose Garden), for a total amount of €9,000. The building offers 4,200 sq. m of premium office space.

In August 2017, the Group acquired a land plot in Sofia, Bulgaria (Advance Business Park II), for a total amount of €6,200. The Group intends to build an office building on the plot.

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 six-month period ended 30 June 2017 and for the six-month period ended 30 June 2016, the Group derived 74% and 71% 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 six-month period ended 30 June 2017 and for the six-month period ended 30 June 2016, the Group derived 25% and 23% 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 six-month period ended 30 June 2017 and for the six-month period ended 30 June 2016, amounted for 1% and 6% 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 as well as completion of sale of almost all residential projects in previous periods.

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 projects of €51,094 and €24,067 in the six-month period ended 30 June 2017 and for the six-month period ended 30 June 2016, respectively.

Impact of interest rate movements

Substantially all of the loans of the Group have a variable interest rate, mainly connected to EURIBOR. The part of bonds issued by the Company is denominated in PLN and bear interest connected to WIBOR. Increases in interest rates generally increase the Group's financing costs. As of 30 June 2017 and 31 December 2016 approximately 78% and 70% of the Group's loans were hedged or partially hedged. For example as at 31 December 2016, 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 six-month period ended 30 June 2017 and for the six-month period ended 30 June 2016 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 2016, the Group acquired two office buildings in Bucharest (Premium Plaza and Premium Point); two office buildings in Poland: Neptun Office Center and Sterlinga Business Center, located in Gdansk and Lodz respectively; an SPV Artico Sp.z o.o. that develops an office building in Warsaw; shares in a Serbian company which owns a land in Belgrade and land in Sofia.

In 2016, the Group completed University Business Park B, an office building in Łódź and FortyOne II, an office building in Belgrade.

In 2016, the Group sold Galerie Harfa shopping centre in Prague and the companies which owned Galleria Piatra Nemat and Galleria Arad shopping centers in Romania.

In January 2017, GTC SA issued three year Schuldschein loan in the total amount of €10,000 and euro denominated bonds in the total about of €58,500.

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

In March 2017, the Group has completed the third building of the FortyOne complex in Belgrade.

On 4 May 2017, the Group sold Galleria Burgas and Galleria Stara Zagora in Bulgaria in line with its strategy to focus its investment on Poland and three capital cities in CEE and SEE region.

In the first quarter of 2017, the Group started Green Heart office project in Belgrade.

In May 2017, the Company's shareholders adopted a resolution regarding a distribution of dividend in the amount of PLN 124,258 (€29,500) and allowing the Company's shareholders to elect to receive the dividend in the form of newly issued shares or in cash depending what shareholders prefer. As a result in June 2017, the Company issued 10,087,026 series L Shares to some of the Company's shareholders €21,400 and paid a dividend in the amount of €8,100 to remaining shareholders.

In the second quarter of 2017, the Group acquired a subsidiary, which holds a land plot in Budapest, Hungary (Kompakt), for a total amount of €12,500 and a land plot in Bucharest, Romania (City Rose Garden), for a total amount of €10,525. The Group intends to build an office buildings on those two plots.

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

The Group did not present forecasts for first six months or full year 2017.

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 30 June 2017 compared to 31 December 2016

Total assets increased by €107,183 (6%) to €1,946,673 as of 30 June 2017. This increase was mainly due to revaluation of investment property, acquisition of land plots in Bucharest and Budapest, and investment primarily into Galeria Północna, Ada Mall, Artico, White House, Green Heart and completion of FortyOne III.

Assets

The value of investment property and commercial landbank increased by €85,208 to €1,689,883 as of 30 June 2017 from €1,604,675 as of 31 December 2016, due to an investment of €64,368 mainly into assets under construction such as Galeria Północna, Artico, White House, Fortyone III and Ada Mall, acquisition of land plots in Budapest and Bucharest, as well as revaluation gain mainly attributed to assets under construction. The increase was offset by sale of Galleria Burags and Galleria Stara Zagora.

The value of VAT and other tax receivable increased by €4,199 to €21,588 as of 30 June 2017 from 17,389 as of 31 December 2016, mainly as a result of VAT related to the construction activity.

The value of Escrow account increased to €7,444 as of 30 June 2017, as a result of conclusion of conditional purchase agreement for land plot in Sofia, Bulgaria.

The value of cash and cash equivalents increased by €12,494 (8%) to €162,306 as of 30 June 2017 from €149,812 as of 31 December 2016.

Liabilities

The value of loans and bonds increased by €36,912 (4%) to €929,845 as of 30 June 2017 from €892,933 as of 31 December 2016. This increase comes mainly due to issue of new corporate bonds and loan in amount of €68,496 as well as a drawdown of €31,319 under Galeria Pólnocna loan facility. The increase was partially offset mainly by accelerated repayment of Galleria Stara Zagora and Galleria Burgas loans in the amount of €34,798 related to the sale agreement of these projects.

Equity

Equity increased by €53,554 (7%) to €843,877 as of 30 June 2017 from €790,323 on 31 December 2016. The changes are attributed to an increase in accumulated profit by €59,634 which was offset by dividend in the amount of €29,518 to a total of €345,311 as of 30 June 2017. Additionally there was an increase in share premium of €21,216 to €520,504 as of 30 June 2017 following issue of L series shares.

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 management personnel;
- costs related to the sale of investment properties;
- costs of audit, valuations, 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 construction reflect the change in the fair value of investment properties and investment property under construction.

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 six-month period ended 30 June 2017 with the result for the corresponding period of 2016

Revenues from operations

Revenues from operations decreased by €403 to €58,423 in the six-month period ended 30 June 2017. Rental and service revenues increased by €2,931 to €57,981 in the six-month period ended 30 June 2017 mainly as a result of completion of University Business Park B and FortyOne II in 2016 as well as FortyOne III in 2017 and acquisition of Premium Point and Premium Plaza in Bucharest, Sterlinga Business Center in Łódź and Neptun Office Center in Gdańsk. Residential revenues decreased by €3,334 to €442 in the six-month period ended 30 June 2017 due to completion of sale of almost all residential projects in previous periods, whilst sale revenue of the last phase of Konstancja project will be recognized in the coming quarters.

Cost of operations

Cost of operations decreased by €795 to €15,431 in the six-month period ended 30 June 2017. Cost of rental operations increased by €1,779 to €15,052 in the six-month period ended 30 June 2017 as a result of completion of new office space in three projects as well as acquisition of income generating assets as mentioned above. Residential costs decreased by €2,574 to €379 in the six-month period ended 30 June 2017 resulting from completion of sale of almost all residential projects in previous periods, whilst the cost of the last phase of Konstancja project will be recognized in the coming quarters.

Gross margin from operations

Gross margin (profit) from operations increased by €392 to €42,992 in the six-month period ended 30 June 2017. The gross margin (profit) on rental activities increased by €1,152 to €42,929 in the six-month period ended 30 June 2017 from €41,777 in the six-month period ended 30 June 2016. Gross margin on rental activities in the six-month period ended 30 June 2017 was 74% compared to 76% in the six-month period ended 30 June 2016. The gross margin (profit) on residential activities decreased by €760 to €63 in the six-month period ended 30 June 2017 from €823 in the six-month period ended 30 June 2016.

Selling expenses

Selling expenses decreased by €433 to €964 in the six-month period ended 30 June 2017 from €1,397 the six-month period ended 30 June 2016.

