

**GLOBE TRADE CENTRE S.A.**

**IFRS CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE THREE-MONTH PERIODS ENDED  
30 JUNE 2006 AND 2005**

**Globe Trade Centre S.A.**  
**Condensed Consolidated Balance Sheets**  
**As of 30 June 2006, 2005 and 31 December 2005**  
**(in thousands of US Dollars)**

	<u>Note</u>	<u>30 June 2006</u> <i>(unaudited)</i>	<u>30 June 2005</u> <i>(unaudited)</i>	<u>31 December</u> <u>2005</u>
<b>ASSETS</b>				
<b>Non current assets</b>				
Investment property		870,547	552,435	682,928
Property, plant and equipment		110,782	139,651	150,249
Investment in associates	10	17,967	18,596	19,527
Loans granted	19	2,685	-	-
Investment in marketable securities		-	15,905	-
Deferred tax asset		2,997	6,129	3,585
Advances to contractors		12,847	10,500	6,618
Goodwill		11,717	-	16,702
Other non-current assets	11	952	4,383	1,075
		<b>1,030,494</b>	<b>747,599</b>	<b>880,684</b>
<b>Current Assets</b>				
Inventory		73,864	23,314	37,485
Debtors		3,412	2,530	2,677
Accrued income	12	9,452	6,180	29,179
Derivatives		778	-	-
VAT and other tax receivable		12,766	10,664	14,809
Income tax recoverable		1,612	-	1,959
Prepayments, deferred expenses, and other receivables		5,141	2,804	2,281
Short-term deposits		18,258	11,157	16,185
Cash and cash equivalents		269,843	111,906	73,204
		<b>395,126</b>	<b>168,555</b>	<b>177,779</b>
<b>TOTAL ASSETS</b>		<b>1,425,620</b>	<b>916,154</b>	<b>1,058,463</b>

The accompanying notes are an integral part of these Condensed Consolidated Balance Sheets

**Globe Trade Centre S.A.**  
**Condensed Consolidated Balance Sheets**  
**As of 30 June 2006, 2005 and 31 December 2005**  
**(in thousands of US Dollars)**

	<u>Note</u>	<u>30 June 2006</u> <i>(unaudited)</i>	<u>30 June 2005</u> <i>(unaudited)</i>	<u>31 December</u> <u>2005</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital attributable to equity holders of the parent</b>				
Share capital	14	6,195	5,632	5,632
Share premium	14	288,902	139,480	140,198
Capital reserve		1,988	1,231	1,231
Hedge reserve		184	(1,978)	(284)
Net unrealized provision on investment in marketable securities		-	(1,447)	-
Foreign currency translation		7,449	(7,961)	(6,743)
Accumulated profit		527,326	307,654	405,564
		<b>832,044</b>	<b>442,611</b>	<b>545,598</b>
<b>Minority Interest</b>		<b>(116)</b>	<b>7,624</b>	<b>801</b>
<b>Total Equity</b>		<b>831,928</b>	<b>450,235</b>	<b>546,399</b>
<b>Long-term Liabilities</b>				
Long-term portion of long-term loans	13	424,609	362,082	401,513
Deposits from tenants		3,443	2,990	3,513
Long term payable		1,411	3,805	1,102
Financial liability	22	13,000	-	-
Provisions		-	50	-
Provision for deferred tax liability		63,225	23,253	40,914
		<b>505,688</b>	<b>392,180</b>	<b>447,042</b>
<b>Current Liabilities</b>				
Trade and other payables		24,485	18,969	23,999
Current portion of long-term loans	13	32,286	30,797	19,971
Credit line		3,195	-	-
Current portion of long term payable			3,287	6,052
VAT and other taxes payable		806	1,219	1,908
Income tax payable		614		3,920
Accruals		18,944	7,779	4,732
Advances received		7,383	5,782	1,844
Deferred income		276	248	536
Derivatives		15	5,658	2,060
		<b>88,004</b>	<b>73,739</b>	<b>65,022</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,425,620</b>	<b>916,154</b>	<b>1,058,463</b>

The accompanying notes are an integral part of these Condensed Consolidated Balance Sheets

**Globe Trade Centre S.A.**  
**Condensed Consolidated Income Statements**  
**for the three-month period ended 30 June 2006, 2005 and year ended 31 December 2005**  
**(in thousand of US Dollars)**

	Note	<u>Six-month period</u> <u>ended 30 June</u>		<u>Three-month period</u> <u>ended 30 June</u>		<u>Year ended</u> <u>31 December</u>
		<u>2006</u> <i>(unaudited)</i>	<u>2005</u> <i>(unaudited)</i>	<u>2006</u> <i>(unaudited)</i>	<u>2005</u> <i>(unaudited)</i>	<u>2005</u>
Revenues from operations	7	52,851	45,529	26,021	24,145	95,639
Cost of operations	8	(20,834)	(17,198)	(9,931)	(5,495)	(38,581)
<b>Gross margin from operations</b>		<b>32,017</b>	<b>28,331</b>	<b>16,090</b>	<b>18,650</b>	<b>57,058</b>
Selling expenses		(1,637)	(1,766)	(697)	(1,025)	(3,452)
Administration expenses		(7,558)	(4,446)	(3,449)	(2,029)	(9,013)
Profit from revaluation of investment property		136,601	42,621	39,913	-	150,901
Other income/(expenses)net	20	3,197	295	3,488	222	289
<b>Profit from continuing operations before tax and financial related income / (expense)</b>		<b>162,620</b>	<b>65,035</b>	<b>55,345</b>	<b>15,818</b>	<b>195,783</b>
Foreign currency gain/(loss), net		5,997	(2,161)	3,584	(1,678)	(2,459)
Other financial income/(expense), net		(7,150)	(10,787)	(3,146)	(5,856)	(19,637)
Profit on sale of investment in marketable securities		-	-	-	-	4,091
Profit on sale of subsidiaries		1,672	-	1,672	-	-
Share of profit/ (losses) from associates		120	(40)	(6)	(81)	533
<b>Profit before taxation</b>		<b>163,259</b>	<b>52,047</b>	<b>57,449</b>	<b>8,203</b>	<b>178,311</b>
Taxation		(28,657)	(10,534)	(11,056)	(3,176)	(34,248)
<b>Profit for the period</b>		<b>134,602</b>	<b>41,513</b>	<b>46,393</b>	<b>5,027</b>	<b>144,063</b>
<b>Attributable to:</b>						
Equity holders		130,903	42,235	46,404	5,439	140,145
Minority interest		3,699	(722)	(11)	(412)	3,918
Basic earnings per share (USD)	15	6.26	2.12	2.14	0.27	7.02
Diluted earnings per share (USD)	15	6.23	2.10	2.13	0.27	6.95

The accompanying notes are an integral part of these Condensed Consolidated Income statements

**Globe Trade Centre S.A.**  
**Condensed Consolidated Statements of Changes in Equity**  
**for the six-month period ended 30 June 2006, 2005 and year ended 31 December 2005**  
**(in thousands of US Dollars)**

	Issued and paid in share capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation	Net unrealized gain/loss on investment in marketable securities	Accumulated profit	Minority interest	Total
<b>Balance as of 1 January 2005</b>	<b>5,602</b>	<b>138,209</b>	<b>1,231</b>	<b>(1,719)</b>	<b>4,762</b>	<b>1,699</b>	<b>265,419</b>	<b>11,131</b>	<b>426,334</b>
Issuance of shares	30	98	-	-	-	-	-	-	128
Share base payment	-	1,173	-	-	-	-	-	-	1,173
Currency translation differences	-	-	-	-	(12,723)	-	-	(2,001)	(14,724)
Net change in investment in marketable securities	-	-	-	-	-	(3,146)	-	-	(3,146)
Acquisition of shares	-	-	-	-	-	-	-	(784)	(784)
Hedge transactions	-	-	-	(259)	-	-	-	-	(259)
Profit for the six- months period ended 30 June 2005 (unaudited)	-	-	-	-	-	-	42,235	(722)	41,513
<b>Balance as of 30 June 2005 (unaudited)</b>	<b>5,632</b>	<b>139,480</b>	<b>1,231</b>	<b>(1,978)</b>	<b>(7,961)</b>	<b>(1,447)</b>	<b>307,654</b>	<b>7,624</b>	<b>450,235</b>
	<b>Issued and paid in share capital</b>	<b>Share premium</b>	<b>Capital reserve</b>	<b>Hedge reserve</b>	<b>Foreign currency translati on</b>	<b>Net unrealized gain/loss on investment in marketable securities</b>	<b>Accumulat ed profit</b>	<b>Minority interest</b>	<b>Total</b>
<b>Balance as of 1 January 2005</b>	<b>5,602</b>	<b>138,209</b>	<b>1,231</b>	<b>(1,719)</b>	<b>4,762</b>	<b>1,699</b>	<b>265,419</b>	<b>11,131</b>	<b>426,334</b>
Issuance of shares	30	98	-	-	-	-	-	-	128
Share base payment	-	1,891	-	-	-	-	-	-	1,891
Currency translation differences	-	-	-	-	(11,826)	-	-	(2,420)	(14,246)
Sale of subsidiary	-	-	-	417	321	-	-	-	738
Net change in investment in marketable securities	-	-	-	-	-	(1,699)	-	-	(1,699)
Acquisition of shares	-	-	-	-	-	-	-	(11,828)	(11,828)
Hedge transactions	-	-	-	1,018	-	-	-	-	1,018
Profit for the year ended 31 December 2005	-	-	-	-	-	-	140,145	3,918	144,063
<b>Balance as of 31 December 2005</b>	<b>5,632</b>	<b>140,198</b>	<b>1,231</b>	<b>(284)</b>	<b>(6,743)</b>	<b>-</b>	<b>405,564</b>	<b>801</b>	<b>546,399</b>
Issuance of shares	563	147,676	-	-	-	-	-	-	148,239
Share base payment	-	1,028	-	-	-	-	-	-	1,028
Increase in capital reserve	-	-	757	-	-	-	(757)	-	-
Currency translation differences	-	-	-	-	15,977	-	-	-	15,977
Hedge transactions	-	-	-	469	-	-	-	-	469
Disposal of subsidiary	-	-	-	(1)	(1,785)	-	-	-	(1,786)
Put option granted to minority (see note 21)	-	-	-	-	-	-	(8,384)	(4,616)	(13,000)
Profit for the six-month period ended 30 June 2006 (unaudited)	-	-	-	-	-	-	130,903	3,699	134,602
<b>Balance as of 30 June 2006 (unaudited)</b>	<b>6,195</b>	<b>288,902</b>	<b>1,988</b>	<b>184</b>	<b>7,449</b>	<b>-</b>	<b>527,326</b>	<b>(116)</b>	<b>831,928</b>

The accompanying notes are an integral part of these Condensed Consolidated Statements of Changes in Equity

**Globe Trade Centre S.A.**  
**Condensed Consolidated Cash Flow Statements**  
**for the six-month periods ended 30 June 2006, 2005 and year ended 31 December 2005**  
**(In thousands of US Dollars)**

	<u>Six-month</u> <u>period ended</u> <u>30 June 2006</u> <i>(unaudited)</i>	<u>Six-month</u> <u>period ended</u> <u>30 June 2005</u> <i>(unaudited)</i>	<u>Year ended</u> <u>31 December</u> <u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit from continuing operations before tax and financial related income / (expense)	162,620	65,035	195,783
<b>Adjustments for:</b>			
Revaluation of investment properties	(136,601)	(42,621)	(150,901)
Share based payment	1,028	1,172	1,891
Depreciation and amortization	146	168	241
<b>Operating cash before working capital changes</b>	<b>27,193</b>	<b>23,754</b>	<b>47,014</b>
Decrease/(increase) in debtors and prepayments and other current assets	(13,326)	(4,700)	(5,156)
Decrease/(increase) in inventory	(17,883)	(733)	(3,615)
Increase in provisions	-	(400)	(450)
Increase in advances received	5,834	3,571	(287)
Increase in other non-current assets	(91)	(550)	(78)
Increase/(decrease) in short-term payables and accruals	(1,225)	(20)	785
Cash generated from operations	502	20,922	38,213
Interest paid	(11,202)	(10,021)	(23,006)
Interest received	3,134	1,358	3,272
Tax paid in the period	(268)	(2,126)	(2,892)
<b>Net cash from / (used) in operating activities</b>	<b>(7,834)</b>	<b>10,133</b>	<b>15,587</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment	(46,945)	(61,593)	(136,560)
Purchase of shares in subsidiaries, net of cash acquired	17 (17,532)	(684)	(28,128)
Sale of subsidiary	16 72,776	-	(14,060)
Tax paid in the period	(11,805)	-	-
Sale of investment in marketable securities	-	-	23,067
Lease origination expenses	(112)	(833)	(990)
Loans granted	(2,683)	(1,941)	(2,912)
Loans repayments	2,876	-	850
Increase in short term deposits	-	662	(4,646)
Decrease in short term deposits	(4,248)	-	100
Dividend received	-	-	122
<b>Net cash used in investing activities</b>	<b>(7,673)</b>	<b>(64,389)</b>	<b>(163,157)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from the issuance of share	149,737	129	128
Proceeds from long-term borrowings	65,777	76,976	175,814
Repayment of long-term borrowings	(11,208)	(24,543)	(63,108)
Proceeds from short term loan	3,073	-	-
Shares origination cost	(1,849)	-	-
Loans origination cost	(811)	(387)	(749)
Deposits received from tenants	305	200	723
<b>Net cash from financing activities</b>	<b>205,024</b>	<b>52,375</b>	<b>112,808</b>
<b>Effect of foreign currency translation</b>	<b>7,122</b>	<b>(1,942)</b>	<b>(7,763)</b>
<b>Net increase in cash and cash equivalents</b>	<b>196,639</b>	<b>(3,823)</b>	<b>(42,525)</b>
<b>Cash and cash equivalents, at the beginning of the year</b>	<b>73,204</b>	<b>115,729</b>	<b>115,729</b>
<b>Cash and cash equivalents, at the end of the period</b>	<b>269,843</b>	<b>111,906</b>	<b>73,204</b>

The accompanying notes are an integral part of these Condensed Consolidated Cash Flow Statements

**Globe Trade Centre S.A.**  
**Condensed Consolidated Cash Flow Statements**  
**for the three-month period ended 30 June 2006, 2005 and year ended 31 December 2005**  
**(in thousand of US Dollars)**

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**1. Principal activities**

Globe Trade Centre S.A. (the “Company”, “GTC”) was registered in Warsaw on December 19, 1996, having previously operated under the name of Globe Trade Centre Sp. z o.o. The Company’s registered office is in Warsaw at 41 Domaniewska Street. The Company owns, through subsidiaries and associates, commercial and residential real estate companies in Poland, Hungary, Romania, Serbia, Croatia, Slovakia, Ukraine, Bulgaria and Czech Republic. The Company is developing, and leasing or selling space to commercial and individual tenants, through its directly and indirectly owned subsidiaries.

Globe Trade Centre S.A. is the parent company of the capital group Globe Trade Centre (the “Group”).

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 30 June 2006 and 2005 the number of full time equivalent working in the Group companies was 79 and 77 respectively.

GTC is listed on the Warsaw Stock exchange.

The parent shareholder of the Company is GTC Real Estate N.V (“GTC Real Estate”) of the Netherlands that holds 46.4% of the Company’s shares (see note 14). On 27 April 2006, GTC International B.V (“GTC International”), the previous parent entity, has been merged into its parent company and ceased to exist. The ultimate parent of the Company is Kardan N.V of the Netherlands.

**Globe Trade Centre S.A.**  
**Notes to the Condensed Consolidated Financial Statements**  
**for the three-month periods ended 30 June 2006, 2005 and year ended 31 December 2005**  
**(In thousands of US Dollars)**

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**2. Basis of preparation**

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 accompanying condensed consolidated financial statements reflect certain adjustments not reflected in the Company's books to present these statements in accordance with standards issued by the International Accounting Standards Board, and the International Financial Reporting Interpretations Committee ("IFRIC").

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged (cash flow hedge) are adjusted to record changes in the fair values attributable to the risks that are being hedged.

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards have been condensed or omitted pursuant to International Accounting Standard No. 34, "Interim Financial Reporting" (IAS 34).

The accompanying condensed consolidated balance sheet, condensed consolidated income statements, condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity are unaudited but, in the opinion of the Company's Management, reflect all adjustments which are necessary for a fair statement of the Company's consolidated results of operations and cash flow for the interim period and the Company's financial position as of 30 June 2006. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended 31 December 2005. The interim financial results are not necessarily indicative of the full year results.

**Impairment of assets**

The carrying value of assets is periodically reviewed by Management to determine whether impairment may exist. Based upon its most recent analysis, management believes that no material impairment of assets exists as of 30 June 2006.

Goodwill impairment is tested annually at year end. Impairment is determined by assessing the recoverable amount of the cash generating unit, or group of cash generating unit to which the goodwill relates.



**Globe Trade Centre S.A.**  
**Notes to the Condensed Consolidated Financial Statements**  
**for the three-month periods ended 30 June 2006, 2005 and year ended 31 December 2005**  
**(In thousands of US Dollars)**

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**3. