



Record 2017 results pave the way for future substantial growth

Annual Report **2017**



GALERIA
PÓLENOCN

SELECTED KEY NUMBERS

Operating in CEE & SEE markets for

24 years

Retail and office properties in

6 CEE & SEE countries

Portfolio of:

37 buildings

Total lettable commercial space:

621,000
sq. mCommercial space currently
under construction:**128,000**
sq. mCommercial space currently in
planning and pre-planning stage:**303,400**
sq. m

Investment properties of:

€2.0 billion

Annual in-place rent of:

€110 million

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01. GTC AT A GLANCE

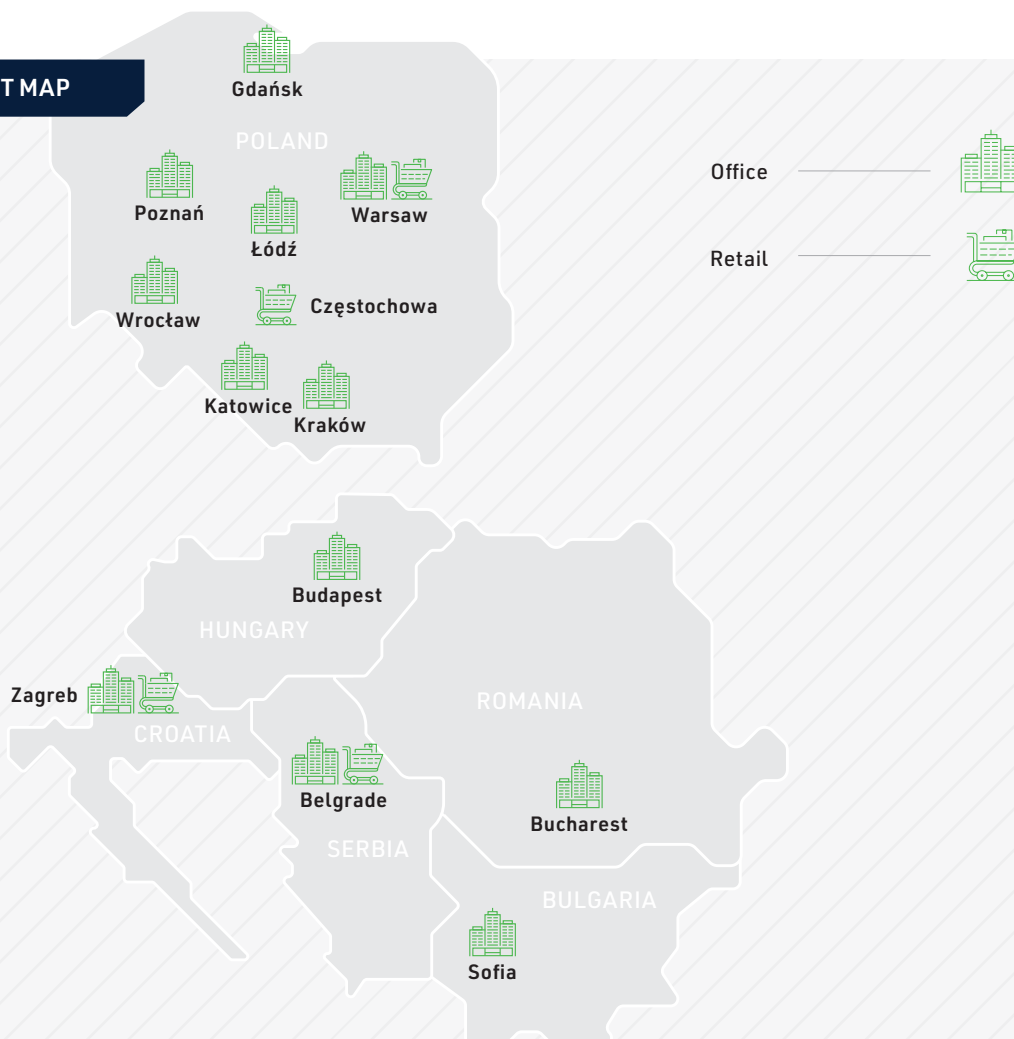
GTC's ambition is be to the first class developer and manager of distinctive office and retail properties

MISSION STATEMENT

Our ambition is be to the first class developer and manager of distinctive office and retail properties that deliver value for money in the eyes of our customers, communities, local economies, partners, employees and investors. We will create value by disciplined investing and carefully managing development projects.

Experience and skill allow us to enhance deal flow, mitigate risks and optimize performance. By hard work, focused effort and expertise we want to be the premier real estate investor in our chosen markets.

OUR INVESTMENT MAP



Group overview

The GTC is a leading real estate investor and developer focusing in the dynamic markets of Central and 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 mWIG40 and Dow Jones STOXX Eastern Europe 300. The stock market capitalization at year-end 2017 was PLN 4.61 billion (€1.1 billion). We enjoy the investment backing of several Polish and international institutional investors including Lone Star private equity fund, our largest single investor with a 61% stake.

Who We are

We are a real estate investor and developer focusing on Poland and four capital cities in Central and Eastern Europe. We have aggregated portfolio of high standard, modern office and retail investments. Since GTC was founded, we have developed a total of 67 commercial buildings (1.2 million sq. m), purchased 8 commercial properties (112,000 sq. m) and developed and sold 10 residential projects (400,000 sq. m). We now actively manage a real estate portfolio of 37 commercial properties providing approx. 621,000 sq. m of lettable office and retail space to our highly demanding tenants and customers. With a total appraised book value of €1.65 billion, the majority of our properties are rated at a Class A standard and are almost fully leased (6% vacancy). We are in the midst of developing 5 new projects coming on stream in the near future. We pursue a pro-active management approach within our growing portfolio of commercial properties. We aim to achieve our commercial mission by 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 in terms of the benefits and risks they entail.

What We achieved in 2017

► COMPLETIONS OF INCOME GENERATING PROPERTIES

- Galeria Północna (shopping mall in Warsaw);
- FortyOne III (office building in Belgrade);
- Artico (office building in Warsaw).

► ACQUISITION OF INCOME GENERATING PROPERTIES

- Belgrade Business Center office building in Belgrade ;
- Cascade Office building in Bucharest

► STRONG ASSET MANAGEMENT:

- €43m revaluation gain
- Occupancy at 94% (94% as at 31 December 2016)
- 132,000 sq. m of office and retail space newly leased and renewed in 2017

► ADDITIONAL IN-PLACE RENT OF €18M ANNUALLY (+20% VS. 2016) NET OF ASSET SALES

► EXPECTED NAV AND FFO GROWTH FROM DEVELOPMENT ACTIVITY:

- 5 projects under construction with over 128,000 sq. m GLA commenced in 2017:
 - GTC White House (Budapest);
 - Green Heart (Belgrade);
 - Ada Mall (Belgrade),
 - Advance Business Centre I (Sofia),
 - Matrix A (Zagreb);
- 5 projects in the planning stage, which construction will start in next 12 months, with 128,400 sq. m of office space;
- 6 projects in the planning stage with over 114,000 sq. m of office space and 61,000 sq. m of retail space.

02. A STRONG INVESTMENT CASE

GTC aims to deliver attractive returns for its investors through a combination of its highly targeted approach to property selection and a strategy that supports sustainable growth.

At GTC we aim to deliver attractive returns for our investors through a combination of our highly targeted approach to property selection and a strategy that supports sustainable growth. We take a long view of the property market and the way we operate means that we are able to identify, secure and manage properties in a way that creates value for our shareholders.

Leading commercial real estate platform

In 2017 we consolidated our position as the first class developer and manager of distinctive office and retail properties. We focused on high quality, income-generating value-add office and modern retail property in Poland and selected CEE and SEE capital cities.

Our €2.0 billion portfolio demonstrates our excellent development and asset management track record that spans over 24 years. We have a deep understanding of the real estate markets in which we operate. We manage our property assets efficiently, to provide cost-efficient space to our tenants and maintain a high occupancy level. That way, we create a successful business that benefits all our stakeholders.

Growth momentum

We are committed to sustainable, profitable long-term growth for GTC. Following a period of strategic realignment and financial restructuring, we are now on a growth phase. With a more efficient management structure and greater financial headroom in place, proved strategy we are ready to grow further. 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 of 34 office and 3 retail buildings and this will be strengthened by the completion of two prime retail developments in Warsaw and Belgrade and 14 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 particular market knowledge enables us to identify strategic locations and land plots that we can profitably develop. Our experience helps us to make the most of their development potential. We are highly selective in initiating development projects. Before proceeding we evaluate their potential closely against our

rigorous selection criteria. We focus on the development of landmark shopping centres and Class A office buildings that offer significant net asset value growth potential. We have five major projects under construction at the moment, with another five in the planning and another six in pre-planning stage.

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. For example, we ensure that occupancy levels are maintained or improved on the best commercial terms.

We look after our tenants, understanding and meeting their needs, with but with 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 make an important contribution to the swift and efficient realization of value creation potential.

A promising dividend policy

As part of our strategy, we are developing an income-generating portfolio through acquisition and development of income-generating assets. This leads to accretive FFO (funds from operations) and provides for growing dividend potential.



STRABAG
TEAMS WORK.

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

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

Following the growth achieved in 2017, we are well positioned to recommend to distribute in 2018 funds that are surplus to our operating needs. Our dividend recommendation is guided by, among others things, the availability of cash, the FFO growth plans, the Company's capital expenditure requirements and planned acquisitions and the share of external financing in the Company's overall equity. We anticipate that continuing to acquire assets and developing projects at attractive FFO yield will enable us to recommend a double-digit dividend growth in the years to come.

We will review the dividend policy periodically and provide our recommendation 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 reevaluate our policy and update it when appropriate, based on business performance, market opportunities, 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 the management's ability to accelerate expansion and future shareholder value.

Galeria Północna, Warsaw



Pixel, Poznań



Aeropark Business Centre, Warsaw

03. CHAIRMAN'S STATEMENT

Record 2017 results pave the way for accelerated growth

Dear GTC Shareholders

The year 2017 has been again a very successful year for GTC. With the completion of Galeria Północna GTC continued to successfully invest in its core market Poland, increasing the share of Polish assets to 58%, thereof 55% in prime retail assets. GTC's shopping centers will benefit from the strong fundamentals in the prime retail sector, the accelerated growth of disposable income in Poland and other CEE countries, leading to strong retail sales growth, predominantly in physical retail outlets and not only in e-commerce.

With regard to office properties GTC continues to see good opportunities in Polish secondary cities with an attractive risk/return profile for new investments. In addition there are attractive opportunities in select capital cities outside of Poland, where GTC has a strong market position.

In light of the successful completions, it has been a focus in 2017 for GTC to invest in the replenishment of its land bank, in order to secure the sustainability of its profitable growth as well as the future prospects for shareholders and employees of the company. In terms of developments we see emerging opportunities in CEE capital cities which benefit from the continued trend of foreign investments, especially in the form of business process outsourcing ("BPO"). GTC is perfectly positioned to serve the office space needs of international companies who rapidly expand their BPO operations in CEE capitals.

The Supervisory Board, which has been closely involved in all major steps, is gratified to see that there is a clear growth of NAV and profits that generate equity as strong basis for continuing profitable growth in the years to come

Assessment of key events in 2017

Realization of the growth strategy – acquisitions, completions and developments

In line with GTC's strategy, management continued the deployment of capital raised at the end of 2015. This process has focused primarily on development activities that were resumed in the prior year and the acquisition of value-add assets. All these investment activities have all been closely aligned with the Supervisory Board.

Additionally, GTC has continued the development of some key projects and has currently 5 projects with over 128.000 sqm under construction and 11 projects with over 300.000 sqm in planning stage, out of which for 5 projects construction is expected to start in the next 12 months. Moreover, in 2017 GTC completed and leased 3 projects with 83.200 sqm, the most prominent being Galeria Północna.

The Supervisory Board has positively recognized that the company has also made significant progress in its development portfolio and accelerated its growth. During 2017, GTC invested €155 million into its development portfolio.

The Supervisory Board considers the successful execution of the company's strategy as an important step for propelling the future development of GTC.

Attractive asset portfolio and acquisition successes

As completion of the portfolio optimization process, GTC sold two non-core yielding assets, with the result, that now all of GTC's income producing assets and project developments are located either in Poland or capital cities.

As at 31 December 2017, the Gross Asset Value (GAV) of the company's portfolio amounted to approximately €1.96 billion, of which 84% are made up by income-producing assets.

During 2017, GTC was able to refocus on external growth through acquisitions in Poland and capital cities of selected CEE countries, in line with its strategy. In the reporting period, the company was able to complete 6 acquisitions with a total volume of €81.6 million. GTC acquired Cascade Office in Bucharest (an office building with 4,200 sqm), Belgrade Business Center in Belgrade (an office building with 17,700 sqm) and land plots in Budapest, Bucharest, Sofia and Zagreb. The transactions have been discussed with the Supervisory Board which shares management's view with respect to the attractive business locations and upside from an improving office market environment.

Improvement in key operating stats

In 2017, the management was able to keep overall occupancy at the level of 94% which is based on positive re-letting results in the office portfolio as well as new leases in the retail portfolio.

GTC maintained its robust financing strategy in 2017. Backed by its strong operational growth, GTC raised EUR 79m in new

bonds and corporate loans, EUR 151m of new construction loans and refinanced EUR 333m of loans, while decreasing the LTV to 42% (-1% vs. 2016) and average interest rate to 2.8% (vs. 3.2% in 2016).

These achievements had a positive impact on the company's financial results.

Dividend proposal

Based on the strong financial result 2017 and being confident on the growth path, GTC's Management Board recommended a dividend of PLN 0.33 per share to be paid from 2017 profits, which reflects a 22% DPS growth. As in the past, Management Board also recommended to allow shareholders to elect to receive the dividend as cash or to reinvest the dividend money into new GTC shares. The dividend proposal has been approved by the Supervisory Board.

Cooperation and partnership with the Management Board

In the financial year 2017, 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 greatest care. 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 the 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 has 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 2017 were discussed and coordinated 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 2017 financial year, the Supervisory Board convened nine 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 such key areas 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 maintaining 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 continuing strong cooperation.

For the Supervisory Board of GTC

Alexander Hesse

Chairman of the Supervisory Board

Center Point, Budapest



04. MANAGEMENT REVIEW

2017 was a record year for GTC. It marks another milestone in GTC's history.

2017 was a record year for GTC. It marks another milestone in GTC's history. With opening Galeria Północna and two office buildings as well as developing 5 office and retail projects and preparing for development another 6 projects, GTC proved that it is a major, profitable and acquisitive market player in its CEE and SEE target markets.

Attractive asset portfolio

2017 was a remarkable year. We completed our largest retail project in Warsaw, Galeria Północna, and opened it to the public in September 2017. Galeria Północna was the first retail project brought to the Warsaw market since 2007 and now constitutes our most valuable asset. Additionally, we completed the development of two office projects: Artico, class A office project in Warsaw, which was fully let upon opening, and FortyOne III, the last phase of our FortyOne Belgrade office park. We also acquired a prime office building Belgrade Business Center, which reinforced our dominance in Belgrade office market.

In line with our strategy to focus on capital cities, during the year we sold two non-core assets, Galleria Stara Zagora and Galleria Burgas, and redirected our investment in Bulgaria to Sofia, where we started the development of Advance Business Center, centrally located office complex.

We also concentrated on securing the future growth of GTC beyond the current pipeline. That result in a number of land plots acquisitions in Budapest, Bucharest, Sofia and Zagreb.

Completions and acquisitions of five properties in 2017 increased our standing portfolio by over 105,000 sq. m of office and retail space, forming a 17% of GLA growth. It generated an increase of gross asset value (GAV) to approximately €2 billion which translated into EPRA NAV growth to €1,073 million (or €2.28 per share) in 2017.

Unique self-funded development pipeline

Our unique self-funded development pipeline comprises predominantly of landmark shopping centers and Class A office buildings with significant Net Asset Value (NAV) growth potential upon completion.

During 2017, our development activity and portfolio have progressed significantly. We advanced the development and pre-letting of our major projects and completed Galeria Północna, FortyOne and Artico with a total investment of €211 million. We decided on new developments and commenced Ada Mall, a major shopping center in Belgrade with a total investment volume of €105 million, scheduled for completion in the beginning of 2019, GTC White House, an office building in Budapest, with an investment of €48 million, scheduled for completion in Q1 2018, Green Heart, a very interesting project combining refurbishment of two existing buildings and development of three new offices in Belgrade on already owned land, with a total investment of €93 million and completion scheduled in phases in 2018 and 2019. Finally, at the end of 2017 we commenced development of Advance Business Center, an office project in Sofia with a total investment of €28 million and Matrix office project in Zagreb with a total investment of €20 million – both to be completed in the first half of 2019. That gives us 128,000 sq. m of prime office and retail space under construction.

Improvement in key operating statistics

In 2017, 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 97,100 sq. m. Within our retail portfolio, we let out 34,800 sq. m, including 10,300 sq. m of pre-letting in the newly developed Ada Mall. Moreover, we managed to improve the occupancy in Galeria Jurajska up to ca. 100%. This puts our retail occupancy at 94%. We will continue to put efforts into the leasing activities to keep the occupancy level in both existing buildings and buildings under construction to be able to deliver them to the market with highest possible occupancy.

Finance

Our finance activity was abundant. We repaid all our due loans and bonds of approx. €100 million. We raised corporate debt of €79 million and borrowed €180 million in construction and investment loans. The largest transaction was refinancing of Galeria Północna, where we repatriated all invested equity and more, which will now be reinvested into the new projects. This effect propels the company growth, while keeping the overall leverage at a level of ca. 42% at the end of the year. Additionally, we negotiated attractive financing for all of our development under construction.

Total finance costs decreased for the third consecutive year. Our average cost of finance at the end of the year is now 2.8% p.a. (3.2% p.a. in 2016, and 3.4% in 2015).

All these factors, in particular the acquisitions and savings in finance costs, contributed to an increase in our Funds from Operations (FFO) from €28 million in 2014 to €47 million in 2017. This reflects the significant operational progress and turnaround success that GTC achieved last year and earlier.

2018 Total return strategy

In 2018 GTC targets to continue the growth path it performed, by growing its completed asset portfolio and advancing the development projects and completing them successfully during 2018-2019. In line with our growth strategy, we target to seize selected asset acquisition opportunities in our core markets. This will continue to provide a growth return to our shareholders. Additionally, the improvement in FFO and recurring cash inflow prompt the management to recommend a dividend payment in a total amount of 22% higher than last year, following the dividend policy introduced in 2017. Through a combination of efficient asset management and successful completion of our development pipeline, GTC will aim to produce significant total returns to its shareholders.

We are confident that GTC is well-prepared for 2018 and beyond, to deliver superior value appreciation to its stakeholders.

Our stakeholders

At the summary of 2017 activity, we would like to thank sincerely our tenants and business partners, for their cooperation in 2017. We would also like to thank our shareholders for their support and confidence in our strategy. Finally, we would like to thank our employees, without them the achievements could not be realized. Their commitment and hard work have yielded 2017 results

We look forward to a successful year in 2018 and are eager to continue the implementation of our growth strategy.

Thomas Kurzmann

President of the Management
Board

Erez Boniel

Member of the Management
Board

Francuska Office Centre, Katowice



05. OUR BUSINESS MODEL AND STRATEGY

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

We build 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.



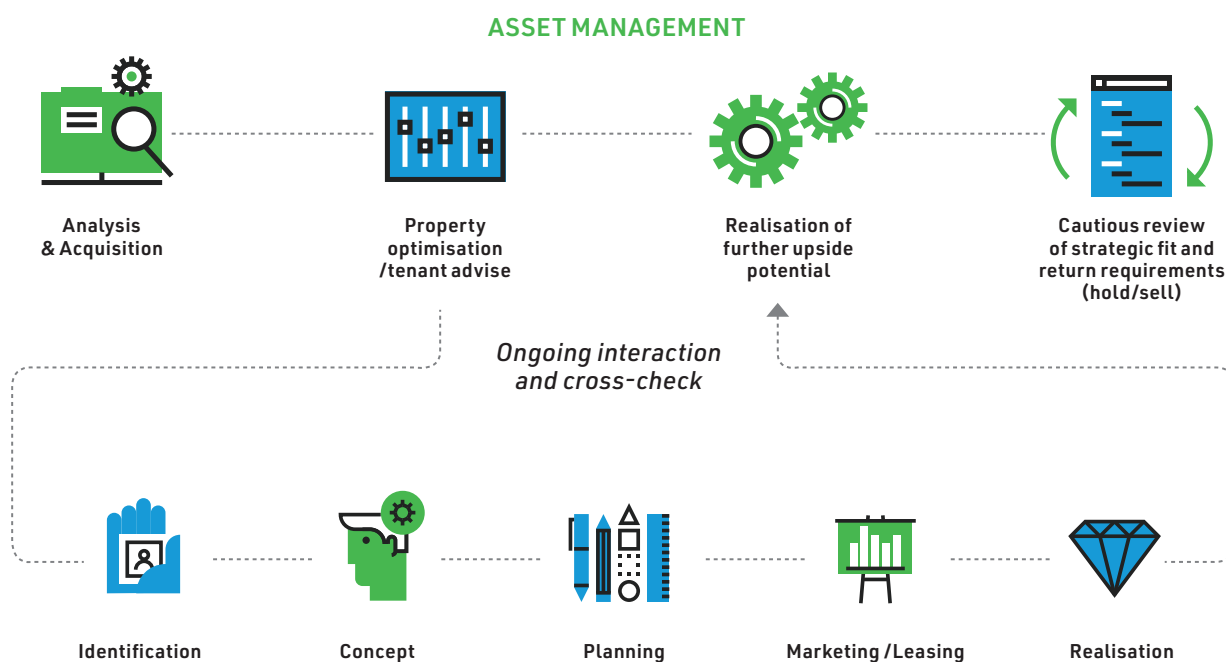
Hines

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.

Value chain coverage

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



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.

