CONSOLIDATED QUARTERLY REPORT
OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP
FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

Place and date of publication: Warsaw, 14 November 2018

MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP
IN THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2018

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Item 1. Introduction

The GTC Group is a leading real estate investor and developer focusing on Poland and four capital cities in Eastern and Southern Europe - Belgrade, Budapest, Bucharest, Zagreb and Sofia. The Group was established in 1994.

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 project and landbank.

Since its establishment and as at 30 September 2018 the Group has: (i) developed 1.1 million sq. m of gross commercial space and over 300 thousand sq. m of residential space; (ii) sold over 500 thousand sq. m of gross commercial space in completed commercial properties and approximately 300 thousand sq. m of residential space; and (iii) acquired approximately 151 thousand sq. m of commercial space in completed commercial properties. Additionally GTC Group developed and sold over 100 thousand sq. m of commercial space and approximately 76 thousand sq. m of residential space through its associates in Czech Republic.

As of 30 September 2018, the Group`s property portfolio comprised the following properties:

- 43 completed commercial buildings, including 39 office buildings and four retail properties with a total combined commercial space of approximately 703 thousand sq. m of GLA, of which the Group's proportional interest amounts to approximately 693 thousand sq. m of GLA;

- seven commercial buildings under construction, including six office buildings and one shopping mall with total GLA of approximately 103 thousand sq. m, of which the Group's proportional interest amounts to 103 thousand sq. m of GLA;

- commercial landbank designated for future development; and

- residential landbank.

As of 30 September 2018, the book value of the Group's portfolio amounts to €2,164,278 with: (i) the Group's completed commercial properties account for 86% thereof; (ii) commercial properties under construction – 7%; (iii) a commercial landbank intended for future development – 6%; (iv) residential projects and landbank account for 1% and (v) assets held for sale. Based on the Group's assessment approximately 98% of the portfolio is core and remaining 2% is non-core assets, including non-core landplots and residential projects.

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

The Company's shares are listed on the WSE and inward listed on the Johannesburg Stock Exchange. The Company's shares are included in mWIG 40.

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, PLGTC0000243, PLGTC0000268 and PLGTC0000276; „the Report" refers to the consolidated report prepared pursuant to art. 66 of the Decree of the Finance Minister of 29 March 2018 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; FFO”, “FFO I” is profit before tax less tax paid, after adjusting for non-cash transactions (such as fair value or real estate re-measurement, share base payment provision and unpaid financial expenses) and one off items (such as FX differences and residential activity); “EPRA NAV” is total equity less non-controlling interest, less: deferred tax liability related to real estate assets and derivatives at fair value; “EBITDA” is earning before fair value adjustments, interest, tax, depreciation and amortization; “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”,Item 5. “Operating and financial review”, and elsewhere in this Report and and under Item 12. “Key risk factors” in interim report for six month period ended 30 June 2018. 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 nine-month periods ended 30 Septmeber 2018 and 2017. 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 nine-month period ended 30 September 2018 (including the notes thereto). The Group has derived the financial data presented in accordance with IFRS from the unaudited interim condensed consolidated financial statements for the nine-month period ended 30 September 2018.

Selected financial data presented in PLN is derived from the consolidated financial statements for the nine-month period ended 30 September 2018 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 nine-month period ended 30 September				For the three-month period ended 30 September			
	2018		2017		2018		2017	
(in thousands)	EUR	PLN	EUR	PLN	EUR	PLN	EUR	PLN
Interim Condensed Consolidated Income Statement								
Revenues from operations	115,301	489,865	88,071	375,745	38,161	164,234	29,648	126,232
Cost of operations	(31,805)	(135,052)	(22,971)	(98,019)	(9,416)	(40,541)	(7,540)	(32,102)
Gross margin from operations	83,496	354,813	65,100	277,726	28,745	123,693	22,108	94,130
Selling expenses	(1,566)	(6,655)	(1,558)	(6,647)	(371)	(1,611)	(594)	(2,530)
Administrative expenses	(5,753)	(24,449)	(10,320)	(44,026)	(1,654)	(7,146)	(2,666)	(11,340)
Profit from revaluation/impairment of assets	31,331	134,016	105,314	449,447	7,963	34,013	54,220	233,662
Foreign exchange differences gain/ (loss), net	93	395	(2,819)	(12,026)	(201)	(846)	1,339	5,730
Financial income/(expense), net	(21,888)	(93,018)	(20,586)	(87,822)	(7,735)	(33,274)	(7,665)	(32,644)
Net profit /(loss)	69,034	294,089	111,695	476,623	22,962	98,499	52,096	224,207
Basic and diluted earnings per share (not in thousands)	0.14	0.61	0.24	1.03	0.05	0.20	0.13	0.47
Weighted average number of issued ordinary shares (not in thousands)	475,538,732	475,538,732	463,837,462	463,837,462	483,536,996	483,536,996	470,303,504	470,303,504
Consolidated Cash Flow Statement								
Net cash from operating activities	63,124	267,939	55,716	237,691				
Net cash used in investing activities	(104,740)	(444,424)	(129,957)	(554,410)				
Net cash from/(used in) financing activities	(1,818)	(7,183)	26,710	113,947				
Cash and cash equivalents at the end of the period	104,504	446,378	102,453	441,480				

	As of 30 September 2018		As of 31 December 2017	
	EUR	PLN	EUR	PLN
Consolidated statement of financial position				
Investment property	2,009,596	8,583,788	1,797,583	7,497,539
Investment property landbank	138,418	591,239	139,258	580,831
Residential landbank and inventory	12,698	54,238	16,453	68,624
Assets held for sale	3,566	15,232	4,336	18,085
Cash and cash equivalents	104,504	446,378	148,746	620,405
Others	74,848	319,704	76,233	317,961
Total assets	2,343,630	10,010,579	2,182,609	9,103,445
Non-current liabilities	1,197,177	5,113,622	1,052,216	4,388,688
Current liabilities	147,910	631,780	189,131	788,847
Total Equity	998,543	4,265,177	941,262	3,925,910
Share capital	10,960	48,354	10,651	47,031

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 four capital cities in Eastern and Southern Europe - Belgrade, Budapest, Bucharest, Zagreb and Sofia. The Group was established in 1994.

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

The Company's shares are listed on the WSE and inward listed on the Johannesburg Stock Exchange. The Company's shares are included in mWIG 40.

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 as of 30 September 2018 is presented in the unaudited interim condensed consolidated financial statements for the nine-month period ended 30 September 2018 in Note 4 "Investment in subsidiaries, associates and joint ventures".

The following changes in structure of the Group occurred in the nine-month period ended 30 September 2018:

- Europort Ukraine Holdings 2 LLC. was liquidated,
- GTC Real Estate Vinohrady s.r.o. was liquidated,
- BCG Investment B.V. iwas liquidated,
- Bucharest City Gate B.V. was liquidated,
- Operetico Enterprises Ltd was liquidated,
- Yatelsis Viborgskaya Limited of Nicosia was sold,
- GTC Seven Gardens d.o.o. was established,
- Dorado 1 EOOD was acquired,
- Julesberg Sp. z o.o. is under liquidation,
- Jowett Sp. z o.o. is under liquidation.

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 of the first nine months of 2018

On 12 March 2018, GTC SA repaid 1/3 of nominal value 20,000 bonds issued in 2014 under ISIN PLGTC0000177. Following the partial redemption, the interest amount on the bonds will be calculated taking into account the nominal value of each bond, as decreased by the redemption amount to PLN 6,666.67.

On 20 March 2018, the Supervisory Board of GTC SA adopted a resolution pursuant to which it will recommend to the annual general meeting of the shareholders of the Company that a dividend in the amount of PLN 0.33 per share be distributed to the shareholders of the Company from the net profit earned in the financial year ended 31 December 2017.

In March 2018, GTC SA issued three-year euro denominated bonds, listed on WSE, in the total amount of €20,494

In March 2018, the Group has completed the renovation of two office buildings (Green Heart) in Belgrade.

On 2 April 2018 GTC SA received from the majority shareholder in the Company, LSREF III GTC Investments B.V. ("Lone Star"), a notification that Lone Star decided to review its options in relation to its investment in Globe Trade Center S.A. and appointed J.P.Morgan and UBS to assist them in this strategic review.

In April 2018, the Group refinanced Business Park office building in Belgrade. The total loan amounts to €24,000.

On 30 April 2018, GTC SA repaid 1/3 of nominal value 2,942 bonds issued in 2012 under ISIN PLGTC0000144 in the amount of €23,236. It was a full redemption.

On 31 May 2018, the Company acquired a Bulgarian company, which owned a shopping mall and adjacent office building located in Sofia, Bulgaria. Mall of Sofia provides 22,400 sq. m of retail space and 10,300 sq. m of office space. The purchase price of the shares amounted to €39,000. Simultaneously, the Bulgarian company entered into a loan agreement with OTP BANK PLC and DSK BANK EAD. The banks granted a loan related to the Mall of Sofia in the amount of €61,400.

In May 2018, the Company's shareholders adopted a resolution regarding a distribution of dividend in the amount of PLN 0.33 per share 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 2018, the Company issued 13, 233,492 series M Shares to some of the Company's shareholders €26,500 and paid a dividend in the amount of €9,700 to remaining shareholders.

In June 2018, the Group has completed the construction of White House office building in Budapest.

In June 2018, the Group financed BBC office building in Belgrade with a bank loan. The total loan amounts to €23,000.

On 11 July 2018, the Company received from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of Otwarty Fundusz Emerytalny PZU „Złota Jesień" notification of changes in the shareholding of Globe Trade Centre S.A. After the registration of the increase of the share capital of the Company, OFE PZU holds 47,922,603 ordinary shares in the Company, which jointly represents 9.91% of its share capital and entitles OFE PZU to exercise 47,922,603 votes at the general meeting of the Company, i.e. 9.91% of the total number of votes at the general meeting of the Company. Pursuant to notification received on 11 July 2018 from Otwarty Fundusz Emerytalny PZU „Złota Jesień" on decreasing its direct shareholding in the Company below the 10%, the mandate of Ryszard Wawryniewicz as a Supervisory Board expired pursuant to Article 9 point 2 of the Company's Articles of Association.

