



STRONG GROWTH MOMENTUM



ANNUAL REPORT 2016

Neptun Office Center, Gdańsk

SELECTED KEY NUMBERS

Operating in CEE & SEE markets for

23 yrs

Retail and office properties in

6 CEE & SEE countries

Portfolio of

36 buildings
in 31 projects

Total lettable commercial space:

596,000
sq. m

Commercial space currently
under construction:

139,000
sq. m

Commercial space currently in
planning stage:

181,000
sq. m

Completed investment properties of:

€1.3 billion

Annual NOI of:

€92 million

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Aeropark Business Centre, Warsaw

01. GTC AT A GLANCE

MISSION STATEMENT

Our mission is to develop high quality commercial assets and to provide first class development and asset management services that add value to our customers, communities, local economies, partners, employees and investors.

Group overview

GTC is a leading real estate investor and developer focused on dynamic markets in Central and South Eastern Europe. We develop, buy and manage commercial properties. The Group's parent GTC S.A. is a public company listed on the Warsaw Stock Exchange and Johannesburg Stock Exchange whose shares are included in the both the WIG 30 and Dow Jones STOXX Eastern Europe 300. The Company's market capitalization at year-end 2016 was PLN 3.77 billion (853 million). We enjoy the investment backing of several Polish and international institutional investors including Lone Star Private Equity Fund, our largest single investor.

Who we are

We are a leading commercial real estate company active in six countries in Central, Eastern and Southern Europe. We have aggregated a portfolio of high quality, modern office and retail investments. Since it was founded, GTC has developed a total of 64 commercial buildings (1.1 million sq. m), purchased six commercial properties (90,000 sq. m) and developed and sold 10 residential projects (400,000 sq. m floor space). GTC now actively manages a real estate portfolio of 36 commercial properties (in 31 projects) providing approx. 596,000 sq. m of lettable office and retail space to its highly demanding tenants and customers. We are in the process of developing five new projects coming on stream in the near future. With a total appraised book value of €1.6 billion, the majority of our properties are rated at a Class A standard and are almost fully leased (6% vacancy). We pursue a pro-active management approach within our growing portfolio of commercial properties. We aim to achieve our commercial mission through the development of carefully selected projects and acquisition of properties, while maintaining the rules of risk limitation and optimization of performance as a result of the Group's regional structure. All investments go through stringent scrutiny and are considered in terms of the benefits and risks they entail.

What we achieved in 2016

- **Completion of restricting process**
- **Realization of the growth strategy through acquisition of income generating assets; €140m of assets acquired**
 - Pixel (an office building located in Poznań, Poland);
 - Premium Point (an office building located in Bucharest, Romania);
 - Premium Plaza (an office building located in Bucharest, Romania);
 - Neptun Office Center (an office building located in Gdańsk, Poland);
 - Sterlinga Business Center (an office building located in Łódź, Poland);
 - minority stake in City Gate (an office building located in Bucharest, Romania).
- **Acquisition of Artico, fully leased office project under construction in Warsaw, Poland**
- **Acquisition of land plots for immediate development in the heart of Budapest, Belgrade and Sofia**
- **Completion and commercialization of:**
 - University Business Park B in Łódź, Poland;
 - FortyOne II, a modern class A office building in Belgrade, Serbia.
- **Commencement of construction of:**
 - FortyOne III, third and last office building in FortyOne office complex;
 - White House, a modern, class-A office building in Budapest, Hungary;
 - Ada Mall, state-of-the art shopping mall in Belgrade, Serbia.
- **Asset management of income generating portfolio with 113,000 sq. m offices leased and 31,000 sq. m retail space leased**

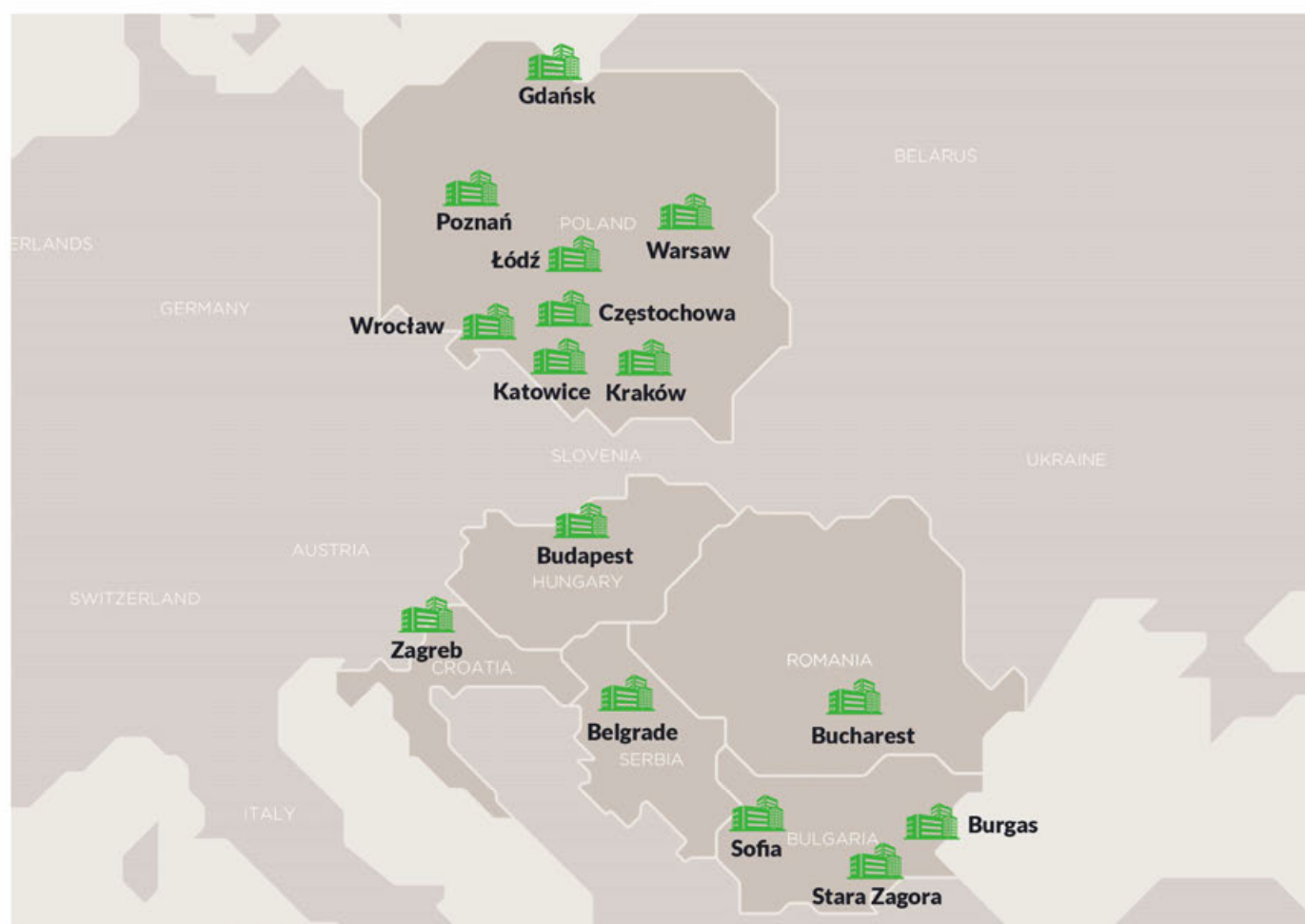
• **139,000 sq m under construction:**

- Galeria Północna (a shopping mall located in Warsaw, Poland);
- Ada Mall (a shopping mall located in Belgrade, Serbia);
- FortyOne III (an office building located in Belgrade, Serbia);
- Artico (an office building located in Warsaw, Poland);
- White House (office building located in Budapest, Hungary).

• **181,000 sq m in the pre-construction stage:**

- Galeria Wilanów (shopping mall being built in Warsaw, Poland);
- Green Heart (complex of office buildings being built in Belgrade, Serbia);
- GTC X (office building being built in Belgrade, Serbia);
- GTC City Tower (an office building being built in Budapest, Hungary);
- Matrix (an office complex of 20,800 sq. m NLA being built in Zagreb);
- Advance Business Center (an office building of 14,100 sq. m NLA being built in Sofia).

• **Listing on Johannesburg Stock Exchange**



"We completed two asset investment transactions with GTC in 2016, one of the region's leading property developers and investors. We value GTC's professional and timely closing performance."

Mieczysław Godzisz
President, Hines Polska Sp. z o.o.

Hines

Duna Tower,
Budapest

02. A STRONG INVESTMENT CASE

GTC aims to deliver attractive returns for its investors through a combination of a highly targeted approach to property selection as well as a strategy that supports sustainable growth. We take a long-term view of the property market and our unique experience and skills allows us to identify, secure and manage properties which creates value for our shareholders.

Leading commercial real estate platform

In 2016 we consolidated our position as a first-class developer and manager of world class office and retail properties. We focus on high quality, income generating office and modern retail properties in Poland and selected CEE and SEE capital cities that add value to our overall portfolio. Our €1.6 billion portfolio demonstrates our excellent development and asset management track record that spans over 23 years. We have a deep understanding of the real estate markets in which we operate. Through the efficient management of our assets, we are able to provide cost-efficient space to our tenants and maintain a high occupancy level, resulting in a successful business that benefits all our stakeholders.

Growth momentum

At GTC we are committed to sustainable, profitable long-term growth. Following a period of strategic realignment and financial restructuring, we are now on a growth phase. With a focused strategy, more efficient management structure and greater financial headroom in place, we are well positioned for robust growth. Our reading of the current property market conditions in CEE and SEE, combined with low interest rates, suggests a compelling case for investment. We have a core portfolio comprising 27 office and four retail properties that will be strengthened by the completion of three prime retail developments in Warsaw and Belgrade as well as eight prime office developments in Poland, Belgrade, Budapest, Zagreb and Sofia.

Our approach to identifying properties for development is a trait that sets GTC apart from its competitors.

Our specialised market knowledge enables us to identify strategic locations and land plots that we can develop on a profitable basis. We are highly selective in initiating development projects. Every potential development is measured against rigorous selection criteria before being approved. We focus on the development of landmark shopping centres and Class A office buildings that offer significant net asset value growth potential. We currently have five major projects under construction, with another six in pre-planning and planning stages.

Independent, fully integrated asset management and development platform

We make a point of managing our property portfolio actively, by way of an efficient management structure and focused decision-making. We ensure that occupancy levels are maintained or improved on the best commercial terms. We look after our tenants, understanding and meeting their needs, maintaining a constant eye on running our properties efficiently. Our structure allows us to benefit from the portfolio's economies of scale while at the same time maintaining flexibility to meet the local requirements of particular properties. These factors contribute to the swift and efficient realization of value creation potential.

A promising dividend policy

We are building a solid portfolio both through the acquisition of income generating assets and the development of new properties. This will lead to growing FFO (funds from operations) over time and provide for dividend potential.

Following the growth achieved in 2016, we are well positioned to recommend to distribute funds in 2017 that are surplus to our operating needs. Our dividend recommendation is guided by, among others things, the availability of cash, planned FFO growth, the Company's capital expenditure requirements, and planned acquisitions as well as the share of external financing in the Company's overall equity. We anticipate that continuing to acquire assets and developing projects at attractive FFO yields should enable us to recommend a double-digit dividend growth in the years to come.

We will review the dividend policy periodically and provide our recommendations for distribution of dividends to the Company's shareholders.

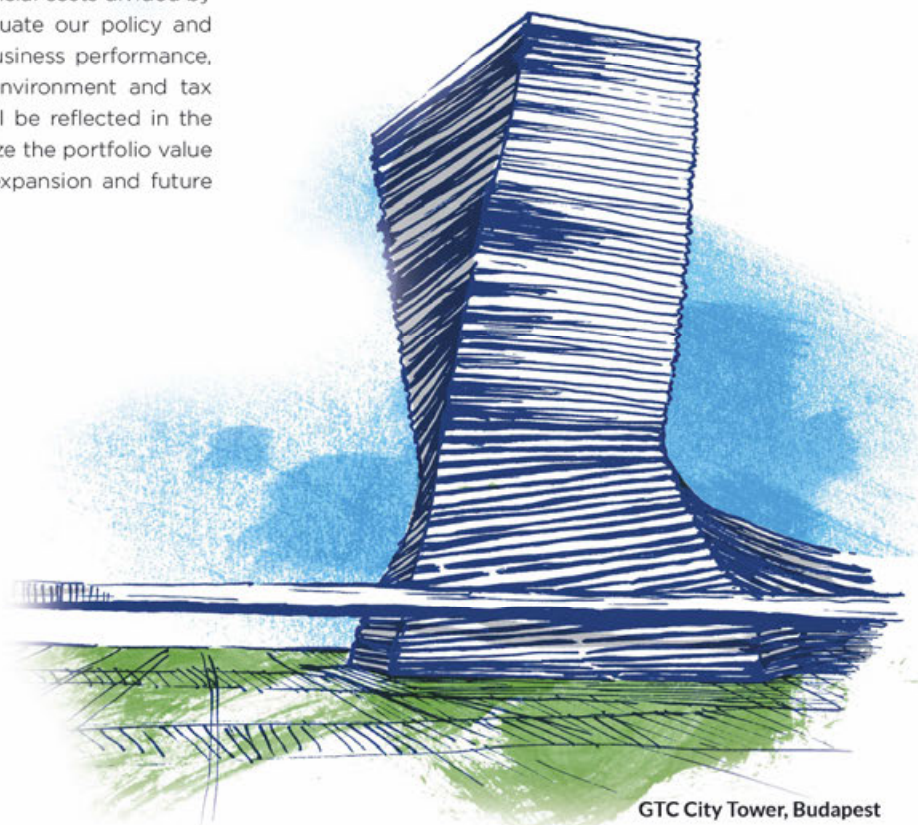
Total return policy

We have approved a new total return policy that will maximize shareholder value while utilizing a prudent degree of leverage to enhance shareholder returns. Our policy focuses on the combination of NAV growth and improvement in FFO yield, defined as Net Operating Income less financial costs divided by equity invested. We will regularly re-evaluate our policy and update it when appropriate, based on business performance, market opportunities, the interest rate environment and tax policies. In our view, the NAV growth will be reflected in the share price as the capital markets recognize the portfolio value and management's ability to accelerate expansion and future shareholder value.

"GTC has realised spectacular projects. It has an outstanding team of professionals whom we highly value. Such a reliable partner is a guarantee for success of any project."

Jacek Kowalski
Managing Director
Strabag Sp.z o.o.
Building Construction

STRABAG



GTC City Tower, Budapest



Ada Mall, Belgrade

03. CHAIRMAN'S STATEMENT

Growth momentum commences in 2016

Dear GTC Shareholders

Following a turning point in GTC's performance which took place in 2015, the year 2016 marked the beginning of a growth momentum. As the company successfully completed its operational and financial restructuring program and raised capital, it subsequently invested it in accordance with its new strategy, thereby significantly improving the sustainability of its business model as well as the future prospects for shareholders and employees of the company.

The Supervisory Board, which has been closely involved in all major repositioning steps the company undertook since 2015, is pleased with a clear growth of NAV and profits that position GTC to accelerate further in 2017.

Assessment of key corporate events in 2016

Realisation of the growth strategy – acquisitions, completions and developments

In line with GTC's strategy, management has been successful in deploying the capital raised at the end of 2015. This process has focused primarily on resuming the development activities and the acquisition of value-add assets which have all been closely aligned with the Supervisory Board. The proceeds of approximately €140 million have been deployed in line with GTC's two-pillar growth strategy, which offer value creation through improved asset management and development of high-quality office and retail projects in GTC's core regions. Additionally, GTC has continued the development of some key projects and completed and leased several assets. On the financing side, following the reinforcement of its capital, the company raised €62 million corporate debt (€28m in 2017). Moreover, GTC has successfully raised new project finance and investment loans, restructured certain non-core loans and refinanced selected project loans, combined with a more efficient interest hedging strategy. These achievements had a positive impact on the company's financial results. The Supervisory Board considers the successful execution of the company's strategy as an important step for propelling the future development of GTC.

Listing in South Africa

In August 2016, GTC became the first Polish company to be listed in South Africa. The aim is to provide GTC the opportunity to diversify its shareholder base and access another capital market, which highly values the activity of GTC in the CEE & SEE region.

Attractive asset portfolio and acquisition successes

As part of the portfolio optimization process, GTC sold a total of five non-core assets. In addition, management was able to monetize non-core land plots with no material development perspective to free-up further capital to implement our growth strategy. As at 31 December 2016, the Gross Asset Value (GAV) of the company's portfolio amounted to approximately €1.6 billion, of which 78% is made up of income-producing assets.

During 2016, GTC was able to refocus on external growth through acquisitions in Poland and capital cities of selected CEE and SEE countries, in line with our strategy. In the reporting period, the company completed nine acquisitions with a total volume of €162 million. GTC acquired Pixel in Poznań (a 14,500 sq. m office building), Premium Plaza and Premium Point in Bucharest (two office buildings with a total of 15,000 sq. m), Neptun Office Center in Gdansk (a 16,000 sq. m high-rise office building) and Sterlinga Business Center in Łódź (a 13,500 sq. m high-rise office building), Artico, land plots in Budapest, Belgrade and Sofia, as well as 41% stake in City Gate (from its JV partner). The transactions have been discussed with the Supervisory Board which shares management's view with respect to the attractive business locations and upside of an improving office market environment.

Improvement in key operating stats and progress on the development pipeline

In 2016, management was able to keep overall occupancy at the level of 93% which is based on positive re-letting results in the office portfolio, including newly acquired office properties, where total occupancy stands at 94%, as well as new leases in the retail portfolio, including 18,700 sq. m of pre-letting in the currently developed landmark project Galeria Północna, a major shopping center in Warsaw, with a total investment volume of €184 million, which is scheduled for completion in the third quarter of 2017. The Supervisory Board has positively recognized that the company has also made significant progress in its development portfolio. During 2016, GTC invested €93 million and achieved pre-letting of all of its major projects, most notably Galeria Północna, University Business Park B, FortyOne II.

Co-operation and partnership with the Management Board

In the financial year 2016, the Supervisory Board fulfilled its responsibilities and duties in line with applicable laws and regulations, GTC's articles of association as well as the Polish Code with the great prudence. The Supervisory Board regularly advised GTC's Management Board in the context of relevant management decisions to be taken and closely monitored its activities.

The Supervisory Board was provided with prompt and comprehensive updates by management on key business developments, changes in business policies, strategic developments as well as events resulting in potential deviations of company performance from the business plan that had been agreed with the Supervisory Board, including a qualified assessment of opportunities and risks. The management team explained any relevant deviations, both operationally as well as financially, between planned and actual developments in detail.

Furthermore, all significant transactions in the year 2016 were discussed and co-ordinated between the management board and the Supervisory Board as well as relevant capital structure measures and any meaningful refinancing activities.

Meetings and activities of the Supervisory Board

In the 2016 financial year, the Supervisory Board convened seven times to discuss current business developments, important transactions and activities requiring Supervisory Board approval. The Supervisory Board granted its consent to each proposal after carrying out thorough examinations and holding detailed discussions with management.

Commitment to 'best in class' corporate governance

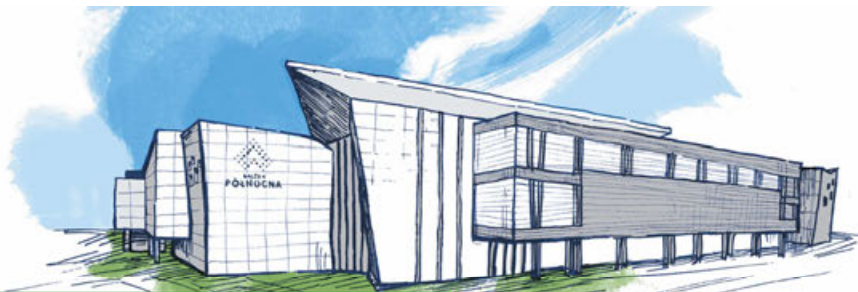
Both the supervisory and the management board of GTC are committed to strong corporate governance which, in the Supervisory Board's view, is a key pillar to guide the company in taking the relevant decisions towards achieving its objectives in key areas such as strategic development, financial planning, business development, risk management – all in the context of complying with all applicable laws and regulations. The Supervisory Board continuously monitored and discussed the development of the applicable corporate governance standards of the company. Under the separate section describing GTC "Governance Principles" (Section 10), this annual report outlines how the company approaches corporate governance.