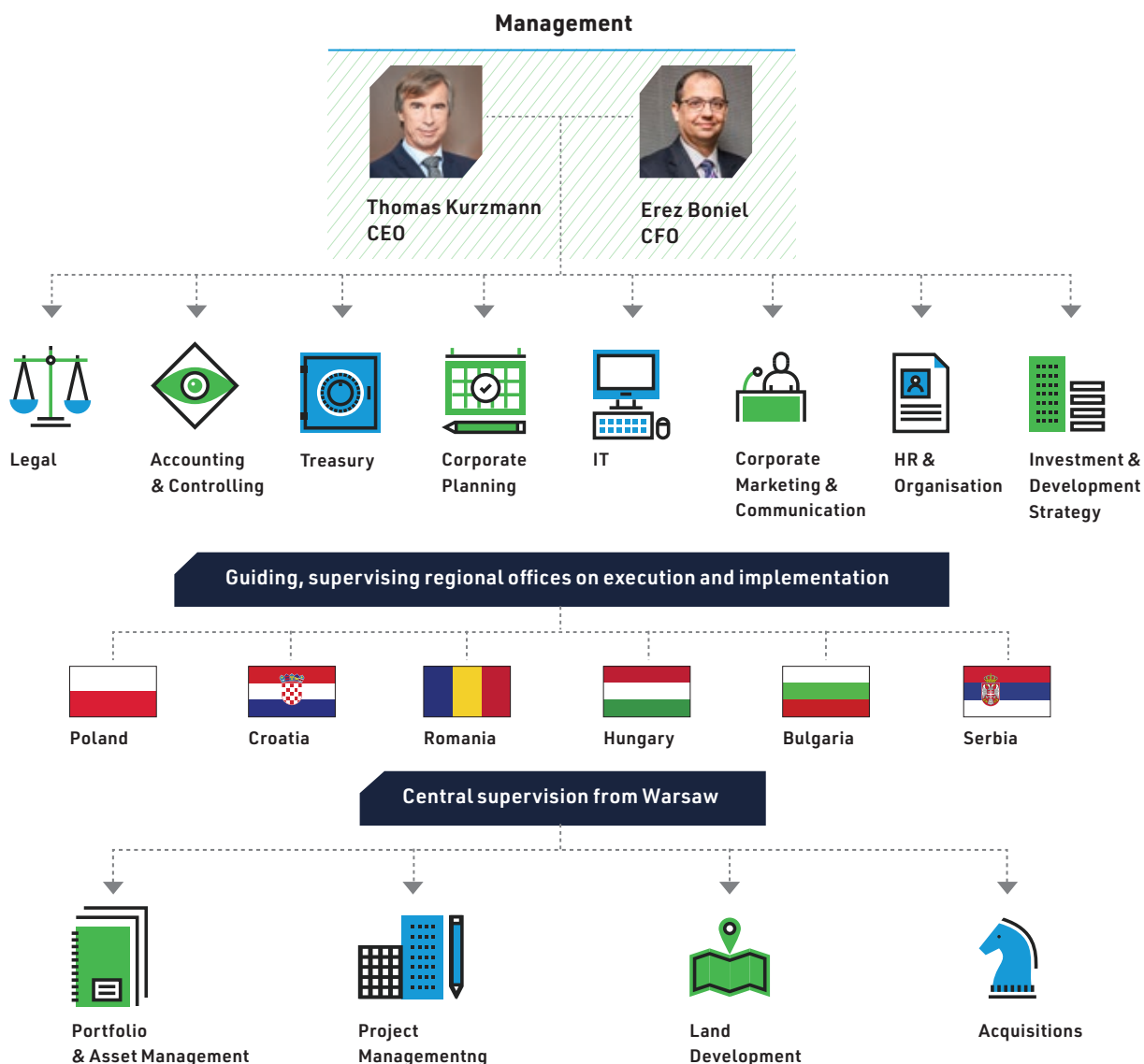
We are ideally positioned to expand our real estate portfolio by acquiring income-yielding properties that have the potential to add value. We do this by capitalizing on our regional platform, property management skills and broad experience in real estate development, in addition to continuing with our 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. We are 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 GTC or at other companies. In addition, our operations are staffed with approximately 171 qualified and experienced professionals in the head office and six regional offices located throughout the CEE and SEE region.

We have employed the vast majority of the core management team members for at least 10 years.

The GTC'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.



Our 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 our global strategy. Our 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, at which we at GTC excel, 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

We have an integrated and fully functional management platform; we have 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 24 years of managing and developing real estate properties and projects in CEE and SEE countries. Our highly recognized regional brand and established position as a significant and well-known player in all of 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 we operates. We have employed the vast 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 58% 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 Carrefour, Cinema City, LPP Group, TK Max, Inditex Group, H&M. In the office sector we have tenants such the European Bank for Reconstruction and Development, Microsoft, Bertelsmann, Hewlett Packard, IBM, KPMG, Fujitsu, Unit4, Hitachi, Pandora, Allegro Group, Huawei, Bosch, UniCredit, Philip Morris, Roche, State Street, ExxonMobil. In addition, our local managers maintain relationships with local retailers. Historically, We have 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 for these major projects is expected during 2018, or 2019. We also have another six projects in the planning stage and we plan to start some of those Class A office and modern retail projects very shortly.

The construction or acquisition of our income generating assets is mainly financed by long-term loans. We 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 or Platinum Business Park. We will be able to utilize the experience and know-how from past sales transactions when realizing our new strategy, including the intended sales of non-core assets and the sales of future projects to be acquired by the Group.

Investment in income generating assets

Based on our market conditions and our strict criteria during the year 2017 we acquired:

- Cascade Office Building (office building located in Bucharest, Romania);
- Belgrade Business Center (office building located in Belgrade, Serbia);

Since the end of 2015 we also acquired:

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

We are carefully considering and evaluating attractive investment opportunities as long as they meet the investment criteria of the Group. Our 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 in-place rent 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 6 countries in Central Eastern Europe (CEE). 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 characterized 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. At the same time, 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.

Sterlinga Business Center, Łódź



Premium Plaza, Bucharest



Our strategy

In 2015 we 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:

- active management of a growing commercial real estate portfolio in CEE and SEE, supplemented by selected development activities; and
- enhancing deal flow, mitigating risks and optimising performance through its regional platform, by investing its own funds, the proceeds from share capital increase and reinvesting potential proceeds from the sale of real properties.

We implement the following elements, among others, to achieve its strategic objectives:

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

Our strategic objective is to expand its portfolio by acquiring yielding properties in Poland and in capital cities of selected CEE and SEE countries that have value added potential.

We believe that the current market conditions, including the attractive pricing of yielding properties and the widening range of potential sellers, present compelling real estate acquisition opportunities for both individual assets and portfolios at attractive prices. The Management Board will carefully consider and evaluate attractive investment opportunities, which meet our investment criteria, while taking into consideration the prevailing market yields and our investment criteria targets.

In addition, in implementing our strategic objective of expanding our portfolio, we are well-positioned to benefit from:

- the exceptional high yield spread in the current low interest rate environment, allowing for highly accretive growth;
- the future growth potential in Poland, and capital cities in our countries of operation if the macro environment improves;
- selective approach by lender that operate in the CEE and SEE regions, which limits competition from other potential purchasers;
- limited offer of high class office and retail space in some markets, which in turn results in increased demand for renting space in class A properties.

Our acquisition strategy includes the acquisition of income generating assets with value-added potential and / or high FFO yield that meet the following criteria:

- office and retail assets;
- located in Warsaw or secondary cities in Poland or in the capital cities of CEE/SEE countries;
- cash generation ability (upon acquisition or shortly after);

- potential growth of net operating income, through re-leasing optimising occupancy, rental rates, and/or redevelopment; and
- potential to increase return on equity through active asset management.

Our expansion will be selective and will be evaluated based on market opportunity, demand and potential return on investment. We may invest alone or may co-invest with partners, which will allow for increased portfolio diversification and boost the scope of investments.

Based on our market conditions and our strict criteria during the year 2017 we acquired:

- Cascade Office Building (office building located in Bucharest, Romania);
- Belgrade Business Center (office building located in Belgrade, Serbia);

Since the end of 2015 we also acquired:

- Duna Tower (office building located in Budapest, Hungary);
- Pixel (office building located in Poznań, Poland);
- Premium Point (office building located in Bucharest, Romania);
- Premium Plaza (office building located in Bucharest, Romania);
- Neptun Office Center (office building located in Gdańsk, Poland);
- Sterlinga Business Center (office building located in Łódź, Poland).

PANDORA
UNFORGETTABLE MOMENTS

We grow fast...that means many changes, which need to be implemented quickly and with minimized impact on our employees. GTC proved to be 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.



Duna Tower, Budapest

Improving the efficiency of asset management activities and maximising operating performance

We will continue to actively manage its current and future income-generating commercial property portfolio to maximise operating performance and efficiency, diversify tenant risk and enhance rental income.

We intend at least to maintain high value to its portfolio through its asset management activities. Such activities include:

- increasing and maintaining occupancy on best achievable market terms;
- maintaining high collection efficiency by strict monitoring of receivables;
- striving for a low and efficient cost base by using energy efficient technologies and optimising property repair and maintenance costs;
- optimising development costs by revising and cost-engineering its developments without detriment to the competitiveness of any individual asset;
- optimising administrative costs where possible; and
- optimising the costs of finance through refinancing where possible.

We believe that, on a long-term basis, active asset management of completed assets will constitute a key success factor of our strategy.

Developing selected projects in the pre-construction or construction stage

Another core growth source under our strategy is the development of commercial projects in areas where there is demand for commercial properties. These areas include a number of office projects and one shopping center.

The development of those projects, which were in the construction stage (Ada Mall, White House, Green Heart, Advance Business Center I and Matrix A) or the pre-construction stage (The Twist Budapest City Tower, Matrix B, Advance Business Center II, Kompakt, City Rose Park) is an important value driver of the Group.

As of 31 December 2017, projects under construction represent approximately 8% of our portfolio value.

Currently, we have five projects consisting of 128,000 sq. m of office and retail space under construction:

- Ada Mall - a retail and entertainment centre being built by the Group in Belgrade with up to approximately 34,400 sq. m of GLA;
- White House - an office building in Budapest with approximately 21,500 sq. m of GLA;
- Green Heart - a complex of office buildings being built in Belgrade, Serbia with intended GLA of approximately 46,000 sq. m;
- Matrix A - an office building being built in Zagreb, Croatia with intended GLA of approximately 10,400 sq. m;
- Advance Business Center I - an office building being built in Sofia, Bulgaria with intended GLA of approximately 15,600 sq. m.

We have another six projects consisting of 128,400 sq. m in the pre-construction stage:

- The Twist - Budapest City Tower - an office building being built in Budapest, Hungary with intended GLA of approximately 36,000 sq. m;
- Matrix B - an office building being built in Zagreb, Croatia with intended GLA of approximately 10,400 sq. m;

Ada Mall, Belgrade



- Advance Business Center II - an office building being built in Sofia, Bulgaria with intended GLA of approximately 17,500 sq. m;
- Kompakt - an office complex being built in Budapest, Hungary with intended GLA of approximately 29,000 sq. m;
- City Rose Park 1&2 - an office complex being built in Bucharest, Romania with intended GLA of approximately 35,500 sq. m.

In addition, our rich commercial landbank designated for future development allow us to extend the planned projects in areas where there will be demand for commercial properties.

We are a real estate investor and developer and adjust our development activities to the market conditions. We believe that this approach allows us to better respond to the changing conditions of the real estate market and focus on more active and efficient asset management of our existing as well as our expanded portfolio. Subject to prevailing market conditions, in order to improve the recurring operating income, in the mid-term we intend to structure our real estate portfolio in such a manner whereby more than half of its value is attributed to income-generating assets and the remaining portion to trading and development.

Disposal of mature assets

We may sell certain of our mature assets from our portfolio (i.e. completed commercial properties which generate a stable flow of rental income and which, in our view, have reached their long-term value). Moreover, following the acquisition of existing income-generating properties and increasing their value, we may also sell such properties.

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

We intend to continue to focus its real estate management and development activities on properties located in Warsaw or secondary cities in Poland and in the capital cities of CEE and SEE countries, as such are characterised by macroeconomic

stability, continued GDP growth and investor and tenant demand. 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 markets. Further investments in these markets will be explored on an opportunistic basis with strict risk adjusted return hurdles. At the same time, specific performance requirements will be imposed on all assets in our portfolio.

We aim to create and maximise shareholder value by constantly adapting to change in the markets in which we operate whilst maintaining maximum performance of our core portfolio of assets.

Looking forward – GTC in 2018

In 2018, 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 improvement of the acquired value add projects.

On the development side, the Group will develop the White House in Budapest, Ada Mall in Belgrade, Green Heart office complex in Belgrade, Advance business Centre I office building in Sofia and Matrix A office building in Zagreb.

On the planning, we will continue our efforts to permit and commence development of Advance Business Center II, City Rose Park, Matrix B and further phases, The Twist - Budapest City Tower, Kompakt, Mikołowska, Platinum 6 and Galeria Wilanów.

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

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

City Rose Park, Bucharest



06. KEY ACHIEVEMENTS 2017

The year 2017 was a record year for GTC. With opening Galeria Północna and two office buildings as well as developing 5 office and retail projects and preparing for development another 6 projects, GTC proved that it is a major, profitable and acquisitive market player in its CEE and SEE target markets.

Portfolio highlights

► COMPLETIONS BOOST GAV AND RENT INCOME

- €105m development profit

► ACQUISITION OF INCOME GENERATING PROPERTIES BOOSTING RENT INCOME

- Belgrade Business Center of 17,700 sq. m in Belgrade in September 2017;
- Cascade Office building of 4,200 sq. m in Bucharest in August 2017;
- Total investment of €46m.

► STRONG ASSET MANAGEMENT:

- €43m revaluation gain ;
- Occupancy at 94% (94% as at 31 December 2016);
- 132,000 sq. m of office and retail space newly leased and renewed in 2017.

► EXPECTED NAV AND FFO GROWTH FROM DEVELOPMENT ACTIVITY:

- 5 projects under construction with over 128,000 sq. m GLA commenced in 2017:
 - 49,000 sq. m to be completed in 2018:
 - GTC White House (Budapest);
 - part of Green Heart (Belgrade);
 - 79,000 sq. m to be completed in 2019:
 - Ada Mall (Belgrade),
 - part of Green Heart (Belgrade),
 - Advance Business Centre I (Sofia),
 - Matrix A (Zagreb);
- 5 projects in the planning stage, which construction will start in next 12 months, with 128,400 sq. m of office space;
- 6 projects in the planning stage with over 114,000 sq. m of office space and 61,000 sq. m of retail space.

Financial highlights

- PROFIT BEFORE TAX UP BY 51% TO €189M (€125M IN 2016), EARNINGS PER SHARE AT €0.34, RETURN ON EQUITY OF 18%

- EPRA NAV INCREASED 20% TO €1,073M (€897M AS OF 31 DECEMBER 2016)

- EPRA NAV / SHARE INCREASED 17% TO €2.28 AS OF 31 DECEMBER 2017 (€1.95 AS OF 31 DECEMBER 2016)

- GROSS MARGIN FROM RENTAL ACTIVITY UP BY 5% TO €91M (€87M IN 2016)

- IN-PLACE RENT UP 20% TO €110M

- FFO I INCREASED 13% TO €47M (€42M IN 2016), FFO I / SHARE AT €0.10

- RECOMMENDED DIVIDEND OF PLN 0.33/SHARE, DPS UP 22%

- AVERAGE INTEREST RATE DOWN TO 2.8% P.A. FROM 3.2% P.A. IN 2016, INTEREST COVER AT 3.5X

- NET LTV DOWN TO 42% FROM 43% IN 2016

07. RENTAL & DEVELOPMENT PORTFOLIO REVIEW 2017

Overview

Our 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. A photography gallery highlighting our major properties can be found in the appendices at the back of this document.

We made considerable progress both with regard to 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.

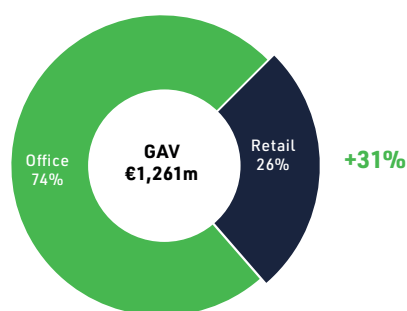
Portfolio structure

At the end of 2017, our portfolio consists of 37 buildings. Our buildings are used and occupied by highly demanding tenants and customers in Poland, Serbia, Hungary, Romania and Croatia. Additionally, we have 16 projects in pre-planning, planning or construction stage.

Performance Metric	2017	2016	2015
Occupancy rate	94%	94%	92%
Square meters under construction ('000)	128	139	90
Square meters in planning and pre-planning stage ('000)	303	181	129
Square meters under management ('000)	621	596	524
% of income-generating assets in the portfolio	84%	78%	79%
% of assets under construction	8%	15%	8%

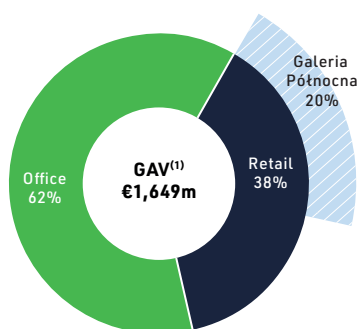
2016

Functional split

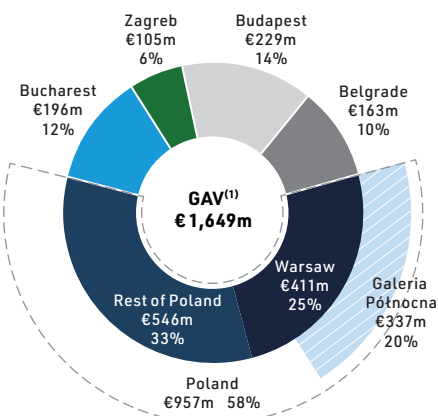


2017

Functional split



Regional split



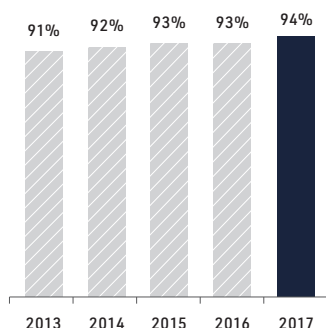
⁽¹⁾ Excludes €4m of investment in Osiedle Konstancja

GTC PORTFOLIO (31 December 2017)	#	Book value (€m)	%	Annualised in- place rent (€m)	GLA (ths. sqm)
Income generating (a+b)	37	1,649	84%	110	621
a) Office	34	1,018	52%	76 ⁽¹⁾	474
b) Retail	3	631	32%	34 ⁽²⁾	147
Completed residential ⁽³⁾	1	4	<1%	-	-
Investment properties under construction	5	148	8%	-	128
Projects in planning stage	5	43	2%	-	128
Projects in pre-planning stage	6	59	3%	-	175
Landbank for developments	2	4	<1%	-	-
CORE PORTFOLIO	55	1,907	97%		NM
NON-CORE PORTFOLIO ⁽⁴⁾		50	3%		NM
TOTAL		1,958	100%		NM

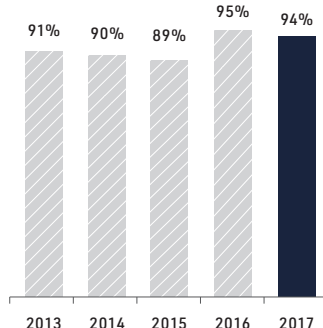
Notes: ⁽¹⁾ Does not include expected rent on 6% vacant space ⁽²⁾ Does not include expected rent on 6% vacant space ⁽³⁾ Includes investment in Osiedle Konstancja phase VI;
⁽⁴⁾ Non-core landbank, „Residential Landbank & Inventory

Occupancy profile

OFFICE



RETAIL



Our 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 94% as of 31 December 2016. The portfolio was valued based on average yield of 6.8%. The average duration of leases in our income generating portfolio amounted to 3.3 years and the average rental rate was €16.1/ sq. m/ month.



HILL
Hill International

For more than 10 years we have a privilege to cooperate as a consultant to GTC. GTC is very reputable, demanding, professional Client. We are delighted to be a part of GTC history and we wish to grow our cooperation in the future.

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

Development pipeline

Developing selected projects in the pre-construction or construction stage.

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

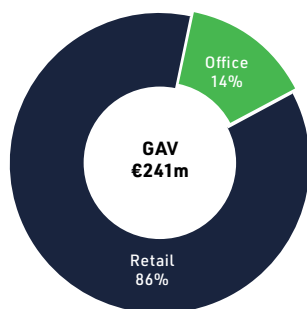
These areas include over 128,000 sq m of office and retail space under construction with five projects, that are under construction and aprox. 128,400 sq. m of office and retail space in projects in pre-construction stage.

The development of those projects which, as at the end of 2017 were in the pre-construction stage The Twist Budapest City Tower, Matrix B, Advance Business Center II, Kompakt and City Rose Park 1&2) or construction stage (Ada Mall, White House, Green Heart, Advance Business Center I and Matrix A), is an important value driver of the Group.

As of 31 December 2017, those projects represent approximately 10% of our GAV.

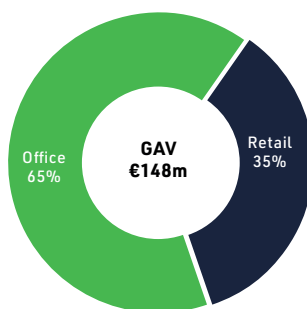
2016

Functional split

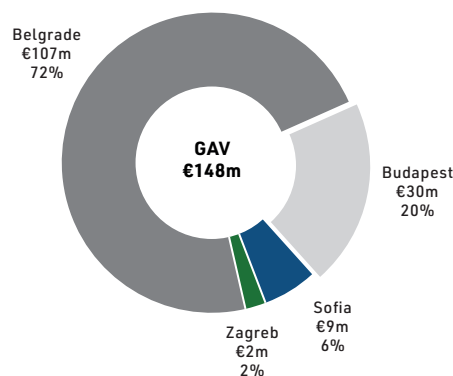


2017

Functional split



Regional split



GTC X, Belgrade



Galeria Jurajska, Częstochowa



08. PROPERTY MARKET CONDITIONS

Generally, the 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 spots 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: The growth in the market here has been robust enough to cause significant improvements in a variety of real estate indicators, and also attract investors, but without running too hot. All that results from the constantly increasing levels of business activity in the capital of Poland combined with developing infrastructure and good quality of living which support that growth. Warsaw is now the undisputed regional leader.