On 30 July 2018, the Company received three notifications of change of shareholding in the Company from Lone Star Real Estate Partners III, L.P., LSREF III GTC Investments B.V., and a wholly-owned subsidiary of the latter, GTC Dutch Holdings B.V. Pursuant to the notifications on 24 July 2018 LSREF III GTC Investments B.V. contributed 298,575,091 shares in the Company (constituting 61.75% of the Company's share capital and entitling its holder to 61.75% of votes at the Company's general meeting) in kind to its wholly-owned (100%) subsidiary, GTC Dutch Holdings B.V., in exchange for newly-issued shares in GTC Dutch Holdings B.V., thus decreasing its direct shareholding in the Company to zero.

In August 2018 Globis Wroclaw and Santander Bank signed a new loan agreement. The total loan amounts to €23,100.

On 10 September 2018 the Company repaid 1/3 of nominal value 20,000 bonds issued in 2014 under ISIN PLGTC0000177. Following the partial redemption, the interest amount on the bonds will be calculated taking into account the nominal value of each bond, as decreased by the redemption amount to PLN 3,333.34.

In September 2018, the Group acquired land plot near Center Point office building in Budapest for a total amount of €16,500. An office building exists on the land with a leasable area of 6,000 sq. m. The Company plans to demolish the building and develop an office building with a leasable area of 35,500 sq. m.

Events that took place after 30 September 2018:

On 16 October 2018, the Company received a notification from Powszechne Towarzystwo Emerytalne PZU SA (PTE PZU S.A.) acting on behalf of Otwarty Fundusz Emerytalny PZU "Złota Jesień" (OFE PZU) that in connection with the completion on 12 October the liquidation of Pekao Otwarty Fundusz Emerytalny (Pekao OFE), resulting in the transfer of all assets of Pekao OFE to OFE PZU and PZU's contribution to all rights and obligations of Pekao OFE, the previously held share of OFE PZU in the total number of votes in Globe Trade Center S.A increased on this day to 50,985,513 (10.54% of votes).

On 31 October 2018, the Company fully repaid the bank loan granted by mBank to Artico in the amount of €13,000.

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 economic crisis may slow down the general economy in the countries, where the Group operates. The economic downturn in those countries may result in reduced demand for property, growth of vacancy rates, and increased competition in the real estate market, which may adversely affect 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, may result in a drop in sales dynamics, and, on the other, an increase in vacancy rates and lower rent revenues from leased space, may significantly impact the results of operations of the Group. Specifically, the Group may be force to change some of its investment plans. Additionally, the Group may 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 nine-month period ended 30 September 2018 and for the nine-month period ended 30 September 2017, the Group derived 71% and 75% 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 nine-month period ended 30 September 2018 and for the nine-month period ended 30 September

2017, the Group derived 25% and 25% 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 nine-month period ended 30 September 2018 and for the nine-month period ended 30 September 2017, amounted for 4% and 1% of the Group's total revenues, respectively. The supply of new apartments in the different markets in which the Group operates and the demand on such markets affect apartment prices. The demand for apartments is further impacted by fluctuations in interest rates, the availability of credit and the mortgage market in general. For example, the Group's residential revenues decreased steadily over the last few years due to the slowdown in the sale of residential properties coupled with an increase in discounts which had to be granted to purchasers of the Group's apartments in order to facilitate sales.

Real estate valuation

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

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

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

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

The Group recognized net profit from revaluation and impairment of assets and residential projects of €31,331 in the nine-month period ended 30 September 2018 and €105,314 in nine-month period ended 30 September 2017.

Impact of interest rate movements

Substantially all of the loans of the Group have a variable interest rate, mainly connected to EURIBOR. The bonds issued by the Company in 2014 are denominated in PLN and bear interest connected to WIBOR. Increases in interest rates generally increase the Group's financing costs. As of 30 September 2018 and 31 December 2017 approximately 92% and 90% of the Group's loans were hedged or partially hedged. For example as at 31 December 2017, a 50bp change in Euribor rate would lead to €1,698 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, -0.328% as of 2 January 2018 (EURIBOR for three-month deposits).

Impact of foreign exchange rate movements

For the nine-month period ended 30 September 2018 and for the nine-month period ended 30 September 2017 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, 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 development 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 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 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 July 2017, the Group acquired Cascade Office Building, an office building in Bucharest, Romania, for a total amount of €3,300 (net of liabilities). The building offers 4,200 sq. m of premium office space.

In September 2017, the Group acquired Belgrade Business Center in Serbia for a total amount of €36,800.

In September 2017, the Group completed Galeria Północna, shopping mall in Warsaw, Poland.

In December 2017, the Group has completed Artico office building in Warsaw.

In 2017, the Company issued 3-year Euro denominated bonds, listed on WSE and three year Schuldschein loan in in the total amount of €78,604.

In December 2017, the Group refinanced Avenue Mall shopping centre. The total loan amounts to €50,000. The proceeds from refinance received in January 2018.

On 12 March 2018, the Company repaid 1/3 of nominal value 20,000 bonds issued in 2014 under ISIN PLGTC0000177. Following the partial redemption, the interest amount on the bonds will be calculated taking into account the nominal value of each bond, as decreased by the redemption amount to PLN 6,666.67.

In March 2018, the Company issued three-year euro denominated bonds, listed on WSE, in the total amount of €20,494.

In March 2018, the Group has completed the renovation of two office buildings (Green Heart) in Belgrade.

In April 2018, the Group refinanced Business Park office building in Belgrade. The total loan amounts to €24,000.

On 30 April 2018, the Company repaid 1/3 of nominal value 2,942 bonds issued in 2012 under ISIN PLGTC0000144 in the amount of €23,236. It was a full redemption.

On 31 May 2018, the Company acquired a Bulgarian company, which owned a shopping mall and adjacent office building located in Sofia, Bulgaria. Mall of Sofia provides 22,400 sq. m of retail space and 10,300 sq. m of office space. The purchase price of the shares amounted to €39,000. Simultaneously, the Bulgarian company entered into a loan agreement with OTP BANK PLC and DSK BANK EAD. The banks granted a loan related to the Mall of Sofia in the amount of €61,400.

In May 2018, the Company's shareholders adopted a resolution regarding a distribution of dividend in the amount of PLN 0.33 per share 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 2018, the Company issued 13,233,492 series M Shares to some of the Company's shareholders €26,500 and paid a dividend in the amount of €9,700 to remaining shareholders.

In June 2018, the Group has completed the construction of White House office building in Budapest.

In June 2018, the Group financed BBC office building in Belgrade with a bank loan. The total loan amounts to €23,000.

In August 2018, Globis Wroclaw and Santander Bank signed a new loan agreement. The total loan amounts to €23,100.

On 10 September 2018, GTC SA repaid 1/3 of nominal value 20,000 bonds issued in 2014 under ISIN PLGTC0000177. Following the partial redemption, the interest amount on the bonds will be calculated taking into account the nominal value of each bond, as decreased by the redemption amount to PLN 3,333.34.

In September 2018, the Group acquired land plot near Center Point office building in Budaphest for a total amount of €16,500. An office building exists on the land with a leasable area of 6,000 sq. m. The Group plans to demolish the building and develop an office building with a leasable area of 35,500 sq. m.

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

The Group did not present forecasts for year 2018.

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 undertakings.

Derivatives

Derivatives include hedge instruments held by the Group that mitigate the risk of interest and currency rates fluctuations. 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 (if any) 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 calculating the present value of cash flows of each leg of the transaction, taking into account several risk statistics.

Item 5.4.2. Financial position as of 30 September 2018 compared to 31 December 2017

Total assets increased by €161,021 (7%) to €2,343,630 as of 30 September 2018. This increase was mainly due to acquisition of Mall of Sofia and development activity, primarily Ada Mall, White House, Green Heart and Advance Business Center combined with decreased in cash position.

Assets

The value of investment property and commercial landbank increased by €211,173 (11%) to €2,148,014 as of 30 September 2018 from €1,936,841 as of 31 December 2017, due to acquisition of Mall of Sofia of €96,399; an investment of €82,195 mainly into refurbishment of two buildings in Green Heart project (formerly GTC Square), development of White House and assets under construction Green Heart, Ada Mall, Advance Business Center, Matrix A, as well as €31,356 revaluation gain mainly attributed to White House, Galeria Jurajska and assets under construction. The increase was partially offset by land disposals in the amount of €7.626 and reclassification of non-core land plots to assets held for sale in the amount of €3,566.

The value of loan granted to non-controlling interest partner increased to €9,573 as of 30 September 2018 from 0 as of 31 December 2017, as a result of granting a loan by Company's subsidiary that holds Avenue Mall Zagreb (Euro Structor d.o.o.) to its shareholders, following the refinance of Avenue Mall Zagreb with €50,000 loan.

The value of cash and cash equivalents decreased by €44,242 (30%) to €104,504 as of 30 September 2018 from €148,746 as of 31 December 2017 mainly as a result of acquisition of Mall of Sofia (€37,846), development activity, repayment of borrowings and bonds, refinancing activity, partially offset by sale of land plots, new loans and bonds issue.

Liabilities

The value of loans and bonds increased by €93,153 (9%) to €1,127,238 as of 30 September 2018 from €1,034,085 as of 31 December 2017. This increase comes mainly from new loan related to Mall of Sofia in the amount of €60,811, refinancing of Avenue Mall Zagreb in the amount of €50,000 and issue of new corporate bonds in the amount of €20,494 as well as a drawdown of €16,067 under Ada Mall loan facility. The increase was partially offset by partial repayment of bonds in the amount of €54,436 as well as standard amortization of loans.

The value of provision for deferred tax liability increased by €13,859 (11%) to €139,686 as of 30 September 2018 from €125,827 as of 31 December 2017, mainly due to revaluation of investment property.

Equity

Equity increased by €57,281 (6%) to €998,543 as of 30 September 2018 from €941,262 on 31 December 2017. This is attributed to €69,034 profit for the period, offset by € 9,752 dividend distributed and €2,086 other comprehensive incomes.

Item 5.5. Consolidated income statement

Item 5.5.1. Key items of the consolidated income statement

Revenues from operations

Revenues from operations consist of:

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

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

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

Cost of operations

Costs of operations consist of:

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

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

Gross margin from operations

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

Selling expenses

Selling expenses include:

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

- marketing and advertising costs; and

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

Administrative expenses

Administration expenses include:

- payroll, management fees and other expenses that include the salaries of all employees that are not directly involved in sales or rental activities;

- provisions made to account for the share-based incentive program that was granted to key personnel;

- costs related to the sale of investment properties;
- costs of audit, legal and other advisors;
- office expenses;
- depreciation and amortization expenses include depreciation and amortization of the Group's property, plant and equipment; and
- others.

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

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

Financial income/(expense), net

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

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

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

Taxation

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

Item 5.5.2. Comparison of financial results for the nine-month period ended 30 September 2018 with the result for the corresponding period of 2017

Revenues from rental activity

Rental and service revenues increased by €23,094 to €110,723 in the nine-month period ended 30 September 2018. During this period, the Group has improved the rental revenue through completion and leasing of FortyOne III, Galeria Północna, Artico, which were completed during Q3-Q4 2017 as well as White House which was completed in Q2 2018. These buildings contributed €17,505 to the recurring rental income in the nine-month period ended 30 September 2018. Additionally, the acquired in Q3 2017, Cascade Office Building, Belgrade Business Center and Mall of Sofia which was acquired in Q2 2018 contributed €6,909 to the recurring rental income in the nine-month period ended 30 September 2018. Furthermore, as per its strategic decision to focus its investment only on capital cities in countries other than Poland, the Group sold Galleria Stara Zagora and Galleria Burgas and commenced investment is Sofia in a project that is expected to yield higher return than the sold malls. As a result of the sale, the revenue from these two assets amounting to €2,847 that existed in 2017, did not exist in the nine-month period ended 30 September 2018 .

Cost of rental activity

Rental and service cost increased by €5,345 to €27,937 in the nine-month period ended 30 September 2018. The completion of new office and retail space in above projects and acquisition of income generating assets as mentioned above contributed €5,710, whilst the sale of the non-core malls has offset the increase by €840.

Residential activity

Residential revenue increased by €4,136 to €4,578 in the nine-month period ended 30 September 2018 and comes mainly from sale the last phase of Osiedle Konstancja project. Residential cost increased by €3,489 to €3,868 in the nine-month period ended 30 September 2018.

Gross margin from operations

Gross margin (profit) from operations increased by €18,396 to €83,496 in the nine-month period ended 30 September 2018. The gross margin (profit) on rental activities increased by € 17,749 to € 82,786 in the nine-month period ended 30 September 2018 from €65,037 in the nine-month period ended 30 September 2017 mostly resulting from by newly completed and acquired properties partially offset by sale of non-core assets.

Gross margin on rental activities in the nine-month period ended 30 September 2018 was 75% compared to 74% in the nine-month period ended 30 September 2017. The gross margin (profit) on residential activities increased by €647 to €710 in the nine-month period ended 30 September 2018 from €63 in the nine-month period ended 30 September 2017.

Administrative expenses

Administrative expenses decreased by €4,567 to €5,753 in the nine-month period ended 30 September 2018 from €10,320 in the nine-month period ended 30 September 2017 mostly due to difference in valuation of stock based program. Administrative expenses (before provision for stock based program) decreased by €337 to €7,989 in the nine-month period ended 30 September 2018. In addition, mark-to-market of stock based program resulted in recognition of income arising from share based payment of €2,236 in the nine-month period ended 30 September 2018 (share price PLN 8.25) compared to expenses arising from share based payment of €1,994 recognized in the nine-month period ended 30 September 2017.

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

Net profit from the revaluation of the investment properties and impairment of residential projects amounted to €31,331 in the nine-month period ended 30 September 2018, as compared to a net profit of €105,314 in the nine-month period ended 30 September 2017. Net profit from the revaluation of the investment properties reflects mainly revaluation gain on Ada Mall, White House, Green Heart and Advance Business Center as well as Galeria Jurajska.

Other expense, net

Other expenses (net of other income) related to due diligence, business development activity and landbank properties amounted to €3,884 in the nine-month period ended 30 September 2018 as compared to an expense of €1,348 in the nine-month period ended 30 September 2017.

Foreign exchange differences gain (loss)

Foreign exchange differences gain amounted to €93 in the nine-month period ended 30 September 2018, as compared to a foreign exchange loss of €2,819 in the nine-month period ended 30 September 2017.

Financial income

Financial income amounted to €238 in the nine-month period ended 30 September 2018 as compared to €121 in the nine-month period ended 30 September 2017.

Financial cost

Financial cost increased by €1,419 to €22,126 in the nine-month period ended 30 September 2018 as compared to €20,707 in the nine-month period ended 30 September 2017 mainly due to an increase the average debt balance partially offset by refinancing activity which decreased the average borrowing cost from 3.1% in the nine-month period ended 30 September 2017 to 2.6% as of 30 September 2018.

Profit before tax

Profit before tax decreased by €52,138 to €81,829 in the nine-month period ended 30 September 2018, as compared to profit before tax of €133,967 in the nine-month period ended 30 September 2017, mainly due to lower profit from revaluation.

Taxation

Tax amounted to €12,795 in the nine-month period ended 30 September 2018. Taxation consist of €4,973 of current tax expenses and €7,822 of deferred tax expenses.

Net profit/ (loss)

Net profit amounted to €69,034 in the nine-month period ended 30 September 2018, as compared to a net profit of €111,695 in the nine-month period ended 30 September 2017. This was mostly due profit from the revaluation of the investment properties and in particular investment property under construction of €31,331 compared to €105,314 in the nine-month period ended 30 September 2017. Profit before tax, revaluation and share based payment has increased by €17,615 in the nine-month period ended 30 September 2018, compared to the nine-month period ended 30 September 2017.

Item 5.5.3. Comparison of financial results for the three-month period ended 30 September 2018 with the result for the corresponding period of 2017

Revenues from rental activity

Rental and service revenues increased by €8,513 to €38,161 in the three-month period ended 30 September 2018. During this period, the Group has improved the rental revenue through completion and leasing of FortyOne III, Galeria Północna, Artico, which were completed during Q3-Q4 2017 as well as White House which was completed in Q2 2018. These buildings contributed €5,708 to the recurring rental income in the three-month period ended 30 September 2018. Additionally, the acquired in Q3 2017 Cascade Office Building, Belgrade Business Center and Mall of Sofia which was aquaired in Q2 2018 contributed €3,294 to the recurring rental income in the three-month period ended 30 September 2018.

Cost of rental activity

Rental and service cost increased by €1,876 to €9,416 in the three-month period ended 30 September 2018. The completion of new office and retail space in above projects and acquisition of income generating assets as mentioned above contributed €2,217.

Gross margin from operations

The gross margin (profit) on rental activities increased by €6,637 to €28,745 in the three-month period ended 30 September 2018 from €22,108 in the three-month period ended 30 September 2017 mostly resulting from by newly completed and acquired properties partially offset by sale of non-core assets.

Gross margin on rental activities in the three-month period ended 30 September 2018 was 75% compared to 75% in the three-month period ended 30 September 2017.

Administrative expenses

Administrative expenses decreased by €1,012 to €1,654 in the three-month period ended 30 September 2018 from €2,666 in the three-month period ended 30 September 2017 mostly due to difference in valuation of stock based program Administrative expenses (before provision for stock based program) decreased by €371 to €2,516 in the three-month period ended 30 September 2018. In addition, mark-to-market of stock based program resulted in recognition of income arising from share based income of €862 in the three-month period ended 30 September 2018 (share price PLN 8.25) compared to income arising from share based payment of €221 recognized in the three-month period ended 30 September 2017.

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

Net profit from the revaluation of the investment properties and impairment of residential projects amounted to €7,963 in the three-month period ended 30 September 2018, as compared to a net profit of €54,220 in the three-month period ended 30 September 2017. Net profit from the revaluation of the investment properties reflects mainly revaluation gain on Ada Mall, Advance Business Center and Green Heart.

Other expense, net

Other expenses (net of other income) related to due diligence and business development activity and landbank properties amounted to €1,534 in the three-month period ended 30 September 2018 as compared to an expense of €861 in the three-month period ended 30 September 2017.

Foreign exchange differences gain (loss)

Foreign exchange differences loss amounted to €201 in the three-month period ended 30 September 2018, as compared to a foreign exchange gain of €1,339 in the three-month period ended 30 September 2017.

Financial income

Financial income amounted to €80 in the three-month period ended 30 September 2018 as compared to €29 in the three-month period ended 30 September 2017.

Financial cost

Financial cost increased by €121 to €7,815 in the three-month period ended 30 September 2018 as compared to €7,694 in the three-month period ended 30 September 2017 mainly due to an increase the average debt balance partially offset by refinancing activity which decreased the average borrowing cost from 3.1% in the three-month period ended 30 September 2017 to 2.6% as of 30 September 2018.

Profit before tax

Profit before tax decreased by €40,668 to €25,213 in the three-month period ended 30 September 2018, as compared to profit before tax of €65,881 in the three-month period ended 30 September 2017, mainly due to lower profit from revaluation.

Taxation

Tax amounted to €2,251 in the three-month period ended 30 September 2018. Taxation consist of €1,283 of current tax expenses and €968 of deferred tax expenses.

Net profit/ (loss)

Net profit amounted to €22,962 in the three-month period ended 30 September 2018, as compared to a net profit of €52,096 in the three-month period ended 30 September 2017. This was mostly due profit from the revaluation of the investment properties and in particular investment property under construction of €7,963 compared to €54,220 in the three-month period ended 30 September 2017. Profit before tax, revaluation and share based payment has increased by €4,948 in the three-month period ended 30 September 2018, compared to the three-month period ended 30 September 2017.

Item 5. 6. Consolidated cash flow statement

Item 5.6.1. Key items from consolidated cash flow statement

Net cash from (used in) operating activities

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

Net cash used in investing activities

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

Net cash from (used in) financing activities

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

Cash and cash equivalents

Cash balance consists of cash in banks. Cash in banks may earn interest at floating rates based on daily bank deposit rates, if those are positive. 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, if those are positive. All cash is deposited in banks. 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 nine months ended on 30 September 2018 and 2017:

	Nine-month period ended 30 September 2018	Nine-month period ended 30 September 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	63,124	55,716
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investment property	(83,265)	(106,354)
Decrease in short term deposits	15,645	-
Purchase of subsidiary, completed assets and land and minority	(54,296)	(67,312)
Decrease/(Increase) in escrow account	455	(1,504)
Sale (including advances) of investment property	13,613	3,067
Sale of shares in associates and subsidiaries	-	38,795
VAT/tax on purchase/sale of investment property	1,749	2,046
Interest received	58	87
Loans repayments from associates and joint ventures	1,301	1,218
Net cash used in investing activities	(104,740)	(129,957)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	171,871	123,346
Repayment of long-term borrowings	(130,373)	(68,965)
Dividends paid	(9,752)	(8,061)
Interest paid	(20,379)	(18,173)
Loans origination cost	(1,933)	(1,537)
Loan granted to non-controlling interest	(9,393)	
Decrease/(increase) in short term deposits	(1,859)	100
Net cash from (used in) financing activities	(1,818)	26,710
Effect of foreign currency translation	(808)	172
Net increase/(decrease) in cash and cash equivalents	(44,242)	(47,359)
Cash and cash equivalents, at the beginning of the year	148,746	149,812
Cash and cash equivalents, at the end of the year	104,504	102,453

Net cash flow from operating activities was €63,124 in the nine-month period ended 30 September 2018 compared to €55,716 in the nine-month period ended 30 September 2017.

Net cash flow used in investing activities amounted to €104,740 in the nine-month period ended 30 September 2018 compared to €129,957 used in the nine-month period ended 30 September 2017. Cash flow used in investing activities composed of (i) expenditure on investment properties of €83,265 related mainly to: Galeria Północna, Ada Mall, Green Heart and White House and (ii) purchase of Mall of Sofia of €37,846 and land in Budapest of €16,450. Cash flow used in investing activities was partially offset by sale of land plots: Green Dream in Bucharest, part of Szerami land in Budapest, Burgas land and advance proceeds for the sale of Spiral 2 in Budapest and land Petricani in Bucharest for the amount of €13,614.

Proceeds from long-term borrowings for the nine-month period ended 30 September 2018 in the amount of €171,871 are related mainly to loans for assets under construction in the amount of €41,516, loan related to Avenue Mall Zagreb in the amount of €50,000, loan related to Belgrade Business Center in the amount of €23,000 related to Globis Wroclaw in amount of €23,100 and new loan related to Mall of Sofia of €8,373 as well as issue of bonds in the amount of €20,494. Net cash flow used in financing activities amounted to €1,818 in the nine-month period ended 30 September 2018, compared to €26,710 of cash flow from financing activities in the nine-month period ended 30 September 2017. Cash flow from financing activities was partially offset by repayment of long term borrowings of €130,373 related mainly to repayment of bonds as well as amortization of investment loans.

FFO generated during the nine-month period ended 30 September 2018 amounted to €46 million and revenue generated by sale of residential and non-core land plots amounted to €14 million.

Cash and cash equivalents as 30 September 2018 amounted to €104,504 compared to €102,453 as of 30 September 2017. 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 September 2018, the Group holds cash and cash equivalent in the amount of approximately €104,504. 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 endeavors 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 September 2018, the Group's non-current liabilities amounted to €1,197,177 compared to €1,052,216 as of 31 December 2017.

The Group's total debt from long and short-term loans and borrowings as of 30 September 2018 amounted to €1,127,238 as compared to €1,034,085 as of 31 December 2017. The Group's loans and borrowings are mainly denominated in Euro, other currencies include bonds in PLN and projects loans in HUF.

The Group's loan-to-value ratio amounted to 45% as of 30 September 2018, as compared to 42% as of 31 December 2017. The Group's strategy is to keep its loan-to-value ratio at the level not exceeding 50%.

As of 30 Spetember 2018, 92% of the Group's loans (by value) were hedged against interest fluctuations, mostly through interest rate swaps and currency swap as mentioned above.

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 development dynamics and the Group's cash flow and net profit.

Traditionally, the principal sources of financing for the Group's core business included, rental revenues, bank loans, proceeds from bonds issued by the Company and proceeds from asset disposals.

Item 6. Information on loans granted with a particular emphasis on related entities

During the three and nine-month periods ended 30 September 2018 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 three and nine-month periods ended 30 September 2018 the Group did not grant guarantees of the value that exceeds 10% of its capital.

Additionally, the Company gave typical warranties in connection with sale of its assets, under the sale agreements, and construction cost-overruns guarantees to secure construction loans. The risk involved in above warranties and guarantees 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.

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 23 August 2018 (not in thousand)
GTC Dutch Holdings B.V.[1]	298,575,091	61.75%	298,575,091	61.75%	No changes
OFE PZU Złota Jesień	50,985,513	10.54%	50,985,513	10.54%	Increase by 3,062,910
AVIVA OFE Aviva BZ WBK	36,619,774	7.57%	36,619,774	7.57%	No changes
Other shareholders	97,356,618	20.14%	97,356,618	20.14%	Decrease by 3,062,910
Total	483,536,996	100.00%	483,536,996	100.00%	

[1] GTC Dutch Holdings B.V. is 100% subsidiary of LSREF III GTC Investments B.V. and is related to Lone Star Real Estate Partners III L.P.

In May 2018, the Company's shareholders adopted a resolution regarding a distribution of dividend in the amount of PLN 0.33 per share 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 2018, the Company issued 13, 233,492 series M Shares. On 23 July 2018 the KDPW registered 13,233,492 shares in the Company which have been assigned the following ISIN code: PLGTC0000037 and GPW introduced them to stock exchange trading.

On 30 July 2018, the Company received three notifications of change of shareholding in the Company from Lone Star Real Estate Partners III, L.P., LSREF III GTC Investments B.V., and a wholly-owned subsidiary of the latter, GTC Dutch Holdings B.V. Pursuant to the notifications on 24 July 2018 LSREF III GTC Investments B.V. contributed

298,575,091 shares in the Company (constituting 61.75% of the Company's share capital and entitling its holder to 61.75% of votes at the Company's general meeting) in kind to its wholly-owned (100%) subsidiary, GTC Dutch Holdings B.V., in exchange for newly-issued shares in GTC Dutch Holdings B.V., thus decreasing its direct shareholding in the Company to zero.

On 16 October 2018 GTC received a notification from Powszechne Towarzystwo Emerytalne PZU SA (PTE PZU S.A.) acting on behalf of Otwarty Fundusz Emerytalny PZU "Złota Jesień" (OFE PZU) that in connection with the completion on 12 October the liquidation of Pekao Otwarty Fundusz Emerytalny (Pekao OFE), resulting in the transfer of all assets of Pekao OFE to OFE PZU and PZU's contribution to all rights and obligations of Pekao OFE, the previously held share of OFE PZU in the total number of votes in Globe Trade Center S.A increased on this day to 50,985,513 (10.54% of votes).

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 14 November 2018, the date of publication of this interim report, and changes in their holdings since the date of publication of Group's last financial report (interim report for the six-month period ended 30 June 2018) on 23 August 2018.

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 14 November 2018 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 23 August 2018 (not in thousand)
Thomas Kurzmann	55,000	5,500	No change
Erez Boniel	143,500	14,350	No change
Total	198,500	19,850	

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 14 November 2018, the date of publication of this interim report, and changes in their holdings since the date of publication of Group's last financial report (interim report for the six-month period ended 30 June 2018) on 23 August 2018.

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 14 November 2018 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 23 August 2018
Alexander Hesse	0	0	No change
Olivier Brahin	0	0	No change
Philippe Couturier [1]	0	0	No change
Jan-Christoph Düdden	0	0	No change
Mariusz Grendowicz	10,158	1,016	No change
Ryszard Koper	0	0	No change
Marcin Murawski	0	0	No change
Katharina Schade	0	0	No change
Ryszard Wawryniewicz[2]	0	0	No change
Total	10,158	1,016	

[1] Change since 4 Septmeber 2018
[2] Change since 29 October 2018

On 4 September 2018, the Company received a written statement of GTC Dutch Holdings B.V., with its registered seat at Herikerbergweg 238, Luna Arena 1101 CM Amsterdam, the Netherlands, (the "Entitled Shareholder"), according to which the Entitled Shareholder, pursuant to sections 9.1.a), 9.1b) and 9.1c) of the articles of association of the Company appoints Mr. Philippe Couturier as a member of the supervisory board of the Company, effective immediately.

On 30 October 2018, the Company received a written statement of Powszechne Towarzystwo Emerytalne PZU SA, with its registered seat in Warsaw, acting on behalf of Otwarty Fundusz Emerytalny PZU "Złota Jesień" (the "Entitled Shareholder"), according to which the Entitled Shareholder, pursuant to Articles 9.1.1 of the Company's Articles of Association, has appointed Ryszard Wawryniewicz to the Company's Supervisory Board on 29 October 2018.

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 arm's 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 Group's equity.

GLOBE TRADE CENTRE S.A.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018
TOGETHER WITH INDEPENDENT AUDITORS` REVIEW REPORT

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Financial Position
as of 30 September 2018
(in thousands of Euro)

	Note	30 September 2018 (unaudited)	31 December 2017 (audited)
ASSETS			
Non-current assets			
Investment property	8	2,009,596	1,797,583
Investment property landbank	8	138,418	139,258
Residential landbank	9	12,698	12,698
Investment in joint ventures		-	1,303
Property, plant and equipment		6,736	6,847
Other non-current assets		123	86
		2,167,571	**1,957,775**
Loan granted to non-controlling interest partner	10	9,573	-
Total non-current assets		**2,177,144**	**1,957,775**
Assets held for sale	12	**3,566**	**4,336**
Current assets			
Residential inventory	9	-	3,755
Accounts receivables		7,440	4,367
Accrued income		1,543	1,093
VAT receivable	13	4,710	6,618
Income tax receivable		947	619
Prepayments and deferred expenses		2,462	1,767
Escrow account		322	777
Short-term deposits	11	40,992	52,756
Cash and cash equivalents		104,504	148,746
		162,920	**220,498**
TOTAL ASSETS		**2,343,630**	**2,182,609**

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Financial Position
as of 30 September 2018
(in thousands of Euro)

	Note	30 September 2018 (unaudited)	31 December 2017 (audited)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	17	10,960	10,651
Share premium		546,711	520,504
Capital reserve		(36,054)	(36,054)
Hedge reserve		(3,240)	(2,365)
Foreign currency translation		1,112	2,323
Accumulated profit		474,169	441,977
		993,658	**937,036**
Non-controlling interest	10	4,885	4,226
Total Equity		**998,543**	**941,262**
Non-current liabilities			
Long-term portion of long-term borrowing	15	1,039,052	907,704
Deposits from tenants		9,776	8,960
Long term payable		3,039	2,621
Provision for share based payment		3,508	5,744
Derivatives		2,116	1,360
Provision for deferred tax liability		139,686	125,827
		1,197,177	**1,052,216**
Current liabilities			
Current portion of long-term borrowing	15	88,186	126,381
Trade and other payables	14	49,152	50,505
VAT and other taxes payable		2,099	1,516
Income tax payable		937	1,843
Derivatives		1,956	2,035
Advances received	7	5,580	6,851
		147,910	**189,131**
TOTAL EQUITY AND LIABILITIES		**2,343,630**	**2,182,609**

Globe Trade Centre S.A.
Interim Condensed Consolidated Income Statement
for the Nine-month period ended 30 September 2018
(in thousands of Euro)

	Note	Nine-month period ended 30 September 2018 (unaudited)	Nine-month period ended 30 September 2017 (unaudited)	Three-month period ended 30 September 2018 (unaudited)	Three-month period ended 30 September 2017 (unaudited)
Rental revenue		81,735	65,613	28,375	22,148
Service revenue		28,988	22,016	9,786	7,500
Residential revenue		4,578	442	-	-
Service costs		(27,937)	(22,592)	(9,416)	(7,540)
Residential costs		(3,868)	(379)	-	-
Gross margin from operations		**83,496**	**65,100**	**28,745**	**22,108**
Selling expenses		(1,566)	(1,558)	(371)	(594)
Administration expenses	6	(5,753)	(10,320)	(1,654)	(2,666)
Profit from revaluation/impairment of assets	8	31,331	105,314	7,963	54,220
Other income		530	1,153	123	289
Other expenses		(4,414)	(2,501)	(1,657)	(1,150)
Profit (loss) from continuing operations before tax and finance income / (expense)		**103,624**	**157,188**	**33,149**	**72,207**
Foreign exchange differences gain/ (loss), net		93	(2,819)	(201)	1,339
Finance income		238	121	80	29
Finance cost		(22,126)	(20,707)	(7,815)	(7,694)
Share of gain (loss) of associates and joint ventures		-	184	-	-
Profit before tax		**81,829**	**133,967**	**25,213**	**65,881**
Taxation	16	(12,795)	(22,272)	(2,251)	(13,785)
Profit (loss) for the period		**69,034**	**111,695**	**22,962**	**52,096**
Attributable to:					
Equity holders of the Company		68,375	111,510	22,784	51,876
Non-controlling interest		659	185	178	220
Basic earnings per share (in Euro)	18	0.14	0.24	0.05	0.13

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

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Comprehensive Income
for the Nine-month period ended 30 September 2018
(in thousands of Euro)

	Nine-month period ended 30 September 2018 (unaudited)	Nine-month period ended 30 September 2017 (unaudited)	Three-month period ended 30 September 2018 (unaudited)	Three-month period ended 30 September 2017 (unaudited)
Profit (loss) for the period	**69,034**	**111,695**	**22,962**	**52,096**
Net other comprehensive income for the period, net of tax not to be reclassified to profit or loss in subsequent periods	-	-	-	-
Gain (loss) on hedge transactions	(1,097)	1,051	343	45
Income tax	222	(216)	(91)	(19)
Net gain (loss) on hedge transactions	(875)	835	252	26
Foreign currency translation	(1,211)	176	374	(346)
Net other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods	**(2,086)**	**1,011**	**626**	**(320)**
Total comprehensive income for the period, net of tax	**66,948**	**112,706**	**23,588**	**51,776**
Attributable to:				
Equity holders of the Company	66,289	112,521	23,410	51,556
Non-controlling interest	659	185	178	220

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Changes in Equity
for the Nine-month period ended 30 September 2018
(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 2018	**10,651**	**520,504**	**(36,054)**	**(2,365)**	**2,323**	**441,977**	**937,036**	**4,226**	**941,262**
Other comprehensive income	-	-	-	(875)	(1,211)	-	(2,086)	-	(2,086)
Profit / (loss) for the period ended 30 September 2018	-	-	-	-	-	68,375	68,375	659	69,034
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(875)**	**(1,211)**	**68,375**	**66,289**	**659**	**66,948**
Distribution of dividend	**-**	**-**	-	-	-	(36,183)	(36,183)	-	(36,183)
Issuance of shares	309	26,207	-	-	-	-	26,516	-	26,516
Balance as of 30 September 2018 (unaudited)	**10,960**	**546,711**	**(36,054)**	**(3,240)**	**1,112**	**474,169**	**993,658**	**4,885**	**998,543**

	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	-	-	-	835	176	-	1,011	-	1,011
Profit / (loss) for the period ended 30 September 2017	-	-	-	-	-	111,510	111,510	185	111,695
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**835**	**176**	**111,510**	**112,521**	**185**	**112,706**
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 September 2017 (unaudited)	**10,651**	**520,504**	**(36,054)**	**(2,796)**	**2,048**	**397,187**	**891,540**	**4,113**	**895,653**

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 Nine-month period ended 30 September 2018
(in thousands of Euro)

	Note	Nine-month period ended 30 September 2018	Nine-month period ended 30 September 2017
		(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		81,829	133,967
Adjustments for:			
Loss/(profit) from revaluation/impairment of assets	9	(31,331)	(105,314)
Share of loss (profit) of associates and joint ventures		-	(184)
Profit on disposal of assets			-
Foreign exchange differences loss/(gain), net		(92)	2,819
Finance income		(238)	(121)
Finance cost		22,126	20,707
Share based payment (income) / expenses		(2,236)	1,993
Depreciation and amortization		405	308
Operating cash before working capital changes		**70,463**	**54,175**
Decrease in accounts receivables, prepayments and other current assets		(1,047)	388
(Increase)/Decrease in inventory and residential land bank		3,755	(2,359)
Increase/(decrease) in advances received		(2,733)	5,274
Increase in deposits from tenants		125	1,495
Increase/(decrease) in trade and other payables		(1,279)	(506)
Cash generated from operations		**69,284**	**58,467**
Tax paid in the period		(6,160)	(2,751)
Net cash flows from operating activities		**63,124**	**55,716**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property		(83,265)	(106,354)
Decrease in short term deposits		15,645	-
Purchase of land and completed assets	8	(16,450)	(51,064)
Purchase of subsidiary		(37,846)	(15,896)
Increase in Escrow accounts for purchase of assets		455	(1,504)
Sale (including advances) of investment property		13,613	3,067
Sale of subsidiaries		-	37,545
Purchase of NCI		-	(352)
Sale of shares in associate		-	1,250
VAT on purchase/sale of investment property		1,749	2,046
Interest received		58	87
Loans repayments from associates		1,301	1,218
Net cash flows from/(used in) investing activities		**(104,740)**	**(129,957)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		171,871	123,346
Repayment of long-term borrowings		(130,373)	(68,965)
Dividends paid	1	(9,752)	(8,061)
Interest paid		(20,379)	(18,173)
Loans origination cost		(1,933)	(1,537)
Loan granted to non-controlling interest		(9,393)	-
Decrease/(increase) in blocked deposits		(1,859)	100
Net cash from/(used in) financing activities		**(1,818)**	**26,710**
Effect of foreign currency translation		**(808)**	**172**
Net increase / (decrease) in cash and cash equivalents		**(44,242)**	**(47,359)**
Cash and cash equivalents at the beginning of the period		**148,746**	**149,812**
Cash and cash equivalents at the end of the period		**104,504**	**102,453**

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 as of 30 September 2018 is GTC Dutch Holdings B.V, controlled by Lone Star, a global private equity firm, which held 298,575,091 shares 61.75% of total share as of 30 September 2018.

Events in the period

On 30 July 2018, GTC received three notifications of change of shareholding in the Company from Lone Star Real Estate Partners III, L.P., LSREF III GTC Investments B.V., and a wholly-owned subsidiary of the latter, GTC Dutch Holdings B.V.

Pursuant to the notifications on 24 July 2018 LSREF III GTC Investments B.V. contributed 298,575,091 shares in the Company (constituting 61.75% of the Company's share capital and entitling its holder to 61.75% of votes at the Company's general meeting) in kind to its wholly-owned (100%) subsidiary, GTC Dutch Holdings B.V., in exchange for newly-issued shares in GTC Dutch Holdings B.V., thus decreasing its direct shareholding in the Company to zero.

As of the date of the notifications, following the above transaction, GTC Dutch Holdings B.V. directly, and Lone Star Real Estate Partners III, L.P. and LSREF III GTC Investments B.V. indirectly (through GTC Dutch Holdings B.V.) hold 298,575,091 ordinary shares in the Company, which constitute 61.75% of the share capital of the Company and entitle their holder to 61.75% of votes at the general meeting of the Company.

Completion of investments

In March 2018, GTC Group has completed the renovation of two office buildings (Green Heart) in Belgrade.

In June 2018, GTC Group has completed the construction of White House office building in Budapest.

Issuance of bonds and refinance

In December 2017, the Group refinanced Avenue Mall shopping centre. The total loan *amounts* to Euro 50 million. The proceeds from refinance received in January 2018.

In March 2018, the Company issued 3-year Euro denominated bonds, listed on WSE in the total amount of EUR 20.5 million.

In April 2018, the Group refinanced Business Park office building in Belgrade. The total loan *amounts* to Euro 24 million.

In June 2018, the Group financed BBC office building in Belgrade with a bank loan. The total loan amounts to Euro 23 million.In August 2018, Globis Wroclaw and Santander Bank signed a new loan agreement.

Acquisition of subsidiary/assets

On 31 May 2018, the Company acquired a Bulgarian company, which owned a shopping mall and adjacent office building located in Sofia, Bulgaria. Mall of Sofia provides 22,400 sqm of retail space and 10,300 sqm of office space.

The purchase price of the shares amounted to EUR 39 million. Simultaneously, the Bulgarian company entered into a loan agreement with OTP BANK PLC and DSK BANK EAD. The banks granted a loan related to the Mall of Sofia in the amount of EUR 61.4 million.

In September 2018, the Company acquired a land plot and an old office building adjacent Centre Point office building in Budapest for a total amount of Euro 16.5 million. The office building has leasable area of 6,000 sqm. The Company plans to demolish the building and develop an office building with a leasable area of 35,500 sqm.

Distribution of dividend

In May 2018, the Company's shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 155.2 million (Euro 36.2 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 2018, the Company issued 13,233,492 series M Shares to the Company's shareholders who elected to receive the dividend in shares (Euro 26.5 million), and paid dividend in the amount of Euro 9.7 million to the remaining shareholders.

2. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2018 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 16 which is effective for financial years beginning on or after 1 January 2019, has been already endorsed by the European Union. The Group is currently in the process of analysis of quantitative and qualitative impact of these standard 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 2017, which were authorized for issue on 21 March 2018. 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 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 and new standards, interpretations amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017 (see Note 7 to the consolidated financial statements for 2017), except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. No changes to comparative data or error corrections were made.

Standards issued and effective for financial years beginning on or after 1 January 2018:

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments,* effect of implementation of these standards is disclosed below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- IFRS 15 *Revenue from Contracts with Customers*
  International Financial Reporting Standard 15 *Revenue from Contracts with Customers* ("IFRS 15") was issued in May 2014, and then amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. The standard replaced IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue-related interpretations. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group did not account for any significant impact of the adoption of IFRS 15 on the financial statements. But IFRS 15 did not affect the recognition of lease income as this is still dealt with under IAS 17 Leases.
- IFRS 9 *Financial Instruments*
  In July 2014, the IASB issued the final version of International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9"). IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The Group performed an impact assessment of implementation of IFRS 9 on the accounting principles (policy) applied by the Group with respect to the Group's operations or its financial results. The Group adopted the new standard on the required effective date and did not restated comparative information. Overall, the Group states there is no significant impact on the Groups statement of financial position and equity.

3. Significant accounting policies and new standards, interpretations amendments adopted by the Group (continued)

Standards issued but not yet effective:

- 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;
- 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) - effective for financial years beginning on or after 1 January 2019;
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021;IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on 7 September 2017) - 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 9: *Prepayment Features with Negative Compensation* (issued on 12 October 2017)) - effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017) - 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;
- *Annual Improvements to IFRS Standards 2015-2017 Cycle* (issued on 12 December 2017) - 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 IAS 19: Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018) - 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 References to the Conceptual Framework in IFRS Standards* (issued on 29 March 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2020.
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2020.
- Amendments to IAS 1 and IAS 8: *Definition of Material* (issued on 31 October 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2020.

The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union.

(in thousands of Euro)

4. Investment in Subsidiaries, Associates and Joint Ventures

The interim condensed 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 September 2018	31 December 2017
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 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. (1)	GTC S.A.	Poland	100%	100%
Jowett Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
GTC Hungary Real Estate Development Company Ltd. ("GTC Hungary")	GTC S.A.	Hungary	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 I.Kft.	GTC Hungary	Hungary	100%	100%
Spiral II Hungary. Kft.	GTC Hungary	Hungary	100%	100%
River Loft Apartmanok Ltd. (1)	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%
Kompakt Land Kft	GTC Hungary	Hungary	100%	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%
GTC Real Estate Vinohrady s.r.o. (2)	GTC S.A.	Slovakia	-	100%

(1) Under liquidation

(2) Liquidated

(in thousands of Euro)

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

Subsidiaries

Name	Holding Company	Country of incorporation	30 September 2018	31 December 2017
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 Matrix d.o.o.	GTC S.A.	Croatia	100%	100%
GTC Seven Gardens d.o.o.(2)	GTC S.A.	Croatia	100%	-
Towers International Property S.R.L.	GTC S.A.	Romania	100%	100%
Galleria Shopping Center S.R.L. (formerly "International Hotel and Tourism S.R.L.")	GTC S.A.	Romania	100%	100%
BCG Investment B.V. (1)	GTC S.A.	Netherlands	-	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") (1)	GTC S.A.	Netherlands	-	100%
Cascade Building S,R,L	GTC S.A.	Romania	100%	100%
City Gate Bucharest S.R.L.	GTC S.A.	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.	GTC S.A.	Romania	100%	100%
City Rose Park SRL (previously Complexul Residential Colentina S.R.L.)	GTC S.A.	Romania	100%	100%
Operetico Enterprises Ltd.(1)	GTC S.A.	Cyprus	-	66.7%
Deco Intermed S.R.L.	GTC S.A.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L.	GTC S.A.	Romania	66.7%	66.7%

(1) Liquidated

(2) Established

(in thousands of Euro)

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

Subsidiaries

Name	Holding Company	Country of incorporation	30 September 2018	31 December 2017
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%
Dorado 1 EOOD (3)	GTC S.A.	Bulgaria	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%
GTC BBC d.o.o	GTC S.A.	Serbia	100%	100%
Europort Investment (Cyprus) 1 Limited	GTC S.A.	Cyprus	100%	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%
Europort Ukraine LL	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Project Ukraine 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%

Investment in Associates and Joint Ventures

Name	Holding Company	Country of incorporation	30 September 2018	31 December 2017
Yatelsis Viborgskaya Limited of Nicosia ("YVL") (4)	GTC S.A.	Cyprus	-	50%
CID Holding S.A. ("CID") (2)	GTC S.A.	Luxembourg	35%	35%

(1) Liquidated
(2) Under liquidation
(3) Acquired
(4) Sold

5. Segmental analysis

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

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

a. Poland
b. Belgrade
c. Budapest
d. Bucharest
e. Zagreb
f. Sofia
g. Other

In prior year financial statements segments were as following: Poland, Belgrade, Budapest, Bucharest, Zagreb, Bulgaria, and other. After acquisition of Mall of Sofia (see note 1) and sale of non-core shopping centres in Bulgaria, management decided to present Sofia as a separate reporting segment.

(in thousands of Euro)

5. Segmental analysis (continued)

Segment analysis of rental income and costs for the nine month period ended 30 September 2018 and 30 September 2017 is presented below:

	2018			2017		
Portfolio	**Revenues**	**Costs**	**Gross margin**	**Revenues**	**Costs**	**Gross margin**
Poland	60,226	(18,905)	41,321	39,548	(10,477)	29,071
Belgrade	14,666	(3,162)	11,504	10,881	(2,611)	8,270
Budapest	16,087	(3,756)	12,331	15,285	(3,711)	11,574
Bucharest	12,997	(2,714)	10,283	11,554	(2,680)	8,874
Zagreb	8,161	(2,680)	5,481	7,956	(2,532)	5,424
Sofia (*)	3,164	(588)	2,576	-	-	-
Other (*)	-	-	-	2,847	(960)	1,887
Total	**115,301**	**(31,805)**	**83,496**	**88,071**	**(22,971)**	**65,100**

Segment analysis of rental income and costs for the three month period ended 30 September 2018 and 30 September 2017 is presented below:

	2018			2017		
Portfolio	**Revenues**	**Costs**	**Gross margin**	**Revenues**	**Costs**	**Gross margin**
Poland	18,387	(4,697)	13,690	13,931	(3,646)	10,285
Belgrade	4,852	(966)	3,886	4,043	(926)	3,117
Budapest	5,454	(1,408)	4,046	5,105	(1,201)	3,904
Bucharest	4,408	(945)	3,463	3,913	(941)	2,972
Zagreb	2,692	(924)	1,768	2,656	(826)	1,830
Sofia (*)	2,368	(476)	1,892	-	-	-
Other (*)	-	-	-	-	-	-
Total	**38,161**	**(9,416)**	**28,745**	**29,648**	**(7,540)**	**22,108**

(*) Income in year 2018, relates to the Mall of Sofia, which was acquired on 31 May 2018 (See note 1). Income in year 2017, relates to non-core shopping centres in Stara Zagora and Burgas, which were sold in April 2017.

(in thousands of Euro)

5. Segmental analysis (continued)

Segment analysis of assets and liabilities as of 30 September 2018 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans and bonds	Deferred tax liability	Other	Total liabilities
Poland	1,007,960	37,745	6,811	**1,052,516**	520,071	71,947	19,956	**611,974**
Belgrade	332,606	9,927	2,568	**345,101**	127,358	14,834	12,406	**154,598**
Budapest	344,617	15,230	4,731	**364,578**	114,393	11,034	16,111	**141,538**
Bucharest	222,663	14,588	2,029	**239,280**	110,671	11,986	7,967	**130,624**
Zagreb	129,500	5,734	10,273	**145,507**	48,500	16,570	6,083	**71,153**
Sofia (*)	121,815	3,288	1,087	**126,190**	60,826	6,927	2,363	**70,116**
Other	10,869	11	14	**10,894**	-	-	1,187	**1,187**
Non allocated		58,973	591	**59,564**	152,595	6,388	4,914	**163,897**
Total	2,170,030	145,496	28,104	**2,343,630**	1,134,414	139,686	70,987	**1,345,087**

(*) On 31 May 2018, the Company acquired Mall of Sofia (See note 1).

Segment analysis of assets and liabilities for the years ended 31 December 2017 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans and bonds	Deferred tax liability	Other	Total liabilities
Poland	1,013,842	83,696	7,549	**1,105,087**	529,541	70,242	40,196	**639,979**
Belgrade	276,218	7,454	2,138	**285,810**	74,091	14,443	13,329	**101,863**
Budapest	298,573	14,302	2,898	**315,773**	115,777	9,256	7,035	**132,068**
Bucharest	223,859	11,742	2,005	**237,606**	113,260	11,844	7,708	**132,812**
Zagreb	121,930	4,079	1,204	**127,213**	12,811	16,079	4,618	**33,508**
Sofia	17,228	267	729	**18,224**	-	-	335	**335**
Other	10,808	37	6	**10,851**	-	-	1,181	**1,181**
Non allocated	-	79,925	2,120	**82,045**	188,605	3,963	7,033	**199,601**
Total	**1,962,458**	**201,502**	**18,649**	**2,182,609**	**1,034,085**	**125,827**	**81,435**	**1,241,347**

(in thousands of Euro)

6. Administration expenses

Administration expenses for the period of Nine-months ended 30 September 2017 and 30 September 2018 comprises the following amounts:

	Nine-month period ended 30 September 2018	Nine-month period ended 30 September 2017	Three-month period ended 30 September 2018	Three-month period ended 30 September 2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Administration expenses	7,989	8,326	2,516	2,887
Expenses /(income) arising from share based payments	(2,236)	1,994	(862)	(221)
	5,753	**10,320**	**1,654**	**2,666**

7. Advance received

Advances received comprises the following amounts:

	30 September 2018	31 December 2017
	(unaudited)	(audited)
Sale of residential units project	-	1,768
Sale of investment properties landbank	4,480	3,043
Rental income received in advance	1,100	2,040
	5,580	**6,851**

8. Investment Property

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

Investment property can be split up as follows:

	30 September 2018	31 December 2017
	(unaudited)	(audited)
Completed investment property	1,861,951	1,649,183
Investment property under construction	147,645	148,400
Investment property landbank at cost	138,418	139,258
Total	**2,148,014**	**1,936,841**

(in thousands of Euro)

8. Investment Property (continued)

The movement in investment property for the periods ended 30 September 2018 (unaudited) and 31 December 2017 (audited) was as follows:

	Level 2	Level 3	Total
Carrying amount as of 1 January 2017	**960,650**	**644,025**	**1,604,675**
Reclassification after completion (Galeria Polnocna and Artico)	358,200	(358,200)	-
Capitalised subsequent expenditure and other	20,111	145,478	165,589
Purchase of completed buildings	-	36,857	36,857
Purchase of land plots	-	28,526	28,526
Purchase of subsidiaries holding land plots	9,569	12,500	22,069
Adjustment to fair value / (impairment)	33,774	114,428	148,202
Land Disposals	-	(1,727)	(1,727)
Classified to assets held for sale	-	(4,336)	(4,336)
Sale of subsidiaries	-	(62,000)	(62,000)
Classified to fixed assets	(1,014)	-	(1,014)
Carrying amount as of 31 December 2017	**1,381,290**	**555,551**	**1,936,841**
Reclassification after completion (White House)	30,300	(30,300)	-
Capitalised subsequent expenditure and other	30,586	49,609	80,195
Purchase of completed assets and lands	6,799	9,651	16,450
Purchase of subsidiary holding completed assets (*)		96,399	96,399
Adjustment to fair value / (impairment)	696	30,660	31,356
Land Disposals		(7,626)	(7,626)
Classified to assets held for sale		(3,566)	(3,566)
Foreign exchange differences	(2,113)	78	(2,035)
Carrying amount as of 30 September 2018	**1,447,558**	**700,456**	**2,148,014**

(*) Mall of Sofia

Fair value and impairment adjustment consists of the following:

	Nine-month period ended 30 September 2018	Nine-month period ended 30 September 2017	Three-month period ended 30 September 2018	Three-month period ended 30 September 2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Adjustment to fair value of completed investment properties	(3,331)	11,918	(2,144)	(1,823)
Adjustment to fair value of Investment properties under construction	32,606	92,847	10,107	57,335
Reversal of impairment/(Impairment) adjustment	2,056	(345)	-	(1,292)
Total adjustment to fair value / (impairment) of investment property	**31,331**	**104,420**	**7,963**	**54,220**
Gain (Loss) on disposal of assets/liabilities	-	1,425	-	-
Impairment of residential landbank	-	(531)	-	-
Total	**31,331**	**105,314**	**7,963**	**54,220**

(in thousands of Euro)

8. Investment Property (continued)

Assumptions used in the valuations of completed assets as of 30 September 2018 (unaudited) are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Fair Value Hierarchy Level
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m	
Poland retail	522,200	113	94%	21.0	21.7	2
Poland office	432,068	212	89%	14.2	14.1	2
Belgrade office	211,281	97	94%	16.0	16.2	3
Budapest office	297,544	147	94%	12.5	13.4	2
Bucharest office	195,746	67	96%	18.8	19.0	2
Zagreb retail	104,812	34	100%	20.6	20.3	2
Sofia retail	98,300	33	98%	19.8	20.4	3
Total	**1,861,951**	**703**	**93%**	**16.2**	**16.5**	

Assumptions used in the valuations of completed assets as of 31 December 2017 are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Fair Value Hierarchy Level
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m	
Poland retail	526,700	113	93%	20.6	21.8	2
Poland office	429,979	212	89%	14.2	14.0	2
Belgrade office	163,181	76	97%	16.4	16.2	3
Budapest office	228,865	119	98%	12.1	13.3	2
Bucharest office	195,746	67	97%	18.4	17.8	2
Zagreb retail	104,712	34	99%	20.8	20.8	2
Total	**1,649,183**	**621**	**94%**	**16.1**	**16.3**	

Information regarding **investment properties under construction** as of 30 September 2018 (unaudited) is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Belgrade (Ada, GreenHeart N 1-3 (*))	115,030	59
Sofia (ABC I and ABC II)	23,515	34
Zagreb (Matrix)	9,100	10
Total	**147,645**	**103**

(*) The project consists of 5 buildings. The renovation of first two buildings with a total GLA of 22 thousands sqm was completed in Q1 2018.

(in thousands of Euro)

8. Investment Property (continued)

Information regarding to **investment properties under construction** as of 31 December 2017 is presented below:

	Book value	Estimated area (GLA)
	‘000 Euro	thousand sqm
Belgrade (Ada, GreenHeart)	106,780	80
Budapest (White House)	30,300	22
Sofia (ABC I)	8,856	16
Zagreb (Matrix)	2,464	10
Total	**148,400**	**128**

Information regarding book value of **investment property landbank** for construction as of 30 September 2018 and 31 December 2017 is presented below:

	30 September 2018	31 December 2017
	(unaudited)	(audited)
Poland	39,139	33,116
Serbia	5,476	5,454
Hungary	38,124	26,671
Romania	12,566	11,192
Bulgaria	-	6,382
Croatia	15,100	14,280
Total	**110,405**	**97,095**

Information regarding book value of **investment property landbank (long term pipeline)** as of 30 September 2018 and 31 December 2017 is presented below:

	30 September 2018	31 December 2017
	(unaudited)	(audited)
Poland	12,243	17,980
Hungary	7,900	8,400
Romania	3,834	9,841
Bulgaria	1,800	3,790
Ukraine	2,236	2,152
Total	**28,013**	**42,163**
Grand Total	**138,418**	**139,258**

(in thousands of Euro)

9. Inventory and residential landbank

The movement in residential landbank and inventory for the period ended 30 September 2018 (unaudited) was as follows:

	Residential Inventory	Residential landbank	Total
Carrying amount as of 1 January 2017	**5,355**	**13,761**	**19,116**
Construction costs	2,915	-	2,915
Cost of units sold	-	(1,063)	(1,063)
Disposal of subsidiary	(4,515)	-	(4,515)
Carrying amount as of 31 December 2017	**3,755**	**12,698**	**16,453**
Construction costs	113	-	113
Impairment		-	
Cost of units sold	(3,868)	-	(3,868)
Carrying amount as of 30 September 2018	**-**	**12,698**	**12,698**

10. Non-controlling interest

On 5th December 2017, Zagrebacka Bank agreed to refinance Avenue Mall (Zagreb) with an investment loan. Of the loan amount, an amount of Euro 9.4 million were granted by the Company's subsidiary that holds Avenue Mall (Euro Structor d.o.o.) to its Non-Controlling Interest partner (NCI). The loan bears interest at a rate of 3-month Euribor (but not less than zero) plus 2.6% p.a. which is accrued until final repayment date. The loan principle and interest shall be repaid by 30 November 2022. In the event that Euro Structor renders resolution for distribution of dividend, Euro Structor has the right to set-off the dividend due to the NCI against the loan. In the event that the NCI intends to sell its stake in Euro Structor the loan shall be due for repayment upon the sale.

Summarised financial information of the material non-controlling interest as of 30 September 2018 (unaudited) is presented below:

	Avenue Mall	Non-core projects	Total
NCI share in equity	23,054	(18,169)	4,885
Loans received from NCI		9,696	9,696
Loans granted to NCI	(9,573)		(9,573)
Total as of 30 September 2018	**13,481**	**(8,473)**	**5,008**
NCI share in profit / (loss)	**1,135**	**(476)**	**659**

(in thousands of Euro)

11. Short term deposits

Short-term deposits include deposits related to loan agreements, derivatives, and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements.

In the Nine months period ended 30 September 2018, an amount of Euro 15.6 million was paid in relation with contractual commitments in Galeria Polnocna shopping centre.

12. Assets held for sale

As of 30 September 2018, assets held for sale includes part of Petricani land plot in Bucharest, Romania.

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. Trade and other payables

As of 30 September 2018 an amount of Euro 41 million of trade creditors' accruals and provisions relate to development activity payables. This is planned to be financed mostly by long term loans (As of 31 December 2017 amounted to Euro 41 million).The movement in trade and other payables for Nine-month period ended 30 September 2018 (unaudited) and the year ended 31 December 2017 (audited) was as follows:

Balance as of 1 January 2017	**(36,739)**
Charges related to investing activity	(14,301)
Charges related to sale of subsidiaries	1,293
Charges related to operating activity	(511)
Charges related to Finance activity	(247)
Balance as of 31 December 2017	**(50,505)**
Charges related to investing activity	(21)
Charges related to purchase of subsidiaries	496
Charges related to operating activity	870
Charges related to Finance activity	8
Balance as of 30 September 2018	**(49,152)**

(in thousands of Euro)

15. Long-term loans and bonds

	30 September 2018	31 December 2017
Bonds mature in 2017-2018	-	23,744
Bonds mature in 2018-2019	15,656	48,872
Bonds 1019	29,231	28,959
Schuldschein 1219	15,306	15,023
Bonds 0320	18,848	18,675
Bonds 0620	40,444	40,070
Bonds 1220	10,205	10,117
Bonds 0321	20,546	-
Loan from OTP (GTC)	2,359	4,718
Loan from Santander (Globis Poznan)	15,207	15,579
Loan from Santander (Korona Business Park)	45,105	46,157
Loan from PKO BP (Pixel)	20,746	21,256
Loan from Pekao (Globis Wroclaw)	-	23,107
Loan from Santander (Globis Wroclaw)	22,927	-
Loan from ING (Nothus and Zephirus)	19,036	20,156
Loan from Berlin Hyp (Corius)	10,806	11,064
Loan from Pekao (Sterlinga)	16,319	16,715
Loan from Pekao (Neptun)	20,577	21,076
Loan from Pekao (Galeria Polnocna)	196,154	199,904
Loan from mBank (Artico)	13,012	12,990
Loan from Pekao (Galeria Jurajska)	88,556	91,176
Loan from Berlin Hyp (UBP)	29,373	30,072
Loan from ING (Francuska)	22,252	22,659
Loan from OTP (Centre Point)	42,547	44,051
Loan from CIB (Metro)	15,826	16,623
Loan from Erste (Spiral)	22,768	24,791
Loan from Erste (White House)	7,904	4,817
Loan from OTP (Duna)	25,348	26,243
Loan from Erste (GTC House)	11,913	12,499
Loan from Erste (19 Avenue)	23,747	22,978
Loan from Societe General (BBC)	22,797	-
Loan from Intesa Bank (Green Heart)	26,454	13,125
Loan from Raiffeisen Bank (Forty one)	26,380	27,292
Loan from Intesa Bank (Ada)	16,067	-
Loan from Erste (Citygate)	78,946	81,197
Loan from Transilvania (Cascade)	4,672	4,852
Loan from Alpha Bank (Premium)	17,357	18,126
Loan from OTP (Mall of Sofia)	60,197	-
Loan from UniCredit (ABC)	629	-
Loan from Zagrabecka Banka (AMZ)	48,500	12,312
Loans from NCI	9,696	9,984
Deferred issuance debt expenses	(7,175)	(6,894)
	1,127,238	**1,034,085**

(in thousands of Euro)

15. 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 September 2018	31 December 2017
Current portion of long term loans and bonds:		
Bonds mature in 2017-2018	-	23,744
Bonds mature in 2018-2019	15,656	32,888
Bonds 1019	452	180
Schuldschein 1219	306	23
Bonds 0320	350	177
Bonds 0620	444	70
Bonds 1220	101	13
Bonds 0321	52	-
Loan from OTP (GTC)	2,359	3,145
Loan from Santander (Globis Poznan)	15,207	495
Loan from Santander (Korona Business Park)	1,395	1,401
Loan from PKO BP (Pixel)	677	679
Loan from Berlin Hyp (UBP)	930	932
Loan from Pekao (Galeria Jurajska)	3,532	3,496
Loan from Pekao (Globis Wroclaw)		23,107
Loan from Santander (Globis Wroclaw)	693	
Loan from ING (Nothus and Zephirus)	19,036	10,824
Loan from Berlin Hyp (Corius)	342	343
Loan from Pekao (Sterlinga)	525	527
Loan from Pekao (Neptun)	662	665
Loan from mBank (Artico)	420	-
Loan from Pekao (Galeria Polnocna)	5,000	5,000
Loan from ING (Francuska)	540	542
Loan from OTP (Centre Point)	2,027	2,009
Loan from Erste (White House)	310	120
Loan from OTP (Duna)	1,208	1,197
Loan from CIB (Metro)	1,103	1,068
Loan from Erste (Spiral)	1,388	1,396
Loan from Erste (GTC House)	781	781
Loan from Erste (19 Avenue)	994	934
Loan from Intesa Bank (Green Heart)	631	700
Loan from Societe General (BBC)	805	-
Loan from Raiffeisen Bank (Forty one)	1,281	1,217
Loan from Intesa Bank (Ada)	201	-
Loan from OTP (Mall of Sofia)	2,457	-
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	2,000	4,454
Loan from Alpha Bank (Premium)	1,025	1,025
Loan from Transilvania (Cascade)	240	240
Loan from Erste (City Gate)	3,056	2,989
	88,186	**126,381**

(in thousands of Euro)

15. Long-term loans and bonds (continued)

	30 September 2018	31 December 2017
Long term portion of long term loans and bonds:		
Bonds mature in 2018-2019	-	15,984
Bonds 1019	28,779	28,779
Schuldschein 1219	15,000	15,000
Bonds 0320	18,498	18,498
Bonds 0620	40,000	40,000
Bonds 1220	10,104	10,104
Bonds 0321	20,494	-
Loan from OTP (GTC)	-	1,573
Loan from Santander (Globis Poznan)	-	15,084
Loan from Santander (Korona Business Park)	43,710	44,756
Loan from PKO BP (Pixel)	20,069	20,577
Loan from Santander (Globis Wroclaw)	22,234	-
Loan from ING (Nothus and Zephirus)	-	9,332
Loan from Berlin Hyp (Corius)	10,464	10,721
Loan from Pekao (Sterlinga)	15,794	16,188
Loan from Pekao (Neptun)	19,915	20,411
Loan from Pekao (Galeria Polnocna)	191,154	194,904
Loan from mBank (Artico)	12,592	12,990
Loan from Pekao (Galeria Jurajska)	85,024	87,680
Loan from Berlin Hyp (UBP)	28,443	29,140
Loan from ING (Francuska)	21,712	22,117
Loan from OTP (Centre Point)	40,520	42,042
Loan from CIB (Metro)	14,723	15,555
Loan from OTP (Duna)	24,140	25,046
Loan from Erste (Spiral)	21,380	23,395
Loan from Erste (White House)	7,594	4,697
Loan from Erste (GTC House)	11,132	11,718
Loan from Erste (19 Avenue)	22,753	22,044
Loan from Intesa Bank (Green Heart)	25,823	12,425
Loan from Intesa Bank (Ada mall)	15,866	-
Loan from Societe General (BBC)	21,992	-
Loan from Raiffeisen Bank (Forty one)	25,099	26,075
Loan from Erste (City Gate)	75,890	78,208
Loan from Transilvania (Cascade)	4,432	4,612
Loan from Alpha Bank (Premium)	16,332	17,101
Loan from OTP (Mall of Sofia)	57,740	-
Loan from UniCredit (ABC)	629	-
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	46,500	7,858
Loans from NCI	9,696	9,984
Deferred issuance debt expenses	(7,175)	(6,894)
	1,039,052	**907,704**

(in thousands of Euro)

15. Long-term loans and bonds (continued)

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

In its financing agreements with banks, the Company undertakes to comply with certain financial covenants that are listed in those agreements; the main covenants are: maintaining a Loan-to-Value and Debt Service Coverage ratios in the company that holds the project.

In addition, substantially, all investment properties and IPUC that were financed by a lender have been pledged to secure the long-term loans from banks. Unless otherwise stated, fair value of the pledged assets exceeds the carrying value of the related loans.

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

	30 September 2018 (unaudited)	**31 December 2017** (audited)
First year	116	150
Second year	241	157
Third year	193	240
Fourth year	140	186
Fifth year	217	66
Thereafter	327	334
	1,234	**1,133**

16. Taxation

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 will require significantly more judgement in assessment of the tax consequences of particular transactions.

(in thousands of Euro)

17. Capital and Reserves

Share capital

As at 30 September 2018, 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
13,233,492	M	1,323,349	309,049
483,536,996		**48,353,699**	**10,960,144**

Shareholders who as at 30 September 2018 held above 5% of the Company shares were as follows:

- GTC Dutch Holdings B.V.
- OFE PZU
- OFE AVIVA BZ WBK

Phantom shares

Certain key management personnel of the Company are entitled to specific cash 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
6.48	3,552,400	5,568,800	9,121,200
7.39	100,000	50,000	150,000
9.33	135,000	-	135,000
Total	**3,787,400**	**5,618,800**	**9,406,200**

(in thousands of Euro)

17. Capital and Reserves (continued)

As at 30 September 2018, phantom shares issued were as follows:

Last year of exercise date	Number of phantom shares
2019	460,800
2020	150,000
2021	7,547,400
2022	1,248,000
Total	**9,406,200**

18. Earnings per share

Basic and diluted earnings per share were calculated as follows:

	Nine-month period ended 30 September 2018	Nine-month period ended 30 September 2017	Three-month period ended 30 September 2018	Three-month period ended 30 September 2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period attributable to equity holders (euro)	68,375,000	111,510,000	22,784,000	51,876,000
Weighted average number of shares for calculating basic earnings per share	475,538,732	463,837,462	483,536,996	470,303,504
Basic earnings per share (euro)	0.14	0.24	0.05	0.13

There have been no potentially dilutive instruments as at 30 September 2018, 30 September 2017 and 31 December 2017.

19. Subsequent events

On 31 October 2018, the Company fully repaid the bank loan granted to Artico by mBank in the amount of Euro 13 million.

20. Release date

The interim condensed consolidated financial statements were authorised for the issue by the Management Board on 13 November 2018.

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Independent Auditor's Report
on review of interim condensed consolidated financial statements

To the Shareholders 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 September 2018 including interim condensed consolidated statement of financial position as at 30 September 2018, 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 nine-month period ended 30 September 2018 and 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.

Building a better working world

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.

On 13 November 2018 we also reported 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 Polish zloty as the presentation currency.

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

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Łukasz Jarzynka
Certified Auditor
No. 11959

Warsaw, 13 November 2018