The Supervisory Board is satisfied that the Management Board fulfilled its duties to provide information to the Supervisory Board on the basis of timely, constant and informative reporting throughout the reporting year. We have been successful in working together and in creating open and efficient channels of communication that promote direct, factual and thoroughly considered exchange of views with the management team, which we deem to be an excellent basis also for strong cooperation in the coming years.

For the Supervisory Board of GTC

Alexander Hesse

Chairman of the Supervisory Board



04. MANAGEMENT REVIEW

Galeria Północna, Warsaw

"2016 was the year of growth momentum and strong improved financial position"

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

Completion of restructuring process and beginning of investment momentum

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

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

Finance

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

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

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

Attractive asset portfolio and pipeline

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

Improvement in key operating statistics

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

Development projects on track

In addition to managing our core office and retail properties, we also made significant progress in our development portfolio. During 2016 we accelerated the development and pre-letting of our major projects: Galeria Północna, a major shopping center in Warsaw with a total investment volume of €184 million, is under construction and scheduled for completion in August 2017. The second phase of University Business Park in Łódź with a total investment volume of €15 million, was completed in the second quarter of 2016 and the second phase of FortyOne, an office building in Belgrade with a total investment cost of €11 million, was completed in the third quarter of 2016. Currently we have over 139,000 sq. m of office and retail space under construction with five projects: Galeria Północna (Warsaw), Ada Mall (Belgrade), FortyOne III (Belgrade), Artico (Warsaw) and White House (Budapest). Projects in pre-construction stage include shopping mall Galeria Wilanów (Warsaw) and office projects GTC City Tower (Budapest), Green Heart (Belgrade), GTC X (Belgrade), Matrix (Zagreb) as well as Advance Business Center (Sofia).

2017 Total Return strategy

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

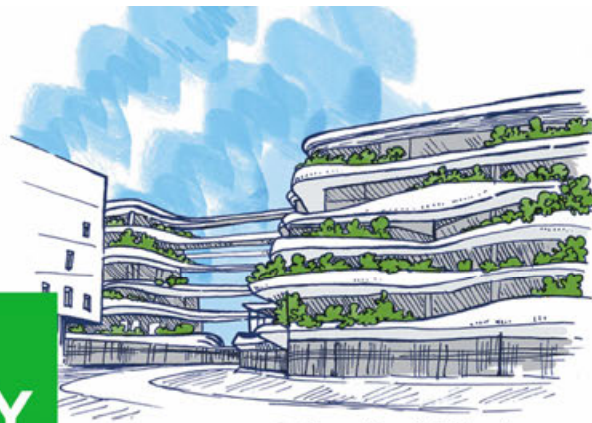
Our stakeholders

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

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

Thomas Kurzmann
President of the
Management Board

Erez Boniel
Member of the
Management Board



Green Heart, Belgrade

05. OUR BUSINESS MODEL AND STRATEGY

GTC builds on a unique combination of both development and asset management skills in our selected core markets.

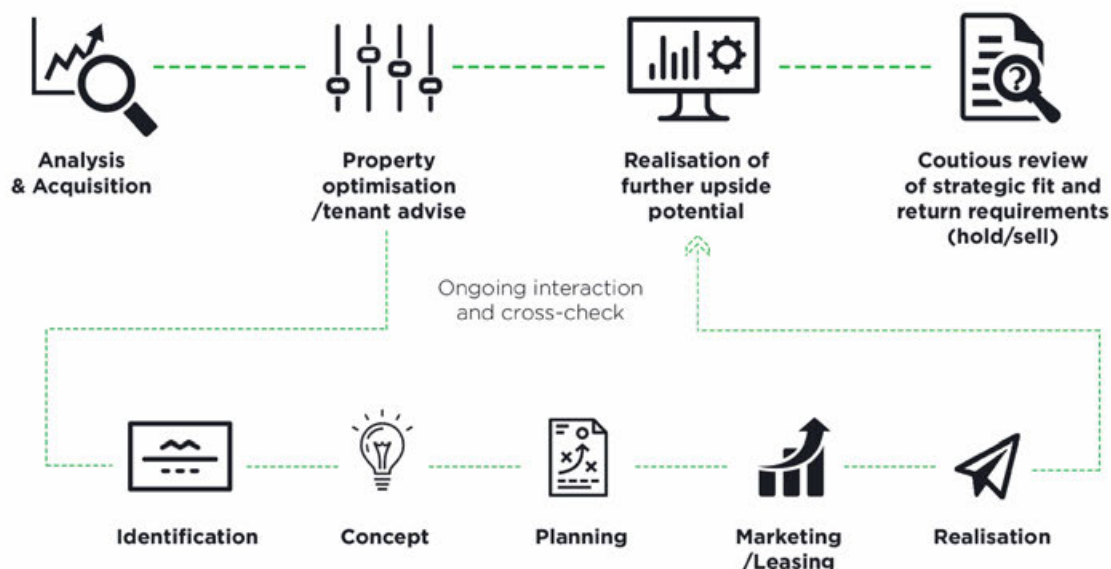
GTC builds on a unique combination of both development and asset management skills in our selected core markets. That particular expertise allows us to make the most of opportunities that we see in the region's improving macroeconomic and rapidly evolving property market conditions.

It is our objective at GTC to create value from pro-active management of a buoyant commercial real estate portfolio, supplemented by carefully selected development activities. We can exploit our regional organizational platform to enhance deal flow, mitigate risks and boost performance.

Value chain coverage

Our value chain covers a broad range of activities in real estate investment, management and development:

Asset Management



Through our own resources and expertise, we have the capability to:

- manage real estate purchase and sale procedures;
- manage completed properties;
- review potential investments;
- originate projects;
- conduct due diligence investigations of potential real estate investments;
- obtain financing and the required regulatory permits;
- conceive and execute designs;
- manage construction processes; and
- develop and complete real estate properties.

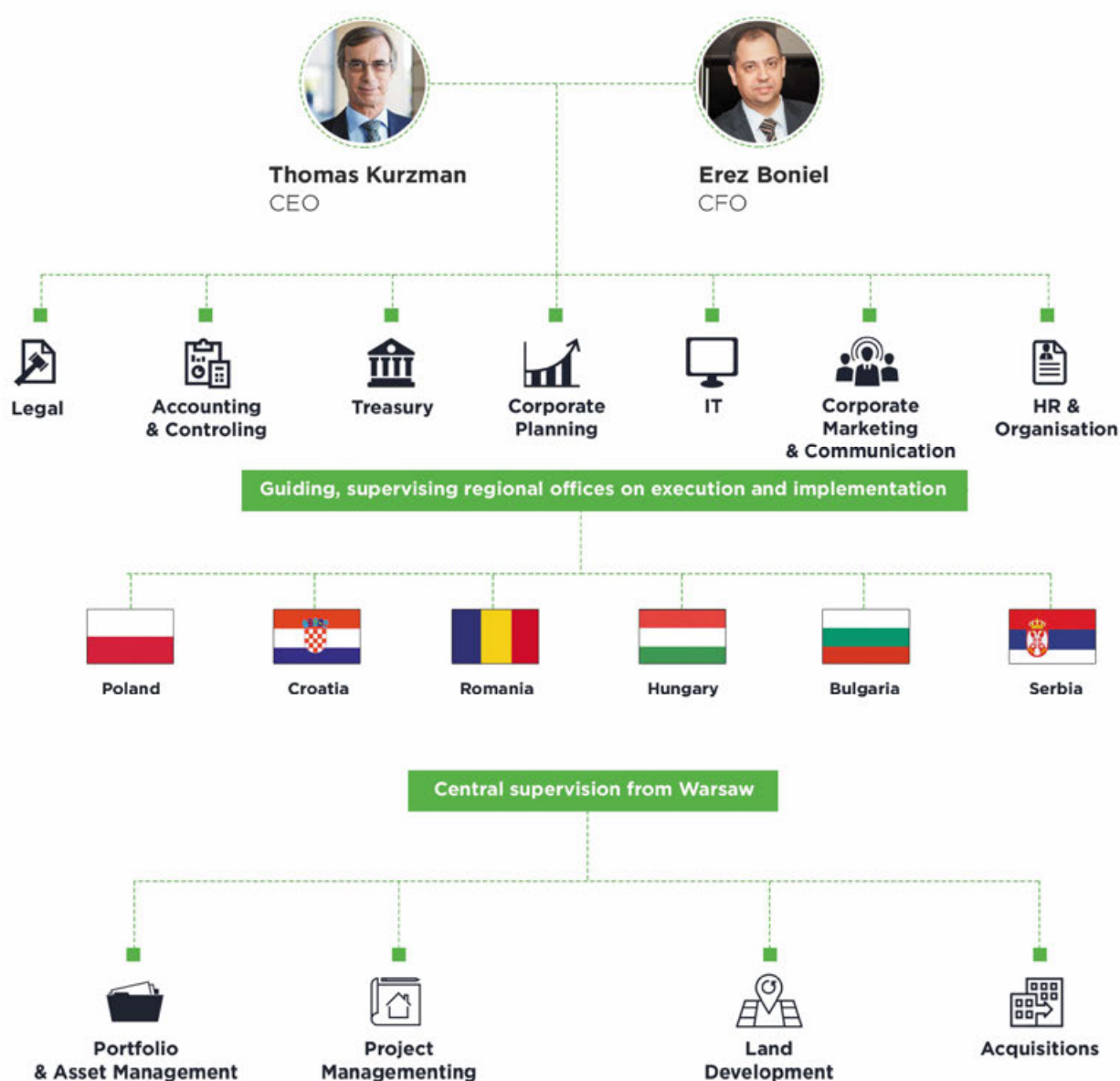
GTC is ideally positioned to expand its real estate portfolio by acquiring income-yielding properties that have the potential to add value. We do this by capitalizing on our regional platform, property management skills and broad experience in real estate development, in addition to continuing with our development activities. Our comprehensive regional network allows us to constantly monitor the real estate markets in the CEE and SEE countries so we can react swiftly to investment opportunities as they arise.

A key to value creation is real estate expertise. GTC is led by a management team of experienced and skilled senior specialists. Our professionals have in-depth knowledge of the real estate investment, development and management industry in the regions in which the Group operates. The experience of all members of the management team, each in his relevant field of expertise, has been gained through years of extensive work in their current positions at the Group or at other companies. In addition, our operations are staffed with approximately 172 qualified and experienced professionals in our head office and six regional offices located throughout the CEE and SEE region. The Group's management has been successful in managing its activities both in times of economic prosperity and in the complex business environment of the financial crisis.



Premium Plaza, Bucharest

MANAGEMENT



GTC's portfolio is managed on the ground by teams of experienced local managers. They are guided, supported and directed by the Group's central management, who ensure that all local operations comply with the Group's global strategy. The Group's qualified professionals and local management teams have extensive knowledge of the real estate development and asset management market. They are also well versed in the relevant local business environments in all real estate related disciplines, including planning, engineering, marketing and leasing.

Our organizational structure provides us with a high degree of expertise and a deep understanding of each of the markets in which we operate.

This local knowledge and expertise is necessary for the identification of business opportunities, negotiations with service providers and financial institutions, obtaining regulatory approvals and effective rental and marketing operations.

Our expertise and competitive advantage

GTC has an integrated and fully functional management platform with deal sourcing capabilities and access to investment opportunities through a comprehensive regional network. Our organisational structure and property management skills allow us to substantially enhance the intrinsic potential of our property portfolio and expand and build our portfolio in the future.

We have a track record of 23 years of managing and developing real estate properties and projects in CEE and SEE countries. Our highly recognised regional brand and established position as a significant and well-known player in all our core markets has significantly enhanced our international reputation.

With experience and presence in the numerous countries of the CEE and SEE regions, we have the skills necessary to handle significant growth effectively as well as the flexibility to take advantage of any potential future changes in market conditions and new opportunities.

GTC's management team is highly experienced and comprises skilled senior professionals with in-depth knowledge of the real estate investment, development and management industry in the regions in which GTC operates. The Group has employed the majority of the core management team members for at least 10 years. Our management has been successful in managing the Group's activities both in times of economic prosperity and in the complex business environment of the financial crisis.

The stable and geographically diversified portfolio managed by GTC comprises:

- completed income-generating properties that provide stable gross rental income from the lease of office and retail space;
- a portfolio of projects under development in the planning and construction stages;
- a landbank designated for future development, which provides significant growth potential.

Our portfolio is also diversified in geographical terms, which allows for risk-return optimization.

Nevertheless, our portfolio has a focus on Poland, where approximately 44% of GTC's completed commercial properties as measured by book value are located. As the economies in CEE and SEE stabilize and grow, such regions will present more growth opportunities than the mature economies of Western Europe. Moreover, as the economies in SEE stabilize and grow and the disposable income rises, there will be increased demand for commercial and residential properties. At the same time, our presence in the more developed economies of CEE, where investment activity and disposable income are comparatively high, allows us to balance risk while maintaining the strong growth potential of our portfolio.

We have been successful in attracting and retaining high quality tenants. In the retail sector, these include recognized multinational retailers such as C&A, Carrefour, Cinema City, H&M and the Inditex Group. In the office sector, we have tenants such as Citigroup, Deloitte, the European Bank for Reconstruction and Development, Mastercard, Rompetrol, Budapest Bank, Exxon Mobil, IBM, and Microsoft. In addition, our local managers maintain relationships with local retailers. Historically, GTC has let a substantial portion of each shopping mall to a mix of multinational and local retailers within the first year of opening.

In addition to our income-generating properties, GTC has a unique development pipeline of landmark shopping centres and Class A office buildings with significant embedded NAV growth potential.

The secured development pipeline currently consists of five major projects that are under construction.

Completion of these major projects is expected during 2017, or 2018. We also have another six projects in the planning stage and we plan to start some of those Class A offices and modern retail projects very shortly.

The construction or acquisition of the Group's income generating assets is mainly financed by long-term loans. The Group maintains good relationships with banks. This is demonstrated by our ability to refinance debt, renegotiate certain covenants under existing loan agreements and increase bank financing.

In the course of our operations we have sold various mature properties to international institutional investors at a premium to their previously reported market values. These mature properties include, among others, Galeria Mokotów and Platinum Business Park. GTC will be able to utilize the experience and know-how from past sales transactions when realizing its new strategy, including the intended sales of non-core assets and the sales of future projects to be acquired by the Group.

"For more than 10 years, we have the privilege to work as a consultants for GTC. GTC is a highly reputable, demanding and professional Client. We are delighted to be a part of GTC history and we wislook forward to grow our relationship in the future."

Jacek Zurawski
Managing Director
Hill International Sp. z o.o.


Hill International

Investment in income generating assets

Market conditions in 2016 included attractive pricing of income generating properties and presented compelling acquisition opportunities. GTC invested approximately €140m in six properties. During 2016 we acquired:

- Pixel (an office building located in Poznań, Poland)
- Premium Point (an office building located in Bucharest, Romania)
- Premium Plaza (an office building located in Bucharest, Romania)
- Neptun Office Center (an office building located in Gdańsk, Poland)
- Sterlinga Business Center (an office building located in Łódź, Poland)
- minority stake in City Gate (an office building located in Bucharest, Romania).

We are carefully considering and evaluating attractive investment opportunities subject to meeting the investment criteria of the Group. GTC's acquisition strategy includes the acquisition of income generating assets with value-added potential that meet the following criteria:

- office and retail assets;
- located in Warsaw or secondary cities in Poland and in the capital cities of CEE and SEE countries;
- cash generation ability (upon acquisition or shortly after);
- potential growth of NOI through re-leasing, optimizing average occupancy and rental rates, and redevelopment;
- potential to increase return on equity through active asset management.

In addition, we are also considering attractive land plots for future development projects across the CEE and SEE regions.

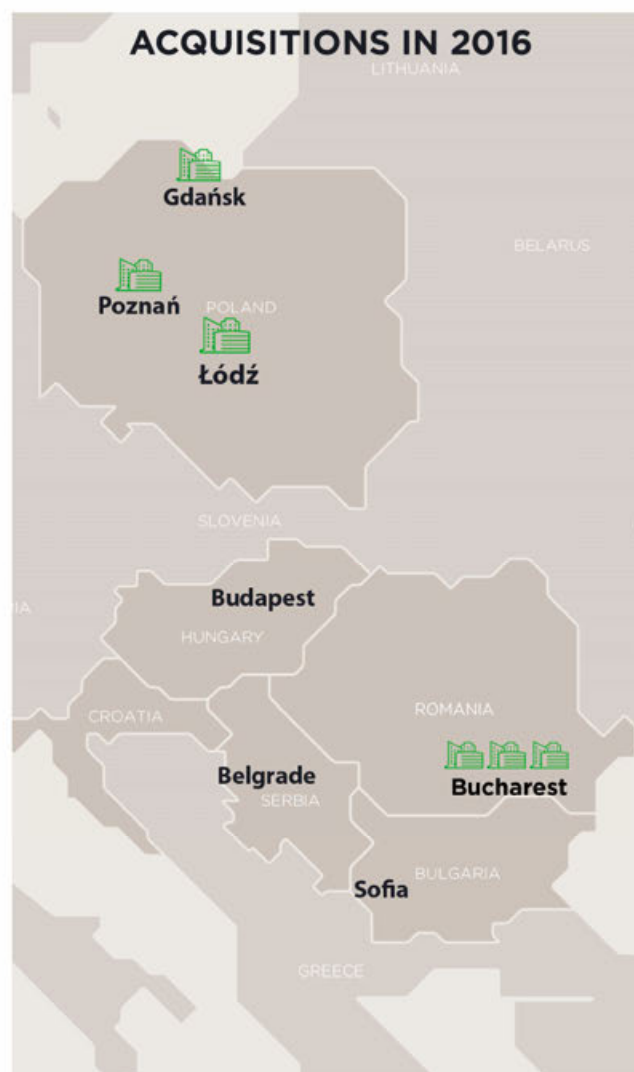
Our target investment areas

Our core markets are six countries in CEE and SEE. Our CEE countries consist of Poland (pop. 39 million) and Hungary (pop. 10 million). Our SEE countries includes Romania (pop. 19 million), Serbia (pop. 9 million), Bulgaria (pop. 7 million) and Croatia (pop. 4 million).

With their total of 88 million inhabitants they would be collectively ranked the 16th largest country in the world.

These countries are robust emerging markets that have made the transition to free competitive markets after a historical legacy of central planning.

As newly admitted members of the EU, they are rapidly catching up to European levels of prosperity and economic development, especially as inbound development capital stimulates growth. At the same time, they can present distinctive challenges alongside opportunities. The primary focus is on the Polish market as it is characterised by macroeconomic stability, sustained GDP growth and a constant interest from investors and tenants. Our other countries have relatively underdeveloped local real estate markets but we are attracted to them due to their long-term growth potential.



With our head office in Warsaw and regional offices in Budapest, Bucharest, Sofia, Zagreb and Belgrade we closely interface with both local and international tenants and market players. The employees in each of the branches are qualified by hands-on market experience, linguistic fluency and possess a strong working knowledge of local culture and business practices. This grass roots presence is a very important source of our competitive advantage. Their long-term working relationships with local market participants and decision makers allows us to better understand and address our tenant's needs and identify investment opportunities while being aware of risks. Alongside the nuanced insight we develop on the ground, we pool market intelligence at head office to ensure that we see the big picture of regional trends and connect the dots of lessons-learned.

Our strategy

In 2015 GTC initiated a growth strategy to build the leading commercial real estate portfolio in the CEE and SEE regions. In order to achieve our strategic objectives, and promote a growth strategy in particular, we will focus on the following key strategic elements:

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

Market condition in 2016 included attractive pricing of income generating properties and presented compelling acquisition opportunities. GTC invested approximately €140m in six properties. During 2016 we acquired:

- Pixel (an office building located in Poznań, Poland);
- Premium Point (an office building located in Bucharest, Romania);
- Premium Plaza (an office building located in Bucharest, Romania);
- Neptun Office Center (an office building located in Gdańsk, Poland);
- Sterling Business Center (an office building located in Łódź, Poland);
- minority stake in City Gate (an office building located in Bucharest, Romania).

Bearing in mind both the Group's investment criteria and the prevailing market yields, we carefully consider and evaluate attractive investment opportunities. Thanks to our growth strategy, we are well-positioned to benefit from the exceptionally high yield spread in the current low interest rate environment. This fosters accretive growth in property values. In addition, we take advantage of the future growth potential and the historical low level of rents in Poland, particularly in Warsaw and other capital cities of the countries in which we operate.