One of the beneficiaries, as the brightest hotspot on the Warsaw office map, is the area near Daszyńskiego roundabout – one of the largest construction sites in Europe and a place every company wants to be in. In a few years it have been completely transformed into an ultra-modern business hub and a symbol of the city's economic strength.

Another trend that's becoming increasingly noticeable in Warsaw is demand for flexible offices. Business centres and co-working spaces are developing rapidly and starting to play an important role in the market. However, Warsaw is facing some challenges, with the biggest of those continuing to be the war for talent. That shines a spotlight on the central areas of Warsaw, as the recruiting advantages of a central location boost both demand and supply there.

Such good market sentiment has resulted in extraordinary demand, which totalled 820,100 sq. m in Warsaw in 2017, i.e. 9% higher than 2016 and almost equal to the record-breaking 2015. The City Centre leads the way in terms of occupier activity, with 208,400 sq. m leased, of which 125,400 sq. m was located in the City Centre West subzone. Mokotów followed closely, with 204,600 sq. m transacted on, and third place was taken by the CBD. Approximately 381,600 sq. m of the total

demand came from new deals in existing buildings, with a further 136,900 sq. m being pre-lets. Renewals amounted to 210,100 sq. m and expansions accounted for 91,500 sq. m (up 20% on 2016).

The amount of new supply coming to the market in 2017 was lower than that in 2016, totalling 275,400 sq. m, of which 77% was completed outside of the central areas of Warsaw. The largest openings included: Business Garden 3-7 (54,800 sq. m, Żwirki I Wigury corridor); West Station II (35,000 sq. m, Jerozolimskie corridor); and D48 (23,400 sq. m, Mokotów). The volume of completions is expected to decrease further in 2018 and then to pick up in 2019-2020. The under-construction volume currently amounts to 750,000 sq. m. It is interesting that 78% of total volume is located in the central areas of Warsaw. This may result in a possible shortage of new space in non-central locations in the mid-term perspective.

The lower completions volume in 2017 and the robust demand last year resulted in a steady decrease in the vacancy rate throughout Warsaw, with that rate now at its lowest since 2013.

Currently 11.7% of space in Warsaw is vacant (which is 2.5 pp lower than Q4 2016). For central areas the rate is 9.1% (6.2 pp lower than in Q4 2016, which shows remarkable absorption of office space), while for non-central Warsaw the figure is 13.2%. This situation is expected to continue in the mid-term perspective.

Prime headline rents remained relatively stable in 2017. A slight correction was seen in Q2 in the upper rental band for the CBD, where rents are currently quoted at EUR 20.5–EUR 23.0 / sq. m / month (down from EUR 20.5–EUR 23.5 / sq. m / month). Prime assets located in the best non-central areas lease for EUR 11.0–EUR 16.0 / sq. m / month.

Regional cities: Poland has been able to stand out as a stable economy and a safe destination for investments by multinational corporations. The office real estate market in Poland's regions continued to experience good times in 2017, with all of the regional cities seeing robust growth along with increasing confidence from international investors. In 2018 we expect to see further strong momentum in the regional office markets of Poland. Given the solid economic situation here companies are continuing to expand, and more and more firms now have Poland on their radar.

Growth in the number of people employed by corporations has led to increased demand for office space, and that has had a direct impact on the office letting market. In 2017 the take-up volume in regional markets reached around 674,600 sq. m and thus surpassed the previous year's volume by more than 15%. Kraków office market continued its strong performance over the year with almost 201,000 sq. m leased (7% higher than the figure for the whole of 2016). Wrocław and the Tri-City registered take-up volumes of 169,500 sq. m and 113,200 sq. m respectively. The figure for Poznań, where demand was led by a 25,500 sq. m pre-let by a confidential tenant in Nowy Rynek B, was more than 22% higher than that for 2016, while Łódź continued to see good growth in 2017 and constant inflow of new investors.

Approximately 461,000 sq. m entered the market in 2017 (6% less than the amount in 2016 but 25% more than in 2015). Of that space 135,000 sq. m (i.e. 29%) was still available on the date of its completion. Looking ahead to 2018, 390,700 sq. m is being developed on speculative basis. Remaining 31% of the new supply expected for 2018 is already pre-let.

The major regional markets have a total of 1.1 million sq. m under construction and due for completion from 2018 onwards, with the bulk of that total scheduled for completion this year. Activity is focused mainly on Kraków, Wrocław and the Tri-City, which together account for 71% of all under-construction space in the eight regional cities.

After rising in the third quarter of 2017, the overall vacancy rate for the eight regional cities fell in Q4 and now stands at 9.9%. Five cities saw drops in their individual rates (-2.8 pp in Katowice, -2.9 pp in the Tri-City, -3.1 pp in Wrocław, -4.7 pp in Szczecin and a spectacular -4.9 pp in Poznań; y-o-y change). The other cities saw minor increases in their vacancy levels. Łódź lost its title of the city with the lowest vacancy rate, being replaced by the Tri-City.

As future demand will continue to be high, the amount of vacant space is expected to stabilise or even fall further in the mid-term perspective.

The situation with regard to rents remains relatively stable across Poland. Although there have been some minor corrections q-o-q, the market has not seen any significant increases or decreases.

Currently the highest rents are quoted in Kraków (EUR 13.5 to EUR 14.6 / sq. m / month) and Wrocław (EUR 13.9 to EUR 14.5 / sq. m / month), while the lowest are found in Lublin (EUR 10.5 to EUR 11.5 / sq. m / month) and Szczecin (EUR 11.5 to EUR 13 / sq. m / month).

Bucharest

Last year saw the delivery of 123,000 sq. m of new modern office spaces, taking the total stock to nearly 2.3 mil. sq. m. This is lower than we had anticipated and also below 2016's 230,000 sq. m deliveries, though the latter coincided with the best post-crisis pace and was double the average seen in the post-crisis period. Some delays were recorded due to both an overstretched construction segment and some developers seemingly pushing back their projects as they seek to improve the pre-lease percentage before the actual delivery. This coincides with the tight overall labour market, an issue we have touched upon in the macro section. The trend we highlighted last year continues to hold water, with half of the total expected deliveries coming from just two projects (the first phases for Globalworth's Campus and Forte Partner's The Bridge); Vastint also delivered over 30,000 sq. m in two new buildings in its Timpuri Noi Square. Underpinning the newer hotspot in Centre-West, the two projects delivered here in 2017 accounted for over one third of total, while Timpuri Noi and Dimitrie Pompeiu each had a share of just under a quarter of total.

Leasing activity cooled a bit in 2017, with total take-up for class A office buildings at just over 320,000 sq. m, down by some 10% versus a year earlier, though this was still the second best post-crisis result, after 2016 of course. Net take-up for class A buildings actually accelerated last year, amounting to over 150,000 sq. m in new demand or relocations from non-competitive stock, an increase of close to 10% and possibly the best post-crisis result.

The IT&C segment was again the single biggest driver, generating over 40% of total leasing activity: 140,000 sq. m, an impressive growth of over 80% compared to 2016. The outsourcing segment was also robust, so it is still safe to assume that IT&C plus BPO/SSC operations for companies in other sectors account for at least half of the activity in the office market.

Overall, market conditions in Bucharest are fairly neutral, with vacancy at just under 10% at the end of last year.

Rents were broadly stable throughout 2017 and we expect this trend to continue in 2018. Still, as vacancies start climbing a bit and planned deliveries remain significant, we could start seeing some downward pressures on rents towards the end of the year (it could also mean showing similar headline rents and more flexibility regarding incentives for tenants).

Spiral, Budapest



University Business Park, Łódź



Budapest

Similar to 2016, the leasing activity remained strong in 2017 with an annual net-take up of 278,000 sq m. While the total leasing activity, including the renewals and owner occupier deals, has almost reached 475,000 sq m. The net absorption was 133,000 sq m, which shows a slight setback compared with 2016, when it was 148,000 sq m. As a result, the trend of decreasing vacancy rates continued throughout 2017, however at a less intense rate. The total market vacancy rate reached a historically low level of 7.5% by Q4 2017, which shows a noticeable decrease since the end of 2016, when it was 9.5%. Among the large international tenants, Colliers still sees the dominance of SSC/BPO related occupiers. The largest deals during the year were closed by tenants active in the IT, financial sector and by the state related occupiers.

By the end of 2017, the total office stock in Budapest exceeded 3.4 million sq m, out of which 2.6 million sq m is the speculative stock. The amount of new space handed over in 2017 was almost 80,000 sq m, which was a bit below last year. Total leasing activity, excluding the owner occupier deals, reached 410,000 sq m that is approximately 10% lower than that of last year. The distribution of the deals was similar to last year, however, this year the ratio of new leases became the highest (38%), followed by the renewals (33%) that had the highest share in the previous two years. Váci Corridor, the largest submarket, still remained the most sought after in Budapest both in terms of leasing and development activity. Pre-lease activity for new projects became a more significant in 2017 with 70,000 sq m. As a result of the stronger pre-lease activity, by the end of the Q4, already more than 50% of the pipeline was already secured by tenants.

We still see the trend of consolidation and optimization by large international tenants, hence they are moving to more efficient new buildings, where they require smaller area than at their current locations. Older buildings vacated by large tenants may still be able lease up their space at stable or mildly increasing rents due to the tightness of the market, but this The market is in a growing phase since 2012, which has accelerated in 2014. The gradually decreasing vacancy rate is the best evidence for that, with declining to 7.5% by 2017 since its peak in 2012, when it stood at 21%.

The total pipeline until the end of 2019 is approximately 408,000 sq m, 65% of which is expected to be handed over until the end of 2018. The largest share, more than one third, will be on Váci Corridor, followed by Central Pest and South Buda.

Developers are of the view that the rising construction costs and overall low vacancy level, will lead to further rental growth in brand new office developments, reaching and average EUR 14-15/sq m/month headline rent. According to their estimation without further rental growth the new developments may become financially unfeasible. Investors have adopted a more cautious approach, more closely examining the sustainability of such conditions, especially considering a pipeline volume unseen since the financial crisis.

Belgrade

During the last quarter of the year, new supply slowed down and there were no new office buildings delivered to the market. During the year, the overall stock increased by 6%, which is slightly lower than the recorded activity in 2016.

Positive market trends, including the growing construction activity, are expected to continue in the upcoming period. The majority of construction activity will remain focused in Belgrade, yet growing interest from developers for major secondary cities has been noted as well.

Net take up has been continually increasing over the previous quarters, and the majority of deals included companies relocating and expanding on the market, highlighting the market recovery. Traditionally, majority of transactions occurred in New Belgrade, over 90%. During the entire year, the most active sectors on the market have been IT, professional services and consumer goods. It has been noted that in the recent quarters the average deal size has been growing and in 2017 was above 800 sq. m.

In the last quarter of 2017, the overall vacancy remained relatively stable at 5.4%. Additionally, the vacancy rate in Class A office buildings noted slight drop and stood at 4.9%, while in Class B office buildings it noted slight increase and stood at 5.9%.

In late 2017, prime office rents have witnessed a slight drop and as of the last quarter of the year range from EUR 15 to EUR 16.5 sq. m / month. Rental levels for Class B office premises in New Belgrade remain stable, ranging between EUR 10 and EUR 13 sq. m / month and EUR 10 to EUR 12 sq. m / month in the city centre. Rental levels for office premises in the wider New Belgrade area reached up to EUR11 sq. m / month, while modern office premises in the city centre reached EUR 16 sq. m / month. Landlords continue to offer incentives including rent free periods, fit-out contributions and additional free parking spaces.

Zagreb

At the end of 2017 total office supply in Zagreb amounted to approx.1.31 million sq. m. A class segment accounts for 44% while B class accounts for 56% in the total supply. Second-tier cities with significant office supply in Croatia are Split and Rijeka.

New major office schemes delivered to the market in 2017 totalled 15,600 sq. m.

Demand for office spaces rose further in 2017. Demand was strongest for A class segment. Gross take-up in Zagreb amounted to 30,300 sq. m in 2017, a 50% drop in comparison to 2016 (59,800 m²) as a result of limited supply. The demand in Zagreb was mainly driven by Professional Services, ICT sector, and Pharmaceutical companies while the majority of demand for office spaces in the coastal cities comes from companies in tourism. Most sought-after locations in 2017 were strict city center and central business district. Colliers expects that take-up will remain solid in 2018.

Vacancy rate in Zagreb office market continued to decrease throughout 2017 and currently stands at around 4.50% (300

basis points decrease yoy). Such low vacancy rate was last recorded in 2008. Further drop in vacancy rate was driven by the elevated demand and limited new developments. As a consequence of slow delivery of new supply and solid demand vacancy rate is expected to further decrease in 2018.

The prime headline rent in Zagreb has been stable in the last few years and currently ranges from EUR 14 to EUR 15/sq. m/month. Average rent for A class also remained stable, despite drop in vacancy rate, at EUR 12/sq. m/month. The secondary rent across the city ranges from EUR 8 to EUR 10/sq. m/month. Rents are expected to slightly increase. Typical incentives that the landlords are ready to offer to new tenants are fitout contribution and/or rent free period for a typical lease length of 3 to 5 years.

Currently there are 3 projects under construction in Zagreb Business district East ("Radnička") which will add 32,200 sq. m of A class office space to Zagreb's office market in 2018.

GTC group is expected to start development of Matrix Business Park in Zagreb Business district East (on Slavenska avenue) in 2018. Matrix project should comprise of two office buildings in the first phase, totalling approx. 21,000 sq. m of lettable area. According to the developer the second phase additional 3 to 5 office buildings are planned to be added to this business park.

Sofia

Following two years of moderate activity, 2017 has noted significant growth with various new office schemes delivered in Sofia. The city's office stock has grown over the past decade and has highlighted the differences among the city areas. Several districts have evolved including the CBD, broader centre and the city outskirts.

In 2017, the overall stock increased by 6% on an annual level. Construction activity is rising in the capital and over the next few years, we expect to see the office pipeline develop with both new projects and those that were previously put on hold.

Bulgaria has been recognised as an important outsourcing and business services destination, with various companies expanding and entering the market. The share of the services sector has been growing steadily in GDP over recent years, underpinned by the skilled labour, active interaction between business, education and the state, and expanding packages encouraging foreign investment. In addition, outsourced services are developing in Sofia. Therefore, the most active sectors on the market have been IT and BPO

During the year, the majority of companies were relocating to newer modern premises and expanding. Furthermore, pre-leases accounted for a significant portion of the overall transaction volume. The vacancy rate has witnessed a slight drop during the year and in the second half of 2017 remained stable at 10%.

Significant demand was directed toward Tsarigradsko shosse and modern office buildings in the CBD, where the vacancy level in the best performing buildings was around 5%. Higher vacancy rates are typically noted in peripheral areas, including secondary residential locations and the vicinity of the ring road.

During 2017, prime office rents in Sofia remained stable at EUR 14 sq. m/month. Prior to this, a slight increase was noted in 2016, due to low availability of offices in high quality schemes in prime locations. Rental levels in the broader centre were stable from the beginning of the year ranging from EUR 10 to EUR 12 sq. m/month, while in peripheral areas rents can be low as EUR 6 sq. m/month.

Retail market

Poland

At the end of Q4 2017, the modern retail stock in the Warsaw Agglomeration totalled 1.76 million sq. m with shopping centres representing the largest share (70%). In terms of shopping centre density, Warsaw, with 472 sq. m/ 1,000 residents, ranks the third lowest amongst Polish major agglomerations, only slightly above Szczecin and the Upper Silesia agglomerations. Wrocław and Poznań lead the rankings with 729 and 727 sq. m / 1,000 residents respectively. The purchasing power of the Warsaw agglomeration which reaches EUR 9,867 per capita / year is the highest in the country (exceeding the national average of EUR 6,523 by 51%). Approximately 198,100 sq. m of GLA in all retail formats are now under construction with completion scheduled for 2018-2019.

Belgrade

2017 has witnessed the highest levels of development activity in recent years, both in the capital Belgrade and in the secondary cities, with five retail parks and two shopping centres delivered.

Investor confidence is expected to remain high in the following years and several schemes are expected to be completed throughout the country. The majority of activity will remain in the capital, however other larger secondary cities will note higher activity as well.

Besides Belgrade, investments are expected to surge in various secondary cities as well.

In addition, the construction of new retail parks throughout the country continues, with several announced for completion in the upcoming months

During the year, the opening of new shopping centres has



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.

brought various new brands to the market. The majority of new comers have opened their first store in Rajičeva, such as Lego, Armani Exchange, The Athlete's Foot and Calvin Klein Jeans.

During the last quarter of 2017, average rents in prime shopping centres in Belgrade were higher ranging from EUR 27 to EUR 29 sq. m / month. Retail units within prime shopping centres, sized between 100 and 200 sq. m, remained at EUR 60 sq. m / month, while rents for such units on the high street stood at EUR 80 sq. m / month.

Zagreb

The main drivers of the retail sector in the country continue to be economic growth, high consumer spending and rising real wages. Zagreb and Split, two biggest cities of Croatia, have the most developed (and saturated) retail supply. Development opportunities can still be found in secondary and tertiary cities where small retail parks are the best fit considering the small catchment area.

Zagreb's rapid tourism growth has resulted in increased interest for high street units among F&B operators which in turn bring more international chains and new gastronomy concepts to the market.

In 2017 the demand continued to be driven by international brands focusing on Zagreb and coastal cities. The tenant demand is up for prime shopping centers. High street locations are also seeing an increased interest from international brands.

Market newcomers in 2017 include PEPCO, TEDi and Subway. European chain of discount shops PEPCO has opened 16 stores across Croatia and plans further expansion in the coming years. German TEDi retail chain opened first two stores in Supernova Buzin and Supernova Garden Mall in Zagreb. American fast food restaurant franchise Subway made a return to the Croatian market after 8 years.

Overall market average vacancy rate in shopping centers in Zagreb amounted to 14% in H2 2017. Prime shopping centers have vacancy rate below 4%. Weighted average rent in prime shopping malls in Zagreb currently stands around EUR 19/sq. m/month. We expect the rents to slightly increase in 2018 in shopping centers.

High street rents range from EUR 30 to EUR 120 per sq. m depending on micro location, surface and visibility / width of the shop window front.

Investment market

Poland

In Q4 2017, the total transacted volume in Poland amounted to ca. EUR 2.5 billion, which was 34% higher than the Q4 figure of 2016. The sector split comprised ca. EUR 841million in offices, ca. EUR 813million in retail, EUR 823million in warehousing, with the reminder falling into hotel and mixed investment transactions. The market is illustrating a full spectrum of transactions from long-leased single asset, through to complex portfolios, IPO's and JV share structures. This trend is set to continue in 2018.

2017 saw over EUR 2.07 billion of deals completed in the retail segment, compared to EUR 1.96 billion in 2016. Some major transactions expected to close at the end of 2017 moved to early 2018, which again, signifies a strong start to the year ahead. The major retail transactions completed in Q4 2017 included the sale of Magnolia Park in Wrocław with approximately 100,000 sq. m GLA by Blackstone to Union Investment for price in the region of EUR 380 million. NEPI Rockcastle bought Alfa in Białystok (37,000 sq. m GLA) from JWK for EUR 92.3 million. The Factory Outlet in Ursus (Warsaw) with 19,600 sq. m of GLA was sold by IRUS Fund to TH Real Estate / Neinver for EUR 79.7million. It must be

Forty One, Belgrade



highlighted that two notable retail investment transactions completed just after year end in the first days of January 2018. The portfolio of 28 established retail assets totalling 700,000 sq. m GLA and consisting of 9 M1 shopping centres, 12 stand-alone hypermarkets, 4 retail parks and 3 DIY locations was acquired by Chariot Top BV, a company managed by Griffin Real Estate and owned by Pimco, Oaktree and Redefine, for ca EUR 1.0 billion. 4 M1 shopping centres were then immediately sold to EPP with 8 more assets scheduled for sale until mid-2020. All these transactions confirm that international investors remain very active on the Polish retail investment market. The prime yields achievable for best-in-class, dominant, major shopping centres in Poland currently stand at level of 4.9%, while prime retail parks are expected to trade at approximately 7.0%.

Office volumes in 2017 for Poland amounted to EUR 1.58 billion, with a record volume of transactions in the regional cities, amounting to EUR 968 million. In Q4 2017, we witnessed two large portfolio transactions: a ca. EUR 134 million portfolio bought by Goldman Sachs with Cromwell from Savills Investment Management comprising of seven office buildings. Prime yields in Warsaw remain stable at a level of 5.00%-5.25%. In Kraków, UBM sold Kotlarska 11 building to IAD Investment for ca. EUR 30 million and DOT Office was sold to Golden Star. Przystanek mBank in Łódź was sold for ca. EUR 60 million to LCN. Prime regional city yields are at 6.00% for 5 year leases, with longer leased properties trading sub 6.00%. Year-end volumes for office transactions in Poland stood at over EUR 1.58 billion, with very strong pipeline for 2018.

Bucharest

The 2017 property investment volume for Romania is estimated at over EUR 960 million, a value ca. 8% higher than the one registered in 2016 (EUR 890million). The number of transactions increased, with the average deal size standing at approximately EUR 28.5 million. Bucharest accounted for approximately 36% of the total investment volume, less than in 2016, showing that liquidity in secondary cities has improved. Market volumes were dominated by retail transactions (43%), while industrial, office and hotels accounted for over 22%, 17% and 18% respectively.