Administrative expenses

Administrative expenses (before provision for stock based program) decreased by €324 to €5,439 in the six-month period ended 30 June 2017. In addition, mark-to-market of Phantom Shares program resulted in recognition of expenses of €2,215 in the six-month period ended 30 June 2017 compared to decrease in the provision of €118 made in the six-month period ended 30 June 2016.

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

Net profit from the revaluation of the investment properties and impairment of residential projects amounted to €51,094 in the six-month period ended 30 June 2017, as compared to a net profit of €24,067 in the six-month period ended 30 June 2016. Net profit from the revaluation of the investment properties reflects mainly progress in the construction of Galeria Północna, and completion of FortyOne III as well as revaluation gain on Galleria Stara Zagora combined with value appreciation of income generating assets following an improvements in their operating results (mostly Galeria Jurajska, University Business Park B and City Gate).

Other expense, net

Other expenses (net of other income) related to landbank properties were at €487 in the six-month period ended 30 June 2017 as compared to an expense of €819 in the six-month period ended 30 June 2016.

Foreign exchange profit/loss

Foreign exchange loss amounted to €4,158 in the six-month period ended 30 June 2017, as compared to a foreign exchange profit of €3,136 in the six-month period ended 30 June 2016, mostly due to strengthening of PLN vs. EUR.

Financial income

Financial income decreased by €1,069 to €92 in the six-month period ended 30 June 2017 as compared to €1,161 in the six-month period ended 30 June 2016.

Financial cost

Financial cost decreased by €874 to €13,013 in the six-month period ended 30 June 2017 as compared to €13,887 in the six-month period ended 30 June 2016 mainly due a one-off fair value profit from derivatives and decrease in average borrowing cost from 3.2% in the six-month period ended 30 June 2016 to 3.1% in the six-month period ended 30 June 2017 as well as optimization of hedging costs, despite an increase in the average debt balance.

Share of profit/ (loss) of associates

Share of profit of associates increased by €3,987 to €184 in the six-month period ended 30 June 2017 as compared to a share of loss of €3,803 in the six-month period ended 30 June 2016.

Taxation

Tax amounted to €8,487 in the six-month period ended 30 June 2017. Taxation consist of €2,101 of current tax expenses and €6,386 of deferred tax income

Net profit/ (loss)

Net profit amounted to €59,599 in the six-month period ended 30 June 2017, as compared to a net profit of €35,207 in the six-month period ended 30 June 2016, mostly due recognition of profit from the revaluation of the investment properties and in particular investment property under construction of €51,094 compared to €24,067 in the six-month period ended 30 June 2016.

Item 5.5.3. Comparison of financial results for the three-month period ended 30 June 2017 with the result for the corresponding period of 2016

Revenues from operations

Revenues from operations increased by €177 to €28,193 in the three-month period ended 30 June 2017. Rental and service revenues increased by €253 to €28,193 in the three-month period ended 30 June 2017 mainly as a result of completion of University Business Park B and FortyOne II in 2016 as well as FortyOne III in 2017 and acquisition of Premium Point and Premium Plaza in Bucharest, Sterlinga Business Center in Łódź and Neptun Office Center in Gdańsk. Residential revenues decreased to €0 in the three-month period ended 30 June 2017 due to completion of sale of almost all residential projects in previous periods, whilst the cost of the last phase of Konstancja project will be recognized in the coming quarters in the coming quarters.

Cost of operations

Cost of operations increased by €289 to €7,106 in the three-month period ended 30 June 2017. Cost of rental operations increased by €364 to €7,106 in the three-month period ended 30 June 2017 as a result of completion of new office space in three projects as well as acquisition of income generating assets as mentioned above. Residential costs decreased to €0 in the three-month period ended 30 June 2017 resulting from completion of sale of almost all residential projects in previous periods, whilst the cost of the last phase of Osiedle Konstancja project will be recognized in the coming quarters in the coming quarters.

Gross margin from operations

Gross margin (profit) from operations decreased by €112 to €21,087 in the three-month period ended 30 June 2017. The gross margin (profit) on rental activities decreased by €111 to €21,087 in the three-month period ended 30 June 2017 from €21,198 in the three-month period ended 30 June 2016. Gross margin on rental activities in the three-month period ended 30 June 2017 was 75% compared to 76% in the three-month period ended 30 June 2016. The gross margin (profit) on residential activities decreased to €0 in the three-month period ended 30 June 2017 from €1 in the three-month period ended 30 June 2016.

Selling expenses

Selling expenses decreased by €259 to €511 in the three-month period ended 30 June 2017 from €770 the three-month period ended 30 June 2016.

Administrative expenses

Administrative expenses (before provision for stock based program) increased by €474 to €2,948 in the three-month period ended 30 June 2017. In addition, mark-to-market of Phantom Shares program resulted in recognition of expenses of €2,064 in the three-month period ended 30 June 2017 compared to decrease in the provision of €171 made in the three-month period ended 30 June 2016.

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

Net profit from the revaluation of the investment properties and impairment of residential projects amounted to €26,670 in the three-month period ended 30 June 2017, as compared to a net profit of €16,631 in the three-month period ended 30 June 2016. Net profit from the revaluation of the investment properties reflects mainly progress in the construction of Galeria Północna and completion of FortyOne III as well as value appreciation of income generating assets following an improvement in their operating results (mostly Galeria Jurajska, University Business Park B and City Gate).

Other expense, net

Other expenses (net of other income) related to landbank properties were at €381 in the three-month period ended 30 June 2017 as compared to an expense of €414 in the three-month period ended 30 June 2016.

Foreign exchange profit

Foreign exchange loss amounted to €406 in the three-month period ended 30 June 2017, as compared to a foreign exchange profit of €2,843 in the three-month period ended 30 June 2016, mostly due to strengthening of PLN vs. EUR.

Financial income

Financial income decreased by €551 to €40 in the three-month period ended 30 June 2017 as compared to €591 in the three-month period ended 30 June 2016.

Financial cost

Financial cost de decreased by €565 to €6,471 in the three-month period ended 30 June 2017 as compared to €7,036 in the three-month period ended 30 June 2016 mainly due a one-off fair value profit from derivatives and decrease in average borrowing cost from 3.2% in the three-month period ended 30 June 2016 to 3.1% in the three-month period ended 30 June 2017 as well as optimization of hedging costs, despite an increase in the average debt balance.

Share of profit/ (loss) of associates

Share of profit of associates increase to €0 in the three-month period ended 30 June 2017 as compared to a share of loss of €3,320 in the three-month period ended 30 June 2016.

Taxation

Tax amounted to €7,512 in the three-month period ended 30 June 2017. Taxation consist of €985 of current tax expenses and €6,527 of deferred tax income.

Net profit/ (loss)

Net profit amounted to €27,504 in the three-month period ended 30 June 2017, as compared to a net profit of €18,868 in the three-month period ended 30 June 2016, mostly due to recognition of profit from the revaluation of the investment properties and in particular investment property under construction of €26,670 compared to €16,631 in the three-month period ended 30 June 2016.

Item 5. 6. Consolidated cash flow statement

Item 5.6.1. Key items from consolidated cash flow statement

Net cash from (used in) operating activities

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

Net cash from (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 investment properties.

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, issuing stock and repayments of loans and bonds.

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 six-month ended on 30 June 2017 and 30 June 2016:

	Six-month period ended on 30 June 2017	Six-month period ended on 30 June 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	**36,240**	**36,412**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investment property	(69,199)	(49,432)
Purchase of subsidiary	(12,500)	-
Purchase of completed assets and land	(10,525)	(76,387)
Increase in Escrow accounts for purchase of assets	(7,444)	(70,107)
Sale of investment property	1,731	2,729
Sale of subsidiaries and shares in associates	38,795	5,939
Purchase of minority	-	(18,121)
VAT/tax on purchase/sale of investment property	(3,498)	-
Other loans, interest and similar costs	883	152
Net cash used in investing activities	**(61,757)**	**(205,227)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	106,035	129,190
Repayment of long-term borrowings	(48,075)	(43,507)
Dividends paid	(8,061)	-
Interest paid	(12,440)	(12,386)
Loans origination payment	(1,474)	(317)
Decrease (increase) in short term deposits	794	1,611
Net cash from (used in) financing activities	**36,779**	**74,591**
Effect of foreign currency translation	1,232	(1,356)
Net increase/(decrease) in cash and cash equivalents	12,494	(95,580)
Cash and cash equivalents, at the beginning of the year	**149,812**	**169,472**
Cash and cash equivalents, at the end of the year	**162,306**	**73,892**

Net cash flow from operating activities was €36,240 in the six-month period ended 30 June 2017 compared to €36,412 in the six-month period ended 30 June 2016.

Net cash flow used in investing activities amounted do €61,757 in the six-month period ended 30 June 2017 compared to €205,227 used in the six-month period ended 30 June 2016. Cash flow used in investing activities amounted do €103,166 in the six-month period ended 30 June 2017 compared to €214,170 used in the six-month period ended 30 June 2016. Cash flow used in investing activities mostly composed of expenditure on investment property under construction of €69,199 related mainly to investment in Galeria Północna, Artico (Warsaw, Poland), Fortyone III, Ada Mall (Belgrade, Serbia) and White House (Budapest, Hungary) as well as acquisition of land plots for future development of €30,329 partially offset by sale of Galeria Burgas and Galeria Stara Zagora in Bulgaria and commercial land plot in Konstancin.

Net cash flow from financing activities amounted to €36,779 in the six-month period ended 30 June 2017, compared to €74,591 of cash flow from financing activities in the six-month period ended 30 June 2016. Cash flow from financing activities mostly composed of proceeds from long-term borrowings of €106,035 related mainly to loans for assets under construction as well as issue of bonds and corporate loan in the amount of €68,500 and, offset partially by repayment of long term borrowings of €48,075 related mainly to repayment of bonds, accelerated repayment of Galleria Stara Zagora and Galleria Burgas loans, as well as amortization of investment loans.

Cash and cash equivalents as of 30 June 2017 amounted to €162,306 compared to €73,892 as of 30 June 2016. 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 30 June 2017, the Group holds cash and cash equivalent in the amount of approximately €162,306. 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 30 June 2017, the Group's non-current liabilities amounted to €898,070 compared to €852,865 as of 31 December 2016.

The Group's total debt from long and short-term loans and borrowings as of 30 June 2017 amounted to €929,845 as compared to €892,933 as of 31 December 2016. The Group's loans and borrowings are mainly denominated in Euro (85%), other currencies include corporate bonds in PLN and project loan in HUF.

The Group's loan-to-value ratio amounted to 43% as of 30 June 2017, as compared to 43% as of 31 December 2016. The Group's strategy is to keep its loan-to-value ratio at the level not exceeding 50%.

As of 30 June 2017, 78% 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 loans granted with a particular emphasis on related entities

During the six-month period ended 30 June 2017 the Group did not grant loans of the value that exceeds 10% of its capital.

Item 7. Information on granted and received guarantees with a particular emphasis on guarantees granted to related entities

During the six-month period ended 30 June 2017 the Group did not grant guarantees of the value that exceeds 10% of its capital.

Company granted guarantees to third parties in order to secure construction cost-overruns and loans to its subsidiaries. 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 8. Shareholders who, directly or indirectly, have substantial shareholding

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 the best of the Company's knowledge.

In May 2017, the Company's shareholders adopted a resolution regarding the issuance of the Series L Shares. It enabled the Company's shareholders to elect to receive the dividend payable by the Company in the form of newly issued shares instead of cash. In June 2017, the Company issued 10,087,026 series L Shares to the Company's shareholders.

Shareholder	Number of shares and rights to the shares held (not in thousand)	% of share capital	Number of votes (not in thousand)	% of votes	Change in number of shares since 15 May 2017 (not in thousand)
LSREF III GTC Investments B.V.[1]	287,516,755	61.13%	287,516,755	61.13%	Increase by 8,667,098
OFE PZU Złota Jesień	48,648,000	10.34%	48,648,000	10.34%	Increase by 801,000
AVIVA OFE Aviva BZ WBK	34,413,161	7.32%	34,413,161	7.32%	Increase by 1,491,161
Other shareholders	99,725,588	21.20%	99,725,588	21.20%	Decrease by 872,233
Total	**470,303,504**	**100.00%**	**470,303,504**	**100.00%**	

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

Item 9. 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 as of 21 August 2017, the date of publication of this interim report, and changes in their holdings since the date of publication of Group's last financial report (quarterly report for the 3-month period ended 31 March 2017) on 15 May 2017.

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 21 August 2017 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 15 May 2017 (not in thousand)
Thomas Kurzmann	0	0	No change
Erez Boniel	143,500	14,350	No change
Total	**143,500**	**14,350**	

Phantom Shares held by members of the Management Board

The following table presents Phantom Shares owned directly or indirectly by members of the Company's Management Board as of 30 June 2017 and changes since 31 March 2017.

Management Board Member	Balance as of 30 June 2017 (not in thousand)	Change since 31 March 2017 (not in thousand)
Thomas Kurzmann	1,536,000	Increase by 1,024,000
Erez Boniel	409,600	increase by 204,800

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 as of 21 August 2017, the date of publication of this interim report, and changes in their holdings since the date of publication of Group's last financial report (quarterly report for the 3-month period ended 31 March 2017) on 15 May 2017.

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 21 August 2017 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 15 May 2017 (not in thousand)
Alexander Hesse	0	0	No change
Philippe Couturier	0	0	No change
Ryszard Koper	0	0	No change
Jan Düdden	0	0	No change
Mariusz Grendowicz	10,158	1,016	No change
Tomasz Styczyński	0	0	No change
Marcin Murawski	0	0	No change
Katharina Schade	0	0	No change
Total	**10,158**	**1,016**	

Item 10. Material transactions with related parties concluded on terms other than market terms

The Group did not conduct any material transactions with the related parties that are not based on arms-length basis.

Item 11. 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 12. 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.

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 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 30 June 2017. 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 €1,102,796 and €1,049,167 of total non-current and current consolidated liabilities (including hedging instruments) as of 30 June 2017 and 31 December 2016, 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.

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.

<u>Risk Factors Relating to the Macroeconomic, Political and Legal Environment in the Markets where the Group Operates</u>

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 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. The Group introduced a dividend policy in 2017, however 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.