The Group's expansion plans are selective in pursuing opportunities based on market opportunity, demand and potential return on investment.

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

- office and retail assets;
- located in Warsaw or secondary cities in Poland and in the capital cities of CEE and SEE countries;
- cash generation ability (upon acquisition or shortly thereafter);
- potential growth of NOI through re-leasing, optimizing average occupancy and rental rates, and redevelopment;
- potential to increase return on equity through active asset management.

In addition, we are also considering attractive land plots for future development projects across the CEE and SEE regions.

Developing selected projects in the preconstruction or construction stage

Another source for growth under our strategy is the development of commercial projects in local areas where there is sufficient demand for commercial properties.

In 2016, we completed and fully leased approx. 20,000 sq. m class A office project in Łódź, Poland and opened the second building in a new office complex in Belgrade: FortyOne. The building of approx. 8,000 sq. m has already reached 91% occupancy.

Currently we have over 139,000 sq. m of office and retail space under construction with five projects, that will significantly boost our NAV and FFO as early as 2017:

• **Galeria Północna** – a retail and entertainment center that we are building in Warsaw with a total NRA of approximately 64,800 sq. m. Its construction began in June 2015 and the grand opening is planned for August 2017;

• **FortyOne III** – the last building in a complex of three office buildings being built in Belgrade, Serbia, with a total NRA of up to 27,800 sq. m; construction of the first phase (10,100 sq. m GLA) completed in August 2015, construction of the second building (7,200 sq. m GLA) completed in September 2016 and construction of the third building (10,700 sq. m) began in the first half 2016 and its completion is scheduled for the first quarter of 2017;

• **Artico** – fully let office building in Warsaw with 7,600 sq. m of NRA;

• **White House** – an office building in Budapest with up to approximately 21,500 sq. m of NRA;

• **Ada Mall** – a shopping mall in Belgrade with up to approximately 34,400 sq. m of NRA;

We also have another 181,000 sq. m of office and retail space that are in the planning stage and will move to the construction stage very soon to further boost NAV and FFO:

• **Galeria Wilanów** – a retail and entertainment center with intended NRA of approximately 61,000 sq. m to be developed by the Group in Warsaw;

• **Green Heart** – a complex of office buildings being built in Belgrade, Serbia with the total NLA of up to 25,500 sq. m;

• **GTC X** – an office building of 17,000 sq. m NLA being built in Belgrade;

• **GTC City Tower** – an office building of 42,500 sq. m NLA being built in Budapest;

• **Matrix** – an office complex of 20,800 sq. m NLA being built in Zagreb;

• **Advance Business Centre** – an office building of 14,100 sq. m NLA being built in Sofia.

We position ourselves as a real estate investor and developer and we intend to steer our development activities to accommodate market conditions. This approach allows us to react and respond to the ever-changing conditions of the real estate market and to focus on more active and efficient asset management of our existing as well as our expanded portfolio. As long as the prevailing market conditions are in our favor, we intend in the medium term to structure our real estate portfolio so that more than half of its value is attributed to income generating assets and the remaining portion to trading and development.

Improving the efficiency of asset management activities and maximizing our operating performance and efficiency

We will continue to be pro-active in the management of our current and future income generating commercial property portfolio. By doing so, we will maximise operating performance and efficiency, diversify tenant risk and enhance rental income.

We intend to add value to our portfolio through asset management activities such as:

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

In 2016, we worked intensively on developing our portfolio to keep our overall occupancy at 94%. In the office portfolio, we successfully let a total of 113,000 sq. m, and we improved the office occupancy rate by 100 basis points to 93% as a result. We let 31,000 sq. m in the retail portfolio, including 18,700 sq. m of pre-letting in the newly developed Galeria Północna and planned Galeria Wilanów. This put GTC's rental occupancy at 95%. It is our intention that the active asset management of completed assets will constitute a crucial element of the Group's strategy in the long term.

Disposal of non-core assets

To improve our liquidity and to unlock equity to finance new investments and acquisitions, we continued to sell our non-core assets. Our non-core assets include residential properties and certain properties in the landbank. The process was almost completed in 2016.

Disposal of mature assets

We may also sell certain mature assets from our portfolio. Mature assets are completed commercial properties that generate a stable flow of rental income which, in our view, have reached their maximum long-term value. We may also sell existing income generating properties whose value has increased since we bought them.

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

We intend to continue to focus our business activities on properties located in Warsaw or secondary cities in Poland and in the capital cities of CEE and SEE countries, as they tend to be characterised by macroeconomic stability, continued GDP growth and investor and tenant demand. We believe that some other markets in which we operate also offer long-term growth potential due to their relatively underdeveloped real estate markets and relatively illiquid environment.

We will explore further investments in these markets on an opportunistic basis, applying strict risk adjusted return hurdles. At the same time, we will impose specific performance requirements on all assets in our portfolio.

"GTC's shopping malls provide a vibrant and connected retail space, and offer an appealing shopping experience for our customers."

Wojciech Mikulski
Management Board Member
OTCF S.A.

4F

Looking forward

In 2017, we will focus on implementing our growth strategy through targeted acquisitions of value-add assets in our core markets, and driving forward the planning and construction activities in our development portfolio which will fuel future growth.

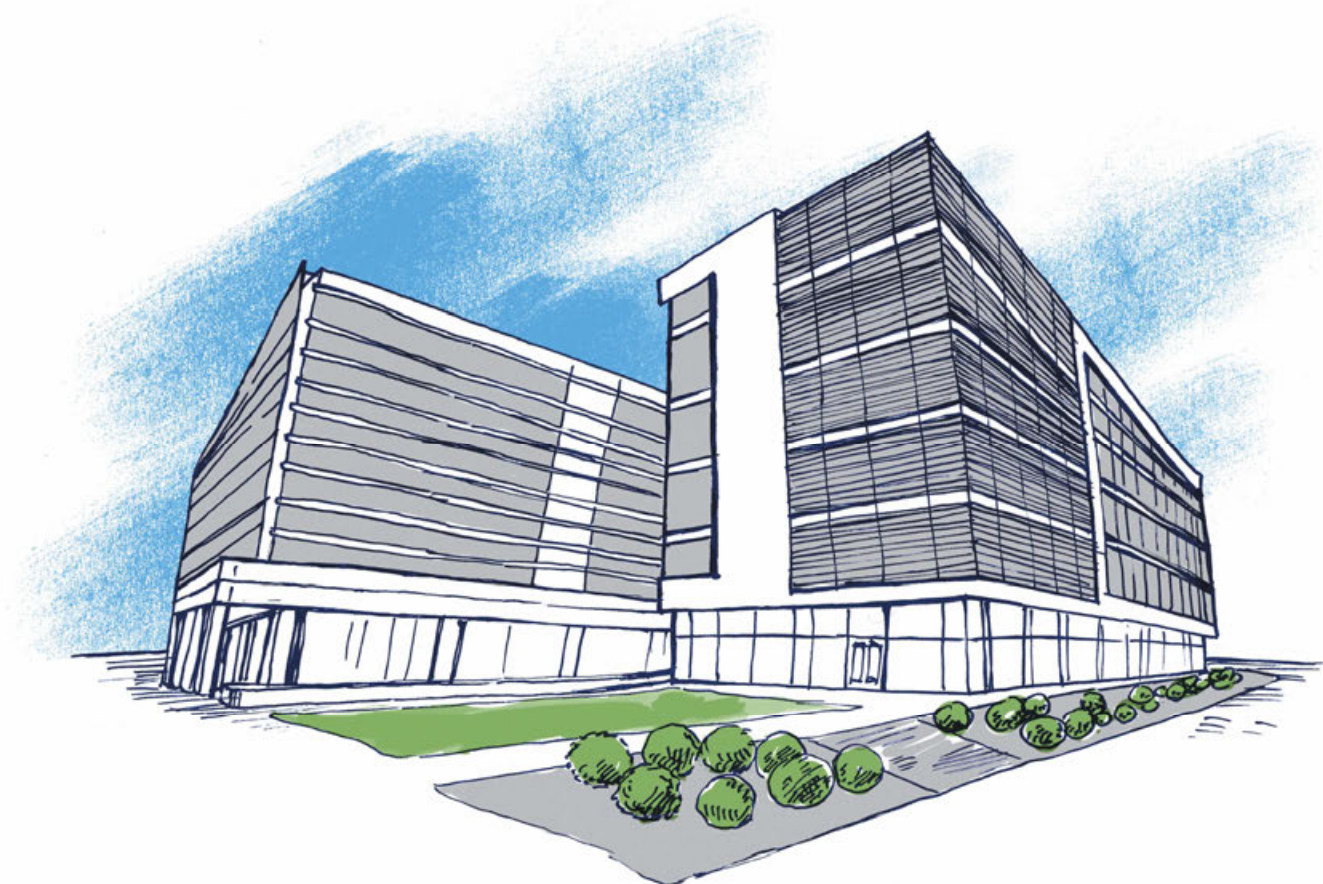
We will continue to manage our core-portfolio and generate value through the improvement of our acquired value add projects.

On the development side, the Group will complete the development of Galeria Północna in Warsaw, Ada Mall in Belgrade, FortyOne III office building in Belgrade, White House office building in Budapest and Artico office building in Warsaw.

On the planning front, we will continue our efforts to achieve building permits for Galeria Wilanów, Matrix, GTC City Tower, Green Heart, GTC X and Advance Business Center.

The projects will be financed through a combination of equity, project loans and corporate borrowing. The Group is highly committed to a conservative leverage and plans to maintain Net LTV below 50%.

Moreover, as a result of increasing cash generating capacity the Group will endeavor to allocate a growing part of its FFO for dividend distribution.



FortyOne, Belgrade



Sterling Business Center, Łódź

06. KEY ACHIEVEMENTS 2016

2016 marks a pivotal year in our history.

After having completed the strategic repositioning of GTC in 2015 we have now reached growth momentum. A lot has been accomplished.

Assets acquisitions and completion

- **Realisation of the growth strategy through acquisition of income generating assets;**

€140m of income generating assets acquired

- Pixel (an office building located in Poznań, Poland);
- Premium Point (an office building located in Bucharest, Romania);
- Premium Plaza (an office building located in Bucharest, Romania);
- Neptun Office Center (an office building located in Gdańsk, Poland);
- Sterling Business Center (an office building located in Łódź, Poland);
- minority stake in City Gate (an office building located in Bucharest, Romania).

- **Acquisition of Artico, fully leased office project under construction in Warsaw, Poland**

- **Acquisition of land plots for immediate development in the heart of Budapest, Belgrade and Sofia**

- **Completion and commercialisation of:**

- University Business Park B in Łódź, Poland;
- FortyOne II, a modern class A office building in Belgrade, Serbia.

- **Commencement of construction of:**

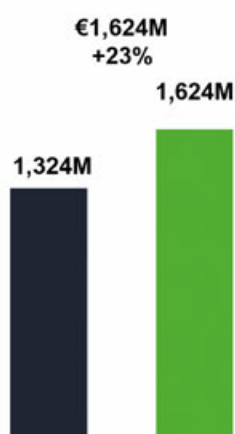
- FortyOne III, third and last office building in FortyOne office complex ;
- White House, a modern, class-A office building in Budapest, Hungary;
- Ada Mall, a state-of-the art shopping mall in Belgrade, Serbia.

Development of projects

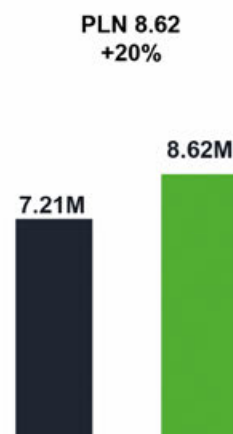
- **139,000 sq m under construction:**

- Galeria Północna (a shopping mall located in Warsaw, Poland);
- Ada Mall (a shopping mall located in Belgrade, Serbia);
- FortyOne III (an office building located in Belgrade, Serbia);
- Artico (an office building located in Warsaw, Poland);
- White House (office building located in Budapest, Hungary).

Total property



EPRA NAV/share



• **181,000 sq m in the pre-construction stage:**

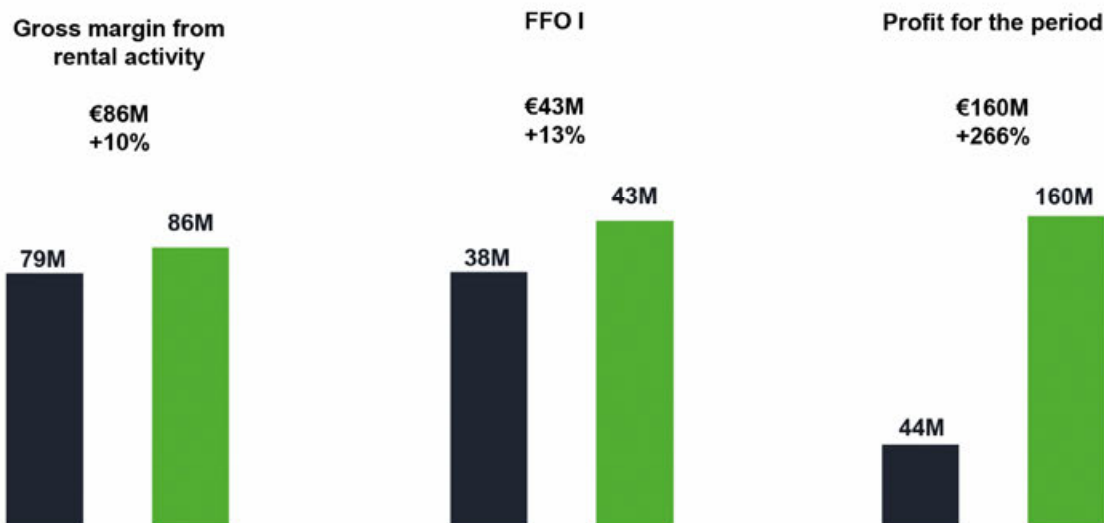
- Galeria Wilanów (shopping mall being built in Warsaw, Poland);
- Green Heart (complex of office buildings being built in Belgrade, Serbia);
- GTC X (an office building being built in Belgrade, Serbia);
- GTC City Tower (an office building being built in Budapest, Hungary);
- Matrix (an office complex of 20,800 sq. m NLA being built in Zagreb);
- Advance Business Center (an office building of 14,100 sq. m NLA being built in Sofia).

Leasing achievements

Over the past year, we worked intensively to strengthen the occupancy level of our portfolio. As of 31 December 2016, we let an additional 113,000 sq. m office space, improving the office portfolio occupancy rate by 100 bps to 93%. We also performed well in the retail segment: with 18,700 sq. m of pre-letting in the newly developed Galeria Północna and planned Galeria Wilanów, the retail let area increased by 31,000 sq. m, putting our retail portfolio occupancy at 95%.

Financial highlights

- **Total investment of €255m (including €162m of acquisitions)**
- **Revaluation gain of €85m (€26m in 2015) driven by projects under construction includes also modest 3% revaluation gain on income generating properties on improved performance**
- **EPRA NAV increased to €897m (€779m as of 31 December 2015)**
- **EPRA NAV / share increased 20% to PLN 8.62 from PLN 7.21 as of 31 December 2015**
- **Gross margin from rental activity increased by 10% to €86m (€79m in 2015)**
- **13% FFO I improvement to €43m (€38m¹ in 2015)**
- **FFO I / share at PLN 0.39 (PLN 0.38 in 2015) and FFO I yield of 5%**
- **Profit after tax at €160m (€44m in 2015)**
- **Earnings per share up by 183% to €0.34 (€0.12 in 2015)**
- **Listing on Johannesburg Stock Exchange**



1. Based on GTC's 59% share in FFO I of City Gate to present GTC's fair economical interest in generated funds from operations

07. RENTAL & DEVELOPMENT PORTFOLIO REVIEW 2016

Overview

GTC's core business is geared towards office and retail assets, with a clear focus on creating value from the active management of a growing real estate portfolio in CEE and SEE supplemented by selected development activities. Photos highlighting our major properties can be found in the appendices at the back of this document.

We made considerable progress both regarding the management of properties and the optimization of the corporate platform and the portfolio. We added attractive acquisitions to the property portfolio and the positive market environment allowed us to achieve an important strategic goal through the disposal of non-strategic properties.

Portfolio structure

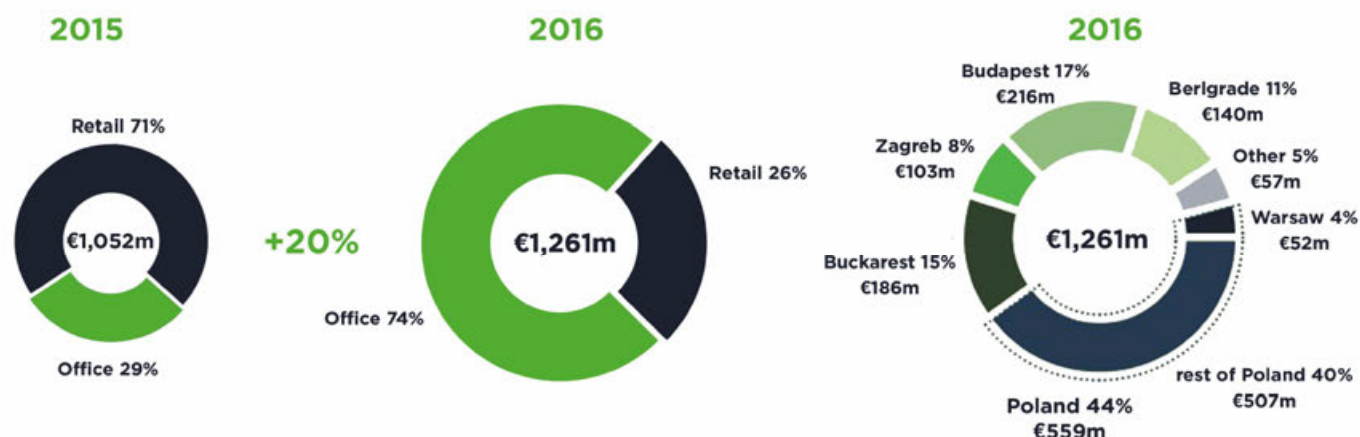
At the end of 2016, GTC portfolio comprised 31 income generating commercial projects (36 buildings). Our buildings are used and occupied by highly demanding tenants and customers in Poland, Serbia, Hungary, Romania, Croatia and Bulgaria. Additionally, we have six projects in pre-planning, planning or construction stage.



Avenue Mall Zagreb, Zagreb

Performance Metric	2016	2015	2014
Occupancy rate	94%	92%	91%
Square meters under construction ('000)	139	90	28
Square meters in planning ('000)	181	129	
Square meters under management ('000)	596	524	547
% of income-generating assets in the portfolio	78%	79%	80%
% of assets under construction	15%	8%	2%

Income generating portfolio by region and class



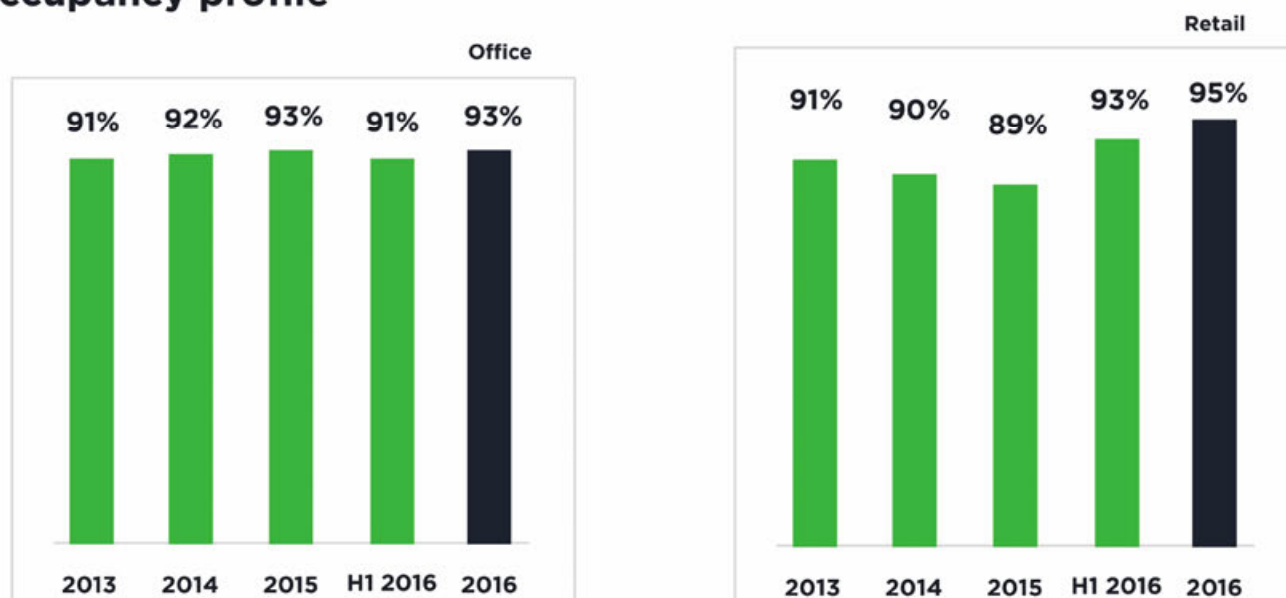
GTC PORTFOLIO	#	Book value (€m)	%	Annualised in-place rent (€m)	NLA (ths. sq. m)
Income generating (a+b)	31	1,261	78%	92	596
a) Office	27	936	58%	67	456
b) Retail	4	325	20%	25	140
Investment properties and residential project under construction⁽²⁾	6	246	15%	-	139
Projects in planning stage	6	57	4%	-	181
Landbank for developments	4	8	0.5%	-	-
CORE PORTFOLIO	47	1,572	97%		NM
NON-CORE PORTFOLIO⁽³⁾	14	52	3%		NM
TOTAL	61	1,624	100%		NM

Notes: (1) Excludes €4m of investment in associates and 50% joint ventures; (2) Includes €5m of investment in Osiedle Konstancja phase VI; (3) Non-core landbank, „Residential Landbank & Inventory”

GTC's income generating asset portfolio consists of standing rental assets that are not subject to development activities or held for sale. The average occupancy rate within the income-generating portfolio was 78% as of 31 December 2016.

The portfolio was valued based on average yield of 7.5%. The average duration of leases in the Group's income generating portfolio amounted to 4 years and the average rental rate was €14.7/sq. m/ month.

Occupancy profile



Development pipeline

Developing selected projects in the pre-construction or construction stage

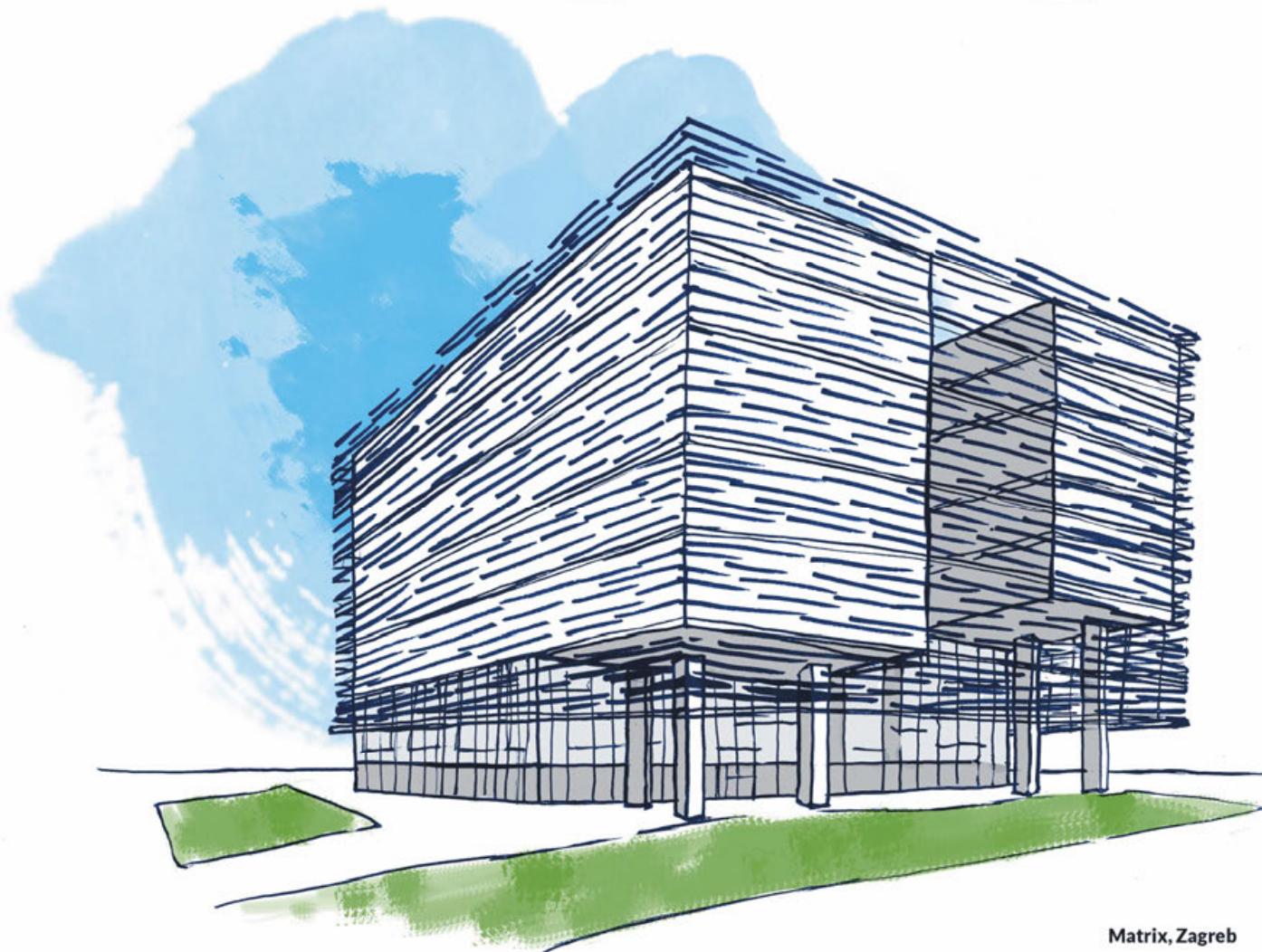
Another core growth source under the Group's strategy is the development of commercial projects in areas where there is demand for commercial properties.

These areas include over 139,000 sq m of office and retail space under construction with five projects, that are under construction: as well as a residential project in Warsaw (Osiedle Konstancja phase 6) and aprox. 181,000 sq. m of office and retail space in projects in pre-construction stage.

The development of those projects which, as at the end of 2016 were in the pre-construction stage (shopping mall Galeria Wilanów (Warsaw) and an office project GTC City Tower (Budapest), Green Heart (Belgrade), GTC X (Belgrade), Matrix (Zagreb) as well as Advance Business Center (Sofia)) or construction stage (Galeria Północna, Ada Mall, Artico, White House and FortyOne phase III), is an important value driver of the Group.

As of 31 December 2016, those projects represent approximately 19% of the Group's GAV.

Projects under construction



Matrix, Zagreb



08. PROPERTY MARKET

GTC House, Belgrade

Market conditions in our core markets are buoyant based on positive economic growth which can be above Western EU averages. Generally, the market conditions in our core markets are buoyant based on positive economic growth which can be above Western EU averages. That said, GTC must carefully choose its investment destinations since there is variability of conditions depending where you look. This overview was prepared by the Group based on publicly available information and is focused on the most important markets in which the Group operates.

Office markets

Poland

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

Expansions accounted for 75,700 sq. m, an amount greater than that for the whole of 2015, which is an impressive result considering the fall in demand y-o-y overall.

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

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

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

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

Demand for office space in 2016 was almost 585,700 sq. m, with the two unquestionable leaders, Kraków and Wrocław (187,800 sq. m and 124,500 sq. m leased, respectively), accounting for 53% of the total take-up. Approximately 38% of all signed transactions (222,000 sq. m) were pre-lets, followed by new deals in existing buildings (33%, i.e. 190,700 sq. m) and renewals (16%, i.e. 94,700 sq. m). Expansions accounted for 78,300 sq. m. Once again demand was driven by companies from the modern business services sector, which accounted for 59% of all of the deals in markets outside of Warsaw. In all major cities except Poznań and Szczecin the share of this sector in total take-up exceeded 50%. The growth forecasts for this sector remain very positive, which will further enhance the market.

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

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

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

Romania

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



Serbia

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

Hungary

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

Croatia

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

Bulgaria

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

Retail market

Poland

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

Serbia

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

Croatia

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

Bulgaria

No new shopping centres were delivered in Sofia. There has been an increase in construction activity in secondary cities. Refurbishment of existing schemes continues and existing retail chains are expanding.

"We grow fast...that means many changes, which need to be implemented quickly and with minimal impact on our employees. GTC has proved to be a flexible and reliable landlord partner, who not only understands, but most importantly supports us. That is what I call a good partnership."

Malgorzata Kandela
Head of Administration,
PANDORA Jewellery
CEE Sp. z o.o.

PANDORA

Investment market

Poland

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

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

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

Investor interest and the 2017 pipeline looks promising. Therefore volumes could potentially exceed those of 2016.

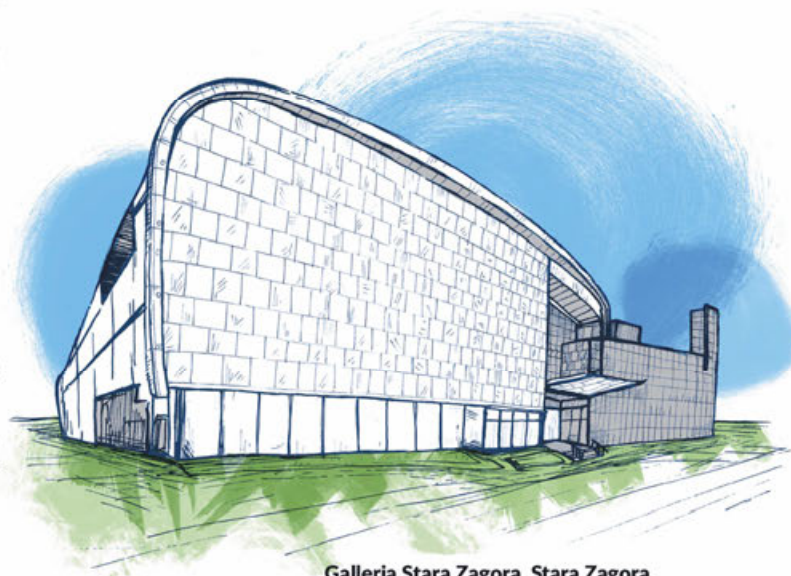
Romania

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

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

Hungary

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



Galleria Stara Zagora, Stara Zagora

Croatia

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

Bulgaria

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



Aeropark Business Centre, Warsaw

09. FINANCIAL REPORT



Neptun Office Center, Gdańsk

Financial performance review

Key highlights of the year

Within its core business, which is measured by metrics such as net operating income, lettable space, income generating assets and occupancy rate, the Company's performance has been relatively steady over the past three years. In the background however, there has been dynamic change. In the face of altered markets conditions and our view of future trends, GTC embarked on an investment and restructuring program designed to strength our balance sheet and better position us for future growth.

The positive results of this were best seen in funds from operations (13% increase) and improved leverage with LTV currently at a more conservative 43%. With the availability of new financial resources we launched a more confident expansion drive which reflected in greater construction activity.

Overall 2016 has been a satisfactory year in terms of financial performance. We were able to improve all major financial metrics as we restructured and repositioned the Company.

Performance metric	2016	V %
Profit for the period	€160m	+ 266 %
Gross margin from rental activity	€86m	+ 10 %
Rental margin	76%	+ 100 bps
EPRA Net Asset Value	€897m	+ 15 %
Net debt	€703m	+ 35 %
Net loan to value ratio	43%	+ 400 bps
Average interest rate	3.2%	- 20 bps
Equity Ratio	43%	+ 300 bps
Funds from operations (FFO)	€43m	+ 13 %
FFO per share	PLN0.39	5 %

"We have a close relationship with GTC for many years. GTC is a quality asset owner, a professional and reliable borrower, with whom we would like to grow our business."

Monika Mielecka

Finance team head

Large Commercial Real Estate,

Bank Pekao S.A.



Net loan-to-value (net-LTV)

An important metric a real estate enterprise that used long term debt to finance a portion of its property portfolio is how much leverage is being employed in the financing. GTC finances its individual properties on a non-recourse "ring-fence" basis which means that aggregate leverage is compartmentalized at the level of assets in separate legal subsidiaries (see "Financial Policies and Principles").

The degree of leveraging of each property varies based on individual risk factors.

As a measure of overall financial leverage, we calculate loan-to-asset value on a pooled basis:

The loan-to-value ratio has increased over 2016 due to refinancing of assets that were initially acquired with capital. The Group's strategy is to keep its loan-to-value ratio at the level of not exceeding 50%.

Loan to value

(€ m)	2016
Investment Property	1 605
Assets held for sale Residential land-bank & inventory	19
IFRS Portfolio value	1 624
Total financial debt	881
Cash and cash equivalent	178
Net debt	703
Net loan-to-value (net LTV) (%)	43%

EPRA key figures

The European Public Real Estate Association (EPRA) promotes consistent and transparent financial reporting. EPRA recommends the calculation of EPRA NAV as a financial measure to enhance a company's transparency and comparability across the real estate industry.

EPRA Net Asset Value (EPRA NAV)

(€ m)	2016
Total equity	790
Non-controlling interest	3
Equity attributable to equity holders of the company	787
Derivatives	5
Deferred tax liabilities (net)	104
EPRA NAV	897
Number of shares	460 216 478
EPRA NAV per share (€)	1.95

Post balance sheet events

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

In March 2017, the Company issued 3-year Euro denominated bonds in the total amount of €18 million.

Financial policies and principles

In a capital-intensive business such as ours financing has an important role and should be subject to the discipline of sound and prudent principles.

We therefore have the following standing policies with regard to our business:

Stand-alone project financing: All construction financing and investment loans are on a non-recourse basis, except for the assets being developed. With debt being 'ring-fenced', banks are confined to mortgages on the financed real property and certain related project assets. Additionally, the Group borrows on a corporate level on an unsecured financing basis while undertaking to comply with certain covenants.

Balance Sheet Leverage: The Group's overall leverage policy, measured by the consolidated net debt to total assets ratio, is not to exceed 50%. We regard such a debt level as not only prudent but also advantageous in terms of maximizing investment yields, especially in today's low interest rate environment.

Maturity Profile: The repayment schedule of our debt is carefully managed and generally tied to the debt service capacity of individual properties.

We continuously monitor the debt markets in order to take full advantage of refinancing opportunities should they arise. Our usual practice is to refinance facilities ahead of their maturity particularly if FV accretion allows equity withdrawals based on sustaining a comfortable LTV.

Development project initiation: New development projects are only undertaken if long term committed financing can be arranged. We do not initiate construction on a speculative basis. While 100% advance take-up on lettable space is seldom possible, our usual practice is to have anchor tenants in place to secure a substantial portion of rental income.

Liquidity Reserves and Flexibility: It is the Group's policy to have certain debt at the parent level and to carry surplus liquidity to support cash needs amongst its subsidiaries, especially during project development when there is the need to invest significant amounts of cash. Up to 20% of our total long term debt is financed by unsecured bonds traded in the debt market.

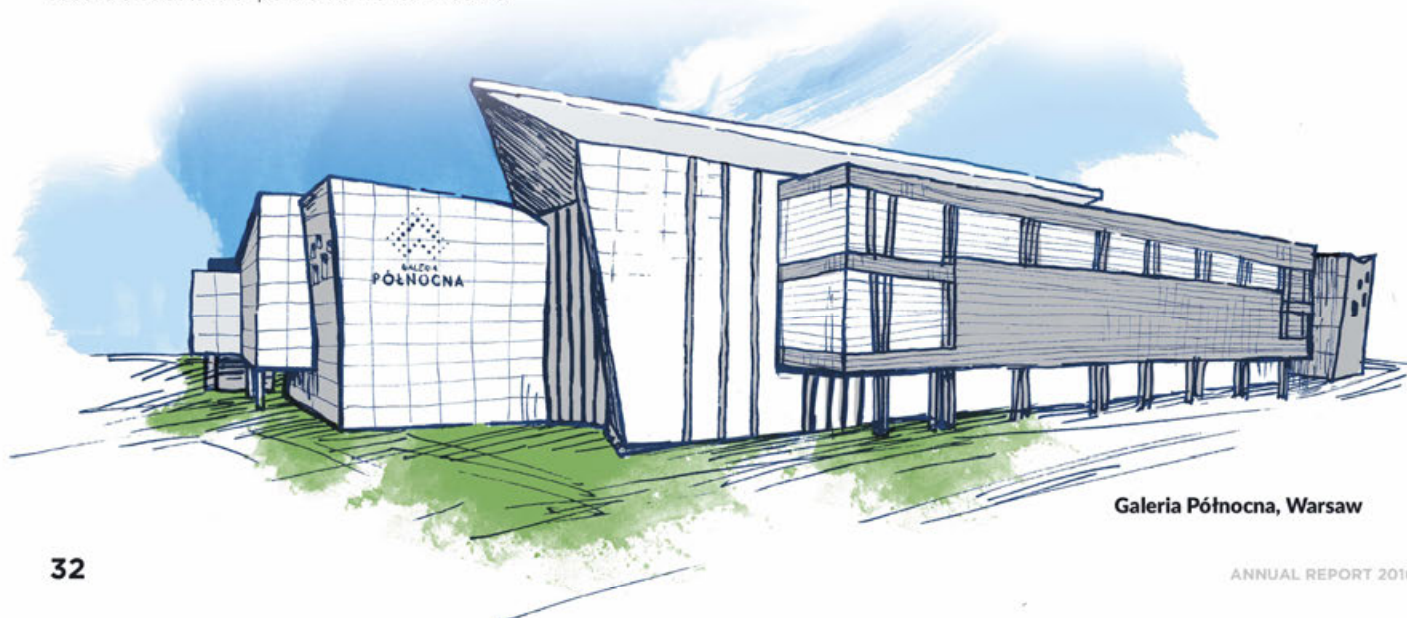
Diversified Funding Sources: We seek to utilize debt financing from a broad array of diversified funding sources. As a general policy we borrow from banks domiciled where development projects are located giving us a local ally in the project's future. Post-completion, investment loans are taken out typically for seven to 10 years. We currently have long standing banking relationships with over 10 banking institutions.

Interest Rate Risk: During construction financing, it is our policy to borrow on a floating basis.

At completion, it is our policy to use hedges to lock in fixed interest rates for ca. 70% of total investment loans.

Currency Rate Risk: The vast majority of our income is Euro denominated. Consequently, most of our loans are Euro denominated, as well as our investment activity. This policy provides us with a natural currency hedge.

Calculated Risk Appetite: The risks the Group faces are entirely determined at the grass roots level of individual projects and will vary across a spectrum of market location, LTV, occupancy, lease term to maturity and tenant quality to name the most important. GTC's willingness to incur commercial risks is framed both by the degree of risk we see and the offered returns.



Galeria Północna, Warsaw

Risk management report

In theory, GTC is exposed to a broad array of risks.

In practice, based on their probability of occurrence and adverse consequences, we can prudently focus on an important subset of risks.

Like any business, GTC has its own distinctive business risks, challenges and opportunities. Management view a key responsibility to anticipate, understand, mitigate, and manage the Firm's risks in order to achieve our strategic objectives. We strive to do this in a conscientious, disciplined and formalized manner. Because we take a patient, long term perspective of our risks we are not risk-shy. We appreciate that risk is a 'two-edged sword' and, if carefully managed, it can generate upsides which boost shareholder value.

The firm's management structure is simple, allowing us to keep our 'eye closely on the ball' of risk issues.

Attention to risk runs throughout the company as opposed to being compartmentalized in a separate function. An important and accountable role of country managers is to stay abreast of local conditions as they evolve and channel market intelligence as well as risk measures to the senior management team in a "no surprises" manner. The Management Board delegates selected risk management duties to an Executive Committee. For its part, the Supervisory Board, well versed in real estate know-how, takes responsibility for ensuring that management is dealing with risks in an appropriate way. Both boards accept that it is a healthy and necessary habit to challenge each other's risk perceptions.



In the following section, we identify and describe the more significant risks that confront GTC in the fulfillment of its goals: strategic risks, operational risks and financial risks. We explain how we are dealing with these risks to ensure that our delivery of shareholder value will not be threatened by the downsides of our business.