The largest transaction of the year was the acquisition of 50% of Iulius Group's retail and office portfolio by South African group Atterbury. This is the first acquisition of the fund in Romania, buying shares in one of the largest retail owners in the country.

The most notable office transaction was the acquisition by Immochan of Coresi Business Park in Brasov from Ascenta Management. This marked the entrance on the office market of the investor/developer which was previously focused on retail projects.

The macro-economic forecast for Romania continues to be positive, despite some recent concerns. The country was the EU's top performer in the first nine months of 2017 (with GDP growth estimated at 7%) and is expected to hold this position in 2018 as well, with GDP increase forecast at 5.5%. On the financing side, terms and conditions are getting closer to what can be expected in the core CEE markets. Consequently, sentiment is strong, with a total volume for 2018 estimated to break the EUR 1 billion mark.

Budapest

In 2017 the total investment volume of commercial real estate reached EUR 1.83 billion that is the highest activity in the last ten years and the second highest in Hungary, ever. Investors activity grew by 10% from the previous year. Continuing demand by domestic funds, new market entrants and favourable financing terms as well as the drop of corporate income tax rate boosted investment activity. Colliers registered deals of EUR 32 million per transaction which is a 28% improvement from the previous year. Budapest has been experiencing a strong capital value appreciation thanks to recent yield compression and rental growth. Pricing of core opportunities rushed stronger in Budapest than in Prague or Warsaw.

Similarly to last years, domestic investors were the most activity purchasers representing 35% of all deals by volume and nearly 50% of the deal count. By source of capital, Czech and US investors gained an 11% and 9% market share, respectively. Nepi Rockcastle, one of the regionally dominant South African investors, entered the market with the acquisition of Arena Plaza, a deal that alone accounted for 16% of the volume in 2017. Beside Rockcastle, the most remarkable new market entrants were US investors, such as Goldman Sachs or Starwood Capital. Additionally, the China Investment Corp, a large sovereign wealth fund of the Government of China, entered to the market through the acquisition of the Hungarian Logisor industrial/logistics portfolio.

During the course of 2017, portfolio deals and large individual office and retail transactions were the key catalyst of the second highest investment activity. In 2017 Colliers registered 11 transactions beyond the EUR 50 million ticket. The trend of shortening of transaction periods is still apparent. Currently, deals are typically closed within 6 months, while in the last few years the average had been between 6 to 9 months and sometimes even 12 months. This pattern is in the interest of buyers, as market conditions are improving and quick reactions can lead to significant competitive advantages. Due to the increasing investor interest, the market is characterised by strengthening position of sellers, especially on prime investment products. Prime yields are on decline by 0.50% in the office and industrial sectors while prime retail opportunities are 25 bps more expensive than a year ago. The typical prime office yield at the end of 2017 stood at 6.00% equally to prime retail (shopping centre) yields whilst top quality industrial/logistics properties traded at 7.75%.



APA WOJCIECHOWSKI
ARCHITEKCI

Working with GTC can be very demanding but at the same time our cooperation is very satisfying. GTC always keeps full control of its investments and concentrates on achieving its goals. We have hope of further cooperation with GTC.

Szymon Wojciechowski
CEO
APA Wojciechowski
Architect Office

Colliers anticipates a strong start of 2018, as they already recorded 11 deals with a total investment volume of approximately EUR 350-400 million, that were postponed to Q1 2018. As a result of less investment opportunity in high-quality products and evidenced rental growth, further compression in yields is expected during 2018, however at a less intense rate than in 2017. The consensus on the market has already showed that prime office yields have already compressed at the level of 6.00% or even below (e.g. Eiffel Palace, Váci 1 deals), and we can expect several transactions to take place at this yield level within the first half of 2018, even for less attractive assets. We expect that 2018 will remain active year with portfolio deals and value-add opportunities similarly to previous year especially in the office and industrial segment. However, we do not expect major shopping centres to trade, as was the case in 2017. Due to a serious shortage in product in the office sector, Colliers anticipates a higher share of forward-sale deals in 2018, with high pre-lease rates. The total annual volume in 2018 is expected to remain at a similarly high level as it was in the previous two years.

Belgrade

Throughout 2017, the Serbian real estate market remained active. This has been supported with continual government reforms, improving market fundamentals as well as the high development activity noted in the previous 12 months. The existing developers on the market continued to expand their portfolios, yet new investors have been active as well.

In the second half of the year, one of Belgrade's modern office buildings, Belgrade Business Centre, was acquired by GTC. The building is located in New Belgrade which has grown into the city's Central Business District. In addition, well known local investor MPC Properties continued the expansion of its portfolio and purchased one of the modern shopping centres in the capital, namely Mercator Centre

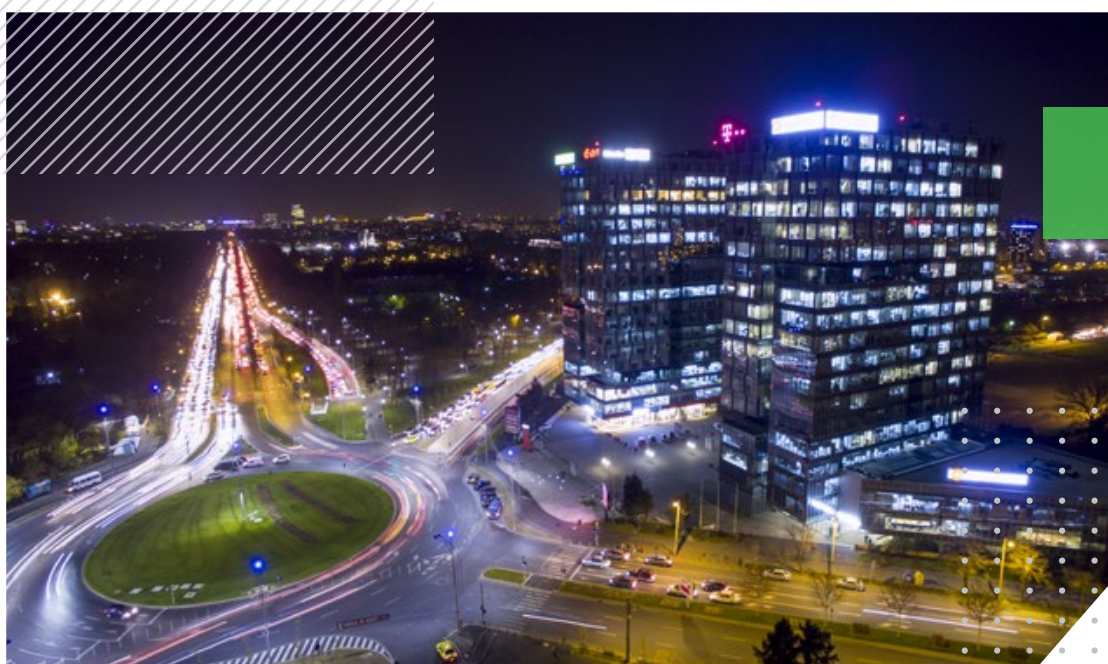
Zagreb

The appeal of the Croatian market was confirmed by numerous transactions throughout 2017. The majority of transactions involved retail assets, however a few transactions in both the office and industrial segment were also noted, making Croatia one of the most active markets in the SEE region during the past year.

Retail parks and shopping centers were subject to one of the largest expansions on the market by Supernova, which purchased retail centres in Koprivnica, Sisak and Požega-in project stage, as well as Garden Mall, Cvjetni, Branimir and Kaptol Centar shopping centres in Zagreb, making it the leading company in Croatia in terms of retail space. In addition, King Cross shopping centre in Zagreb was purchased by Spar European Shopping Centers. Within the office segment, M7 Real Estate acquired Mani Business Center, spread over 13,900 sq. m, located in the Buzina area of Zagreb while the industrial segment was marked by the acquisition of Magma logistics centre in Jastrebarsko.

Sofia

Throughout 2017, investors kept their focus on the retail segment, with modern shopping centres being purchased in Sofia and secondary cities. However, several office buildings were sold in the capital including Kampanite Business centre, former Telephone palace, Unicredit bank and several smaller scale schemes. In addition, Serdika shopping centre and offices were acquired for EUR 207.4 by NEPI Rockcastle.



City Gate, Bucharest

09. FINANCIAL REPORT

Financial performance review

Key highlights of the year

Within our core business, which we measure by such metrics as net operating income, lettable space, income generating assets and occupancy rate, our performance have 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 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 42%. With the availability of new financial resources we launched a more confident expansion drive which reflected in greater construction activity.

The overall result is that 2017 has been a satisfying year in terms of financial performance. We were able to improve all major financial metrics as we restructured and repositioned the Group.

Performance metric	2017	V%
Profit before tax	€189m	+51%
Gross margin from rental activity	€91m	+5%
Rental margin	74%	- 200 bp
EPRA Net Asset Value	€1,073m	+20%
Net debt	€829m	+16%
Net loan to value ratio	42%	-100bp
Average interest rate	2.8%	-40 bp
GAV	€1,958m	+21%
Funds from operations (FFO)	€47m	+13%
FFO per share	0.10	+11%

Rental and service revenues increased to €123m from €114m in 2016.

Reflects mainly leasing of University Business Park B, FortyOne II, as well as completion of FortyOne III and Galeria Północna which were opened to the public during the year 2017. These buildings contributed €7.3m to the recurring rental income in the period. Additionally, the acquired Cascade Office Building and Belgrade Business Centre contributed €1.6m to the recurring rental income in the period.

Net profit from development revaluation and impairment increased to €149m as compared to €85m in 2016

Reflects mainly revaluation gain on Galeria Północna, which was valued following its completion in September 2017 combined with value appreciation of income generating assets following an improvements in their occupancy, WALT and / or in-place rent (mostly Galeria Jurajska, Center Point I&II, Duna Tower, FortyOne III).

Financial expenses decreased slightly to €29m from €30m in 2016 despite significant increase in average level of debt.

Cost of finance down to 2.8% (from 3.2%) due to decrease in average interest rate and change in hedging strategy.

Tax amounted to €32m as compared to €35m tax benefit in 2016.

Taxation consist of €6m of current tax expenses and €26m of deferred tax expense and reflects mainly increased provision related to revaluation gain.

Net profit amounted to €157m compared to €160m in 2016

Reflects mostly revaluation gain and improvement in operating results while the comparable 2016 net profit includes one-off tax benefit of €48m, following a merger of GTC S.A. with GTC Real Estate Investments Ukraine B.V. and GTC RH B.V.

Funds From Operations (FFO I) at €47m compared to €42m in 2016 despite disposal of Galleria Stara Zagora and Galleria Burgas.

Total property value at €1,958m as of 31 December 2017 (€1,624m as of 31 December 2016) due to an investment in assets that were completed during the year as well as assets under construction, acquisition of land plots and revaluation gain.

Financial liabilities at €1,034m compared to €893m as of 31 December 2016.

Weighted average debt maturity of 4.3 years and average cost of debt of 2.8% p.a..

Interest coverage at 3.5x (3.5x on 31 December 2016).

Cash and cash equivalents was stable at €149m as of 31 December 2017 from €150m as of 31 December 2016.

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. We finances our 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:

(€m)	2017
Investment Property (incl. assets held for sale)	1,942
Residential land-bank and inventory	16
IFRS Portfolio value	1,958
Total financial debt	1,031
Cash and cash equivalent & deposits	202
Net debt	829
Net loan-to-value (net LTV) (%)	42%

LTV at 42% (43% on 31 December 2016)

The loan-to-value ratio has decreased over 2017. Our strategy is to keep our loan-to-value ratio at the level of not exceeding 50%.



We have close relationship with GTC for many years. GTC is a quality asset owner, and 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.

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 NAV / share up by 17% to €2.28 from €1.95 on 31 December 2016

Corresponding to EPRA NAV of €1,073m compared to €897m as of 31 December 2016

EPRA Net Asset Value (EPRA NAV)

(€m)	2017
Total equity	941
Non-controlling interest	(4)
Equity attributable to equity holders of the company	937
Derivatives	3
Deferred tax liabilities (net)	132
EPRA NAV	1,073
Number of shares	470,303,504
EPRA NAV per share (€)	2.28

Post balance sheet events

In February 2018, the Company 3-year Euro denominated bonds in the total amount of €20.5 million.

Financial policies & 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 to 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, we borrow on a corporate level on an unsecured financing basis while undertaking to comply with certain covenants.

Balance Sheet Leverage: Our overall leverage policy, measured by the consolidated net debt to total assets ratio, is not to exceed 50%. We regard such a debt load 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 & Flexibility: It is our 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 for typically 7 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 at least 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 we face 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. Our willingness to incur commercial risks is framed both by the degree of risk we see and the offered returns.

Risk management report

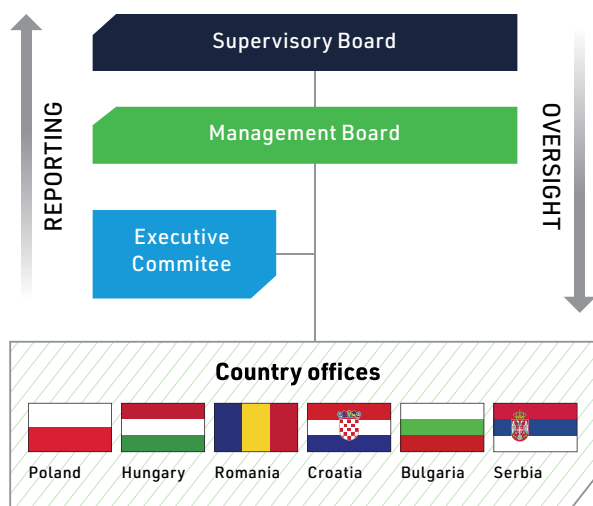
In theory, we are exposed to a broad array of risks.

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

We have our own distinctive business risks, challenges and opportunities. Management sees 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 reflexively risk-shy. Rather we appreciate that risk is a 'two-edged sword' and, if carefully managed, can generate upsides which boost shareholder value.

Our 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 and 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 our 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 & Eastern Europe, is enjoying healthy look term macro-economic prospects as post-transition markets that are catching up to 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, our 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.

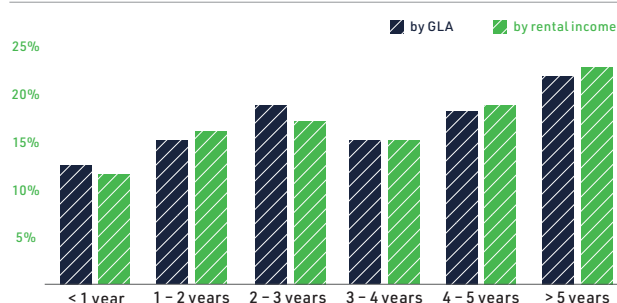
Operational Risks:

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 & maintenance, insurance and taxes. If higher than expected, in-place rent can be squeezed and investment yield will suffer accordingly.

Mitigation:

- In going ahead with any new developments, we explicitly 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 an eye to prevail through the ups & downs 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 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 headspace (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, 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 & Financing:

After completion and upon target 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, Wea are 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.

Platinum Business Park 6, Warsaw



Avenue Mall, Zagreb



10. CORPORATE GOVERNANCE

The way GTC manages itself and fulfills its responsibilities is vitally important to the interested parties who are its stakeholders.

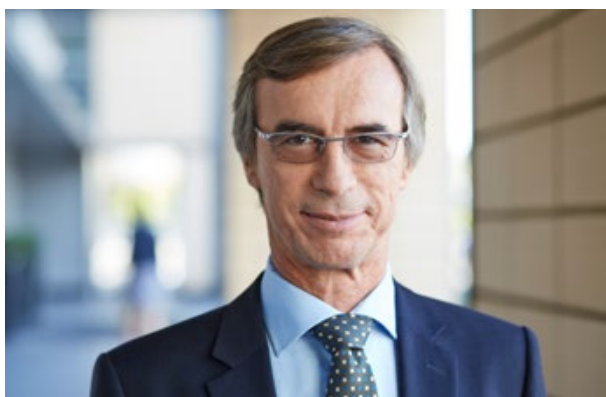
The way we manages ourself and fulfills our responsibilities is vitally important to the interested parties who are our stakeholders. As a large, high-profile business that aspires to the trust and respect of the players with our markets, we pay attention to this mission critical task.

Management Board

Our Management Board is in charge of our 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 targets. The Management Board strives to run our business in a transparent and efficient way in line with the provisions of applicable law, our 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 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.



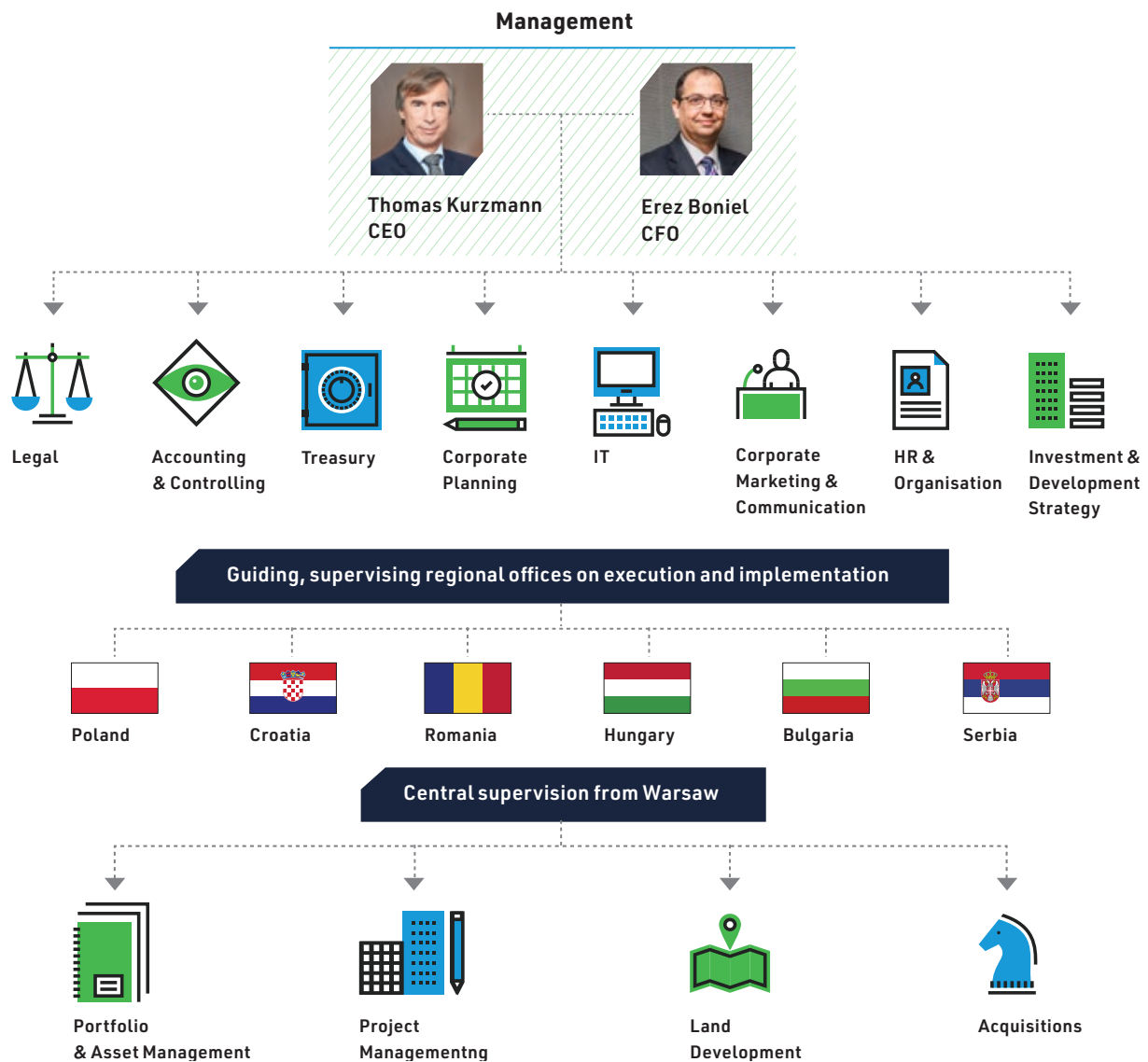
Erez Boniel
Chief Financial Officer

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 16 May 2017. 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 and the strategies of risk management. The Supervisory Board may (while not infringing the competencies of other bodies of the Company) express their opinion on all the issues related to the Company's business, including forwarding motions and proposals to the Management Board.

Members of the Supervisory Board

Alexander Hesse

Chairman of Supervisory Board

Alexander Hesse has over 20 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).

Olivier Brahin

Member of the Supervisory Board (since March 2018)

Olivier Brahin is a partner in Lone Star and Senior Managing Director of Lone Star European Investments, where he is responsible for all commercial real estate investments and directing the commercial real estate origination. Mr. Brahin has 28 years of experience in commercial real estate investment, financing, and asset management. Mr. Brahin holds both a Masters degree in Finance as well as a Masters degree in Economics from the University Paris – Dauphine IX.

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 Dudden

Member of the Supervisory Board

Jan Dudden 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 Dudden 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.

Ryszard Wawryniewicz**Member of Supervisory Board**

Ryszard Wawryniewicz graduated from the Faculty of Philosophy and History at Wrocław University. Mr Wawryniewicz was a Member of Parliament, Deputy City Mayor of Świdnica and Deputy Starost at Powiat Starost office of Świdnica. In 2011 Mr. Wawryniewicz became the President of the Board of Inwestycje Świdnickie Sp. z o.o. which post he held until 2013. Since 2014 he has been a Business Advisor. Mr Wawryniewicz has held a position of Member of the Supervisory Board of PZU Życie S.A., where he has been a Chairman of the Strategy and Development Committee and Member of the Supervisory Board of PZU Zdrowie Sp. z o.o.

Governance principles

We set out the summarizing highlights of our corporate governance principles:

The roles and relationship between the Management & 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 needed in order to achieve the business results and targets agreed with the Supervisory Board.

The Supervisory Board is appointed by the shareholders to gather on a periodic basis (at least 4 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.

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.

Mikołowska, Katowice



Center Point, Budapest



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 includes 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 and 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 Murawski; 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 2017, 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 debts 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 2017, the Audit Committee consisted of the following supervisory board members: Marcin Murawski, Ryszard Koper and Mariusz Grendowicz. 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 2017, 5 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 2017, the Remuneration Committee consisted of Alexander Hesse, Marcin Murawski and Mariusz Grendowicz. During the reporting year, 3 Remuneration Committee meeting were 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 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. Our 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.

For us 'building green' is not just a slogan.

As a company with over 24 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 us 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, renewable energy sources are developing rapidly.



White House, Budapest

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 our strategic goals is to constantly strive to increase the level of business sustainability and at the same time reduce our 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. Every investment is consulted with international green building experts. 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,

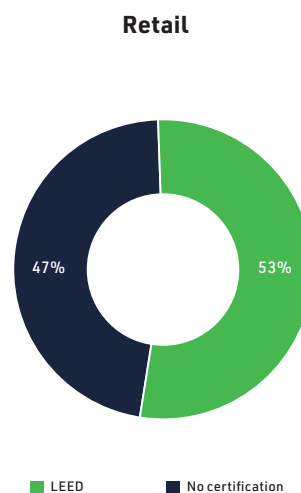
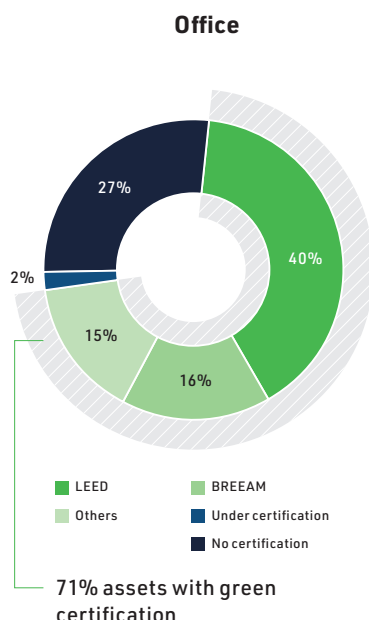
- reduction in the amount of waste produced,
- recycling.

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, our 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.

Environmental certification



We actively pursue the policies adopted by us that focus on supporting local communities residing within or in close proximity to the areas where our 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 our 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.** We participate in and support local initiatives (such as the "Bieg przez Most" run, organized children's choirs concerts, science picnic, volleyball tournament- Jurajska Open 40+, WWF foundation's education stand).

- **Charity.** We made a donation to The Friends of Children's Hospitals of Warsaw Foundation. The donation was used to acquire special medical equipment for the children's oncological ward of the Hospital of Medical University in Warsaw.
- **Embracing environmental certification.** Out of concern for the environment, the investments of the Company and the Group are fully compliant with LEED guidelines.

Our 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. We support various social initiatives that promote equal opportunities.

Additionally, we join 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. We value our enriched diversity policy in pursuing our goals.



Green Heart, Belgrade

11. OUR SHARES

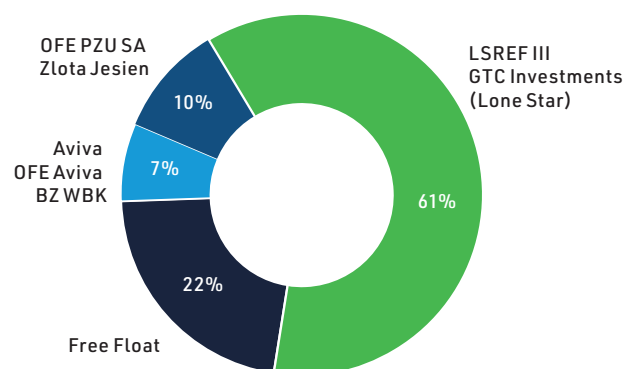
In Poland, financial markets were subject to turbulence resulting from uncertainty surrounding the political situation. The mWIG40 enjoyed a 15% rise in 2017. We are pleased to note that, at 23%, GTC's share price rise surpassed even this healthy gain.

Key share data

Ticker symbol	GTC S.A.
ISIN	PLGTC0000037
Number of shares outstanding	470,303,504
Performance in 2017	+23%
Primary exchange	Warsaw Stock Exchange
Index	mWIG40
Dual listing	Johannesburg Stock Exchange
Yearly high 27th December 2017	PLN 10.1
Yearly low 16th January 2017	PLN 7.78
Closing price on 29th December 2017	PLN 9.80
Market capitalization ⁽¹⁾	PLN 4.61bn / €1.1bn

⁽¹⁾ 1 EURO = 4.1709PLN

Shareholder structure as of 31 December 2017



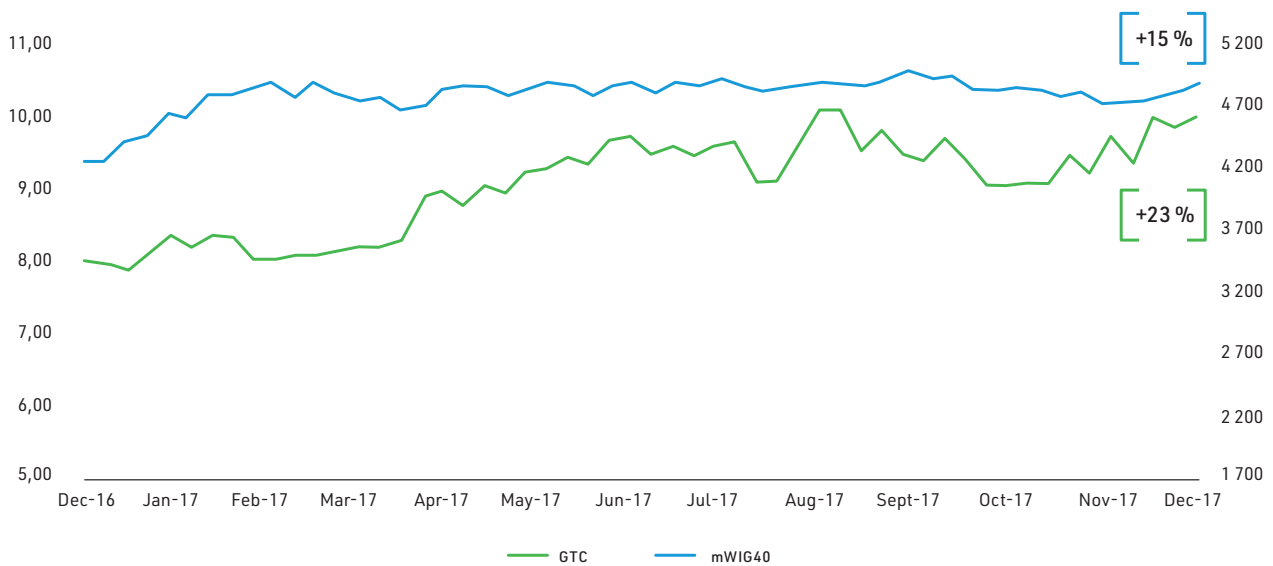
Matrix, Zagreb



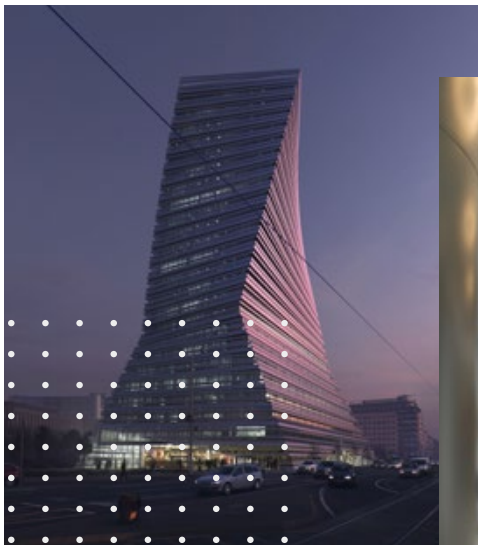
Share price performance LTM share performance sectoral profile

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 our share price performance for the reported period. Our shares closed the year at PLN 9.80 on the Warsaw Stock Exchange: an increase of 23%.

With this performance, we significantly outperformed our key benchmark indices such as the Warsaw Stock Exchange WIG Total Return Index ("WIG"), known as the mWIG40. 2017 was a very positive year for GTC's stock market performance.



The Twist - Budapest City Tower, Budapest



Neptun Office Center, Gdańsk



12. APPENDICES

12.1. 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: 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.

EBITDA is earning before fair value adjustments, interest, tax, depreciation and amortization.

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: is profit before tax less tax paid, after adjusting for non-cash transactions (such as fair value or real estate re-measurement, share base payment provision and unpaid financial expenses) and one off items (such as FX differences and residential activity);

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.

In-Place Rent means, as of the date of determination, rental income that was in place as of the reports date. It includes headline rent from premises, income from parking and other rental income.

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.

EPRA NAV Net Asset Value: is total equity less non-controlling interest, less: deferred tax liability related to real estate assets and derivatives at fair value;

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.

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

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


Vacant Space Unrented lettable space.

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, Zephyrus, Corius)



LOCATION

17 Stycznia 45, Warsaw, Poland
Distance from city centre: 10 min.

DESCRIPTION

Book value:	€ 53m
Gross lettable area:	28,800 sq m
Main Tenants:	PANDORA, NOVO NORDISK, DHL, LINETECH, EGIS
Completion year:	2007, 2008, 2011
Green certification:	LEED GOLD

ARTICO



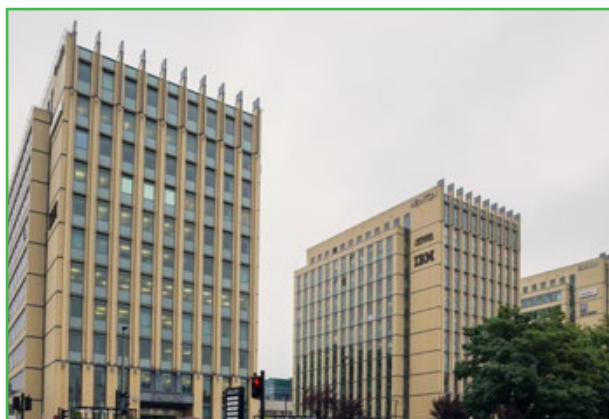
LOCATION

Domaniewska 30, Warsaw, Poland
Distance from city centre: 5 min.

DESCRIPTION

Book value:	€ 21m
Gross lettable area:	7,700 sq m
Main Tenants:	CBRE
Completion year:	2017
Green certification:	BREEAM – under certification

KORONA OFFICE COMPLEX (Galileo, Newton, Edison, Pascal)



LOCATION

Armii Krajowej 18, Kraków, Poland

Distance from city centre: 5 min.

DESCRIPTION

Book value:	€82m
Gross lettable area:	38,250 sq m
Main Tenants:	IBM, STATE STREET, ALIGHT, HEWITT, GENPACT
Completion year:	2003, 2007, 2007, 2015

UNIVERSITY BUSINESS PARK A&B



LOCATION

Wólczańska 178 - 180, Łódź, Poland

Distance from city centre: city centre

DESCRIPTION

Book value:	€72m
Gross lettable area:	40,400 sq m
Main Tenants:	FUJITSU, BARRY CALLEBAUT, ERICPOL, HP, UPS
Completion year:	2010, 2016
Green certification:	EU GreenBuilding

FRANCUSKA OFFICE CENTRE



LOCATION

Francusk 34, Katowice, Poland

Distance from city centre: 5 min.

DESCRIPTION

Book value:	€40m
Gross lettable area:	23,000 sq m
Main Tenants:	IBM, ROCKWELL AUTOMATION, TRACKTEC, KPMG, TELE-FONIKA Kable
Completion year:	2010
Green certification:	EU GreenBuilding

GLOBIS WROCŁAW



LOCATION

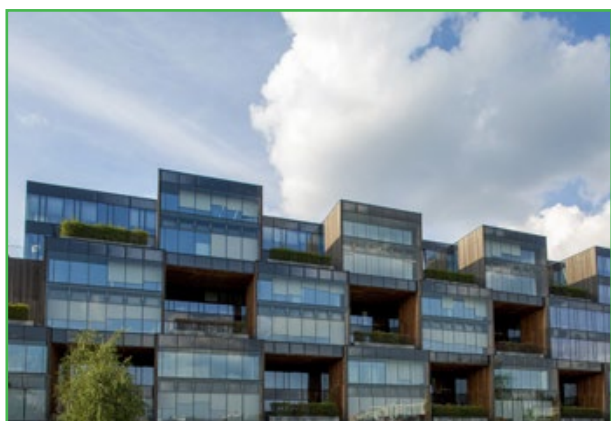
Plac Powstańców Śląskich 7a, Wrocław, Poland

Distance from city centre: city centre

DESCRIPTION

Book value:	€36m
Gross lettable area:	16,100 sq m
Main Tenants:	UNIT4, RAIFFEISEN BANK, ENTCO, MEDICOVER, CITY HANDLOWY
Completion year:	2008

PIXEL



LOCATION

Grunwaldzka 182, Poznań, Poland

Distance from city centre: 10 min.

DESCRIPTION

Book value:	€34m
Gross lettable area:	14,300 sq m
Main Tenants:	ALLEGRO
Completion year:	2013
Purchase year:	2015/2016
Green certification:	BREEAM VERY GOOD

NEPTUN OFFICE CENTER



LOCATION

Aleja Grunwaldzka 103a, Gdańsk, Poland

Distance from city centre: 5 min.

DESCRIPTION

Book value:	€35m
Gross lettable area:	16,100 sq m
Main Tenants:	ARLA, CITY HANDLOWY, COMARCH, MAC GREGOR, ADAR
Completion year:	2014
Purchase year:	2016
Green certification:	BREEAM VERY GOOD

GLOBIS POZNAŃ



LOCATION

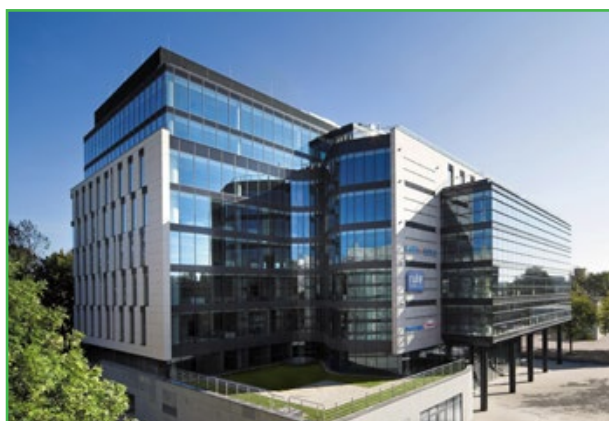
Roosevelta 18, Poznań, Poland

Distance from city centre: city centre

DESCRIPTION

Book value:	€29m
Gross lettable area:	13,900 sq m
Main Tenants:	ARVATO BERTELSMANN, A. SCHULAMN, COMARCH, LUXMED, GDP AGENCY
Completion year:	2003

STERLINGA BUSSINES CENTER



LOCATION

Sterlinga 8A, Łódź, Poland

Distance from city centre: 5 min.

DESCRIPTION

Book value:	€29m
Gross lettable area:	13,400 sq m
Main Tenants:	TAKEDA, TATE&LYLE, GFT, MBANK
Completion year:	2010
Purchase year:	2016
Green certification:	BREEAM EXCELENT

GALERIA PÓŁNOCNA



LOCATION

Światowida 17, Warsaw, Poland

Distance from city centre:

DESCRIPTION

Book value:	€337m
Gross lettable area:	64,800 sq m
Main Tenants:	CARREFOUR, CINEMACITY, H&M, LPP GROUP, TK MAXX
Completion year:	2017
Green certification:	LEED GOLD pre-certification

GALERIA JURAJSKA



LOCATION

Aleja Wojska Polskiego 207, Częstochowa, Poland

Distance from city centre: 5 min.

DESCRIPTION

Book value:	€190m
Gross lettable area:	48,700 sq m
Main Tenants:	CINEMA CITY, INDITEX GROUP, H&M, LPP GROUP, TK MAXX
Completion year:	2009

12.2. INVESTMENT PORTFOLIO

HUNGARY



Spiral, Budapest

CENTER POINT I & II



LOCATION

Váci Út 81, Budapest XIII, Hungary

Distance from city centre: 10 min.

DESCRIPTION

Book value:	€ 85 m
Gross lettable area:	40,900 sq m
Main Tenants:	EXXONMOBIL, MINISTRY OF ECONOMY, ECOLAB, HONEYWELL, GE INDUSTRIAL SOLUTIONS
Completion year:	2004, 2006
Green certification:	LEED GOLD

DUNA TOWER



LOCATION

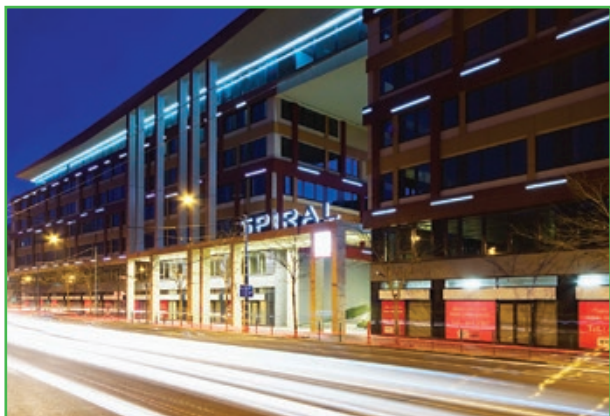
Népfürdő utca 22, Budapest XIII, Hungary

Distance from city centre: 10 min.

DESCRIPTION

Book value:	€ 66 m
Gross lettable area:	31,300 sq m
Main Tenants:	IBM, BLACKROCK, METLIFE, HUAWEI, UNHCR, FORD
Completion year:	2016
Purchase year:	2016
Green certification:	BREEAM GOOD

SPIRAL OFFICE BUILDING



LOCATION

Dózsa György Way 128-130, Budapest, Hungary

Distance from city centre: 5 min.

DESCRIPTION

Book value:	€ 50 m
Gross lettable area:	30,600 sq m
Completion year:	2009

GTC METRO



LOCATION

Váci Út 193, Budapest XIII, Hungary

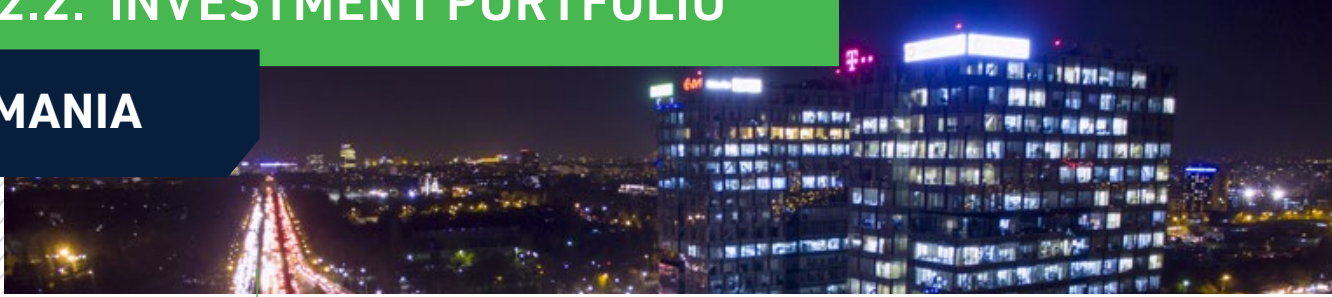
Distance from city centre: 5 min.

DESCRIPTION

Book value:	€ 28 m
Gross lettable area:	16,200 sq m
Main Tenants:	BUDAPEST BANK
Completion year:	2010

12.2. INVESTMENT PORTFOLIO

ROMANIA



City Gate, Bucharest

CITY GATE



LOCATION

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

Distance from city centre: 10 min.

DESCRIPTION

Book value:	€147m
Gross lettable area:	47,600 sq m
Main Tenants:	TELEKOM, ROCHE PHARMA, EON, ROMPETOL, MICROSOFT
Completion year:	2009
Green certification:	LEED GOLD; LEED SILVER

PREMIUM POINT



LOCATION

Strada Buzești 76-80, Bucharest, Romania

Distance from city centre: 10 min.

DESCRIPTION

Book value:	€17m
Gross lettable area:	6,400 sq m
Main Tenants:	OTP BANK, FRANKLIN TEMPLETON, HBO, HALEWOOD, AUTODESK
Completion year:	2009
Purchase year:	2016
Green certification:	DGNB GOLD

PREMIUM PLAZA



LOCATION

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

Distance from city centre: 10 min.

DESCRIPTION

Book value:	€22m
Gross lettable area:	8,500 sq m
Main Tenants:	Webhelp, H-GRUP IT EXPERT, ENEL, LOUISE BERGER
Completion year:	2008
Purchase year:	2016
Green certification:	DGNB GOLD

CASCADE OFFICE BUILDING



LOCATION

Strada Buzzești 62-64, Bucharest, Romania

Distance from city centre: 10 min.

DESCRIPTION

Book value:	€9m
Gross lettable area:	4,200 sq m
Main Tenants:	PROCREDIT BANK, B CAFE RETAIL, ENEL ENERGIE, TAIWAN TC
Completion year:	2005
Purchase year:	2017

12.2. INVESTMENT PORTFOLIO

SERBIA

Belgrade Business Center, Novi Beograd

FORTYONE I-III



LOCATION

Milutina Milankovića 9, Belgrad, Serbia

Distance from city centre: 5 min.

DESCRIPTION

Book value:	€62m
Gross lettable area:	28,000 sq m
Main Tenants:	ENDAVA, BALL PACKAGING, TETRAPAK, ROBERT BOSCH, GEODIS
Completion year:	2015, 2016, 2017
Green certification:	LEED GOLD

19 AVENUE



LOCATION

38 - 40 Vladimira Popovića, Belgrad, Serbia

Distance from city centre: 5 min.

DESCRIPTION

Book value:	€36m
Gross lettable area:	17,100 sq m
Main Tenants:	JAPAN TOBACCO, INTERNATIONAL, EU DELEGATION SERBIA, HUAWEI, AUSTRALIAN EMBASSY, REGUS
Completion year:	2008
Green certification:	LEED GOLD

GTC HOUSE



LOCATION

64a Bulevar Zorana Đinđića, Belgrad, Serbia

Distance from city centre: 5 min.

DESCRIPTION

Book value:	€26m
Gross lettable area:	13,300 sq m
Main Tenants:	PHILIP MORRIS, CARLSBERG, SAGA, L' OREAL, MEDTRONIC
Completion year:	2005
Green certification:	LEED GOLD

BELGRADE BUSINESS CENTER



LOCATION

Jurija Gagarina 12, Novi Beograd, Serbia

Distance from city centre: 5 min.

DESCRIPTION

Book value:	€39m
Gross lettable area:	17,700 sq m
Main Tenants:	AIRSERBIA, NCR, UNICREDIT BANK
Completion year:	2009
Purchase year:	2017

12.2. INVESTMENT PORTFOLIO

CROATIA



Avenue Mall, Zagreb

AVENUE MALL ZAGREB



LOCATION

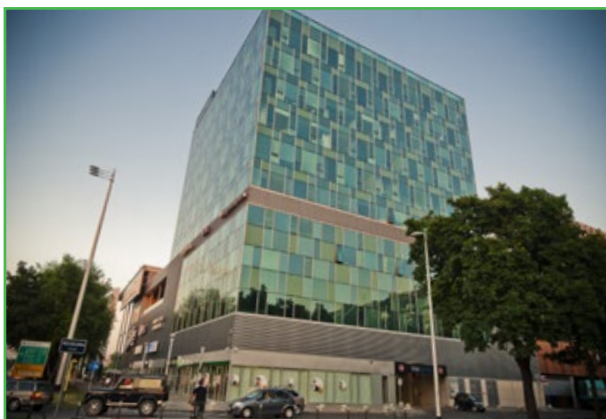
Avenija Dubrovnik 16, Zagreb, Croatia
Distance from city centre: 5 min.

DESCRIPTION

Book value*:	€105m
Gross lettable area*:	34,300 sq m
Main Tenants:	ZARA, MÜLLER, MANGO, H&M, MOHITO
Completion year:	2007

**Including Avenue Centre*

AVENUE CENTRE



LOCATION

Avenija Dubrovnik 16, Zagreb, Croatia
Distance from city centre: 5 min.

DESCRIPTION

Book value:	showed together with Avenue Mall Zagreb
Gross lettable area:	7,000 sq m
Main Tenants:	BAT, INDITEX, SONY, LPP, UNICREDIT GROUP
Completion year:	2007

12.3. PROJECTS UNDER CONSTRUCTION

HUNGARY



White House, Budapest

WHITE HOUSE



under
construction 

LOCATION

Váci Út 47, Budapest XIII, Hungary
Distance from city centre: 10 min.

DESCRIPTION

Net lettable area:	21,500 sq m
Parking units:	299
Total investment cost	€48m
Expected year of completion:	2018

12.3. PROJECTS UNDER CONSTRUCTION

SERBIA



Ada Mall, Belgrade

GREEN HEART



LOCATION

Milutina Milankovica 11, New Belgrade CBP, Serbia
Distance from city centre: 5 min.

DESCRIPTION

Net lettable area:	46,000 sq m
Parking units:	880
Total investment cost	€93m
Expected year of completion:	2018/2019

ADA MALL



LOCATION

Radnička, Belgrade, Serbia
Distance from city centre: 10 min.

DESCRIPTION

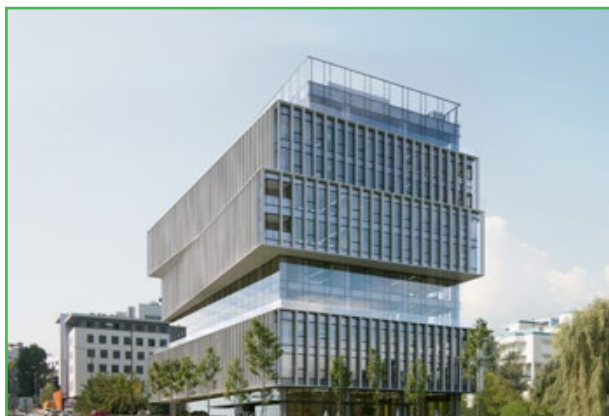
Net lettable area:	34,400 sq m
Parking units:	1,000
Total investment cost	€105m
Expected year of completion:	2019

12.3. PROJECTS UNDER CONSTRUCTION

BULGARIA

Advance Business Center I, Sofia

ADVANCE BUSINESS CENTER I



under
construction 

LOCATION

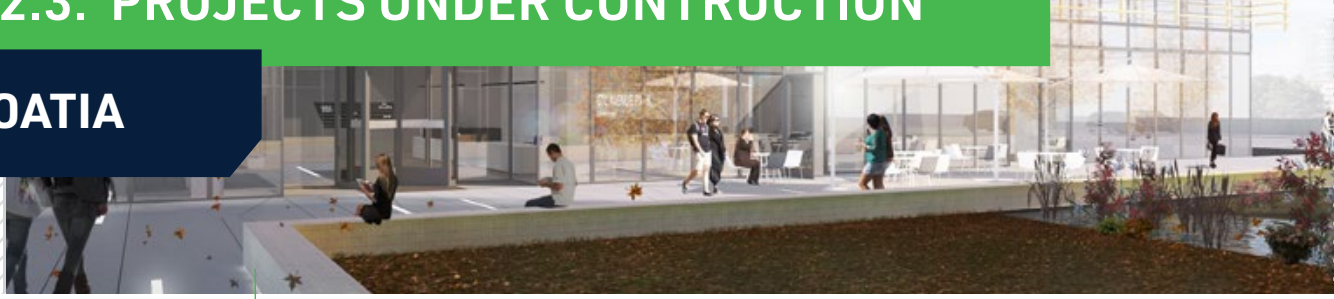
Mladost 4, Sofia, Bulgaria
Distance from city centre: 25 min.

DESCRIPTION

Total lettable area:	15,600 sq m
Parking units:	300
Total investment cost	€28m
Expected year of completion:	2019

12.3. PROJECTS UNDER CONSTRUCTION

CROATIA



Matrix, Zagreb

MATRIX A



LOCATION

Slovanska Avenija, Zagreb, Croatia
Distance from city centre: 10 min.

DESCRIPTION

Total lettable area:	10,400 sq m
Parking units:	300
Total investment cost	€20m
Expected year of completion:	2019

12.3. PROJECTS IN PLANNING STAGE

BULGARIA

Advance Business Center II, Sofia

ADVANCE BUSINESS CENTER II



in planning
stage



LOCATION

1 Samara Str, Sofia, Bulgaria
Distance from city centre: 25 min.

DESCRIPTION

Total lettable area:	17,500 sq m
Parking units:	300
Total investment cost	€31m
Expected year of completion:	2019/2020

12.3. PROJECTS IN PLANNING STAGE

ROMANIA



City Rose Park, Bucharest

CITY ROSE PARK 1&2



in planning
stage



LOCATION

Center North Area, 68 Clabucet Str, Bucharest, Romania
Distance from city centre: 15 min.

DESCRIPTION

Total lettable area:	35,500 sq m
Parking units*:	780
Total investment cost	€69m
Expected year of completion:	2020

**for all 3 buildings*

12.3. PROJECTS IN PLANNING STAGE

CROATIA



Matrix B, Zagreb

MATRIX B



in planning
stage



LOCATION

Slovanska Avenija, Zagreb, Croatia

Distance from city centre: 10 min.

DESCRIPTION

Total lettable area:	10,400 sq m
Parking units:	300
Total investment cost	€20m
Expected year of completion:	2020

12.3. PROJECTS IN PLANNING STAGE

HUNGARY



Kompakt, Budapest

KOMPAKT



in planning stage



LOCATION

Dózsa György u. 63, Budapest, Hungary
Distance from city centre: 10 min.

DESCRIPTION

Net lettable area:	29,000 sq m
Parking units:	580
Total investment cost	€64m
Expected year of completion:	2019/2020

THE TWIST - BUDAPEST CITY TOWER



in planning stage



LOCATION

Váci út/Róbert Károly Krt, Budapest XIII, Hungary
Distance from city centre: 10 min.

DESCRIPTION

Net lettable area:	36,000 sq m
Parking units:	620
Total investment cost	€96m
Expected year of completion:	2020

12.3. PROJECTS IN PRE-PLANNING STAGE

ROMANIA

City Rose Park 3, Bucharest

CITY ROSE PARK 3



in pre-planning stage 

LOCATION

Center North Area, 68 Clabucet Str, Bucharest, Romania
Distance from city centre: 15 min.

DESCRIPTION

Total lettable area:	14,500 sq m
Expected year of completion:	2020/2021

**for all 3 buildings*

12.3. PROJECTS IN PRE-PLANNING STAGE

SERBIA



GTC X, Belgrade

GTC X



in pre-planning
stage



LOCATION

Milutina Milankovica, New Belgrade CBP, Serbia
Distance from city centre: 5 min.

DESCRIPTION

Net lettable area:	17,000 sq m
Expected year of completion:	2019/2020

12.3. PROJECTS IN PRE-PLANNING STAGE

POLAND



Galeria Wilanów, Warsaw

GALERIA WILANÓW



in pre-planning
stage



LOCATION

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

DESCRIPTION

Net lettable area:	61,000 sq m
Expected year of completion:	2020

MIKOŁOWSKA



in pre-planning
stage



LOCATION

Mikołowska, Katowice, Poland
Distance from city centre: 10 min.

DESCRIPTION

Net lettable area:	15,000 sq m
Expected year of completion:	2021

PLATINIUM BUSINESS PARK 6



in pre-planning
stage



LOCATION

Domaniewska, Warsaw, Poland
Distance from city centre: 10 min.

DESCRIPTION

Net lettable area:	12,900 sq m
Expected year of completion:	2021

12.3. PROJECTS IN PRE-PLANNING STAGE

CROATIA



Matrix F, Zagreb

MATRIX F



in pre-planning
stage



LOCATION

Slovanska Avenija, Zagreb, Croatia
Distance from city centre: 10 min.

DESCRIPTION

Total lettable area:	54,700 sq m
Expected year of completion:	2021/2023

12.4. FINANCIAL STATEMENTS

Consolidated Statement of Financial Position as of 31 December 2017

(in thousands of Euro)

	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Investment property	18	1,797,583	1,501,770
Investment property landbank	18	139,258	102,905
Residential landbank	19	12,698	13,761
Investment in associates and joint ventures	21	1,303	3,803
Property, plant and equipment	17	6,847	6,002
Deferred tax asset	16	-	1,075
Other non-current assets		86	353
		1,957,775	1,629,669
Assets held for sale	33	4,336	-
Current assets			
Residential inventory	19	3,755	5,355
Accounts receivables		4,367	5,363
Accrued income		1,093	767
VAT receivable	30	6,618	17,389
Income tax receivable		619	652
Prepayments and deferred expenses		1,767	2,558
Escrow account	20	777	-
Short-term deposits	25	52,756	27,925
Cash and cash equivalents	26	148,746	149,812
		220,498	209,821
TOTAL ASSETS		2,182,609	1,839,490

Consolidated Statement of Financial Position as of 31 December 2017

(in thousands of Euro)

	Note	31 December 2017	31 December 2016
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	34	10,651	10,410
Share premium	9	520,504	499,288
Capital reserve	9	(36,054)	(35,702)
Hedge reserve	23	(2,365)	(3,631)
Foreign currency translation		2,323	1,872
Accumulated profit		441,977	315,195
		937,036	787,432
Non-controlling interest	31	4,226	2,891
Total Equity		941,262	790,323
Non-current liabilities			
Long-term portion of long-term borrowing	32	907,704	739,031
Deposits from tenants	28	8,960	8,043
Long term payable	29	2,621	2,730
Provision for share based payment	35	5,744	2,046
Derivatives	23	1,360	2,778
Provision for deferred tax liability	16	125,827	98,237
		1,052,216	852,865
Current liabilities			
Investment and trade payables and provisions	24	50,505	36,739
Current portion of long-term borrowing	32	126,381	153,902
VAT and other taxes payable		1,516	1,122
Income tax payable		1,843	530
Derivatives	23	2,035	2,553
Advances received	22	6,851	1,456
		189,131	196,302
TOTAL EQUITY AND LIABILITIES		2,182,609	1,839,490

Consolidated Income Statement for the year ended 31 December 2017

(in thousands of Euro)

	Note	2017	2016
Revenue from rental activity	10	122,609	114,341
Residential revenue	10	6,128	5,960
Cost of rental activity	11	(32,081)	(27,890)
Residential costs	11	(4,515)	(5,065)
Gross margin from operations		92,141	87,346
Selling expenses	12	(2,111)	(3,236)
Administration expenses	13	(15,242)	(12,234)
Profit from revaluation/ impairment of assets	18	148,562	84,551
Other income		1,484	1,354
Other expenses	27	(2,806)	(2,996)
Profit/(Loss) from continuing operations before tax and finance income / expense		222,028	154,785
Foreign exchange differences gain/(loss), net		(4,906)	2,435
Finance income	14	234	1,324
Finance cost	14	(28,848)	(29,500)
Share of profit/(loss) of associates and joint ventures	21	184	(4,474)
Profit/(loss) before tax		188,692	124,570
Taxation	16	(32,094)	35,005
Profit/(Loss) for the year		156,598	159,575
Attributable to:			
Equity holders of the Company		156,300	158,548
Non-controlling interest		298	1,027
Basic earnings per share (in Euro)	36	0.34	0.34

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

(in thousands of Euro)

	2017	2016
Profit for the period	156,598	159,575
<i>Net other comprehensive income for the period, net of tax not to be reclassified to profit or loss in subsequent periods</i>	-	-
Gain on hedge transactions	1,633	1,160
Income tax	(367)	(228)
Net gain on hedge transactions	1,266	932
Foreign currency translation	451	464
<i>Net other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods</i>	1,717	1,396
Total comprehensive income for the period, net of tax	158,315	160,971
Attributable to:		
Equity holders of the Company	158,017	159,947
Non-controlling interest	298	1,024

Consolidated Statement of Changes in Equity for the year ended 31 December 2017

(in thousands of Euro)

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2017	10,410	499,288	(35,702)	(3,631)	1,872	315,195	787,432	2,891	790,323
Other comprehensive income	-	-	-	1,266	451	-	1,717	-	1,717
Profit / (loss) for the year ended 31 December 2017	-	-	-	-	-	156,300	156,300	298	156,598
Total comprehensive income / (loss) for the period	-	-	-	1,266	451	156,300	158,017	298	158,315
Purchase of NCI shares	-	-	(352)	-	-	-	(352)	1,037	685
Distribution of dividend	-	-	-	-	-	(29,518)	(29,518)	-	(29,518)
Issuance of shares	241	21,216	-	-	-	-	21,457	-	21,457
Balance as of 31 December 2017	10,651	520,504	(36,054)	(2,365)	2,323	441,977	937,036	4,226	941,262
	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

Consolidated Statement of Cash Flow for the year ended 31 December 2017

(in thousands of Euro)

	Note	Year ended 31 December 2017	Year ended 31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		188,692	124,570
Adjustments for:			
Loss/(profit) from revaluation/impairment of assets and residential projects		(148,562)	(84,551)
Share of loss / (profit) of associates and joint ventures	21	(184)	4,474
Loss / (profit) on disposal of asset		-	65
Foreign exchange differences loss/(gain), net		4,906	(2,434)
Finance income	14	(234)	(1,324)
Finance cost	14	28,848	29,500
Provision for share based payment loss/(profit)	13	3,698	894
Depreciation	17	529	468
Operating cash before working capital changes		77,693	71,662
Decrease in accounts receivables and prepayments and other current assets		594	374
Decrease in residential inventory		1,737	2,303
Increase in advances received		2,578	1,456
Increase in deposits from tenants		1,486	1,801
Increase (decrease) in trade payables		505	(202)
Cash generated from operations		84,593	77,394
Tax paid in the period		(3,915)	(4,113)
Net cash from operating activities		80,678	73,281
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property		(155,204)	(93,259)
Purchase of completed assets and land	9	(62,108)	(139,646)
Increase in escrow accounts for purchase of assets		(777)	-
Sale (including advances) of investment property		4,499	12,640
VAT/tax on purchase/sale of investment property		10,953	(8,900)
Sale of subsidiary		37,545	10,179
Purchase of subsidiary	9	(15,896)	(9,844)
Purchase of non-controlling interest		(352)	(18,558)
Sale of shares in associates		1,250	3,947
Interest received		161	425
Loans granted to associates		-	(123)
Loans repayments from associates		1,625	11,349
Net cash used in investing activities		(178,304)	(231,790)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution of dividend		(8,061)	-
Proceeds from long-term borrowings	32	258,268	273,517
Repayment of long-term borrowings	32	(100,343)	(103,193)
Interest paid		(26,241)	(25,075)
Loans origination payment		(3,573)	(2,229)
Decrease/(Increase) in short term deposits		(24,831)	(2,214)
Net cash from /(used) in financing activities		95,219	140,806
Net foreign exchange difference		1,341	(1,957)
Net increase/ (Decrease) in cash and cash equivalents		(1,066)	(19,660)
Cash and cash equivalents at the beginning of the period		149,812	169,472
Cash and cash equivalents at the end of the period		148,746	149,812

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(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 2017 and 2016, the number of full time equivalent working employees in the Group companies was 171 and 172, 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 287,516,755 shares 61.13% of total share as of 31 December 2017.

2. Functional and presentation currencies

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

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

3. Basis of preparation and statement of compliance

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU („EU IFRS"). At the date of authorisation of these consolidated financial statements, taking into account the EU's ongoing process of IFRS endorsement and the nature of the Group's activities, there is a difference between International Financial Reporting Standards and International Financial Reporting Standards endorsed by the European Union.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

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 39.

As of 31 December 2017, the Group's net working capital (defined as current assets less current liabilities) was positive and amounted to Euro 31.4 million.

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

5. Changes in accounting policies

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 2016 with the exception of the amendments presented below. These changes were applied in the attached consolidated financial statements on their effective date and had no significant impact on the disclosed financial information, or did not apply to the Group's transactions.

► Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*

The changes clarify issues related to deductible temporary differences associated with debt instruments measured at fair value, estimation of probable future taxable profits and assessment of whether taxable profits will be available against which the deductible temporary differences can be utilised. The changes are applied retrospectively.

► Amendments to IAS 7 *Disclosure Initiative*

The changes require the entity to disclose information that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Entities need not provide comparative information when they first apply the amendments.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

6. New standards and interpretations that have been issued but have not yet become effective, including impact of IFRS 15/IFRS 16/IFRS 9 implementation

Standards issued but not yet effective

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

- ▶ IFRS 9 Financial Instruments (issued on 24 July 2014) – effective for financial years beginning on or after 1 January 2018;
- ▶ IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
- ▶ IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014), including amendments to IFRS 15 Effective date of IFRS 15 (issued on 11 September 2015) – effective for financial years beginning on or after 1 January 2018;
- ▶ Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) – the endorsement process of these Amendments has been postponed by EU – the effective date was deferred indefinitely by IASB;
- ▶ IFRS 16 Leases (issued on 13 January 2016) – effective for financial years beginning on or after 1 January 2019;
- ▶ Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016) – effective for financial years beginning on or after 1 January 2018;
- ▶ Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016) – effective for financial years beginning on or after 1 January 2018;
- ▶ Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016) – effective for financial years beginning on or after 1 January 2018;
- ▶ Amendments to IAS 28 Investments in Associates and Joint Ventures which are part of Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) – effective for financial years beginning on or after 1 January 2018;
- ▶ Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards which are part of Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) – 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) – effective for financial years beginning on or after 1 January 2018;
- ▶ IFRS 17 Insurance Contracts (issued on 18 May 2017) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2021;
- ▶ IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019;
- ▶ Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019;
- ▶ Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019;
- ▶ Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019;
- ▶ Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

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

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 financial information.

IFRS 15 Revenue from Contracts with Customers implementation

International Financial Reporting Standard 15 *Revenue from Contracts with Customers* ("IFRS 15") was issued in May 2014, and then amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. The standard replaces IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue-related interpretations. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group does not expect any significant impact of the adoption of IFRS 15 on the financial statements. But note that IFRS 15 will not affect the recognition of lease income as this is still dealt with under IAS 17 *Leases*.

IFRS 16 Leases implementation

International Financial Reporting Standard 16 *Leases* ("IFRS 16") was issued in January 2016 and was endorsed by EU. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 *Leases* and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted.

At the date of the authorization of these consolidated financial statements for publication, the Management Board is in the process of assessing the impact of the application of IFRS 16 on the accounting principles (policy) applied by the Group with respect to the Group's operations or its financial results.

IFRS 9 Financial Instruments implementation

In July 2014, the IASB issued the final version of International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9"). IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

During 2017, the Group performed an impact assessment of implementation of IFRS 9 on the accounting principles (policy) applied by the Group with respect to the Group's operations or its financial results. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. Overall, the Group not expects significant impact on its statement of financial position and equity.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

7. 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).

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognized in the profit or loss for the year in which it arose, after accounting for the related impact on deferred tax.

(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.

Completed investment properties were externally valued by independent appraisers as of 31 December 2017 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

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

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 Group 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 Group 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.

(d) Hierarchy of investment property

Fair value hierarchy is based on the sourced of input used to estimate the fair value:

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.

All investment properties are categorized in Level 2 or Level 3 of the fair value hierarchy.

The Group considered all investment value under construction carried at fair value as properties categorized in Level 3.

The Group considered completed investment properties as properties categorize in Level 2 or Level 3, based on the liquidity in the market it operates.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

(e) 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.

(f) 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.

(g) 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. If as of the date of revaluation carrying value is higher than fair value the costs recognized in the profit or loss.