GLOBE TRADE CENTRE S.A.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017
TOGETHER WITH INDEPENDENT AUDITORS` REVIEW REPORT

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Financial Position
as of 30 June 2017
(in thousands of Euro)

	Note	30 June 2017 (unaudited)	31 December 2016 (audited)
ASSETS			
Non-current assets			
Investment property	9	1,563,131	1,501,770
Investment property landbank	9	126,752	102,905
Residential landbank	10	13,230	13,761
Investment in associates and joint ventures	8	2,091	3,803
Property, plant and equipment		6,975	6,002
Deferred tax asset		59	1,075
Other non-current assets		201	353
		1,712,439	**1,629,669**
Current assets			
Residential inventory	10	7,156	5,355
Accounts receivables		3,928	5,363
Accrued income		494	767
VAT receivable	13	21,588	17,389
Income tax receivable		500	652
Prepayments and deferred expenses		3,210	2,558
Derivatives		477	-
Escrow account	11	7,444	-
Short-term deposits		27,131	27,925
Cash and cash equivalents		162,306	149,812
		234,234	**209,821**
TOTAL ASSETS		**1,946,673**	**1,839,490**

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Financial Position
as of 30 June 2017
(in thousands of Euro)

	Note	30 June 2017 (unaudited)	31 December 2016 (audited)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	15	10,651	10,410
Share premium		520,504	499,288
Capital reserve		(36,054)	(35,702)
Hedge reserve		(2,822)	(3,631)
Foreign currency translation		2,394	1,872
Accumulated profit		345,311	315,195
		839,984	**787,432**
Non-controlling interest		3,893	2,891
Total Equity		**843,877**	**790,323**
Non-current liabilities			
Long-term portion of long-term borrowing	12	775,632	739,031
Deposits from tenants		8,874	8,043
Long term payable		2,687	2,730
Provision for share based payment		4,613	2,046
Derivatives		1,344	2,778
Provision for deferred tax liability	14	104,920	98,237
		898,070	**852,865**
Current liabilities			
Investment,trade payables and provisions		42,462	36,739
Current portion of long-term borrowing	12	154,213	153,902
VAT and other taxes payable		1,161	1,122
Income tax payable		187	530
Derivatives		2,300	2,553
Advances received		4,403	1,456
		204,726	**196,302**
TOTAL EQUITY AND LIABILITIES		**1,946,673**	**1,839,490**

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements

Globe Trade Centre S.A.
Interim Condensed Consolidated Income Statement
for the six-month period ended 30 June 2017
(in thousands of Euro)

	Note	Six-month period ended 30 June 2017 (unaudited)	Three-month period ended 30 June 2017 (unaudited)	Six-month period ended 30 June 2016 (unaudited)	Three-month period ended 30 June 2016 (unaudited)
Revenues from rental activity	5, 6	57,981	28,193	55,050	27,940
Residential revenue	5, 6	442	-	3,776	76
Cost of rental activity	6	(15,052)	(7,106)	(13,273)	(6,742)
Residential costs	6	(379)	-	(2,953)	(75)
Gross margin from operations		**42,992**	**21,087**	**42,600**	**21,199**
Selling expenses		(964)	(511)	(1,397)	(770)
Administration expenses	7	(7,654)	(5,012)	(4,997)	(2,303)
Profit (Loss) from revaluation	9	51,094	26,670	24,067	16,631
Other income		864	518	769	353
Other expenses		(1,351)	(899)	(1,588)	(767)
Profit (loss) from continuing operations before tax and finance income / (expense)		**84,981**	**41,853**	**59,454**	**34,343**
Foreign exchange differences gain/ (loss), net		(4,158)	(406)	3,136	2,843
Finance income		92	40	1,161	591
Finance cost		(13,013)	(6,471)	(13,887)	(7,036)
Share of profit (loss) of associates and joint ventures		184	-	(3,803)	(3,320)
Profit before tax		**68,086**	**35,016**	**46,061**	**27,421**
Taxation	14	(8,487)	(7,512)	(10,854)	(8,553)
Profit (loss) for the period		**59,599**	**27,504**	**35,207**	**18,868**
Attributable to:					
Equity holders of the Company		59,634	27,454	35,264	18,824
Non-controlling interest		(35)	50	(57)	44
Basic earnings per share (in Euro)	16	0.13	0.06	0.08	0.04

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Comprehensive Income
for the six-month period ended 30 June 2017
(in thousands of Euro)

	Six-month period ended 30 June 2017 (unaudited)	Three-month period ended 30 June 2017 (unaudited)	Six-month period ended 30 June 2016 (unaudited)	Three-month period ended 30 June 2016 (unaudited)
Profit (loss) for the period	**59,599**	**27,504**	**35,207**	**18,868**
Gain (loss) on hedge transactions	1,006	921	(892)	152
Income tax	(197)	(177)	143	(24)
Net gain (loss) on hedge transactions	809	744	(749)	128
Foreign currency translation	522	336	(248)	(393)
Total comprehensive income	**60,930**	**28,584**	**34,210**	**18,603**
Attributable to:				
Equity holders of the Company	60,965	28,534	34,248	18,540
Non-controlling interest	(35)	50	(38)	63

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Changes in Equity
for the six-month period ended 30 June 2017
(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 2017	**10,410**	**499,288**	**(35,702)**	**(3,631)**	**1,872**	**315,195**	**787,432**	**2,891**	**790,323**
Other comprehensive income	-	-	-	809	522	-	1,331	-	1,331
Profit / (loss) for the period ended 30 June 2017	-	-	-	-	-	59,634	59,634	(35)	59,599
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**809**	**522**	**59,634**	**60,965**	**(35)**	**60,930**
Purchase of NCI shares	**-**	**-**	(352)	-	-	-	(352)	-	(352)
Sale of subsidiary	**-**	**-**	-	-	-	-	-	1,037	1,037
Distribution of dividend			-	-	-	(29,518)	(29,518)	-	(29,518)
Issuance of shares	**241**	**21,216**					21,457		21,457
Balance as of 30 June 2017 (unaudited)	**10,651**	**520,504**	**(36,054)**	**(2,822)**	**2,394**	**345,311**	**839,984**	**3,893**	**843,877**

	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	-	-	-	(749)	(267)		(1,016)	19	(997)
Profit / (loss) for the period ended 30 June 2016	-	-	-	-	-	35,264	35,264	(57)	35,207
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(749)**	**(267)**	**35,264**	**34,248**	**(38)**	**34,210**
Purchase of NCI shares	**-**	**-**	794	-	-	-	794	6,173	6,967
Other	**-**	**-**	(772)	-	-	-	(772)	-	(772)
Balance as of 30 June 2016 (unaudited)	**10,410**	**499,288**	**(20,624)**	**(5,312)**	**1,138**	**191,911**	**676,811**	**(15,204)**	**661,607**

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Cash Flows
for the six-month period ended 30 June 2017
(in thousands of Euro)

	Note	Six-month period ended 30 June 2017	Six-month period ended 30 June 2016
		(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		68,086	46,061
Adjustments for:			
Loss/(profit) from revaluation/impairment of assets		(51,094)	(24,067)
Share of loss (profit) of associates and joint ventures		(184)	3,803
Profit on disposal of assets		-	(9)
Foreign exchange differences loss/(gain), net		4,158	(3,136)
Finance income		(92)	(1,161)
Finance cost		13,013	13,887
Share based payment (income) / expenses		2,215	(118)
Depreciation and amortization		216	216
Operating cash before working capital changes		**36,318**	**35,476**
Increase in accounts receivables, prepayments and other current assets		(85)	(114)
Decrease in inventory and residential land bank		(1,801)	2,424
Increase/(decrease) in advances received		2,947	-
Increase in deposits from tenants		1,439	942
Increase/(decrease) in trade and other payables		(477)	(879)
Cash generated from operations		**38,341**	**37,849**
Tax paid in the period		(2,101)	(1,437)
Net cash flows from operating activities		**36,240**	**36,412**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property		(69,199)	(49,432)
Purchase of subsidiary	9	(12,500)	-
Purchase of completed assets and land	9	(10,525)	(76,387)
Increase in Escrow accounts for purchase of assets	11	(7,444)	(70,107)
Sale of investment property		1,731	2,729
Sale of subsidiaries	1	37,545	3,930
Purchase of minority		-	(18,121)
Sale of shares in associate	8	1,250	2,009
VAT on purchase/sale of investment property		(3,498)	-
Interest received		71	275
Loans granted		-	(123)
Loans repayments		812	-
Net cash flows from/(used in) investing activities		**(61,757)**	**(205,227)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		106,035	129,190
Repayment of long-term borrowings		(48,075)	(43,507)
Dividends paid		(8,061)	-
Interest paid		(12,440)	(12,386)
Loans origination cost		(1,474)	(317)
Decrease/(increase) in blocked deposits		794	1,611
Net cash from/(used in) financing activities		**36,779**	**74,591**
Effect of foreign currency translation		**1,232**	**(1,356)**
Net increase / (decrease) in cash and cash equivalents		**12,494**	**(95,580)**
Cash and cash equivalents at the beginning of the period		**149,812**	**169,472**
Cash classified as part of assets held for sale		**-**	**-**
Cash and cash equivalents at the end of the period		**162,306**	**73,892**

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements

1. Principal activities

Globe Trade Centre S.A. (the "Company" or "GTC") and its subsidiaries ("GTC Group" or "the Group") are an international real-estate corporation. The Company was registered in Warsaw on 19 December 1996. The Company's registered office is in Warsaw, Poland at 17 Stycznia 45A Street. The Company owns through subsidiaries, joint ventures and associates commercial and residential real estate companies with a focus on Poland, Budapest, Bucharest, and Belgrade. Additionally, the Company operates in Zagreb and Sofia. There is no seasonality in the business of the Group companies.

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 287,516,755 shares or 61.13% of total share as of 30 June 2017.

Events in the period

In March 2017, GTC Group has completed the third building of the FortyOne complex in Belgrade.

Issuance of bonds and refinance
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, listed on WSE in the total amount of EUR 18.5 million.

In March 2017, GTC signed a prolongation of the loan agreement for Corius building, part of Aeropark Business Centre office complex.

In June 2017, the Company issued 3-year Euro denominated bonds, listed on WSE in the total amount of EUR 40 million.

Sale of Galeria Burgas and Galeria Stara Zagora
On 4 May 2017 the Company signed final agreement for the sale of its subsidiaries Galeria Burgas AD and Galeria Stara Zagora EAD, which hold shopping centers in Bulgaria in line with its strategy to focus its investment on capital cities.

Distribution of dividend
In May 2017, the Company's shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 124.3 million (Euro 29.5 million), and allowing the Company's shareholders to elect to receive the dividend in the form of newly issued shares instead of cash.

In June 2017, the Company issued 10,087,026 series L Shares to the Company's shareholders who elected to receive the dividend in shares (Euro 21.4 million), and paid dividend in the amount of Euro 8.1 million to the remaining shareholders.

Acquisition of land plots
In May 2017, the Group acquired a subsidiary, which holds a land plot in Budapest, Hungary ("Kompakt") for a total amount of Euro 12.5 million. The Group intends to build an office building on the plot.

In June 2017, the Group acquired a land plot in Bucharest, Romania (Rose Garden Office) for a total amount of Euro 10.5 million. The Group intends to build an office building on the plot.

1. Principal activities (continued)

In August 2017, the Group acquired a land plot in Sofia ("ÄBC Phase II"), Bulgaria for a total amount of Euro 6.2 million. The Group intends to build an office building on the plot. As of 30 June 2017, the purchase price (Euro 7.4 million including VAT) was deposited in escrow account (see note 11).

2. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the six-months period ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by EU.

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.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements and the notes thereto for the year ended 31 December 2016, which were authorized for issue on 17 March 2017. The interim financial results are not necessarily indicative of the full year results.

The Group's Interim Condensed Consolidated Financial Statements are presented in Euro, which is also GTC's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using the functional currency.

The financial statements of those entities prepared in their functional currencies (other than Euro) are included in the Interim Condensed 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 affecting earnings for the period.

These Interim Condensed Consolidated Financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements, no circumstances were identified which would indicate any threat to the Group' continuing as a going concern.

3. Significant accounting policies, estimates and judgments

The accounting policies and calculation methods applied in the preparation of these Interim condensed consolidated financial statements are the same as those used in the preparation of the consolidated financial statements for 2016 (see Note 6 to the consolidated financial statements for 2016), and no changes to comparative data, except for change in reportable segments, or error corrections were made.

Standards issued but not yet effective

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

- IFRS 9 *Financial Instruments* (issued on 24 July 2014) – effective for financial years beginning on or after 1 January 2018;
- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
- 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 financial years beginning on or after 1 January 2018;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- IFRS 16 *Leases* (issued on 13 January 2016) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on 12 September 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 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on 19 January 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 2017;
- Amendments to IAS 7 *Disclosure Initiative* (issued on 29 January 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 2017;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on 12 April 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 IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (issued on 20 June 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,
- *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;

3. Significant accounting policies, estimates and judgments (continued)

- 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.

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 financial statements.

(in thousands of Euro)

4. 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	30 June 2017	31 December 2016
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.	GTC S.A.	Poland	100%	100%
GTC GK Office Sp. z o.o. (1)	GTC S.A.	Poland	-	100%
GTC Sterlinga 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.	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Handlowe 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	GTC S.A.	Poland	100%	100%
Julesberg Sp. z o.o.	GTC S.A.	Poland	100%	100%
Jowett Sp. z o.o.	GTC S.A.	Poland	100%	100%
Calobra Sp. z o.o. Sp. j.	GTC S.A.	Poland	100%	100%
Mantezja 4 Sp. z o.o. Sp. j.	GTC S.A.	Poland	100%	100%
Havern Investments sp. z o.o. (1)	GTC S.A.	Poland	-	100%

(1) Liquidated

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	30 June 2017	31 December 2016
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") (1)	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 (4)	GTC Hungary	Hungary	-	100%
Spiral I.Kft.	GTC Hungary	Hungary	100%	100%
Spiral II Hungary. Kft.	GTC Hungary	Hungary	100%	100%
River Loft Apartmanok Ltd.	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%
Kompakt Land Kft (5)	GTC Hungary	Hungary	100%	-
Mastix Champion Kft. (3)	GTC Hungary	Hungary	-	100%
GTC White House Kft. ("formerly GTC Renaissance Plaza Kft.")	GTC Hungary	Hungary	100%	100%
VRK Tower Kft	GTC Hungary	Hungary	100%	100%
Amarantan Ltd.	GTC Hungary	Hungary	100%	100%
Abritus Kft.	GTC Hungary	Hungary	100%	100%
GTC Slovakia Real Estate s.r.o. (2)	GTC S.A.	Slovakia	-	100%
GTC Real Estate Vinohrady s.r.o. (1)	GTC S.A.	Slovakia	100%	100%

(1) Under liquidation

(2) sold in 2017

(3) Mastix Ltd. was merged into GTC White House Ltd

(4) Spiral I. Kft. and Spiral Holding Kft. Were merged

(5) Acquired in 2017

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	30 June 2017	31 December 2016
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. (1)	GTC S.A.	Croatia	-	100%
GTC Matrix d.o.o.(2)	GTC S.A.	Croatia	100%	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%
Venus Commercial Center S.R.L.	GTC S.A.	Romania	100%	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 (2)	GTC S.A.	Cyprus	50.1%	50.1%
City Rose Park SRL (previously Complexul Residential Colentina S.R.L.)	GTC S.A.	Romania	100%	100%
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) Liquidated
(2) Under liquidation

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	30 June 2017	31 December 2016
Galeria Stara Zagora EAD ("Stara Zagora") (2)	GTC S.A.	Bulgaria	-	100%
Galeria Burgas AD (2)	GTC S.A.	Bulgaria	-	80%
GTC Business Park EAD	GTC S.A.	Bulgaria	100%	100%
NRL EAD	GTC S.A.	Bulgaria	100%	100%
Advance Business Center EAD	GTC S.A.	Bulgaria	100%	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%
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	GTC S.A.	Serbia	100%	100%
Europort Investment (Cyprus) 1 Limited	GTC S.A.	Cyprus	100%	100%
Black Sea Management LLC (3)	Europort Investment (Cyprus) 1 Limited	Ukraine	-	100%
Europort Ukraine Holdings 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Ukraine Holdings 2 LLC (1)	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Ukraine LL	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Project Ukraine 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%

(1) Under liquidation
(2) Sold in May 2017
(3) Liquidated

Investment in Associates and Joint Ventures

Name	Holding Company	Country of incorporation	30 June 2017	31 December 2016
Yatelsis Viborgskaya Limited of Nicosia ("YVL")	GTC S.A.	Cyprus	50%	50%
Ana Tower Offices S.R.L. (1)	GTC S.A.	Romania	-	50%
CID Holding S.A. ("CID") (2)	GTC S.A.	Luxembourg	35%	35%

(1) Sold in 2017
(2) Under liquidation

(in thousands of Euro)

5. Revenue from operations

	Six-month period ended 30 June 2017	Three-month period ended 30 June 2017	Six-month period ended 30 June 2016	Three-month period ended 30 June 2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Rental revenue	43,465	21,393	41,717	21,124
Service revenue	14,516	6,800	13,333	6,816
Residential revenue	442	-	3,776	76
	58,423	**28,193**	**58,826**	**28,016**

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.

(in thousands of Euro)

6. Segmental analysis

The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets and other factors. The Company operates in four core markets: Poland, Budapest, Bucharest and Belgrade. Additionally, the Company operates in Zagreb and starting from June 2017 its operation in Bulgaria is solely in Sofia. During 2016 the Company withdrew its operations in Slovakia.

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

a. Poland
b. Hungary
c. Romania
d. Serbia
e. Croatia
f. Bulgaria
g. Slovakia

Segment analysis for the six-month periods ended 30 June 2017 (unaudited) and 30 June 2016 (unaudited) is presented below:

	Six month period ended 30 June 2017			**Six month period ended 30 June 2016**		
Potfolio	**Revenues**	**Costs**	**Gross margin**	**Revenues**	**Costs**	**Gross margin**
Poland	25,617	(6,832)	18,785	21,713	(4,816)	16,897
Serbia	6,838	(1,685)	5,153	6,139	(1,362)	4,777
Hungary	10,180	(2,510)	7,670	10,092	(2,312)	7,780
Romania	7,641	(1,738)	5,903	8,090	(2,174)	5,916
Bulgaria	2,847	(960)	1,887	3,964	(1,087)	2,877
Croatia	5,299	(1,706)	3,593	5,185	(1,631)	3,553
Slovakia	-	-	-	3,643	(2,843)	800
Total	**58,423**	**(15,431)**	**42,990**	**58,826**	**(16,226)**	**42,600**

(in thousands of Euro)

Segment analysis for the three-month periods ended 30 June 2017 (unaudited) and 30 June 2016 (unaudited) is presented below:

	Three month period ended 30 June 2017			Three month period ended 30 June 2016		
Potfolio	**Revenues**	**Costs**	**Gross margin**	**Revenues**	**Costs**	**Gross margin**
Poland	12,408	(3,033)	9,375	11,040	(2,640)	8,400
Serbia	3,613	(856)	2,757	3,114	(595)	2,519
Hungary	5,030	(1,165)	3,865	5,000	(1,156)	3,844
Romania	3,741	(902)	2,839	4,187	(1,108)	3,079
Bulgaria	710	(308)	402	2,077	(517)	1,560
Croatia	2,692	(843)	1,849	2,598	(801)	1,797
Slovakia	-	-	-	-	-	-
Total	**28,193**	**(7,106)**	**21,087**	**28,016**	**(6,817)**	**21,199**

In prior year financial statements segments were as following: Poland and Hungary, SEE capital cities, SEE secondary cities. During the last two years, the company sold its non-core activity in SEE secondary cities. Starting from 30 June 2017 Management decided to present each country as a separate reporting segment.

(in thousands of Euro)

7. Administrative expenses

	Six-month period ended 30 June 2017	**Three-month period ended 30 June 2017**	**Six-month period ended 30 June 2016**	**Three-month period ended 30 June 2016**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Administration expenses	5,439	2,948	5,115	2,474
Expenses /(income) arising from share based payments	2,215	2,064	(118)	(171)
	7,654	**5,012**	**4,997**	**2,303**

8. Investment in associates and joint ventures

The investment in associates and joint ventures comprises the following:

	30 June 2017	**31 December 2016**
	(unaudited)	(audited)
Russia (1)	2,091	2,843
Romania (2)	-	960
Investment in associates and joint ventures	**2,091**	**3,803**

(1) The Company has signed a sale agreement for its stake in the joint venture. The proceeds from sale is recognized in instalments until September 2018.

(2) Ana Tower was sold in 2017 with gain recognized on the transaction in the amount of EUR 186 thousand.

(in thousands of Euro)

9. Investment property

The investment properties that are owned by the Group are office and commercial space, including investment property under construction and land designated for such development:

Investment property can be split up as follows:

	30 June 2017	31 December 2016
	(unaudited)	(audited)
Completed investment property (1)	1,204,442	1,261,044
Investment property under construction (1)	358,689	240,726
Investment property landbank at cost	126,752	102,905
Total	**1,689,883**	**1,604,675**

(1) An office building in Serbia in a value of Euro 39.9 million, which is currently under reconstruction, was transferred from completed investment properties to Investment property under construction.