Strategic Risks:

Strategic risk arises from GTC's business plans and strategies, including the inherent risks of the markets and industries in which we operate.

Key uncertainties confront us in urban growth patterns, future rental property demand and in competitor actions. It is vitally important to capitalize on market opportunities or source attractive development projects.

This in turns requires a firm grasp of market realities and trends, foresight and forward planning. Pitfalls include miscalculating investment returns, allowing over concentrations of assets or ending up with an unsuitable portfolio mix in the face of market directions and winning trends.

Mitigation:

- Our market area, Central and South Eastern Europe, is enjoying healthy long term macro-economic prospects as post-transition markets that are catching up to the EU;
- By design and track record, we are well diversified by country, cities, property classes, development projects and tenants;
- In the face of both the opportunities and threats that our marketplace presents, GTC's risk appetite is to take calculated commercial risks that are suitably rewarded by promised returns. We can take advantage of a long history of operations in the market to capitalize on past lessons learned.
Our presence across broad spectrum of countries, cities, development projects, investment properties, financing courses and tenant portfolio diversifies any threatening pockets of risk;
- The Management Board is composed of seasoned property developers with a proven track record of achieving strong performance. All investment decisions are anchored on a thorough analysis of sustainable income streams which balance risk vs. reward;
- The Supervisory Board has a depth of know-how and an independent oversight, including robust challenging of key decisions to ensure risks are understood and addressed.

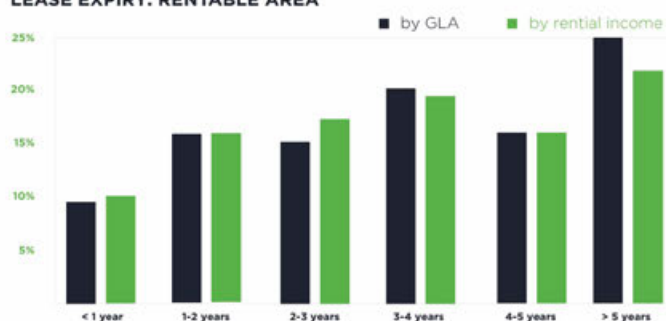
Operational Risks:

On the revenue side, vacancy rates and/or rental rates in our buildings may be below expectations or, worse, may be insufficient to cover the fixed costs of operating expenses, debt servicing (both principal and interest) and generating a yield to ourselves and our joint venture partners as equity investors. This might occur because of over-supply from other competing developments or macro-economic slow-down in the economy. Included in occupancy risk is lease roll-over risk: the possibility that existing tenants chose not to renew their lease at maturity. On the expense side, our investment properties have operating costs which include such recurring expenses as facilities staff, cleaning, security, utilities, repair and maintenance, insurance and taxes. If higher than expected, NOI can be squeezed and investment yield will suffer accordingly.

Mitigation:

- In going ahead with any new developments, we take into account the impact on forecasted revenue of any new, competing projects scheduled to coincide with our plans. We keep a careful watch on competitor activity and monitor their project pipelines;
- We patiently invest long term with a view to prevail through the ups and downs of occupancy cycle as opposed to timing only when conditions are favorable and forgiving;
- No projects are done completely on spec although like most developers we know that take-up ramps up once a project is complete. We ensure a critical mass of lead tenants that are committed to any project before proceeding;
- We strive to stagger lease maturities so we do not face a concentration of renewals in any one year (see graphs);

LEASE EXPIRY: RENTABLE AREA



We have experienced and skilled asset managers who are able to tightly control operating costs to keep with within targeted levels;

- Detailed actual versus budgets are prepared and reviewed regularly for variances and remedial action is swiftly undertaken;
- Many expenses are either the responsibility of tenants and/or contracted at fixed prices.

Financial Risks:

Project Completion:

During construction phase, sufficient and suitable financing must be in place to complete the project according to the budget, including the contingency of an over-run and completion on schedule, including the contingency of a delay. In the case of debt financing, covenants must be met, breach of which could allow lenders to withdraw support.

Lenders must be counted upon to honor undrawn lines through ongoing future lending capacity. That said, since the property under development typically constitutes the primary collateral security for lenders, they have a strong vested interest to reach completion so that full collateral value is realized to protect their exposure.

Mitigation

- We carefully assess prudent leverage levels suitable to the project under development. We target an average maximum LTV of 50% allowing certain qualifying projects with more assured debt service capacity to go to 70% at most. A degree of headroom (unexploited financing capacity) ensures that our lenders will always be comfortable with their exposure and that we have untapped financing capacity if we need it;

- We have developed strong relationships with a broad array of lending institutions both domestic and off-shore which have a proven capacity and competitive zeal to work with us;
- All financing is arranged in advance using committed facilities and standby lines. We carefully monitor credit usage to ensure that undrawn facilities are always sufficient to cover remaining budgeted completion costs;
- We negotiate suitable loan structures (revolving debt with repayment deferrals etc.) to match the needs of the construction phase. As much as possible exposure is non-recourse to GTC as sponsors;
- If desirable, we can arrange co-financing with joint-venture partners to diversify equity at risk.

Credit Exposure to Lessees:

Our tenants make regular lease payments (monthly/quarterly) which they may be unable to fulfill because of financial stress. Under most lease agreements rent is paid in advance (vs. arrears). If paid in arrears, lease provisions allow us immediate eviction sanctions and the possibility of re-leasing to new tenants in the event of payment default. Credit risk is the greatest for small, standalone retailers exposed to the vagaries of fashion, consumer preferences or in the nature of start-up experiments.

We also must be concerned about 'contagion' in shopping mall spaces where too many vacate stores can taint the attractiveness of the overall facility.

Mitigation:

- The bulk of our tenants are financially sound and well recognised corporations (see sample below) with stable going concerns and moderate, if any, credit risk;



- We strive to have a diversified base of solid tenants who are unlikely to default;
- We conduct credit checks and due diligence on those potential tenants who are not well known to us;
- We sign long term leases with most tenants with strict contractual terms for timely payments;

- We monitor on-time lease payments and immediately follow up on any over-due collections;
- For properties with inherently high-risk tenants with a high potential for turnover (say, new, single outlet shops), we strive to have a tenant backlog which can quickly replace any forfeiting tenants.

Interest Rate and Financing:

After completion and upon targeted tenant take-up, development projects convert to investment properties on a long term hold horizon unless we chose to sell. Permanent long term mortgage financing must be arranged to take-out construction loans. In the case of term loans from banks, a portion is on a floating rate basis and is subject to increase should money market interest rates increase.

Mitigation:

- With an average LTV ratio of less than 50%, mostly secured by cash generating assets, GTC is an inherently safe borrower in the eyes of most lenders depending on the asset;
- We have well-established relationships with the banking and investment community, both in Poland and in other developed markets to arrange long term financing at competitive terms; we have strong discipline of compliance with financial covenants, which is well respected by our lenders;
- We have arranged interest rate derivatives which will mitigate much of our exposure to interest rate increases;
- Our currency risk is naturally mitigated by conducting the vast majority of our activity through Euro denominated contracts.





10. CORPORATE GOVERNANCE

GTC Metro, Budapest

The way GTC manages itself and fulfills its responsibilities is vitally important to the interested parties who are its stakeholders. As a large, high-profile business that aspires to the trust and respect of the players with our markets, GTC pays attention to this mission critical task.

Management Board

Our Management Board is in charge of the Group's strategy and day to day operations. As highly experienced real estate professionals with a successful track record in CEE and other regions, management is focused on executing GTC's strategic, operational and financial objectives. The Management Board strives to run the Group's business in a transparent and efficient way in line with the provisions of applicable law, its internal provisions and the "Best Practices of WSE Listed Companies".

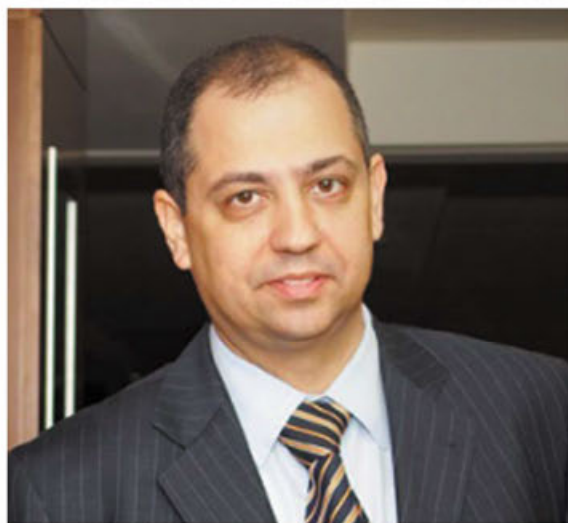
When taking decisions relating to the Group's business, the members of the Management Board act within limits of justified business risk. The Management Board and Executive Committee frequently meet. The two members of the Management Board acting jointly are entitled to make representations on the Company's behalf.

The Management Board Bylaws stipulate the scope of the Management Board's responsibilities and duties as well as functional procedures.



Thomas Kurzmann
Chief Executive Officer

President of GTC's Management Board since August 2014, Mr Kurzmann has a proven track record in the real estate market and has held top management positions for several years. Before moving from Volksbank AG to GTC, Mr Kurzmann served as CEO at Europolis AG (2009-2011) where he supervised and steered the sale and integration of Europolis AG into CA Immo AG. Prior to joining Europolis AG, Mr Kurzmann worked, among other things, as CEO at BV Development Company in Moscow (2007-2009), as Head of Deka Real Estate Global Funds at Deka Immobilien GmbH (2006-2007), and as Managing Director at IBI Real Estate GmbH (2003-2006). Mr Kurzmann graduated in Civil Engineering at the Federal Higher Technical Institute in Graz, Austria.



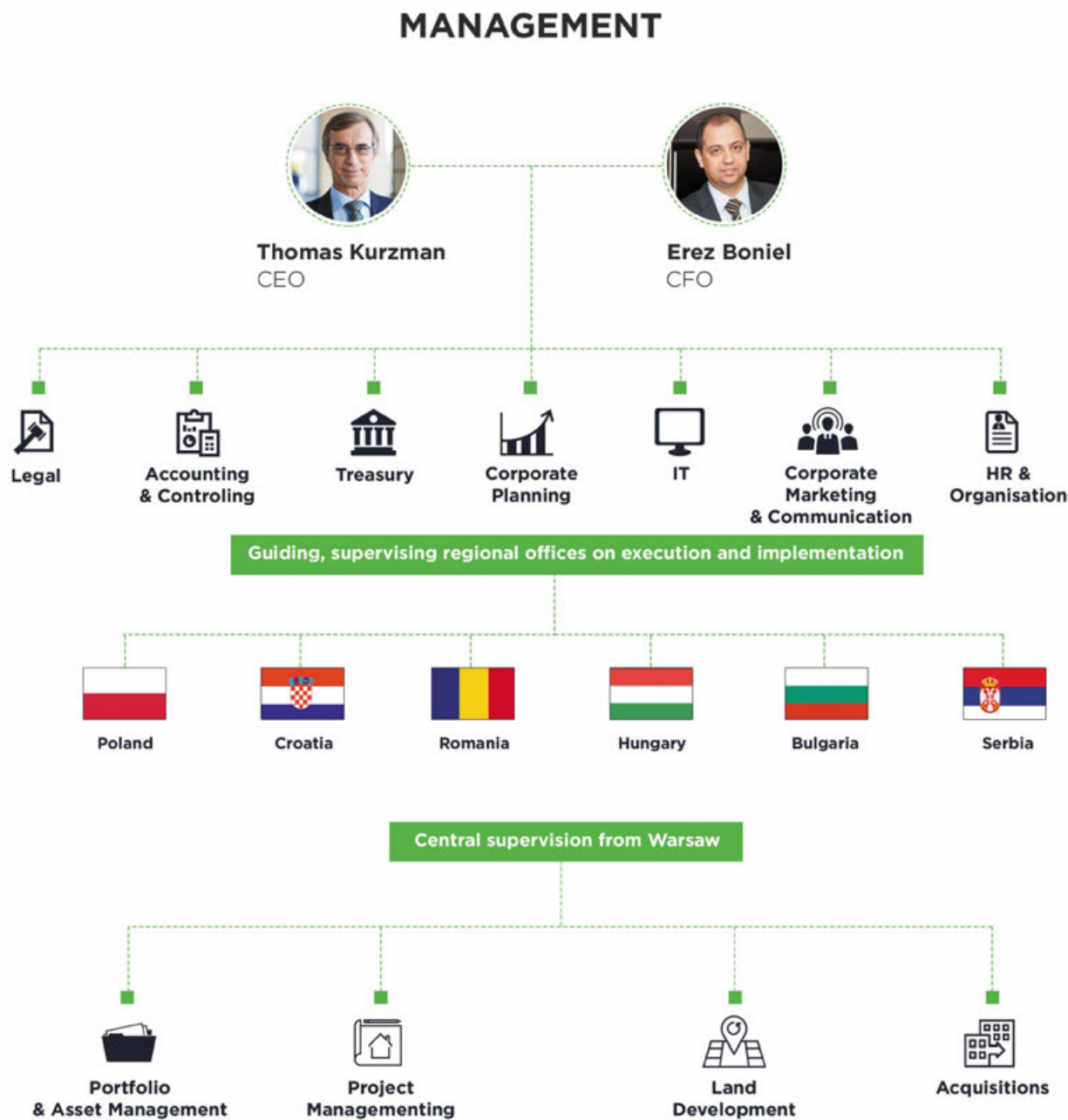
Erez Boniel
Chief Financial Officer

A member of GTC's Management Board and Chief Financial Officer, Erez Boniel has led GTC's financial activities since 1997. As part of his business activities he was a supervisory board member of Orbis S.A. (from Accor Group) for a number of years and acted on its various committees. Mr Boniel is also a guest lecturer for Executive MBAs at the Warsaw University of Technology Business School and at various organizations. Prior to joining GTC he worked as a financial controller at Reynolds Construction Company (West Africa) for three years and as an auditor between 1990 and 1993. Mr Boniel holds an MBA degree with honors from Calgary University and a CPA certificate.

Organizational structure

GTC management approach is to be tight-knitted, lean and team-oriented. Wherever suitable, authority, and accountability, is delegated to country managers who are closest to the marketplace.

Shared services are provided by centralized head-office. The 'mission critical' decisions of the company are the responsibility and focus of the top management team with oversight by the Supervisory Board.



Supervisory Board members

The Supervisory Board is appointed by shareholders who hold stakes of 5% and above of our shares.

The Supervisory Board in turn oversees the work of the Management Board on behalf of the shareholders' interests. The details of current and previous members of the Board can be found below.

The Supervisory Board acts in accordance with the Polish Commercial Companies Code and with the articles of association of the Company and the Supervisory Board regulations dated 14 April 2005. The Supervisory Board meets regularly at least once every quarter.

Pursuant to our articles of association, the Supervisory Board performs constant supervision over the activities of the enterprise. Within the scope of its supervisory activities, the Supervisory Board may require any information and documents regarding the Company's business from the Management Board.

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

Members of the Supervisory Board

Alexander Hesse

Chairman of Supervisory Board

Alexander Hesse has over 18 years of experience in real estate investments and asset management. He has invested directly in properties as well as in commercial real estate debt. As a senior managing director and co-head of European Real Estate Investments at Lone

Star, he is in charge of real estate and real estate debt investments in Germany, Austria, CEE and SEE. At TLG Immobilien GmbH, Berlin, Mr Hesse is chairman of the advisory board. Mr Hesse graduated from WHU Otto Beisheim School of Management and successfully participated in MBA programmes at Penn State University and Instituto Tecnológico Autónomo de México (ITAM).

Philippe Couturier

Member of the Supervisory Board

Philippe Couturier is chief executive officer Europe of Hudson Advisors and has more than 20 years of experience with real estate investments throughout Europe. As managing director he oversees the investment advice given by Hudson Advisors European asset management entities to their clients and directs the underwriting, financing and asset management of all Lone Star investments in Europe. Mr Couturier holds a degree in business and administration from INSEEC, Paris.

Jan Düdden

Member of the Supervisory Board

Jan Düdden has 10 years of experience in real estate and asset management. As the head of asset management activities for Hudson Advisors Germany, he is responsible for the asset management and disposal of real estate and real estate debt investments in Germany, the Benelux countries, and the regions of central and eastern Europe and southeast Europe. Mr Düdden holds a degree in business and administration from the WHU Otto Beisheim School of Management.

Mariusz Grendowicz

Independent Member of the Supervisory Board

Mariusz Grendowicz has been a member of the Supervisory Boards of Aviva Poland since 2012, Arctic Paper SA since 2012 and Money Makers since 2012. In 2013-2014 he was President and Chief Executive Officer of Polish Investments for Development SA. From 2008-2010 he was President of the Management Board and Chief Executive Officer of BRE Bank SA. Mr Grendowicz studied at the University of Gdańsk and then graduated with a degree in banking in the United Kingdom.

Ryszard Koper

Member of the Supervisory Board

Ryszard Koper has worked at the law firm of KMR KOPER in Warsaw since 2004. Ryszard Koper graduated from Łódź University's Faculty of Law and Administration in 1996. He also completed postgraduate studies in tax law at the Faculty of Law, at the University of Osnabrück in Germany in 1997. He is a certified tax advisor.

Marcin Murawski

Member of the Supervisory Board

Marcin Murawski he has been a member of the supervisory board of CCC S.A. since 2012. Between 2005 and 2012 he was a director of the internal audit and inspection department at WARTA Group and secretary of the audit committee at TUIR WARTA S.A. and TUNŻ WARTA S.A. Mr. Murawski graduated from the Faculty of Management of Warsaw University in 1997. He also has the following certificates: ACCA (1999), ACCA Practising Certificate (2003), KIBR entitlement (2003), CIA (2005).

Katharina Schade
Member of the Supervisory Board

Katharina Schade has several years of experience in M&A and strategy consulting. In her current position as vice president, underwriting at Hudson Advisors Germany, she underwrites investments for Lone Star in Germany, Austria, CEE and SEE. Ms Schade graduated from Philipps University in Marburg and is a CFA charter holder.

Tomasz Styczyński
Member of the Supervisory Board

Tomasz Styczyński has been with Bank Handlowy in Warsaw since 2001. In 2014 he became Corporate Banking Director. Tomasz Styczyński graduated from the Faculty of Banking and Finance and the Faculty of Management and Marketing at Cracow University of Economics.