(h) 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.

(i) Non-current assets held for sale

Non-current assets and their disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This requirement can be fulfilled only if the occurrence of a sale transaction is highly probable, and the item of assets is available for immediate sale in its present condition. The classification of an asset as held for sale assumes the intent of entity's management to realise the transaction of sale within one year from the moment of asset classification to the held for sale category. Non-current assets held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

(j) 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(m).

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(in thousands of Euro)

(k) Rental revenue

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

(l) Interest and dividend income

Interest income is recognised on an accrual basis using the effective interest method that is the rate that exactly discounts estimated future cash flows through the expected life of financial instruments to the net carrying amount of the underlying financial asset or liability.

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

(m) 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.

(n) 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.

(o) Share issuance expenses

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

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(in thousands of Euro)

(p) 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:

- ▶ 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,
- ▶ 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:

- ▶ 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.
- ▶ 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.

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(in thousands of Euro)

Revenues, expenses and assets are recognized net of the amount of value added tax except:

- ▶ where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- ▶ receivables and payables, which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

If according to the Group's assessment it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group determines taxable income (tax loss), tax base, unused tax losses and unused tax credits and tax rates, after considering in its tax return the applied or planned approach to taxation.

If the Group ascertains that it is not probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group reflects the impact of this uncertainty in determining taxable income (tax loss), unused tax losses, unused tax credits or tax rates. The Group accounts for this effect using the following methods:

- ▶ determining the most probable amount – it is a single amount from among possible results; or
- ▶ providing the expected amount – it is the sum total of the amounts weighted by probability from among possible results.

(q) 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. The following exchange rates were used for valuation purposes:

31 December 2017	EUR/PLN	4.1709
31 December 2016	EUR/PLN	4.424

(r) Interest bearing loans and borrowings and debt securities

All loans and borrowings and debt securities are initially recognized at fair value, net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings and debt securities are measured at amortised cost using the effective interest rate method, except for liabilities designated as hedged items, which are measured in accordance with hedge accounting policies, as described in Note 7 (x).

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.

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process using the effective interest rate.

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(in thousands of Euro)

(s) Financial instruments

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

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

Item	Category	Measurement
Financial assets/liabilities		
Cash and cash equivalent	Held for trading	Fair value – adjusted to income statements
Short-term deposits	Loans and receivables	Amortised cost
Debtors	Loans and receivables	Amortised cost
Trade and other payables		Amortised cost
Long and short term borrowings		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.

Any change in the fair value of these instruments is taken to finance income (positive changes in the fair value) or finance costs (negative changes in the fair value) in the income statement/ statement of comprehensive income.

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(t) Cash and cash equivalents

Cash comprises cash on hand and on-call deposits. Cash equivalents are short-term highly liquid investments that readily convert to a known amount of cash and which are subject to insignificant risk of changes in value.

(u) Accounts receivables

Short term and long term accounts 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

(v) Impairment of non-current 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.

(w) Purchase of shares of non-controlling interest

If the Group 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.

(x) Derivatives and hedge accounting

The Group uses interest rate swaps and caps 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. Presentation of hedges in the statement of financial position depends on their maturity.

The conditions of the cash flow hedges are as follows:

- ▶ 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.
- ▶ 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.
- ▶ 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.
- ▶ 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.
- ▶ 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.

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 FX forwards interest rate swaps and caps contracts is determined by reference to market values for similar instruments.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

(y) 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.

(z) 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 Group also makes assessment of probability of realization of deferred tax asset. If necessary, the Group decreases deferred tax asset to the realizable value.

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

(aa) 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 2017.

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:

- ▶ power over the investee;
- ▶ exposure, or rights, to variable returns from its involvement with the investee; and
- ▶ 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 significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate impairment.

(bb) Provisions

Provisions are recognised when the Group 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.

(cc) Share-based payment transactions

Amongst others, GTC 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 to and including the settlement date, with changes in fair value recognised in administration expenses.

(dd) Earnings per share

Earnings per share for each reporting period is calculated as quotient of the profit for the given reporting period and the weighted average number of shares outstanding in that period.

(ee) Leases

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 2017

(in thousands of Euro)

8. 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 2017	31 December 2016
GTC Konstancja Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Korona S.A.	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o.	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Neptune Gdansk Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC GK Office Sp. z o.o. ⁽¹⁾	GTC S.A.	Poland	-	100%
GTC Sterlinga Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Karkonoska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Ortał Sp. z o.o.	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Pixel Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Handlowe Wilanow Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Management sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Corius sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Światowida sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments Sp. z o.o. s.k.a.	GTC S.A.	Poland	100%	100%
GTC Galeria CTWA Sp. z o.o.	GTC S.A.	Poland	100%	100%
Artico Sp. z o.o.	GTC S.A.	Poland	100%	100%
Julesberg Sp. z o.o.	GTC S.A.	Poland	100%	100%
Jowett Sp. z o.o.	GTC S.A.	Poland	100%	100%
Calobra Sp. z o.o. Sp. j. ⁽¹⁾	GTC S.A.	Poland	-	100%
Mantezja 4 Sp. z o.o. Sp. j. ⁽¹⁾	GTC S.A.	Poland	-	100%
Havern Investments sp. z o.o. ⁽¹⁾	GTC S.A.	Poland	-	100%

⁽¹⁾ Liquidated

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

Name	Holding Company	Country of incorporation	31 December 2017	31 December 2016
GTC Hungary Real Estate Development Company Ltd. ("GTC Hungary")	GTC S.A.	Hungary	100%	100%
Commercial Properties B.V. (formerly Budapest Offices B.V.) ⁽⁷⁾	GTC Hungary	Netherlands	-	100%
GTC Duna Kft.	GTC Hungary	Hungary	100%	100%
Vaci Ut 81-85 Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartmanok Kft. ("Riverside") ⁽¹⁾	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft. ("Centre Point I")	GTC Hungary	Hungary	100%	100%
Centre Point II. Kft.	GTC Hungary	Hungary	100%	100%
Spiral Holding Kft. ⁽⁴⁾	GTC Hungary	Hungary	-	100%
Spiral I. Kft.	GTC Hungary	Hungary	100%	100%
Spiral II Hungary. Kft.	GTC Hungary	Hungary	100%	100%
River Loft Apartmanok Ltd. ⁽¹⁾	GTC Hungary	Hungary	100%	100%
SASAD Resort Kft. ("Sasad")	GTC Hungary	Hungary	100%	100%
Albertfalva Üzletközpont Kft. ("formerly Szeremi Gate")	GTC Hungary	Hungary	100%	100%
GTC Metro Kft.	GTC Hungary	Hungary	100%	100%
SASAD Resort Offices Kft. ⁽⁶⁾	GTC Hungary	Hungary	-	100%
Kompakt Land Kft. ⁽⁵⁾	GTC Hungary	Hungary	100%	-
Mastix Champion Kft. ⁽³⁾	GTC Hungary	Hungary	-	100%
GTC White House Kft. ("formerly GTC Renaissance Plaza Kft.")	GTC Hungary	Hungary	100%	100%
VRK Tower Kft	GTC Hungary	Hungary	100%	100%
Amarantan Ltd.	GTC Hungary	Hungary	100%	100%
Abritus Kft. ⁽⁶⁾	GTC Hungary	Hungary	-	100%
GTC Slovakia Real Estate s.r.o. ⁽²⁾	GTC S.A.	Slovakia	-	100%
GTC Real Estate Vinohrady s.r.o. ⁽¹⁾	GTC S.A.	Slovakia	100%	100%

⁽¹⁾ Under liquidation

⁽²⁾ Sold in 2017

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

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

⁽⁵⁾ Acquired in 2017

⁽⁶⁾ Merged into Center Point I

⁽⁷⁾ Liquidated

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

Name	Holding Company	Country of incorporation	31 December 2017	31 December 2016
GTC Nekretnine Zagreb d.o.o. ("GTC Zagreb")	GTC S.A.	Croatia	100%	100%
Euro Structor d.o.o.	GTC S.A.	Croatia	70%	70%
Marlera Golf LD d.o.o.	GTC S.A.	Croatia	80%	80%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o.	Croatia	80%	80%
GTC Nekretnine Jug. d.o.o. ⁽¹⁾	GTC S.A.	Croatia	-	100%
GTC Matrix d.o.o.	GTC S.A.	Croatia	100%	100%
Towers International Property S.R.L.	GTC S.A.	Romania	100%	100%
Galleria Shopping Center S.R.L. (formerly "International Hotel and Tourism S.R.L.")	GTC S.A.	Romania	100%	100%
BCG Investment B.V.	GTC S.A.	Netherlands	100%	100%
Green Dream S.R.L.	GTC S.A.	Romania	100%	100%
Aurora Business Complex S.R.L.	GTC S.A.	Romania	71.5%	71.5%
Bucharest City Gate B.V. ("BCG")	GTC S.A.	Netherlands	100%	100%
Cascade Building S.R.L. ⁽²⁾	GTC S.A.	Romania	100%	-
City Gate Bucharest S.R.L.	BCG	Romania	100%	100%
Mablethompe Investitii S.R.L.	GTC S.A.	Romania	100%	100%
Venus Commercial Center S.R.L.	GTC S.A.	Romania	100%	100%
Beaufort Invest S.R.L.	GTC S.A.	Romania	100%	100%
Fajos S.R.L.	GTC S.A.	Romania	100%	100%
City Gate S.R.L.	BCG	Romania	100%	100%
Brightpoint Investments Limited ⁽¹⁾	GTC S.A.	Cyprus	-	50.1%
City Rose Park SRL (previously Complexul Residential Colentina S.R.L.)	GTC S.A.	Romania	100%	100%
Operetico Enterprises Ltd.	GTC S.A.	Cyprus	66.7%	66.7%
Deco Intermed S.R.L.	Operetico Enterprises Ltd.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L.	GTC S.A.	Romania	66.7%	66.7%

⁽¹⁾ Liquidated

⁽²⁾ Acquired in 2017

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

Name	Holding Company	Country of incorporation	31 December 2017	31 December 2016
Galeria Stara Zagora EAD ("Stara Zagora") ⁽²⁾	GTC S.A.	Bulgaria	-	100%
Galeria Burgas AD ⁽²⁾	GTC S.A.	Bulgaria	-	80%
GTC Business Park EAD	GTC S.A.	Bulgaria	100%	100%
NRL EAD	GTC S.A.	Bulgaria	100%	100%
Advance Business Center EAD	GTC S.A.	Bulgaria	100%	100%
GTC Yuzhen Park EAD ("GTC Yuzhen")	GTC S.A.	Bulgaria	100%	100%
GTC Medj Razvoj Nekretnina d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
GTC Business Park d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial and Residential Ventures d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Demo Invest d.o.o. Novi Beograd	GTC S.A.	Serbia	100%	100%
Atlas Centar d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial Development d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Glamp d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
GTC BBC d.o.o.	GTC S.A.	Serbia	100%	-
Europort Investment (Cyprus) 1 Limited	GTC S.A.	Cyprus	100%	100%
Black Sea Management LLC ⁽³⁾	Europort Investment (Cyprus) 1 Limited	Ukraine	-	100%
Europort Ukraine Holdings 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Ukraine Holdings 2 LLC ⁽¹⁾	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Ukraine LL	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Project Ukraine 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%

⁽¹⁾ Under liquidation

⁽²⁾ Sold in May 2017

⁽³⁾ Liquidated

Investment in Associates and Joint Ventures

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

⁽¹⁾ sold in 2017

⁽²⁾ Under liquidation

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

9. Events in the period

Completion of investments

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

In September 2017, GTC Group has completed and successfully opened Galeria Polnocna shopping centre in Warsaw to the public.

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

Issuance of bonds and refinance

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

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

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

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

In December 2017, the Company issued 3-year Euro denominated bonds, listed on WSE in the total amount of EUR 10.1 million.

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

In December 2017, the Company refinanced Galeria Polnocna shopping centre. The total loan amounts to Euro 200 million.

Sale of Galeria Burgas and Galeria Stara Zagora

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

Distribution of dividend

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

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

Acquisition

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

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

In July 2017, the group acquired a subsidiary, which owns Cascade office building in Bucharest, for a total amount of Euro 3.3

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

million (net of liabilities).

In September 2017, the group acquired Belgrade Business Center in Serbia from a subsidiary of the Company's main shareholder, for a total amount of Euro 36.8 million. The amount of Euro 34.8 million has been paid. The remaining Euro 2 million will be paid subject to the seller fulfilling certain conditions.

In December 2017, the Group acquired a land plot in Zagreb, Croatia (Matrix future phases) for a total amount of Euro 12.3 million. The Group intends to build office buildings on the plot.

10. Revenue from operations

Revenue from operations comprises of the following:

	2017	2016
Rental revenue	91,084	86,509
Service revenue	31,525	27,832
Residential revenue	6,128	5,960
	128,737	120,301

Rental income includes turnover rent for the year ended 31 December 2017 of Euro 1,733 thousand (2016: Euro 2,201 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 2017	31 December 2016
Within 1 year	105	82
After 1 year, but not more than 5 years	229	199
More than 5 years	44	41
	378	322

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 2017

(in thousands of Euro)

11. Cost of operations

Costs of operations comprise the following:

	2017	2016
Rental and service costs	32,081	27,890
Residential costs	4,515	5,065
	36,596	32,955

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

12. Selling expenses

Selling expenses comprise of the following:

	2017	2016
Advertising and marketing	826	2,097
Payroll and related expenses	1,285	1,139
	2,111	3,236

13. Administration expenses

Administration expenses comprise of the following:

	2017	2016
Remuneration and fees	6,959	7,194
Audit and valuations	1,081	1,141
Legal and tax advisers	1,074	964
Office and insurance expenses	1,010	1,031
Travel expenses	426	337
Supervisory board remuneration fees	108	84
Depreciation	528	468
Investors relations and other expenses	358	121
Total before share based payment	11,544	11,340
Share based payment	3,698	894
Total	15,242	12,234

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

14. Financial income and financial expense

Financial income comprise of the following:

	2017	2016
Interest on loans granted to associates and joint ventures	79	899
Interest on deposits and other	155	425
	234	1,324

Financial expense comprise of the following:

	2017	2016
Interest expenses (on financial liabilities that are not fair valued through profit or loss) and other charges	(26,588)	(25,951)
Change in fair value of financial instruments	284	(1,542)
Loan raising amortization	(2,544)	(2,007)
	(28,848)	(29,500)

The average interest rate (including hedges) on the Group's loans as of 31 December 2017 was 2.8% p.a. (3.2% p.a. as of 31 December 2016).

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

15. Segmental analysis

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

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

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

Segment analysis of rental income and costs for the years ended 31 December 2017 and 31 December 2016 is presented below:

Portfolio	2017			2016		
	Revenues	Costs	Gross margin	Revenues	Costs	Gross margin
Poland	63,258	(19,701)	43,557	46,264	(10,919)	35,345
Belgrade	15,529	(3,628)	11,901	12,931	(2,855)	10,076
Budapest	20,416	(4,880)	15,536	19,766	(4,666)	15,100
Bucharest	15,898	(3,683)	12,215	16,209	(4,092)	12,117
Zagreb	10,789	(3,744)	7,045	10,529	(3,370)	7,159
Bulgaria	2,847	(960)	1,887	8,782	(2,109)	6,673
Other ^(*)	-	-	-	5,820	(4,944)	876
Total	128,737	(36,596)	92,141	120,301	(32,955)	87,346

^(*) In 2016, the Group had activity in Slovakia

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

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

	2017							
	Real estate	Cash and deposits	Other	Total assets	Loans and bonds	Deferred tax liability	Other	Total liabilities
Poland	1,013,842	83,696	7,549	1,105,087	529,541	70,242	40,196	639,979
Belgrade	276,218	7,454	2,138	285,810	74,091	14,443	13,329	101,863
Budapest	298,573	14,302	2,898	315,773	115,777	9,256	7,035	132,068
Bucharest	223,859	11,742	2,005	237,606	113,260	11,844	7,708	132,812
Zagreb	121,930	4,079	1,204	127,213	12,811	16,079	4,618	33,508
Bulgaria	19,028	267	729	20,024	-	-	335	335
Other ^(*)	9,008	37	6	9,051	-	-	1,181	1,181
Non allocated	-	79,925	2,120	82,045	188,605	3,963	7,033	199,601
	1,962,458	201,502	18,649	2,182,609	1,034,085	125,827	81,435	1,241,347

Segment analysis of assets and liabilities for the years ended 31 December 2016 is presented below:

	2016							
	Real estate	Cash and deposits	Other	Total assets	Loans and bonds	Deferred tax liability	Other	Total liabilities
Poland	800,961	42,670	18,683	862,314	388,058	45,905	22,114	456,077
Belgrade	192,663	9,894	1,582	204,139	69,060	12,044	12,444	93,548
Budapest	248,658	20,025	1,393	270,076	118,482	7,859	6,245	132,586
Bucharest	203,834	10,164	2,269	216,267	111,573	9,824	5,210	126,607
Zagreb	106,123	2,039	964	109,126	17,166	14,736	3,014	34,916
Bulgaria	67,085	3,438	3,826	74,349	34,783	-	2,074	36,857
Other ^(*)	9,305	68	7	9,380	-	-	1,334	1,334
Non allocated	-	89,439	4,400	93,839	153,811	7,869	5,562	167,242
	1,628,629	177,737	33,124	1,839,490	892,933	98,237	57,997	1,049,167

^(*) Other assets include non-core land plots in Ukraine and Marlera, Croatia

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

16. Taxation

The major components of tax expense are as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Current corporate and capital gain tax expense	5,655	3,679
Previous year's tax	55	(3,052)
Deferred tax expense / (income)	26,384	(35,632)
	32,094	(35,005)

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 2017	Year ended 31 December 2016
Accounting profit before tax	188,692	124,570
Taxable expenses at the applicable tax rate in each country of activity	34,080	22,810
Tax effect of expenses that are not deductible in determining taxable profit	1,840	367
Share of profit in associates and joint ventures	(36)	911
Cancellation of provision ^(*)	-	(54,889)
Loss on sale of subsidiaries	(5,453)	-
Tax effect of foreign currency differences	(6,960)	480
Withholding tax	432	-
Cancellation of provision due to reduction of corporate tax rate	-	(8,439)
Previous year's tax refund	55	(3,052)
Unrecognised deferred tax asset, net	7,073	6,786
Dividend from foreign subsidiaries	940	-
Other	123	117
Tax expense / (income)	32,094	(35,005)

^(*) 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

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

Net deferred tax assets comprise the following:

	As of 1 January 2016	Credit / (charge) to income statement	As of 31 December 2016	Credit / (charge) to income statement	Impairment due to sale	As of 31 December 2017
Financial instruments	120	(75)	45	3,903	-	3,948
Tax loss carried forwards	8,250	3,908	12,158	(708)	(931)	10,519
Basis differences in non-current assets	-	81	81	(81)	-	-
Accruals	-	414	414	32	-	446
Netting ^(**)	(7,723)	(3,900)	(11,623)	(3,290)	-	(14,913)
Net deferred tax assets	647	428	1,075	(144)	(931)	

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 2016	Credit / (charge) to income statement	Credit / (charge) to equity	First time consolidation	As of 31 December 2017
Financial instruments ^(*)	(51,427)	228	(215)	46,008	(5,406)	(2,558)	(367)	-	(8,331)
Basis differences in non-current assets	(89,566)	-	-	(14,888)	(104,454)	(26,883)	-	(983)	(132,320)
Other	(185)	-	-	185	-	(89)	-	-	(89)
Netting ^(**)	7,723	-	-	3,900	11,623	3,290	-	-	14,913
Net deferred tax liability	(133,455)	228	(215)	35,205	(98,237)	(26,240)	(367)	(983)	(125,827)

^(*) 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 2017

(in thousands of Euro)

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

Tax rate	Year ended 31 December 2017	Year ended 31 December 2016
Poland	19%	19%
Hungary	9%	10%
Ukraine	18%	18%
Bulgaria	10%	10%
Slovakia	21%	22%
Serbia	15%	15%
Croatia	18%	20%
Russia	20%	20%
Romania	16%	16%
Cyprus	12.5%	12.5%
The Netherlands	25%	25%

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

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These frequent changes result in there being little point of reference, 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.

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realizing tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of artificial activities subject to GAAR. New regulations will require considerably greater judgment in assessing tax effects of individual transactions.

The GAAR clause should be applied to the transactions performed after clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realized or continue to be realised. The implementation of the above provisions will enable Polish tax authority challenge such arrangements realized by tax remitters as restructuring or reorganization.

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 2017 available in the amount of Euro 346 million. The expiry dates of these tax losses as of 31 December 2017 are as follows: within one year - Euro 31 million, between 2-5 years - Euro 148 million, afterwards - Euro 167 million.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

17. Property, Plant and Equipment

The movement in property, plant and equipment for the periods ended 31 December 2017 and 31 December 2016 was as follows:

	Buildings and related improvements	Equipment and software	Vehicles	Total
Gross carrying amount As of 1 January 2017	4,904	2,852	797	8,553
Additions	287	251	205	743
Transfers from investment properties	1,014			1,014
Disposals, impairments and other decreases		(1,753)	(186)	(1,939)
As of 31 December 2017	6,205	1,350	816	8,371
Accumulated Depreciation As of 1 January 2017	66	2,111	374	2,551
Charge for the period	235	205	89	529
Disposals, impairments and other decreases		(1,394)	(162)	(1,556)
As of 31 December 2017	301	922	301	1,524
Net book value as of 31 December 2017	5,904	428	515	6,847
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

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

18. 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 2017	31 December 2016
Completed investment property ⁽¹⁾	1,649,183	1,261,044
Investment property under construction ⁽¹⁾	148,400	240,726
Investment property landbank at cost	139,258	102,905
Total	1,936,841	1,604,675

⁽¹⁾ An office building in Serbia valued at Euro 39.9 million, which is currently under reconstruction, was transferred from completed investment property to investment property under construction.

The movement in investment property for the periods ended 31 December 2017 and 31 December 2016 was as follows:

	Level 2	Level 3	Total
Carrying amount as of 1 January 2016	771,232	517,297	1,288,529
Capitalised subsequent expenditure	14,712	82,254	96,966
Reclassified after completion	23,844	(23,844)	-
Purchase of completed assets and land	122,298	17,348	139,646
Adjustment to fair value / impairment	31,491	54,522	86,013
Disposals of assets	-	(10,316)	(10,316)
Sale of subsidiaries	-	(4,878)	(4,878)
Purchase of subsidiaries	-	12,951	12,951
Reclassified to fixed assets	(2,927)	(1,309)	(4,236)
Carrying amount as of 31 December 2016	960,650	644,025	1,604,675
Hierarchy level reclassification ⁽⁵⁾	358,200	(358,200)	-
Capitalised subsequent expenditure	20,111	145,478	165,589
Purchase of completed buildings ⁽⁶⁾	-	36,857	36,857
Purchase of land plots ⁽⁴⁾	-	28,526	28,526
Purchase of subsidiaries holding land plots ⁽⁴⁾	9,569	12,500	22,069
Adjustment to fair value / (impairment)	33,774	114,428	148,202
Land Disposals ⁽³⁾	-	(1,727)	(1,727)
Classified to assets held for sale	-	(4,336)	(4,336)
Sale of subsidiaries ⁽²⁾	-	(62,000)	(62,000)
Classified to fixed assets ⁽¹⁾	(1,014)	-	(1,014)
Carrying amount as of 31 December 2017	1,381,290	555,551	1,936,841

⁽¹⁾ Office space for own use

⁽²⁾ Galeria Burgas and Galeria Stara Zagora in Bulgaria

⁽³⁾ Commercial land plot in Konstancin, Poland

⁽⁴⁾ The Group acquired 3 landplots in Budapest, Bucharest and Zagreb (see note 9)

⁽⁵⁾ Galeria Polnocna was reclassified after its completion

⁽⁶⁾ BBC in Belgrade

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

Fair value and impairment adjustment consists of the following:

	2017	2016
Adjustment to fair value of completed investment properties	43,204	34,476
Adjustment to fair value of investment properties under construction	104,515	49,289
Reversal of impairment/(Impairment) adjustment	483	2,248
Total adjustment to fair value / (impairment) of investment property	148,202	86,013
Reversal of impairment/(Impairment) of assets held for sale	1,423	(1,409)
Impairment of residential landbank	(1,063)	(53)
Total	148,562	84,551

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

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

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Fair Value Hierarchy Level
	'000 Euro	sqm	%	Euro/ sqm	Euro/ sqm	
Poland retail	164,506	49	90%	19.8	19.8	2
Poland office	394,418	205	91%	13.9	13.8	2
Belgrade office	139,981	70	95%	16.3	15.7	3
Budapest office	216,206	119	96%	12.0	12.8	2
Bucharest office	185,520	62	94%	18.2	18.0	2
Zagreb retail	103,213	34	99%	20.8	20.8	3
Bulgaria retail	57,200	57	97%	10.5	10.5	3
Total	1,261,044	596	94%	14.8	14.8	

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

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Belgrade (Ada, GreenHeart)	106,780	80
Budapest (White House)	30,300	22
Sofia (ABC I)	8,856	1,616
Zagreb (Matrix)	2,464	1,010
Total	148,400	128,128

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

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

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Warsaw (Galeria Polnocna, Artico)	185,496	72
Belgrade (Ada, B.41)	47,473	45
Budapest (White House)	7,757	22
Total	240,726	139

Information regarding book value of investment property landbank for construction as of 31 December 2017 and 31 December 2016 is presented below:

	31 December 2017	31 December 2016
Poland	33,116	32,683
Serbia	5,454	4,390
Hungary ⁽¹⁾	26,671	11,300
Romania ⁽¹⁾	11,192	-
Bulgaria ⁽¹⁾	6,382	6,095
Croatia	14,280	2,420
Total	97,095	56,888

⁽¹⁾ The Group purchased land plots in 2017 (see note 9)

Information regarding book value of investment property landbank (long term pipeline) as of 31 December 2017 and 31 December 2016 is presented below:

	31 December 2017	31 December 2016
Poland	17,980	16,019
Hungary	8,400	12,350
Romania	9,841	11,403
Bulgaria	3,790	3,790
Ukraine	2,152	2,455
Total	42,163	46,017
Grand Total	139,258	102,905

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

19. Inventory and Residential landbank

The movement in residential landbank and inventory for the period ended 31 December 2017 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
Construction costs	2,915		2,915
Impairment	-	(1,063)	(1,063)
Cost of units sold	(4,515)		(4,515)
Carrying amount as of 31 December 2017	3,755	12,698	16,453

The carrying amount of inventory as of 31 December 2017 represents the inventory of 8 units in Konstancja project. As of the balance sheet date, 6 units of this inventory were pre-sold.

The carrying amount of residential landbank as of 31 December 2017 refers to two non-core land plots designated for residential development, in Marlera, Croatia and in Bucharest.

20. Escrow accounts for purchase of assets

An amount of Euro 0.8 million amount relates to payment to contractor in Whitehouse project in Budapest, which was deposited in escrow account and will be released after execution of the construction works.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

21. Investment in associates and Joint ventures

The investment in associates and joint ventures comprises the following:

	31 December 2017	31 December 2016
	(unaudited)	(audited)
Russia ⁽¹⁾	1,303	2,843
Romania ⁽²⁾	-	960
Investment in associates and joint ventures	1,303	3,803

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

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

22. Advances received

Advances received comprises the following amounts:

	31 December 2017	31 December 2016
Sale of residential units in Konstancja project	1,768	1,456
Sale of investment properties landbank	3,043	-
Rental income received in advance	2,040	-
	6,851	1,456

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

23. Derivatives

The Group 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 2017 and 31 December 2016 was as follows:

	31 December 2017	31 December 2016
Fair value as of beginning of the year	(5,331)	(4,949)
Charged to other comprehensive income	1,633	1,160
Charged to income statements	304	(1,542)
Fair value as of end of the year	(3,394)	(5,331)

For more information regarding derivatives, see note 39

24. Trade and other payables

The movement in trade and other payables for the year ended 31 December 2017 was as follows:

	31 December 2017
Balance as of 1 January 2017	(36,739)
Charges related to investing activity	(14,301)
Charges related to sale of subsidiaries	1,293
Charges related to operating activity	(511)
Charges related to Finance activity	(247)
Balance as of 31 December 2017	(50,505)

As of 31 December 2017 an amount of Euro 41 million of trade creditors accruals and provisions relate to development activity payables. This is planned to be financed mostly by long term loans (As of 31 December 2016 amounted to Euro 28 million).

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

25. 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.

26. 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.

27. Other expenses

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

28. Deposits from tenants

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

29. Long term payables

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

30. VAT and other tax receivable

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

31. Non-controlling interest

Summarised financial information of the material non-controlling interest as of 31 December 2017 is presented below:

	Avenue Mall	Non-core projects	Total
Non-current assets	105,241	12,698	117,939
Current assets	3,114	275	3,389
Total assets	108,355	12,973	121,328
Equity	73,065	(64,224)	8,841
Non-current liabilities	29,432	76,922	106,354
Current liabilities	5,858	275	6,133
Total equity and liabilities	108,355	12,973	121,328
Revenue	10,852	-	10,852
Profit/(loss) for the year	5,200	(3,368)	1,832
NCI share in equity	21,919	(17,693)	4,226
NCI share in profit / (loss)	1,560	(1,262)	298

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

	Avenue Mall	Burgas	Non-core projects	Total
Non-current assets	103,808	46,131	13,761	163,699
Current assets	2,078	3,120	444	5,643
Total assets	105,886	49,251	14,205	169,342
Equity	67,865	(3,761)	(60,856)	3,248
Non-current liabilities	32,309	50,143	72,489	154,941
Current liabilities	5,712	2,869	2,572	11,153
Total equity and liabilities	105,886	49,251	14,205	169,342
Revenue	10,591	6,169	-	16,760
Profit/(loss) for the year	6,867	5,708	(4,020)	8,555
NCI share in equity	20,360	(752)	(16,717)	2,891
NCI share in profit / (loss)	2,060	1,142	(2,175)	1,027

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

32. Long-term loans and bonds

	31 December 2017	31 December 2016
Bonds mature in 2017-2018	23,744	67,167
Bonds mature in 2018-2019	48,872	46,088
Bonds 1019	28,959	28,967
Schuldschein 1219	15,023	5,007
Bonds 0320	18,675	-
Bonds 0620	40,070	-
Bonds 1220	10,117	-
Loan from OTP (GTC)	4,718	7,863
Loan from WBK (Globis Poznan)	15,579	16,070
Loan from WBK (Korona Business Park)	46,157	41,153
Loan from PKO BP (Pixel)	21,256	21,930
Loan from Pekao (Globis Wroclaw)	23,107	23,922
Loan from ING (Nothus and Zephirus)	20,156	21,648
Loan from Berlin Hyp (Corius)	11,064	11,405
Loan from Pekao (Sterlinga)	16,715	17,238
Loan from Pekao (Neptun)	21,076	21,735
Loan from Pekao (Sterlinga VAT)	-	5,787
Loan from Pekao (Neptun VAT)	-	7,301
Loan from Pekao (Galeria Polnocna)	199,904	48,088
Loan from mBank (Artico)	12,990	4,574
Loan from Pekao (Galeria Jurajska)	91,176	94,622
Loan from Berlin Hyp (UBP)	30,072	31,000
Loan from ING (Francuska)	22,659	23,197
Loan from OTP (Centre Point)	44,051	46,025
Loan from CIB (Metro)	16,623	17,647
Loan from Erste (Spiral)	24,791	26,067
Loan from Erste (White House)	4,817	2,109
Loan from OTP (Duna)	26,243	27,419
Loan from Erste (GTC House)	12,499	13,281
Loan from Erste (19 Avenue)	22,978	21,138
Loan from Intesa Bank (Green Heart)	13,125	13,825
Loan from Raiffeisen Bank (Forty one)	27,292	21,779
Loan from Erste (Citygate)	81,197	84,100
Loan from Transilvania (Cascade)	4,852	-
Loan from Alpha Bank (Premium)	18,126	18,875
Loan from MKB and Zagrabecka Banka (AMZ)	12,312	16,766
Loan from EBRD and Unicredit (Galeria Stara Zagora)	-	6,900
Loan from EBRD (Burgas)	-	20,272
Loans from minorities in subsidiaries	9,984	18,230
Deferred issuance debt expenses	(6,894)	(6,262)
	1,034,085	892,933

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(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 2017	31 December 2016
Current portion of long term loans and bonds:		
Bonds mature in 2017-2018	23,744	45,000
Bonds mature in 2018-2019	32,888	880
Bonds 1019	180	189
Schuldschein 1219	23	7
Bonds 0320	177	-
Bonds 0620	70	-
Bonds 1220	13	
Loan from OTP (GTC)	3,145	3,145
Loan from WBK (Globis Poznan)	495	493
Loan from WBK (Korona Business Park)	1,401	41,153
Loan from PKO BP (Pixel)	679	677
Loan from Berlin Hyp (UBP)	932	930
Loan from Pekao (Galeria Jurajska)	3,496	3,446
Loan from Pekao (Globis Wroclaw)	23,107	816
Loan from ING (Nothus and Zephyrus)	10,824	1,492
Loan from Berlin Hyp (Corius)	343	11,405
Loan from Pekao (Sterlinga)	527	525
Loan from Pekao (Neptun)	665	662
Loan from Pekao (Sterlinga VAT)	-	5,787
Loan from Pekao (Neptun VAT)	-	7,301
Loan from Pekao (Galeria Polnocna)	5,000	1,125
Loan from ING (Francuska)	542	540
Loan from OTP (Centre Point)	2,009	1,974
Loan from Erste (White House)	120	1,250
Loan from OTP (Duna)	1,197	1,176
Loan from CIB (Metro)	1,068	1,024
Loan from Erste (Spiral)	1,396	1,326
Loan from Erste (GTC House)	781	781
Loan from Erste (19 Avenue)	934	569
Loan from Intesa Bank (Green Heart)	700	700
Loan from Raiffeisen Bank (Forty one)	1,217	681
Loan from EBRD and Unicredit (Galeria Stara Zagora)		6,900
Loan from EBRD (Galeria Burgas)		1,725
Loan from Transilvania (Cascade)	240	-
Loan from MKB and Zagrebacka Banka (Avenue Mall Zagreb)	4,454	4,454
Loan from Erste (City Gate)	2,989	2,890
Loan from Alpha Bank (Premium)	1,025	631
Loans from minorities in subsidiaries		2,248
	126,381	153,902

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

	31 December 2017	31 December 2016
Long term portion of long term loans and bonds:		
Bonds mature in 2017-2018		22,167
Bonds mature in 2018-2019	15,984	45,207
Bonds 1019	28,779	28,779
Schuldschein 1219	15,000	5,000
Bonds 0320	18,498	-
Bonds 0620	40,000	-
Bonds 1220	10,104	-
Loan from OTP (GTC)	1,573	4,718
Loan from WBK (Globis Poznan)	15,084	15,577
Loan from WBK (Korona Business Park)	44,756	-
Loan from PKO BP (Pixel)	20,577	21,253
Loan from Pekao (Globis Wroclaw)	-	23,106
Loan from ING (Nothus and Zephyrus)	9,332	20,156
Loan from Berlin Hyp (Corius)	10,721	-
Loan from Pekao (Neptun)	20,411	21,073
Loan from Pekao (Sterlinga)	16,188	16,713
Loan from Pekao (Galeria Polnocna)	194,904	46,963
Loan from Pekao (Galeria Jurajska)	87,680	91,176
Loan from Berlin Hyp (UBP)	29,140	30,070
Loan from mBank (Artico)	12,990	4,574
Loan from ING (Francuska)	22,117	22,657
Loan from OTP (Centre Point)	42,042	44,051
Loan from OTP (Duna)	25,046	26,243
Loan from CIB (Metro)	15,555	16,623
Loan from Erste (Spiral)	23,395	24,741
Loan from Erste (White House)	4,697	859
Loan from Erste (GTC House)	11,718	12,500
Loan from Erste (19 Avenue)	22,044	20,569
Loan from Intesa Bank (Green Heart)	12,425	13,125
Loan from Raiffeisen Bank (Forty one)	26,075	21,098
Loan from Erste (City Gate)	78,208	81,210
Loan from Alpha Bank (Premium)	17,101	18,244
Loan from Transilvania (Cascade)	4,612	-
Loan from MKB and Zagrebacka Banka (Avenue Mall Zagreb)	7,858	12,312
Loan from EBRD (Galeria Burgas)	-	18,547
Loans from minorities in subsidiaries	9,984	15,982
Deferred issuance debt expenses	(6,894)	(6,262)
	907,704	739,031

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(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 Forint (HUF).

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

As of 31 December 2017, there were no breach of loan covenants.

The movement in long term loans and bonds for the years ended 31 December 2017 and 31 December 2016 was as follows:

	31 December 2017	31 December 2016
Balance as of the beginning of the year excluding deferred debt expenses)	899,195	744,789
Drawdowns	258,268	273,517
Repayments	(100,343)	(103,193)
First to be consolidated	4,964	2,947
Purchase of non-controlling interest	-	(9,418)
Change in accrued interest	446	876
Deconsolidation	(27,898)	(6,245)
Foreign exchange differences	6,347	(4,078)
Balance as of end of the year (excluding deferred debt expenses)	1,040,979	899,195

33. Assets held for sale

Asset held for sale includes Vasas land plot in Budapest.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

34. Capital and Reserves

Share capital

As at 31 December 2017, the shares structure was as follows:

Number of Shares	Share series	Total value	
		in PLN	in Euro
139,286,210	A	13,928,621	3,153,995
1,152,240	B	115,224	20,253
235,440	B1	23,544	4,443
8,356,540	C	835,654	139,648
9,961,620	D	996,162	187,998
39,689,150	E	3,968,915	749,022
3,571,790	F	357,179	86,949
17,120,000	G	1,712,000	398,742
100,000,000	I	10,000,000	2,341,372
31,937,298	J	3,193,729	766,525
108,906,190	K	10,890,619	2,561,293
10,087,026	L	1,008,703	240,855
470,303,504		47,030,350	10,651,095

All shares are entitled to the same rights.

Shareholders who as at 31 December 2017 held above 5% of the Company shares were as follows:

- ▶ LSREF III
- ▶ PZU OFE
- ▶ AVIVA OFE BZ WBK

Capital reserve

Capital reserve represents a loss attributed to non-controlling partners of the Group, which crystalized once the Group acquired the non-controlling interest in the subsidiaries of the Group.

Since 30 June 2017, the statutory financial statements of GTC S.A. are prepared in accordance with IFRS. Dividends may be distributed based on the net profit reported in the standalone annual financial statements prepared for statutory purposes.

On 16 May 2017, the Company held an ordinary shareholders meeting. The ordinary shareholders meeting decided that the loss for the year 2016 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

35. Provision for share based payments

Phantom shares

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

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

Strike (PLN)	Blocked	Vested	Total
9.67	105,000		105,000
7.73	100,000	50,000	150,000
6.82	3,876,400	4,044,800	7,921,200
Total	4,081,400	4,094,800	8,176,200

As at 31 December 2017, phantom shares issued were as follows:

Last exercise date	Strike (in PLN)	Number of phantom shares
30/06/2019	6.82	1,894,400
31/12/2020	7.73	150,000
30/06/2021	6.82	1,275,200
15/08/2021	6.82	3,036,000
31/12/2021	6.82	1,412,000
31/12/2021	9.73	105,000
30/06/2022	6.82	303,600
Total		8,176,200

The Phantom shares (as presented in above mentioned table) have been provided for according to cash payments method.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

36. Earnings per share

Basic earnings per share were calculated as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Profit for the period attributable to equity holders (Euro)	156,300,000	158,548,000
Weighted average number of shares for calculating basic earnings per share	465,467,259	460,216,478
Basic earnings per share (Euro)	0.34	0.34

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

37. 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 2017	Year ended 31 December 2016
Transaction		
Asset management services	619	641
Interest income from associates and joint Ventures	79	899
Supervisory board remuneration fees	110	84
Balances		
Receivables from related party	188	197
Investment in joint ventures and associates	1,303	3,803

In September 2017, the group acquired Belgrade Business Center in Serbia from a subsidiary of the Company's main shareholder, for a total amount of Euro 36.8 million. The amount of Euro 34.8 million has been paid. The remaining Euro 2 million will be paid subject to the seller fulfilling certain conditions.

Management and Supervisory Board remuneration for the year ended 31 December 2017, amounted to EUR 0.89 million, and 819,200 phantom shares were vested. 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

38. Commitments, contingent liabilities and Guarantees

Commitments

As of 31 December 2017 (31 December 2016), the Group had commitments contracted for in relation to future building construction without specified date, amounting to Euro 99 million (Euro 126 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. As of 31 December 2017 the guarantees granted amounted to Euro 2 million.

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

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. As of 31 December 2017 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 2017

(in thousands of Euro)

39. 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 Group's loans are nominated or swapped into Euro.

A 50bp change in EURIBOR rate would lead to Euro 1,698 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:

	2017				2016			
	PLN/Euro				PLN/Euro			
	-10%	-5%	+5%	+10%	-10%	-5%	+5%	+10%
Cash and cash equivalents	2,556	1,278	(1,278)	(2,556)	3,390	1,695	(1,695)	(3,390)
Trade and other receivables	768	384	(384)	(768)	1,848	924	(924)	(1,848)
Trade and other payables	(2,352)	(1,176)	1,176	2,352	(1,792)	(876)	876	1,792
Short term loans	-	-	-	-	(1,310)	(654)	654	1,310
Bonds	(7,262)	(3,631)	3,631	7,262	(11,326)	(5,663)	5,663	11,326

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 2017

(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 Group, which comprise cash and cash equivalents and blocked deposits the Group's exposure to credit risk equals to the carrying amount of these instruments.

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

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

Liquidity risk

As at 31 December 2017, the Group holds Cash and Cash Equivalent (as defined in IFRS) in the amount of approximately EUR 150 million. As described above, the Group attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) debt servicing of its existing assets portfolio; (ii) capex; and (iii) development of commercial properties. Such funding will be sourced through available cash, operating income, sales of assets and refinancing. The Management Board believes that based on its current assumptions, the Group will be able to settle all its liabilities for at least the next twelve months.

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

	31 December 2017	31 December 2016
First year	150	176
Second year	157	130
Third year	240	149
Fourth year	186	184
Fifth year	66	166
Thereafter	334	176
	1,133	981

The above table does not contain payments relating to market value of 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 1-5 years from the balance sheet date.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

Fair Value

As of 31 December 2017 and 2016, all bank loans bear floating interest rate (however, as of 31 December 2017 and 2016, 90% and 70% of loans are hedged). 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 18.

Fair value hierarchy

As at 31 December 2017, 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 2017 and 31 December 2016, there were no transfers among 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. Further risks are detailed in the Management Report as of 31 December 2017.

Capital management

The primary objective of the Group's capital management is to provide for operational and value growth while prudently managing the capital and maintaining healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and adjust it to dynamic economic conditions. While observing the capital structure, the Group decides on leverage policy, loans raising and repayments, investment or divestment of assets, dividend policy and capital raise, if needed.

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(in thousands of Euro)

The Group monitors its gearing ratio, which is Gross Project and Corporate Debt less Cash & Deposits, (as defined in IFRS) divided by its real estate investment value. The Group's policy is to maintain the gearing ratio at the level not higher than 50%.

	31 December 2017	31 December 2016
(1) Loans, net of cash and deposits ^(*)	829,492	703,229
(2) Investment properties, inventory and assets held for sale	1,958,407	1,623,790
Gearing ratio [(1)/(2)]	42.4%	43.3%

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

40. Subsequent events

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

41. Approval of the financial statements

The financial statements were authorised for issue by the Management Board on 20 March 2018.



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