The movement in investment property for the period ended 30 June 2017 (unaudited) 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	23,844	(23,844)	-
Purchase of completed assets and land	122,298	17,348	139,646
Adjustment to fair value / impairment	31,491	54,522	86,013
Disposals of assets	-	(10,316)	(10,316)
Sale of subsidiaries	-	(4,878)	(4,878)
Purchase of subsidiaries	-	12,951	12,951
Reclassified to fixed assets	(2,927)	(1,309)	(4,236)
Carrying amount as of 31 December 2016	**960,650**	**644,025**	**1,604,675**
Capitalised subsequent expenditure	13,768	62,960	76,728
Purchase of landplots (4)	-	10,525	10,525
Purchase of subsidiary (4)		12,500	12,500
Adjustment to fair value / (impairment)	3,845	46,355	50,200
Land Disposals (3)	-	(1,731)	(1,731)
Sale of subsidiaries (2)	-	(62,000)	(62,000)
Classified to fixed assets (1)	(1,014)	-	(1,014)
Carrying amount as of 30 June 2017	**977,249**	**712,634**	**1,689,883**

(1) Office space for own use
(2) Galeria Burgas and Galeria Stara Zagora in Bulgaria (see note 1)
(3) Commercial land plot in Konstancin, Poland
(4) The Group acquired 2 landplots in Budapest and Bucharest (see note 1)

(in thousands of Euro)

9. Investment property (continued)

Fair value and impairment adjustment consists of the following:

	Six-month period ended 30 June 2017	**Three-month period ended 30 June 2017**	**Six-month period ended 30 June 2016**	**Three-month period ended 30 June 2016**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Adjustment to fair value of completed investment properties	13,741	5,629	1,722	4,532
Adjustment to fair value of Investment properties under construction	35,512	18,228	21,733	11,301
Reversal of impairment/(Impairment) adjustment	947	(64)	1,740	1,750
Total adjustment to fair value / (impairment) of investment property	**50,200**	**23,793**	**25,195**	**17,583**
Gain (Loss) on disposal of assets/liabilities	1,425	3,408	(1,128)	(952)
Impairment of residential landbank	(531)	(531)	-	-
Total	**51,094**	**26,670**	**24,067**	**16,631**

Assumptions used in the valuations of completed assets as of 30 June 2017 (unaudited) 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	169,100	49	96%	19.8	19.8	2
Poland office	402,777	204	90%	13.8	13.7	2
Belgrade office	123,981	58	94%	16.2	16.1	3
Budapest office	219,386	119	97%	11.9	12.9	2
Bucharest office	185,986	62	92%	18.1	18.0	2
Zagreb retail	103,212	34	100%	21.1	21.0	3
Total	**1,204,442**	**526**	**94%**	**15.2**	**15.3**	

(in thousands of Euro)

9. Investment property (continued)

Assumptions used in the valuations of completed assets as of 31 December 2016 (audited) 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
Belgrade office	139,981	70	95%	16.3	15.7	3
Budapest office	216,206	119	96%	12.0	12.8	2
Bucharest office	185,520	62	94%	18.2	18.0	2
Zagreb retail	103,213	34	99%	20.8	20.8	3
Bulgaria retail	57,200	57	97%	10.5	10.5	3
Total	**1,261,044**	**596**	**94%**	**14.7**	**14.8**	

Information regarding to investment properties under construction as of 30 June 2017 (unaudited) is presented below:

	Book value	Estimated area (NRA)
	'000 Euro	thousand sqm
Warsaw	261,100	72
Belgrade	83,493	80
Budapest	14,096	22
Total	**358,689**	**174**

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

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

(in thousands of Euro)

9. Investment property (continued)

Information regarding book value of Investment property landbank as of 30 June 2017 (unaudited) and 31 December 2016 (audited) is presented below:

	30 June 2017	31 December 2016
Poland	48,758	48,702
Serbia	4,889	4,390
Hungary (*)	36,674	23,650
Romania (*)	21,419	11,403
Bulgaria	10,034	9,885
Croatia	2,710	2,420
Ukraine	2,268	2,455
Total	**126,752**	**102,905**

(*) The Group purchased two land plots in 2017 (see note 1)

(in thousands of Euro)

10. Inventory and residential landbank

The movement in residential landbank and inventory for the period ended 30 June 2017 (unaudited) 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 (audited)	**5,355**	**13,761**	**19,116**
Construction costs	2,180	-	2,180
Impairment	-	(531)	(531)
Cost of units sold	(379)	-	(379)
Carrying amount as of 30 June 2017 (unaudited)	**7,156**	**13,230**	**20,386**

11. Escrow accounts for purchase of assets

In August 2017, the Company acquired land plot in Sofia, Bulgaria for development of the second phase of ABC office project.

As of 30 June 2017, purchase price was deposited in escrow account. It was released from escrow account in August 2017 upon the seller’s compliance with the agreed conditions.

(in thousands of Euro)

12. Long-term loans and bonds

	30 June 2017 (unaudited)	**31 December 2016** (audited)
Bonds mature in 2017-2018	47,322	67,167
Bonds mature in 2018-2019	47,771	46,088
Bonds 1019	28,959	28,967
Schuldschein 1219	15,165	5,007
Bonds 0320	18,690	-
Bonds 0620	40,066	-
Loan from OTP (GTC)	6,290	7,863
Loan from WBK (Globis Poznan)	15,823	16,070
Loan from WBK (Korona Business Park)	40,570	41,153
Loan from PKO BP (Pixel)	21,592	21,930
Loan from Pekao (Globis Wroclaw)	23,521	23,922
Loan from ING (Nothus and Zephirus)	20,902	21,648
Loan from Berlin Hyp (Corius)	11,234	11,405
Loan from Pekao (Sterlinga)	16,975	17,238
Loan from Pekao (Neptun)	21,404	21,735
Loan from Pekao (Sterlinga VAT)	6,057	5,787
Loan from Pekao (Neptun VAT)	7,642	7,301
Loan from Pekao (Galeria Polnocna)	75,980	48,088
Loan from mBank (Artico)	7,995	4,574
Loan from Pekao (Galeria Jurajska)	92,904	94,622
Loan from Berlin Hyp (UBP)	30,535	31,000
Loan from ING (Francuska)	22,927	23,197
Loan from OTP (Centre Point)	45,050	46,025
Loan from CIB (Metro)	17,140	17,647
Loan from Erste (Spiral)	25,589	26,067
Loan from Erste (White House)	-	2,109
Loan from OTP (Duna)	26,838	27,419
Loan from Erste (GTC House)	12,890	13,281
Loan from Erste (19 Avenue)	20,854	21,138
Loan from Intesa Bank (GTC Square)	13,475	13,825
Loan from Raiffeisen Bank (Forty one)	27,758	21,779
Loan from Erste (Citygate)	82,670	84,100
Loan from Alpha Bank (Premium)	18,625	18,875
Loan from MKB and Zagrabecka Banka (AMZ)	14,539	16,766
Loan from EBRD and Unicredit (Galeria Stara Zagora)	-	6,900
Loan from EBRD (Burgas)	-	20,272
Loans from minorities in subsidiaries	9,860	18,230
Deferred issuance debt expenses	(5,767)	(6,262)
	929,845	**892,933**

(in thousands of Euro)

12. 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:

	30 June 2017 (unaudited)	**31 December 2016** (audited)
Current portion of long term loans and bonds:		
Bonds mature in 2017-2018	47,322	45,000
Bonds mature in 2018-2019	16,224	880
Bonds 1019	180	189
Schuldschein 1219	165	7
Bonds 0320	192	-
Bonds 0620	66	-
Loan from OTP (GTC)	3,145	3,145
Loan from WBK (Globis Poznan)	493	493
Loan from WBK (Korona Business Park) (*)	40,570	41,153
Loan from PKO BP (Pixel)	677	677
Loan from Berlin Hyp (UBP)	930	930
Loan from Pekao (Galeria Jurajska)	3,472	3,446
Loan from Pekao (Globis Wroclaw)	841	816
Loan from ING (Nothus and Zephirus)	1,492	1,492
Loan from Berlin Hyp (Corius)	342	11,405
Loan from Pekao (Sterlinga)	525	525
Loan from Pekao (Neptun)	662	662
Loan from Pekao (Sterlinga VAT)	6,057	5,787
Loan from Pekao (Neptun VAT)	7,642	7,301
Loan from Pekao (Galeria Polnocna)	3,375	1,125
Loan from ING (Francuska)	540	540
Loan from OTP (Centre Point)	1,998	1,974
Loan from Erste (White House)	-	1,250
Loan from OTP (Duna)	1,190	1,176
Loan from CIB (Metro)	1,046	1,024
Loan from Erste (Spiral)	1,369	1,326
Loan from Erste (GTC House)	781	781
Loan from Erste (19 Avenue)	569	569
Loan from Intesa Bank (GTC Square)	700	700
Loan from Raiffeisen Bank (Forty one)	1,075	681
Loan from EBRD and Unicredit (Galeria Stara Zagora)	-	6,900
Loan from EBRD (Galeria Burgas)	-	1,725
Loan from MKB and Zagrabecka Banka (Avenue Mall Zagreb)	4,454	4,454
Loan from Erste (City Gate)	2,942	2,890
Loan from Alpha Bank (Premium)	894	631
Loans from minorities in subsidiaries	2,283	2,248
	154,213	**153,902**

(*) Loan refinance has been approved by the lender

(in thousands of Euro)

12. Long-term loans and bonds (continued)

	30 June 2017 (unaudited)	31 December 2016 (audited)
Long term portion of long term loans and bonds:		
Bonds mature in 2017-2018	-	22,167
Bonds mature in 2018-2019	31,547	45,208
Bonds 1019	28,779	28,778
Schuldschein 1219	15,000	5,000
Bonds 0320	18,498	-
Bonds 0620	40,000	-
Loan from OTP (GTC)	3,145	4,718
Loan from WBK (Globis Poznan)	15,330	15,577
Loan from PKO BP (Pixel)	20,915	21,253
Loan from Pekao (Globis Wroclaw)	22,680	23,106
Loan from ING (Nothus and Zephirus)	19,410	20,156
Loan from Berlin Hyp (Corius)	10,892	-
Loan from Pekao (Neptun)	20,742	21,073
Loan from Pekao (Sterlinga)	16,450	16,713
Loan from Pekao (Galeria Polnocna)	72,605	46,963
Loan from Pekao (Galeria Jurajska)	89,432	91,176
Loan from Berlin Hyp (UBP)	29,605	30,070
Loan from mBank (Artico)	7,995	4,574
Loan from ING (Francuska)	22,387	22,657
Loan from OTP (Centre Point)	43,052	44,051
Loan from OTP (Duna)	25,648	26,243
Loan from CIB (Metro)	16,094	16,623
Loan from Erste (Spiral)	24,220	24,741
Loan from Erste (White House)	-	859
Loan from Erste (GTC House)	12,109	12,500
Loan from Erste (19 Avenue)	20,285	20,569
Loan from Intesa Bank (GTC Square)	12,775	13,125
Loan from Raiffeisen Bank (Forty one)	26,683	21,098
Loan from Erste (City Gate)	79,728	81,210
Loan from Alpha Bank (Premium)	17,731	18,244
Loan from MKB and Zagrabecka Banka (Avenue Mall Zagreb)	10,085	12,312
Loan from EBRD (Galeria Burgas)	-	18,547
Loans from minorities in subsidiaries and from joint ventures	7,577	15,982
Deferred issuance debt expenses	(5,767)	(6,262)
	775,632	**739,031**

As securities for the bank loans, the banks have pledge over the companies that hold the assets, mortgage over the assets, and other standard securities.

(in thousands of Euro)

12. Long-term loans and bonds (continued)

In its financing agreements with banks, the Group 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.

All bank loans except, loan granted to Spiral, Sterlinga VAT loan, Neptun VAT loan and bonds maturing in 2017-2019 are Euro denominated.

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

	30 June 2017 (unaudited)	**31 December 2016** (audited)
First year	177	176
Second year	141	130
Third year	246	149
Fourth year	113	184
Fifth year	156	166
Thereafter	185	176
	1,018	**981**

13. VAT and other tax receivable

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

14. Taxation

Income tax expenses in six-months period ended 30 June 2017 was decreased due to strengthening of PLN compared to EUR and therefore decrease in deferred tax liability in Poland.

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 Group's countries 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 require significantly more judgement in assessment of the tax consequences of particular transactions.

(in thousands of Euro)

15. Capital and Reserves

As at 30 June 2017, 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
10,087,026	L	1,008,703	240,855
470,303,504		**47,030,350**	**10,651,095**

All shares are entitled to the same rights.

Shareholders who as at 30 June 2017 held above 5% of the Company shares were as follows:

- LSREF III
- PZU OFE
- AVIVA OFE BZ WBK

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

Strike (PLN)	**Blocked**	**Vested**	**Total**
7.73	150,000	-	150,000
6.82	2,882,400	4,096,000	6,978,400
Total	**3,032,400**	**4,096,000**	**7,128,400**

(in thousands of Euro)

15. Capital and Reserves (continued)

As at 30 June 2017, phantom shares issued were as follows:

Last exercise date	Strike (in PLN)	Number of phantom shares
30/06/2019	6.82	3,481,600
31/12/2020	7.73	150,000
30/06/2021	6.82	460,800
15/08/2021	6.82	3,036,000
Total		**7,128,400**

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

16. Earnings per share

Basic and diluted earnings per share were calculated as follows:

	Six-month period ended 30 June 2017	Three-month period ended 30 June 2017	Six-month period ended 30 June 2016	Three-month period ended 30 June 2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period attributable to equity holders (euro)	59,634,000	27,454,000	35,264,000	18,824,000
Weighted average number of shares for calculating basic earnings per share	460,550,855	460,881,557	460,216,478	460,216,478
Basic earnings per share (euro)	0.13	0.06	0.08	0.04

There have been no potentially dilutive instruments as at 30 June 2017 and 31 December 2016.

17. Subsequent events

In July 2017, the Group acquired Cascade Office Building, an office building in Bucharest, Romania, for a total amount of Euro 9 million. The building offers 4,200 sq. m of premium office space.

In August 2017, the Group acquired a land plot in Sofia (“ÄBC Phase II”), Bulgaria for a total amount of Euro 6.2 million. The Group intends to build an office building on the plot. As of 30 June 2017, the purchase price (Euro 7.4 million including VAT) was deposited in escrow account (see note 11).

18. Release date

The interim condensed consolidated financial statements were authorised for the issue by the Management Board on 17 August 2017.

EY
Building a better working world

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Independent Auditor's Report on review of interim condensed consolidated financial statements for the six-month period ended 30 June 2017

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Globe Trade Centre S.A. Capital Group ('the Group'), with parent's company Globe Trade Centre S.A. (the 'Company') registered office located in Warsaw, at 17 Stycznia 45A street, as of 30 June 2017 including interim condensed consolidated statement of financial position as at 30 June 2017, the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2017 and other explanatory notes ('the interim condensed consolidated financial statements').

Management is responsible for the preparation and presentation of accompanying interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union ('IAS 34'). Our responsibility is to express a conclusion on accompanying interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('standard'). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on accompanying interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

We also reported on 17 August 2017 separately on the interim condensed consolidated financial statements of Globe Trade Centre S.A. for the same period, prepared in accordance with IAS 34 using PLN as the presentation currency.

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

Key Certified Auditor

Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością
spółka komandytowa
Rondo ONZ 1, 00-124 Warszawa

Łukasz Jarzynka
Certified Auditor
No. 11959

Warsaw, 17 August 2017