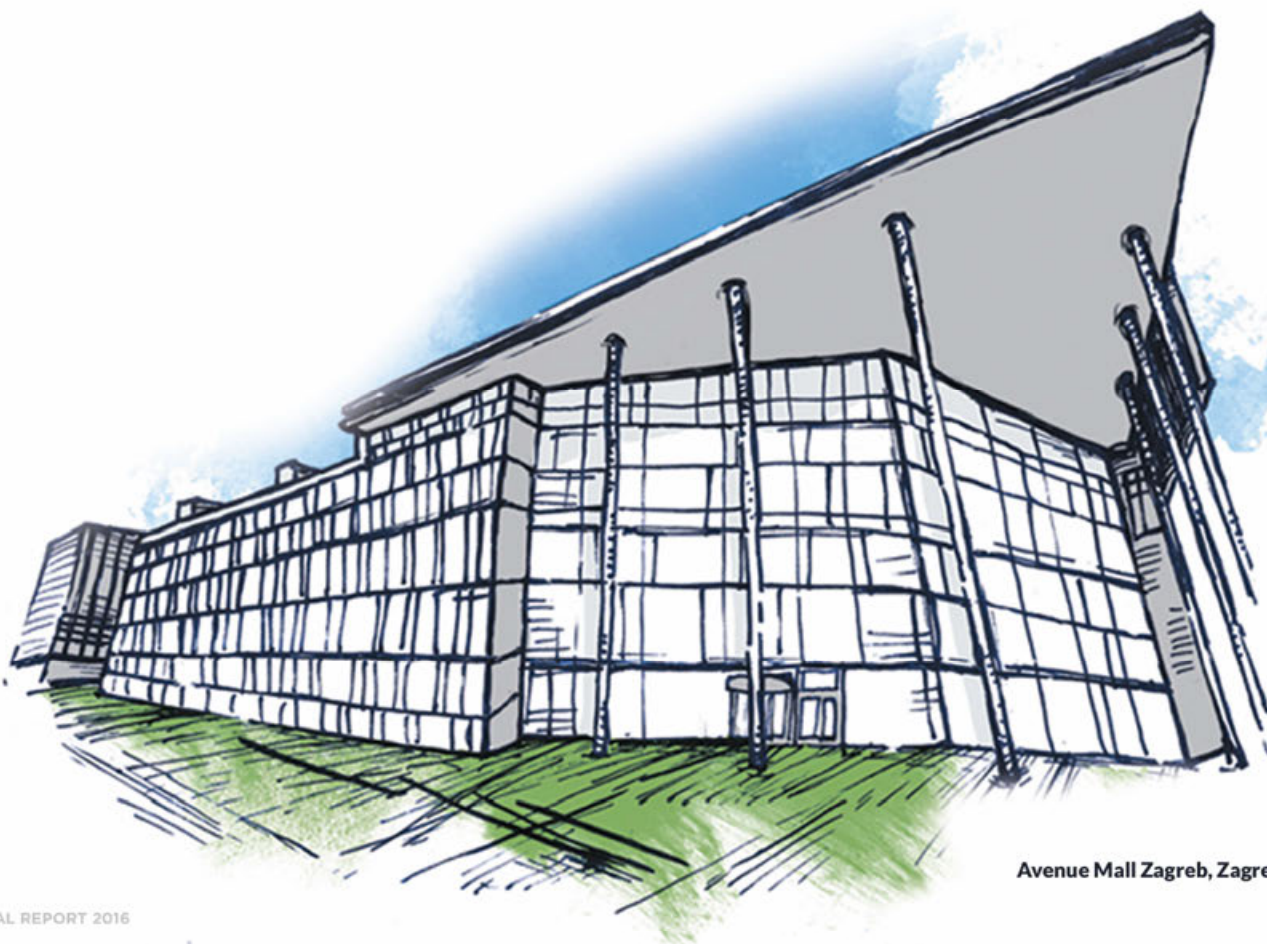
Governance principles

We set out the summarizing highlights of GTC's corporate governance principles:

The roles and relationship between the Management and Supervisory Boards

The Management Board manages the everyday activities of GTC in the pursuit of its mandated strategic, operational and financial goals which are to be pursued subject to high standards of legal, regulatory, ethical and social responsibility. The enterprise's management is a comprehensive activity encompassing whatever planning, decision-making and execution is needed in order to achieve the business results and targets agreed with the Supervisory Board.

The Supervisory Board is appointed by the shareholders to meet on a periodic basis (at least 6 times per year) to oversee the Management Board in the interests of GTC's owners and stakeholders. Its focus is mission critical 'big picture' issues and setting a governance agenda (below). It monitors the Management Board's performance and can offer suggestions to assist it. The Supervisory Board has the ultimate sanction of being able to replace the Management Board should it not be fulfilling its duties. It is poised to take such action in the event that there is potential for improvement but otherwise wants the Management Board to manage on its own initiative and according to its best business judgment.



Avenue Mall Zagreb, Zagreb

The functions of the Supervisory Board

- The selection, evaluation and compensation of the Management Board and its succession planning;
The provision of counsel and oversight of the Management Board's decisions and plans;
- Assessing the risks that the firm faces and ensuring that adequate mitigates are in place to protect the firm;
- Reviewing, monitoring and where appropriate approving the firm's fundamental financial and business strategies and major corporate actions;
- Ensuring that processes are in place to assure the integrity of the actions in financial reporting, compliance to laws, regulations and ethical norms and in its business relationships with staff, customers and suppliers.

The governance agenda

- Forward looking discussions;
Job performance of the CEO and CFO evaluated and their compensation linked to job performance and results;
- Shareholder value creation and share price;
- Sign-off on major strategies and transactions;
- Risk identification and mitigation responses;
- Compliance to the law, particularly in transparent, complete, timely and accurate disclosure in financial reporting;
- Fostering healthy corporate culture and values.

Supervisory Board membership qualifications

- Commitment to the long term best interests of shareholders who want to maximize the value of their investment in GTC;
- Possess business acumen, practical wisdom and mature judgment;
- While fresh, outside industry diversity is welcomed and valued, a significant subset of the Board must have experience and knowledge of the real estate industry;
- Hold high standards of personal and professional ethics, integrity and values;
- Are able and willing to devote sufficient time and attention to fulfill their duties as a member of the Supervisory Board;
- Gender diversity;
- Be independent of the Management Board (including meeting separately) and have no conflicts of interest vis-a-vis the best interests of GTC shareholders.



Supervisory Board chairmanship

- A chairperson will provide leadership to the Supervisory Board which include presiding over meetings, offering guidance to the Board on key decisions, ensuring regular and time attendance at meetings and staying in constant 'standby' touch with the Management Board.

Working committees

- Working committees will meet separately and regularly to focus their attention on certain mission critical interests of the Supervisory Board;
- An audit committee will focus on financial matters (e.g. regulatory compliance, financial performance & results, financial reporting which is transparent, accurate, reliable and timely, risk management and relations with the auditor) and a remuneration committee will focus on ensuring suitable compensation for Management Board in accordance with shareholder interests.

Supervisory board accessibility

- The Board shall have full access to direct and private communication with all staff members of the Company;
- The Board shall have access to independent professional advice from accounting, legal, industry and business advisers.

Internal control mechanisms

- Decisions to be reached by the participation of the full board; Committee structure with clear responsibilities and duties;
- Orientation program and industry knowledge building by outside experts;
- Periodic self-evaluation of board effectiveness.

Supervisory Board's committee activities

To most efficiently evaluate and consult key issues, the supervisory board has implemented two committees:

- The Audit Committee, dealing with financial reporting, risk management and compliance matters, which is chaired by Mariusz Grendowicz; and
- The Remuneration Committee, dealing with management performance and compensation topics, chaired by Alexander Hesse.

Fundamentally, the committees' task is to prepare the resolutions of the supervisory board and specific matters to be addressed during meetings of the Supervisory Board. At the meetings of the Supervisory Board, the chairmen of both committees provided regular, detailed reports on the content and outcomes of committee meetings.

In 2016, both committees met on a regular basis and have reported their findings to the supervisory board on a timely basis.

Audit Committee

The most important duties of the Audit Committee include the evaluation of the current financial results of the Company, its liquidity, the level of debt and receivables, the financing of assets and projects and the monitoring of the accuracy of financial statements. The Audit Committee also evaluated the internal control and risk management systems of the company. In 2016, the Audit Committee comprise the following supervisory board members: Mariusz Grendowicz, Marcin Murawski and Katharina Schade. The members of the Audit Committee actively participated in the quarterly meetings of the Audit Committee. The Audit Committee reviewed all of the financial statements of the Company prior to their publication and recommended the approval thereof by the Supervisory Board. In 2016, 4 Audit Committee meetings were held in total.

Remuneration Committee

The Remuneration Committee of the Supervisory Board is responsible for making recommendations to the Supervisory Board with respect to the remuneration of the members of the Management Board and the details and policies for determining such remuneration. In 2016, the Remuneration Committee consisted of Alexander Hesse, Marcin Murawski and Mariusz Grendowicz. During the reporting year, 1 Remuneration Committee meeting was held.

Corporate social responsibility

Concern for the long-term well-being of all our stakeholders, both in terms of social and environmental aspects, has become one of the vital elements of our strategy

We take Corporate Social Responsibility (CSR) seriously. Each investment we plan, whether it be office or retail, is guided by the principles of sustainable development. We take active part in a number of non-profit activities, either as a partner, organizer or sponsor. We support initiatives such as the registration of new bone marrow donors, aid actions for orphanages and conduct activities aimed at improving the quality of citizens' life – e.g. through the development of local infrastructure, also in the areas that do not come close to our core business lines. One example is the design of the Town Square for the residents of Wilanów, so that it became the meeting point for the local community.

People are at the heart of the success of our Group. At GTC we constantly develop and implement best – and often innovative – practices in business management and improvements in the quality of work.

Concern for the long-term well-being of all our stakeholders, both in terms of social and environmental aspects, has become one of the vital elements of our strategy. This approach is reflected in the internal and external activities that we execute in accordance with the guidelines set by the Organization for Economic Cooperation and Development (OECD).

They apply to our co-operation with local communities, job creation, improvement of the infrastructure of cities and neighborhoods.

Any investment, either office or retail, is the beginning of changes in its environment. GTC's meticulously planned projects always contribute to improving the quality of local urban transport and stimulate local economy, in particular small and medium-sized manufacturing and service companies. In this way, our Group adds value for stakeholders, especially the local community.

With a view to blend in flawlessly with the local community and environment of the investments, we do not forget about the analysis of key parameters, which is carried out before the start of each project.

The factors we study include, but are not limited to:

- security and safety,
- traffic levels,
- noise levels
- energy consumption,
- specific local conditions, such as groundwater table level, etc.

At GTC 'building green' is not just a slogan.

As a company with over twenty years' of experience, we know that care for the natural environment surrounding our investments is a crucial condition for the success and popularity of our buildings with tenants. This includes organizations that, like us, hold ecology in high regard and so require GTC to adhere to the best world standards. We strive to go beyond building standards compliance to make sure that our buildings have a positive impact on the ecosystem. We are aware that well-planned and designed development projects do not preclude care for the environment. They can also contribute to its betterment through the use of locally produced raw materials, or a sustainable use of resources during the construction phase.

We fully endorse the idea of green building, follow current trends, and make the best ideas our standards

A quarter of a century of experience in the Polish real estate market has taught us that it is impossible to build a residential building, an office building or a shopping mall without respect for the environment.

Ecology is more important now than ever – climate is changing, the economy is exploring ways to use energy more efficiently and renewable energy sources are developing rapidly.



Matrix Complex Office, Zagreb

Consumers are looking for ways to reduce their carbon footprint on their own – hybrid and electric cars are becoming increasingly popular, energy-efficient lighting has become the standard, and the performance and efficiency of batteries is hitting historical highs. We can see these trends reflected in the expectations of our partners – tenants, shareholders and financial institutions. Therefore, one of GTC's strategic goals is to constantly strive to increase the level of business sustainability and at the same time reduce the Group's impact on the environment.

We fully endorse the idea of green building, follow current trends, and make the best ideas our standards. Green initiative means questions about the quality and ecology, which must be asked prior to the investment. We examine the site and adjust the design to the environment. The designs are created in renowned architectural studios, both in Poland and around the world. We consult with international green building experts for every investment considered. The solutions we envisage fully consider national and international standards in the field of energy efficiency, productivity and use of ecological solutions.

Our investments feature a whole array of energy-saving, environmentally friendly solutions that boost efficiency, such as:

- reduction in the consumption of natural resources, mainly water and energy,
- reduction in the amount of waste produced,
- recycling.

Our office buildings employ construction and technical solutions that increase comfort of work without compromising the environment, through:

- maximum use of daylight,
- ensuring the greatest possible amount of fresh air,
- use of modern, individually controlled heating and air conditioning systems,
- use of effective and energy-efficient thermal insulation solutions,
- wise management of energy used for manufacturing and transportation,
- adhering to the highest construction standards within environment protection,
- special protection of green areas.

Since 2010, GTC's office projects have been built in compliance with standards defined by the US Green Building Council®, enabling them to meet the requirements for prestigious LEED (Leadership in Energy & Environmental Design) certificate.

The Group actively pursues the policies adopted by them that focus on supporting local communities residing within or in close proximity to the areas where the Group's investments are situated. Such support involves:

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

The Company's diversity policy is centered on respecting employees as an element of our diversity oriented culture regardless of gender, age, education and cultural heritage. It includes integrating employees in their workplace and ensuring that all employees are treated equally at work. The Company supports various social initiatives that promote equal opportunities.

The Company also joins charitable activities initiated by its employees. The principles of equal treatment at the workplace are reflected in the Company's bylaws, which are available to all employees. The Company values its enriched diversity policy in pursuing its goals.



Duna Tower, Budapest

11. OUR SHARES

Capital markets were highly volatile in the second half of 2016. The uncertainty related to the future U.S. Presidential Elections created volatility, as did the doubts that were cast on the Chinese economy's real growth potential. In Poland, financial markets were also subject to turbulence resulting from uncertainty surrounding the political situation.

Key share data

Ticker symbol	GTC S.A.
ISIN	PLGTC0000037
Number of shares outstanding	460,216,478
Performance in 2016	+15%

Primary exchange	Warsaw Stock Exchange
Index	WIG 30
Dual listing	Johannesburg Stock Exchange

Yearly high	
8th December 2016	PLN 8.50
28th September 2016	

Yearly low	
2nd June 2016	PLN 6.35

Closing price on	
30th December 2016	PLN 8.20

Market capitalization (1)	PLN 3.77bn / €853m
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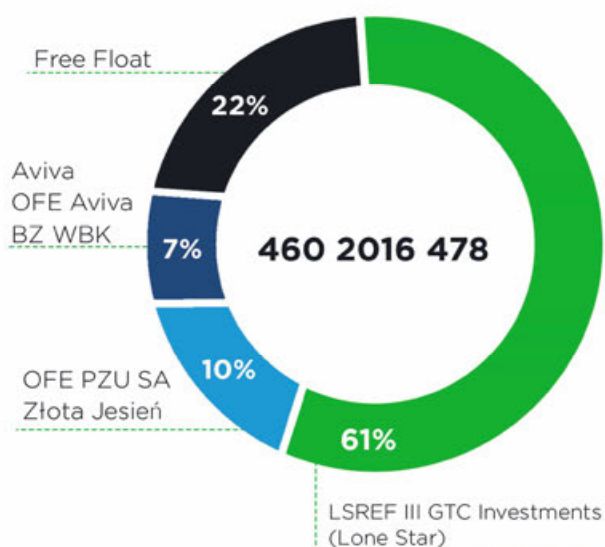
(1) 1 EURO = 4.4240PLN



City Gate, Bucharest

Despite that, the WIG 30 enjoyed a 8% rise in 2016. We are pleased to note that, at 15%, GTC's share price rise surpassed even this healthy gain.

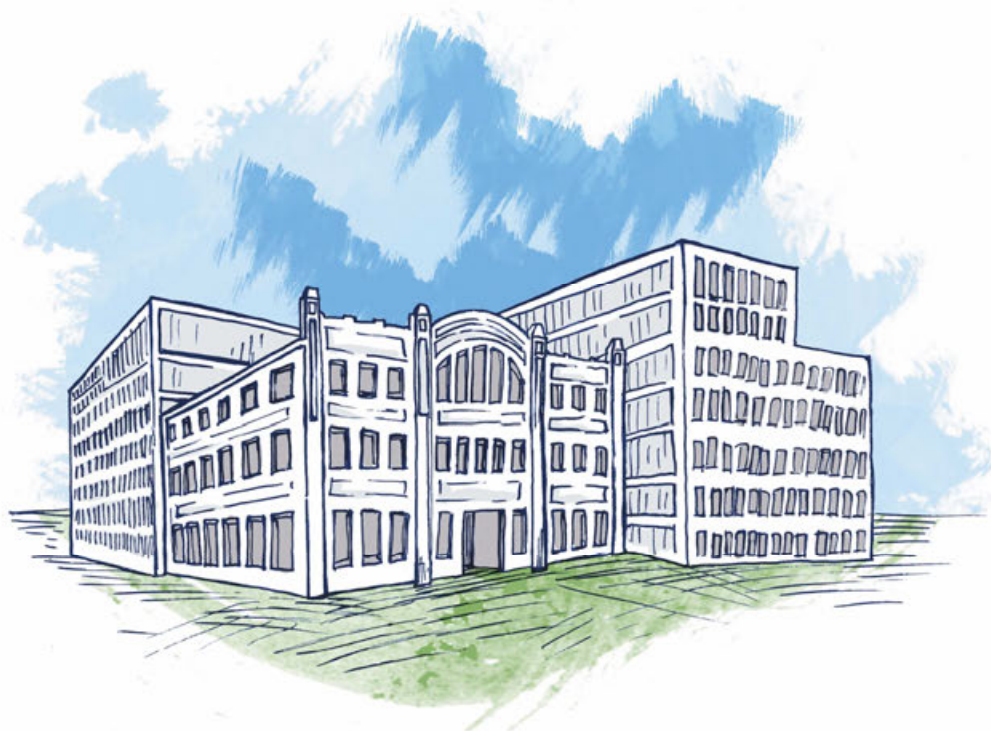
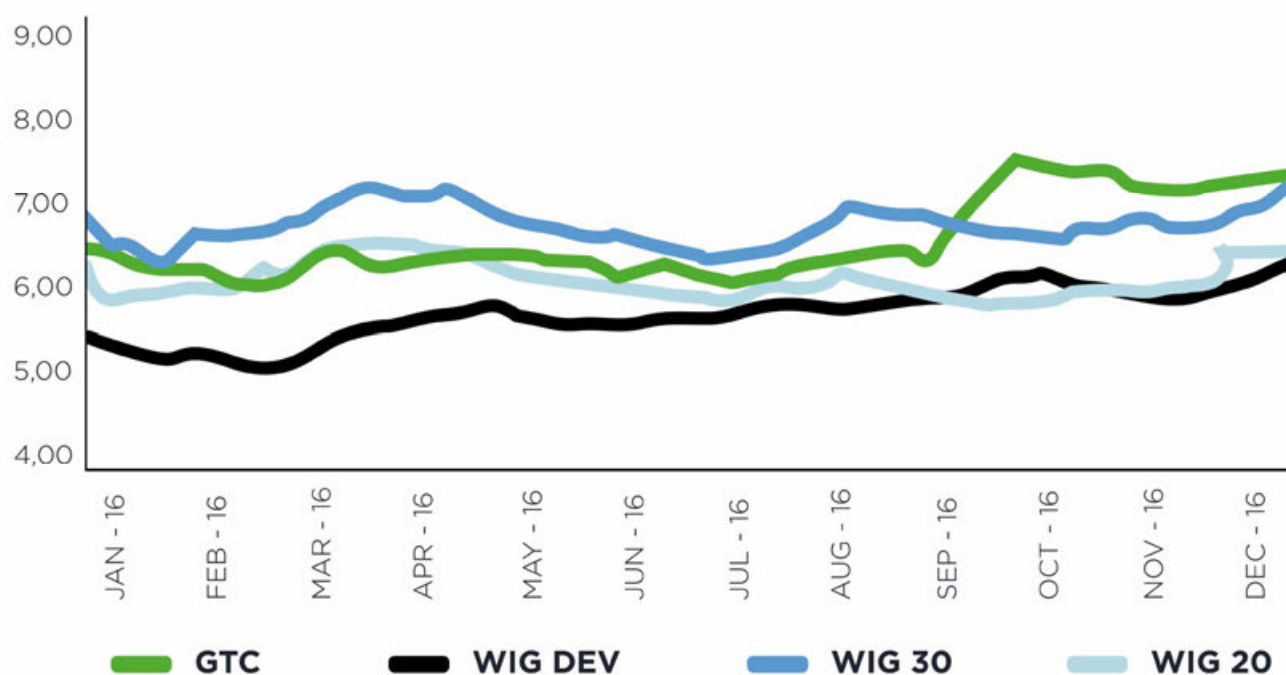
Shareholder structure as of 31 December 2016



Share price performance LTM share performance sectoral profile

Our clear commitments to the revised growth strategy as well as our ability to execute have been widely appreciated by our investors. This has translated into a positive GTC share price performance for the reported period. GTC shares closed the year at PLN 8.20 on the Warsaw Stock Exchange: an increase of 15%.

With this performance, we significantly outperformed our key benchmark indices such as the Warsaw Stock Exchange WIG Total Return Index ("WIG"), known as the WIG30. 2016 was a very positive year for GTC's stock market performance. Our shares constantly increased in value throughout the year in contrast to the WIG20 which increased by 5%:



White House, Budapest



University Business Park, Łódź

12.1 APPENDICES

Glossary

Anchor Tenant A major tenant who leases a substantial amount of space (say, 10% - 20% of total) a precedent encouraging others to sign up.

BV Book value. BV is calculated regularly with any gains/losses recognized in the income statement

BREEAM Rating Building Research Establishment Environmental Assessment Method.

CEE The group of countries that are within the region of Central and Eastern Europe where GTC operates Hungary and Poland.

Commercial Property Real estate property from which GTC Group derives revenue from rent and includes both office and retail properties.

Development Property Property under development at the reporting date for purposes of inclusion in investment property at completion.

EPRA European Public Real Estate Association.

ERV Estimated Rental Value: the estimated rental value at which space would be let in the market conditions prevailing at the date of valuation a.k.a. Market Rent.

FFO Funds Flow from Operations: calculated as accounting net income excluding non-cash expenses (e.g. depreciation etc.).

FFO Yield Net Operating Income less financial costs divided by equity invested.

FV Fair Value. The estimated value based on the opinion of external, independent experts using equivalent market values and/or discounted cash flow techniques.

GAV Gross Asset Value: The total market value of the real estate investments under management in a fund or individual accounts, usually including the total value of all equity positions, debt positions, and joint venture ownership positions.

GRA Gross Rentable Area (GLA. Gross Leasable Area") The Net Rentable Area multiplied by add-on-factor.

Vacancy Rate The percentage of the vacant space divided by the whole portfolio space.

Vacant Space Unrented lettable space.

GRI Gross Rental Income: Rental income as reported after taking into account the net effects of straight-lining for lease incentives, including free rent periods. Gross rental income will include turnover-based rents, surrender premiums, car parking income, key money received and interest receivable on finance leases.

IPUC Investment Property Under Construction: Property that is being constructed or developed.

LEED Leadership in Environmental and Energy Design: one of the most popular green building certification programs used worldwide.

Lettable Space Any part of a property that can be leased to a tenant.

LTV Loan to Value: Funded Debt vs. FV of Assets.

Market Value The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing within the parties had each acted knowledgeably, prudently and without compulsion.

NAV Net Asset Value: Fair Value of Assets less Liabilities.

NOI Net operation Income : Rental income as reported net by rental and service costs.

NRA Net Rentable Area (NLA. Net Leasable Area"): 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, NRA 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.

SCE Service Charge Expenses: The amounts paid and/or accrued by the landlord relating to lettable space for which it has been agreed with tenants to recover these amounts from

SEE The group of countries that are within the region of South-eastern Europe where GTC operates: Bulgaria, Croatia, Romania and Serbia.

WALK Weighted Average Lease Term.

Yield The rental income divided by the FV of the property a.k.a. yield.

12.2 INVESTMENT PORTFOLIO

POLAND



Pixel, Poznań

AEROPARK BUSINESS CENTRE (NOTHUS, ZEPHIRUS, CORIUS)



Location

17 Stycznia 45, Warsaw, Poland

Distance from city centre: 10 min.

Project description

Book value: €52m

Gross lettable area: 29,000 sq m

Main tenants: PANDORA, NOVO NORDISK,
DHL, AVON

Completion year: 2007, 2008, 2011

KORONA BUSINESS COMPLEX (GALILEO, NEWTON, EDISON, PASCAL)



Location

Armii Krajowej 18, Kraków, Poland

Distance from city centre: 5 min.

Project description

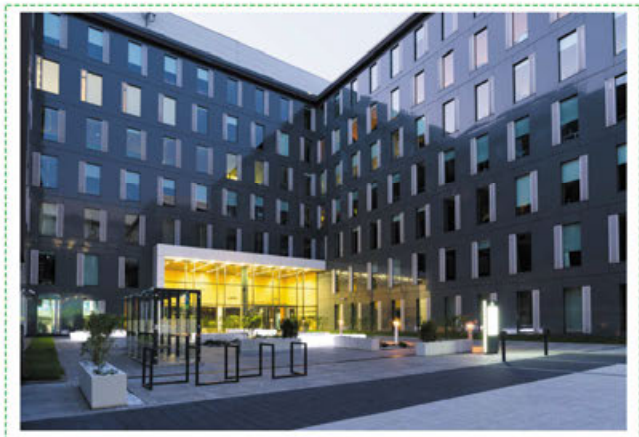
Book value: €78m

Gross lettable area: 38,200 sq m

Main tenants: IBM, HEWITT, HITACHI, DELOITTE,
STATE STREET

Completion year: 2003, 2007, 2007, 2015

UNIVERSITY BUSINESS PARK



Location

Wółczańska 178 - 180, Łódź, Poland

Distance from city centre: city centre

Project description

Book value:	€68m
Gross lettable area:	40,400 sq m
Main tenants:	HP, BARRY CALLEBAUT, ACCENTURE, FUJITSU
Completion year:	2010, 2016

FRANCUSKA OFFICE CENTRE



Location

Francuska 34, Katowice, Poland

Distance from city centre: 5 min.

Project description

Book value:	€39m
Gross lettable area:	23,300 sq m
Main tenants:	IBM, ROCKWELL AUTOMATION, VATTENFALL
Completion year:	2010

NEPTUN OFFICE CENTER



Location

Aleja Grunwaldzka 103a, Gdańsk, Poland

Distance from city centre: 5 min.

Project description

Book value:	€35m
Gross lettable area:	16,100 sq m
Main tenants:	ARLA, BANK HANDLOWY, COMARCH, ADAR, MAC GREGOR
Completion year:	2014
Purchase year:	2016

GLOBIS WROCŁAW



Location

Plac Powstanców Śląskich 7a, Wrocław, Poland

Distance from city centre: city centre

Project description

Book value:	€34m
Gross lettable area:	16,000 sq m
Main tenants:	UNIT4, MEDICOVER, RAIFFEISEN BANK, BANK HANDLOWY
Completion year:	2008

PIXEL



Location

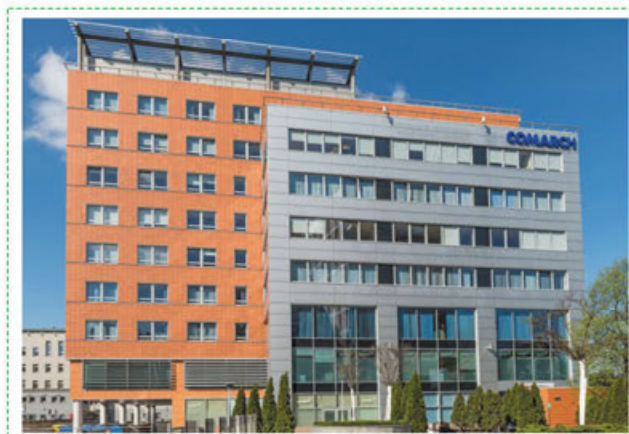
Grunwaldzka 182, Poznań, Poland

Distance from city centre: 10 min

Project description

Book value:	€33m
Gross lettable area:	14,500 sq m
Main tenants:	ALLEGRO
Completion year:	2013
Purchase year:	2015/2016

GLOBIS POZNAŃ



Location

Roosevelta 18, Poznań, Poland

Distance from city centre: city centre

Project description

Book value:	€29m
Gross lettable area:	13,900 sq m
Main tenants:	DFDS, BERTELSMANN, COMARCH, LUXMED
Completion year:	2003

STERLINGA BUSSINES CENTER



Location

Sterlinga 8A, Łódź, Poland

Distance from city centre: city centre

Project description

Fair value:	€28m
Gross lettable area:	13,500 sq m
Main tenants:	TATE & LYLE, GFT, TEKADA, MBANK
Completion year:	2010
Purchase year:	2016

GALERIA JURAJSKA



Location

Aleja Wojska Polskiego 207, Częstochowa, Poland

Distance from city centre: 5 min.

Project description

Book value:	€165m
Gross lettable area:	48,700 sq m
Main tenants:	INDITEX GROUP, LPP GROUP, CINEMA CITY, EURO RTV AGD, TK MAXX
Completion year:	2009

BULGARIA

GALLERIA BURGAS



Galleria Stara, Zagora

Location

ulitsa „Yanko Komitov” 6, Burgas, Bulgaria
Distance from city centre: 5 min.

Project description

Book value:	€45m
Gross lettable area:	36,300 sq m
Main tenants:	INDITEX, H&M, LIDL, TECHNOMARKET, CINEMA CITY, CCC, BENETTON, PANDORA
Completion year:	2012

GALLERIA STARA ZAGORA



Location

ulitsa „Han Asparuh” 30, Stara Zagora, Bulgaria
Distance from city centre: 5 min.

Project description

Book value:	€12m
Gross lettable area:	21,000 sq m
Main tenants:	INDITEX, H&M, CINEMA CITY, CCC, NEW YORKER, ADIDAS, ZA-ZA
Completion year:	2010

CROATIA

AVENUE MALL ZAGREB



Avenue Mall Zagreb, Zagreb

Location

Avenija Dubrovnik 16, Zagreb, Croatia

Distance from city centre: 5 min.

Project description

Book value: €103m

Gross lettable area: 27,300 sq m

Main tenants: ZARA, H&M, MULLER, CCC, NEW YORKER, DEICHMANN

Completion year: 2007

AVENUE CENTRE



Location

Avenija Dubrovnik 16, Zagreb, Croatia

Distance from city centre: 5 min.

Project description

Book value: showed together with Avenue Mall Zagreb

Gross lettable area: 7,000 sq m

Main tenants: UNICREDIT, INDITEX, LPP MANPOWER, BRITISH AMERICAN TOBACCO

Completion year: 2007

HUNGARY

CENTER POINT I AND II



DUNA TOWER



SPIRAL OFFICE BUILDING



Duna Tower, Budapest

Location

Váci Út 81, Budapest XIII, Hungary

Distance from city centre: 10 min.

Project description

Book value: €79m

Gross lettable area: 40,900 sq m

Main tenants: EXXONMOBIL, MINISTRY OF ECONOMY, GE INDUSTRIAL SOLUTIONS, HONEYWELL, ECOLAB, RAIFFEISEN BANK

Completion year: 2004,2006

Location

Népfürdő utca 22, Budapest XIII, Hungary

Distance from city centre: 10 min.

Project description

Book value: €61m

Gross lettable area: 31,300 sq m

Main tenants: IBM SSC, METLIFE, TMF GROUP, HUAWEI, BLACKROCK, FORD, UNHCR

Completion year: 2006

Purchase year: 2016

Location

Dózsa György Way 128-130, Budapest, Hungary

Distance from city centre: 5 min.

Project description

Book value: €49m

Gross lettable area: 30,600 sq m

Annualised in-place rent: €3.8m

Completion year: 2009

GTC METRO



Location

Váci Út 193, Budapest XIII, Hungary

Distance from city centre: 5 min

Project description

Fair value:	€27m
Gross lettable area:	16,200 sq m
Main tenants:	BUDAPEST BANK
Completion year:	2010

ROMANIA

CITY GATE



Premium Plaza, Bucharest

Location

Piața Presei Libere nr. 3-5, Bucharest, Romania

Distance from city centre: 5 min.

Project description

Book value:	€147m
Gross lettable area:	47,600 sq m
Main tenants:	ROMTELECOM, KMG ROMPETROL, MICROSOFT, OTP BANK, ROCHE ROMANIA, EON
Completion year:	2009

PREMIUM PLAZA



Location

Strada Dr. Iacob Felix, 63-69, Bucharest, Romania

Distance from city centre: 10 min.

Project description

Book value:	€22m
Gross lettable area:	8,500 sq m
Main tenants:	ENEL, LOUISE BERGER, WEBHELP, MAVENHUT, ECRION SOFTWARE, BANCA TRANSILVANIA
Completion year:	2008
Purchase year:	2016

PREMIUM POINT



Location

Strada Buzesti 76-80, Bucharest, Romania

Distance from city centre: 10 min.

Project description

Book value:	€17m
Gross lettable area:	6,400 sq m
Main tenants:	FRANKLIN TEMPLETON, THOMSON REUTERS, AUTODESK, CERTINVEST, HBO, HALEWOODOD ROMANIA
Completion year:	2009
Purchase year:	2016

SERBIA

GTC SQUARE



FortyOne, Belgrad

Location

Milutina Milankovica 11, Belgrad, Serbia

Distance from city centre: 5 min.

Project description

Book value: €40m

Gross lettable area: 22,100 sq m

Main tenants: NESTLE, ADIDAS, ROCHE, HTEC,
ERSTE BANK, ELOPAK, LESAFFRE

Completion year: 2008

FORTYONE I&II



Location

Milutina Milankovica 9Ž, 9e, Belgrad, Serbia

Distance from city centre: 5 min.

Project description

Book value: €38m

Gross lettable area: 17,400 sq m

Main tenants: REGUS, ROBERT BOSCH,
TETRAPAK, AVON, GEODIS, BALL
PACKAGING, HALKABANK, ENJOY, ING

Completion year: 2015, 2016

19 AVENUE



Location

38 - 40 Vladimira Popovica, Belgrad, Serbia

Distance from city centre: 5 min.

Project description

Book value: €36m

Gross lettable area: 16,900 sq m

Main tenants: JTI, HUAWEI, REGUS, EU
DELEGATION, AUSTRALIAN
EMBASSY

Completion year: 2008

GTC HOUSE



Location

64a Bulevar Zorana Đindica, Belgrad, Serbia

Distance from city centre: 5 min

Project description

Fair value: €26m

Gross lettable area: 13,300 sq m

Main tenants: L'OREAL, PHILIP MORRIS,
CARLSBERG, SAGA, TAKEDA,
ORACLE, TMF

Completion year: 2005

12.3 DEVELOPMENT PROJECTS

POLAND

GALERIA PÓŁNOCNA



Galeria Północna, Warsaw

UNDER CONSTRUCTION



Location

Światowida 17, Warsaw, Poland

Distance from city centre: 20 min.

Project description

Total lettable area:	64,800 sq m
Parking units:	2,000
Total investment cost	€184m
Expected year of completion:	2017

ARTICO

UNDER CONSTRUCTION



Location

Domaniewska, Warsaw, Poland

Distance from city centre: 10 min.

Project description

Total lettable area:	7,600 sq m
Parking units:	153
Total investment cost	€20m
Expected year of completion:	2017

OSIEDLE KONSTANCJA

UNDER CONSTRUCTION



Location

Konstancin Jeziorna, the outskirts of Warsaw, Poland
Distance from city centre: 25 min.

Project description

Total area:	22,900 sq m
Units:	17
Expected year of completion:	2017

GALERIA WILANÓW

PLANNING STAGE



Location

Miasteczko Wilanów, Warsaw, Poland
Distance from city centre: 20 min.

Project description

Total lettable area:	61,000 sq m
Parking units:	2,180
Total investment cost	€180m

CROATIA

MATRIX OFFICE COMPLEX



Matrix Office Complex, Zagreb

PRE-PLANNING STAGE

Location

Slovanska Avenija, Zagreb, Croatia

Distance from city centre: 10 min.

Project description

Total lettable area: 20,800 sq m

Parking units: 600

Total investment cost €33.5m

Expected year of completion: Phase I – 2018

Phase II – 2019

BULGARIA

ADVANCE BUSINESS CENTER



PLANNING STAGE

Location

Mladost 4, Sofia, Bulgaria

Distance from city centre: 25 min.

Project description

Total lettable area: 14,100 sq m

Parking units: 234

Total investment cost €22.5m

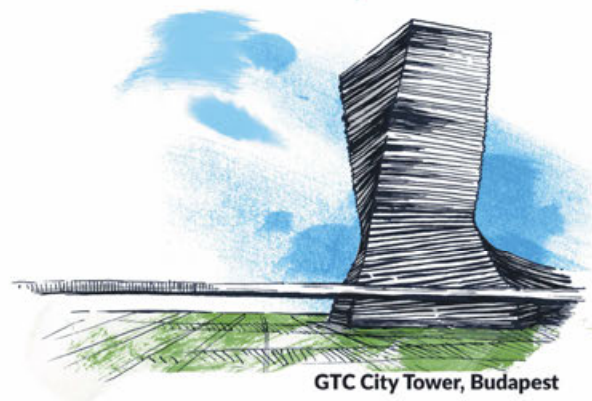
Expected year of completion: 2018

HUNGARY

WHITE HOUSE



GTC CITY TOWER



GTC City Tower, Budapest

UNDER CONSTRUCTION

Location

Váci Út 47, Budapest XIII, Hungary

Distance from city centre: 10 min.

Project description

Total lettable area:	21,500 sq m
Parking units:	299
Total investment cost	€47m
Expected year of completion:	2018

PLANNING STAGE

Location

Váci Út / Róbert Károly krt Budapest XIII, Hungary

Distance from city centre: 10 min.

Project description

Total lettable area:	42,500 sq m
Parking units:	620
Total investment cost	€92m
Expected year of completion:	2019

SERBIA

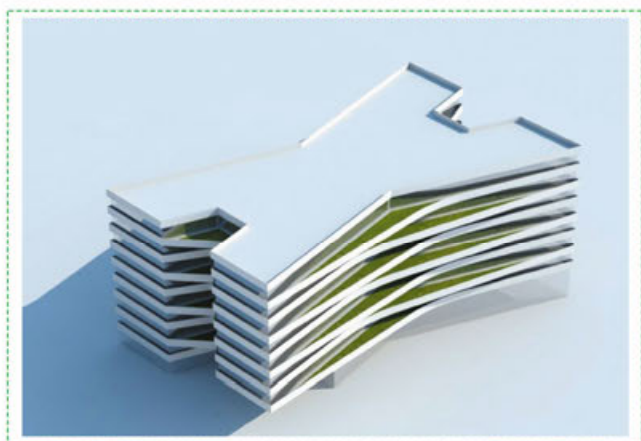
FORTYONE III



GREEN HEART



GTC X



Ada Mall ,Belgrad

UNDER CONSTRUCTION

Location

Milutina Milankovica, New Belgrade CBP, Serbia

Distance from city centre: 5 min.

Project description

Total lettable area:	10,700 sq m
Parking units:	180
Total investment cost	€17m
Expected year of completion:	Q2 2017

PLANNING STAGE

Location

Milutina Milankovica, New Belgrade CBP, Serbia

Distance from city centre: 5 min.

Project description

Total lettable area:	25,500 sq m
Parking units:	880
Total investment cost	€53m
Expected year of completion:	2019

PRE-PLANNING STAGE

Location

Milutina Milankovica, New Belgrade CBP, Serbia

Distance from city centre: 5 min.

Project description

Total lettable area:	17,000 sq m
Parking units:	330
Total investment cost	€31m
Expected year of completion:	2019

ADA MALL

UNDER CONSTRUCTION



Location

Belgrade, Serbia

Distance from city centre: 5 min.

Project description

Total lettable area:	34,400 sq m
Parking units:	1,000
Total investment cost	€105m
Expected year of completion:	2018

12.4 FINANCIAL STATEMENTS

Consolidated Statement of Financial Position as of 31 December 2015

(in thousands of Euro)

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

Consolidated Statement of Financial Position as of 31 December 2016

(in thousands of Euro)

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

Consolidated Income Statement for the year ended 31 December 2016

(in thousands of Euro)

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2016

(in thousands of Euro)

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2016

(in thousands of Euro)

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2016	10,410	499,288	(20,646)	(4,563)	1,405	156,647	642,541	(21,339)	621,202
Other comprehensive income	-	-	-	932	467	-	1,399	(3)	1,396
Profit / (loss) for the year ended 31 December 2016	-	-	-	-	-	158,548	158,548	1,027	159,575
Total comprehensive income / (loss) for the period	-	-	-	932	467	158,548	159,947	1,024	160,971
Purchase of NCI shares	-	-	(14,284)	-	-	-	(14,284)	23,206	8,922
Other	-	-	(772)	-	-	-	(772)	-	(772)
Balance as of 31 December 2016	10,410	499,288	(35,702)	(3,631)	1,872	315,195	787,432	2,891	790,323
Balance as of 1 January 2015	7,849	364,228	8,392	(3,839)	1,128	111,455	489,213	(62,032)	427,181
Other comprehensive income	-	-	-	(724)	277	-	(447)	144	(303)
Profit / (loss) for the year ended 31 December 2015	-	-	-	-	-	45,192	45,192	(1,553)	43,639
Total comprehensive income / (loss) for the period	-	-	-	(724)	277	45,192	44,745	(1,409)	43,336
Issuance of shares	2,561	135,060	-	-	-	-	137,621	-	137,621
Purchase of NCI shares	-	-	(29,038)	-	-	-	(29,038)	42,102	13,064
Balance as of 31 December 2015	10,410	499,288	(20,646)	(4,563)	1,405	156,647	642,541	(21,339)	621,202

Consolidated Statement of Cash Flow for the year ended 31 December 2016

(in thousands of Euro)

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		124,570	55,576
Adjustments for:			
Loss/(profit) from revaluation/impairment of assets and residential projects		(84,551)	(26,222)
Share of loss of associates and joint ventures	19	4,474	8,163
Loss / (Profit) on disposal of asset		65	(1,014)
Foreign exchange differences loss/(gain), net		(2,434)	(1,394)
Finance income	13	(1,324)	(3,849)
Finance cost	13	29,500	33,205
Provision for share based payment loss/(profit)	12	894	863
Depreciation and amortization	16	468	509
Operating cash before working capital changes		71,662	65,837
Increase / (Decrease) in accounts receivables and prepayments and other current assets		374	(1,340)
Decrease in residential inventory		2,303	10,263
Decrease/(increase) in advances received from residential		1,456	(545)
Increase in deposits from tenants		1,801	663
Increase/(decrease) in trade payables		(202)	966
Cash generated from operations		77,394	75,844
Tax paid in the period		(4,113)	(2,735)
Net cash from operating activities		73,281	73,109
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property		(93,259)	(33,519)
Purchase of completed assets and land	8	(139,646)	(53,080)
Sale of investment property		12,640	42,665
Sale of residential landbank and inventory		-	8,504
VAT/tax on purchase/sale of investment property		(8,900)	(4,571)
Sale of subsidiary		10,179	13,032
Purchase of subsidiary	7	(9,844)	(191)
Purchase of minority		(18,558)	(800)
Sale of associates and Joint ventures		3,947	-
Interest received		425	1,279
Liquidation of Joint Ventures	8	-	3,890
Loans granted to associates		(123)	(288)
Loans repayments from associates		11,349	244
Net cash used in investing activities		(231,790)	(22,835)

Consolidated Statement of Cash Flow for the year ended 31 December 2016

(in thousands of Euro)

	Note	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of shares	8	-	140,102
Share issuance expenses		-	(2,481)
Proceeds from long-term borrowings		273,517	62,947
Repayment of long-term borrowings		(103,193)	(137,970)
Repayment of hedge		-	(1,928)
Interest paid		(25,075)	(26,708)
Loans origination payment		(2,229)	(1,148)
Decrease/(Increase) in short term deposits		(2,214)	4,558
Net cash from /(used) in financing activities		140,806	37,372
Net foreign exchange difference		(1,957)	763
Net increase/ (Decrease) in cash and cash equivalents		(19,660)	88,409
Cash and cash equivalents at the beginning of the period		169,472	81,063
Cash and cash equivalents at the end of the period		149,812	169,472

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

1. Principal activities

Globe Trade Centre S.A. (the "Company", "GTC S.A." or "GTC") and its subsidiaries ("GTC Group" or "the Group") are an international real-estate corporation. The Company was registered in Warsaw on 19 December 1996. The Company's registered office is in Warsaw, Poland at 17 Stycznia 45a. The Company owns through subsidiaries, joint ventures and associates commercial and residential real estate companies in Poland, Hungary, Romania, Serbia, Croatia, Ukraine, Slovakia, Bulgaria, Russia and Czech Republic.

The Group's business activities are:

- a) Development and rental of office and retail space and
- b) Development and sale of residential units.

As of 31 December 2016 and 2015, the number of full time equivalent working employees in the Group companies was 172 and 143, respectively.

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

GTC is primarily listed on the Warsaw Stock Exchange and is inward listed in Johannesburg Stock Exchange.

The major shareholder of the Company is LSREF III GTC Investments B.V. ("LSREF III"), controlled by Lone Star, a global private equity firm, which held 278,849,657 shares 60.59% of total share as of 31 December 2016.

2. Functional and presentation currencies

The functional currency of GTC S.A. and most of its subsidiaries is Euro. The functional currency of some of GTC's subsidiaries is other than Euro.

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

3. Basis of preparation and statement of compliance

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

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

4. Going concern

The Group's policies and processes are aimed at managing the Group's capital, financial and liquidity risks on a sound basis. The Group meets its day to day working capital requirements through generation of operating cash-flows from rental income. Further details of liquidity risks and capital management processes are described in Note 36.

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

5. Changes in accounting policies

Standards issued but not yet effective

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

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

6. Summary of significant accounting policies

(a) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis, except for completed investment properties, IPUC if certain condition described in note 6(c) ii are met, share based payments and derivative financial instruments that have been measured at fair value.

(b) Property, Plant and Equipment

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

The following depreciation rates
have been applied:

	Depreciation rates
Equipment	7-20 %
Buildings	2 %
Vehicles	20 %

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

(c) Investment properties

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

(i) Completed Investment properties

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

Completed investment properties were externally valued by independent appraisers as of 31 December 2016 based on open market values. Completed properties are either valued on the basis of discounted cash flow or - as deemed appropriate - on basis of the Income capitalisation or yield method.

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

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

(ii) Investment property under construction

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

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

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

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

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

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

For projects where the completion is expected in the future, also a developer profit margin of unexecuted works, was deducted from the value.

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

(d) Investment in associates

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

(e) Investment in joint ventures

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

(f) Lease origination costs

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

(g) Residential inventory and residential landbank

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

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

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

(h) Advances received

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

(i) Rental revenue

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

(j) Interest and dividend income

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

(k) Contract revenue and costs recognition

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

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

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

(l) Borrowing costs

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

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

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

(m) Share issuance expenses

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

(n) Income taxes

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

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

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

(o) Foreign exchange differences

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

(p) Financial instruments

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

(q) Cash and cash equivalents

Cash comprises cash on hand and on-call deposits. Cash equivalents are short-term highly liquid investments that readily convert to a

(r) Trade and other receivables

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

(s) Impairment of assets

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

(t) Purchase of shares of non-controlling interest

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

(u) Derivatives and hedge accounting

The Group uses interest rate swaps and collars to hedge its risks associated with interest rate volatility (cash flow hedges). In relation to the instruments, which meet the conditions of cash flow hedges, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in net profit or loss. Classification of hedges in the statement of financial position depends on their maturity.

The conditions of the cash flow hedges are as follows:

- (a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.
- (b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.
- (c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
- (d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- (e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

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

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

(v) Estimations

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

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

The group uses estimates in determining the amortization rates used.

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

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

(w) Significant accounting judgements

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

(x) Basis of Consolidation

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

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

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

The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Company controls an investee if and only if it has all the following:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns.

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

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

(y) Provisions

Provisions are recognised when the Company has present obligation, (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

(z) Share-based payment transactions

Amongst others, the Company remunerates key personnel by granting them rights for payments based on GTC's share price performance in PLN, in exchanges for their services ("Phantom shares").

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

(aa) Leases

Lessor:

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

7. Investment in Subsidiaries, Associates and Joint Ventures

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

Subsidiaries

Name	Holding Company	Country of incorporation	31 December 2016	31 December 2015
GTC Konstancja Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Korona S.A.	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o.	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Neptune Gdańsk Sp. z o.o. (formerly GTC Ogrody Galileo Sp. z o.o.)	GTC S.A.	Poland	100%	100%
GTC GK Office Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Sterlinga Sp. z o.o. (formerly GTC Com 1 Sp. z o.o.)	GTC S.A.	Poland	100%	100%
GTC Karkonoska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Ortal Sp. z o.o.	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Pixel Sp. z o.o. (formerly GTC Wilson Park)	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o.	GTC S.A.	Poland	100%	100%
CH Wilanow Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Management sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Corius sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Światowida sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments Sp. z o.o. s.k.a.	GTC S.A.	Poland	100%	100%
GTC Galeria CTWA Sp. z o.o.	GTC S.A.	Poland	100%	100%
Artico Sp. z o.o. (1)	GTC S.A.	Poland	100%	-
Julesberg Sp. z o.o. (1)	GTC S.A.	Poland	100%	-
Jowett Sp. z o.o. (1)	GTC S.A.	Poland	100%	-
Calobra Sp. z o.o. (1)	GTC S.A.	Poland	100%	-
Mantezja 4 Sp. z o.o. (1)	GTC S.A.	Poland	100%	-
Havern Investments sp. z o.o.	GTC S.A.	Poland	100%	100%

(1) Purchased in 2016

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

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

(1) Merged into Albertfalva Kft

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

(3) Company was incorporated in 2016

(4) Subsidiaries were sold in 2016.

(5) Under liquidation

(6) Sold in 2017

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

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

(1) Sold in 2016

(2) NCI was purchased in 2016

(3) Liquidated in 2016

(4) Liquidated in January 2017

(5) Under liquidation

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

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

(1) NCI was purchased in January 2016

(2) Liquidated

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

(4) NCI was purchased in September 2016

(5) Purchased in 2016

(6) Established in 2016

(7) Under liquidation

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

Investment in Associates and Joint Ventures

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

(1) Sold in 2016

8. Events in the period

Acquisition of Pixel office building in Poznań

In January 2016, the Group purchased Pixel office building in Poznań, Poland for EUR 32.2 million. The office building is entirely leased to renowned tenants. The Group intends to hold the office building as part of the income-producing portfolio of the GTC Group. The purchase of the Property was financed by the Group's own sources and a bank loan from PKO BP in the amount of EUR 22.5 million.

Purchase of non-controlling interest

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

Acquisition of Premium office Buildings in Bucharest

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

Completion of the second phase of University Business Park ("UBP II") in Łódź

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

Purchase of non-controlling interest

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

Galleria - Stara Zagora AD

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

Acquisition of two office buildings in Poland

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

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

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

Sell of Konstancja land

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

Acquisition of Artico Office Project

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

Listing on Johannesburg Stock Exchange

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

Sale of Piatra and Arad shopping centres in Romania

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

Merger of the Company's Dutch subsidiaries

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

Acquisition of lands

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

Financing

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

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

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

See also subsequent events (note 37).

9. Revenue from operations

Revenue from operations comprises of the following:

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

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

The Group has entered into various operational lease contracts on its property portfolio in Poland, Romania, Croatia, Serbia and Hungary. The commercial property leases typically include clauses to enable periodic upward revision of the rental charge according to European CPI.

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

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

The majority of revenue from operations is earned predominantly on the basis of amounts denominated in, directly linked to or indexed by reference to the Euro.

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

10. Cost of operations

Costs of operations comprise the following:

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

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

11. Selling expenses

Selling expenses comprise of the following:

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

12. Administration expenses

Administration expenses comprise of the following:

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

13. Financial income and financial expense

Financial income comprise of the following:

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

Financial expense comprise of the following:

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

14. Segmental analysis

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

- a. Poland and Hungary
- b. Capital cities in SEE (South and Eastern Europe) countries (Romania, Serbia, Croatia, Slovakia)
- c. Secondary cities in SEE (Bulgaria, Croatia, Romania).

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

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

Segment analysis for the year ended 31 December 2016 and year ended 31 December 2015 is presented below:

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

15. Taxation

The major components of tax expense are as follows:

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

The Group companies is subject to taxes in the following jurisdictions: Poland, Serbia, Romania, Hungary, Netherlands, Ukraine, Bulgaria, Cyprus, Slovakia and Croatia. The Group does not constitute a tax group under local legislation. Therefore, every company in the Group is a separate taxpayer.

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

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

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2016

(in thousands of Euro)

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

Net deferred tax assets comprise the following:

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

Net deferred tax liability comprises of the following:

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

(*) Mostly, unrealized interest and foreign exchange differences.

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

The enacted tax rates in the various countries were as follows

Tax rate	Year ended 31 December 2016	Year ended 31 December 2015
Poland	19%	19%
Hungary (*)	10%/19%	10%/19%
Ukraine	18%	18%
Bulgaria	10%	10%
Slovakia	22%	22%
Serbia	15%	15%
Croatia (**)	20%	20%
Russia	20%	20%
Romania	16%	16%
Cyprus	12.5%	12.5%
The Netherlands	25%	25%

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

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

Future benefit for deferred tax assets have been reflected in these consolidated financial statements only if it is probable that taxable profits will be available when timing differences that gave rise to such deferred tax asset reverse.

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

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

Tax settlements may be subject to inspections by tax authorities. Accordingly the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

16. Property, Plant and Equipment

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

	Buildings	Equipment	Vehicles	Total
Gross carrying amount				
As of 1 January 2016	-	2,872	757	3,629
Additions	668	181	318	1,167
Transfers from investment properties	4,236	-	-	4,236
Disposals, impairments and other decreases	-	(201)	(278)	(479)
As of 31 December 2016	4,904	2,852	797	8,553
Accumulated Depreciation				
As of 1 January 2016	-	2,045	514	2,559
Charge for the period	66	305	97	468
Disposals, impairments and other decreases	-	(239)	(237)	(476)
As of 31 December 2016	66	2,111	374	2,551
Net book value as of 31 December 2016	4,838	741	423	6,002
Gross carrying amount				
As of 1 January 2015	-	2,862	935	3,797
Additions	-	130	50	180
Disposals, impairments and other decreases	-	(120)	(228)	(348)
As of 31 December 2015	-	2,872	757	3,629
Accumulated Depreciation				
As of 1 January 2015	-	1,685	632	2,317
Charge for the period	-	410	99	509
Disposals, impairments and other decreases	-	(50)	(217)	(267)
As of 31 December 2015	-	2,045	514	2,559
Net book value as of 31 December 2015	-	827	243	1,070

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

17. Investment Property

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

Investment property can be split up as follows:

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

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

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

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

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

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

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

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

(6) Office space used by the Group

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

(1) Purchase of Duna tower office building in Budapest

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

Fair value and impairment adjustment consists of the following:

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

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

The average yield as of 31 December 2016 and 2015 was 7.5% and 7.9% respectively.

The estimated impact on profit (loss) before tax due to change in yield of 0.25% for the whole investment property portfolio (in absolute terms) as of 31 December 2016 amounted to: EUR 33.3 million.

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

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

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

18. Inventory and Residential landbank

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

19. Investment in associates and Joint ventures

The investment in associates and joint ventures comprises the following:

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

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

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

(3) In June 2016, CID sold the Harfa shopping centre in Prague. In July 2016, it repaid GTC's loan in the amount of Euro 11.3 million. Post the sale CID's shareholders have decided to liquidate the company.

In August 2016, the Company sold its shares in Lighthouse for Euro 1.3 million.

Additionally, during year ended 31 December 2016 the Group recognized impairment in the amount of EUR 2.9 million.

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

20. Derivatives

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

The movement in derivatives for the years ended 31 December 2016 and 31 December 2015 was as follows:

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

For more information regarding derivatives, see note 36

21. Trade and other payables

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

22. Short term deposits

Short-term deposits include deposits related to loan agreements, derivatives, and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements. See note 36, regarding write off of Euro 1 million deposit related to Marlera project.

23. Cash and cash equivalents

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

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

24. Other expenses

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

25. Deposits from tenants

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

26. Long term payables

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

27. VAT and other tax receivable

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

28. Non-controlling interest

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

Balance as of 1 January	(21,339)	(62,032)
Other comprehensive income	(3)	144
Profit /(loss) for the year	1,027	(1,553)
	<hr/>	<hr/>
Total comprehensive income / (loss) for the period	1,024	(1,409)
 Purchase of NCI shares (Stara Zagora)	 17,033	 -
Purchase of NCI shares (Rose Garden)	3,883	-
Purchase of NCI shares (Europort)	2,290	-
Purchase of NCI shares (Galeria Varna)	-	27,982
Purchase of NCI shares (Osijek shopping center)	-	16,663
Purchase of NCI shares (City Gate)	-	(2,543)
	<hr/>	<hr/>
Balance as of 31 December	2,891	(21,339)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

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

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

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

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

(*) NCI was purchased in 2016

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

29. Long-term loans and bonds

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

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

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

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

Loan granted to Spiral is nominated in Hungarian Huf.

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

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

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

30. Assets held for sale

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

31. Capital and Reserves

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

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

All shares are entitled to the same rights.

Shareholders who as at 31 December 2016 held above 5% of the Company shares were as follows:

- LSREF III
- PZU OFE
- AVIVA OFE BZ WBK

The statutory financial statements of GTC S.A. are prepared in accordance with Polish Accounting Standards. Dividends may be distributed based on the net profit reported in the standalone annual financial statements prepared for statutory purposes.

On 24 May 2016, the Company held an ordinary shareholders meeting. The ordinary shareholders meeting decided that the loss for the year 2015 presented in the financial statements of Globe Trade Centre S.A. prepared in accordance with the Polish Accounting Standards shall be presented under Retained earnings.

Reserves are created based on provisions of the Polish Code of commercial companies.

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

32. Phantom shares

Phantom shares

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

The Phantom Shares grant to the entitled persons a right for a settlement from the Company in the amount equal to the difference between the average closing price for the Company's shares on the Warsaw Stock Exchange during the 30-day period prior to the date of delivery to the Company of the exercise notice, and settlement price ("strike") amount per share (adjustable for dividend). The Phantom Shares are not securities convertible or exchangeable into shares in the Company, in particular, they are not options on such shares. The Phantom Shares are merely a means of calculation of deferred variable compensation of the entitled persons, which depends on the future market price of the shares on the regulated market. The Phantom Shares (as presented in below mentioned table) have been accounted for based on future cash settlement.

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

33. Earnings per share

Basic earnings per share were calculated as follows:

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

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

34. Related party transactions

The Company provides asset management services to subsidiaries controlled by Lone Star, which own real estate projects.

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

The transactions and balances with related parties are presented below:

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

35. Commitments, contingent liabilities and Guarantees

Commitments

As of 31 December 2016 (31 December 2015), the Group had commitments contracted for in relation to future building construction without specified date, amounting to Euro 126 million (Euro 158 million). These commitments are expected to be financed from available cash and current financing facilities, other external financing or future instalments under already contracted sale agreements and yet to be contracted sale agreements.

Guarantees

GTC gave guarantees to third parties in order to secure construction cost-overruns and loans to its subsidiaries. As of 31 December 2016 and 31 December 2015, the guarantees granted amounted to Euro 63 million and Euro 74 million, respectively. Additionally, in connection with the sale of its assets, the Company gave typical warranties under the sale agreements, which are limited in time and amount. The risk involved in above warranties is very low.

Croatia

In relation to the Marlera Golf project in Croatia, part of the land is held on a lease basis from the State. There is furthermore a Consortium agreement with the Ministry of Tourism of Croatia (Ministry) which includes a deadline for the completion of a golf course that has expired in 2014. The Company has taken active steps to achieve an extension of the period for completing the project. In February 2014, the Company received a draft amendment from the Ministry expressing its good faith and intentions to prolong the abovementioned timeline however the amendment was not formalized. Since 2015 parliamentary elections have taken place twice, the most recent being in September 2016. This temporarily froze the formalization of the amendment. Towards the end of 2016 contact was established with the newly formed Government who have requested a rewording of the amendment which is currently being reviewed by the relevant ministries. Since formalization of the amendment is no longer at the sole discretion of the Group, the Management has decided to revalue the freehold asset in assuming no development of the golf course project. Consequently, as a prudential measure, the Management has decided to write off the related collaterals in the amount of Euro 1 million provided to the Ministry as a guarantee for completing the golf course. As of 31 December 2016 the book value of the investment in Marlera was assessed by an independent valuer at Euro 6.9 million and is assumed to be fully recoverable.

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

36. Financial instruments and risk management

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

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

Interest rate risk

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

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

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

A 50bp change in Euribor rate would lead to Euro 2,846 thousand change in profit (loss) before tax.

Foreign currency risk

The group enters into transactions in currencies other than the Group's functional currency. Therefore it hedges the currency risk by either matching the currency of the inflow, outflow and cash and cash equivalent with that of the expenditures.

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

Credit risk

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

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

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

The maximum exposure to credit risk as of the reporting date is the full amount presented.

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

Liquidity risk

As at 31 December 2016, the Company holds Cash and Cash Equivalent (as defined in IFRS) in the amount of approximately EUR 150 million. As described above, the Company attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) debt servicing of its existing assets portfolio; (ii) capex; and (iii) development of commercial properties. Such funding will be sourced through available cash, operating income, sales of assets and refinancing. The Management Board believes that based on its current assumptions, the Company will be able to settle all its liabilities for at least the next twelve months.

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

Fair Value

As of 31 December 2016 and 2015, all loans bear floating interest rate (however, as of 31 December 2016 and 2015, 70% and 58% of loans are hedged). Therefore, the fair value of the loans which is related to the floating component of the interest equals to the market rate.

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

For fair value of investment property please refer to note 17.

Fair value hierarchy

As at 31 December 2016, the Group held several hedge instruments carried at fair value on the statement of financial position.

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

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

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

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

Valuations of hedges are considered as level 2 fair value measurements. During the year ended 31 December 2016 and 31 December 2015, there were no transfers between Level 1 and Level 3 fair value measurements.

Price risk

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

Capital management

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. The Company monitors its gearing ratio, which is Gross Debt less Cash & Deposits (as defined in IFRS) divided by its investment in real estate. The Company's policy is to maintain the gearing ratio at the level of around 50%.

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

(in thousands of Euro)

37. Subsequent events

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

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

38. Approval of the financial statements

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



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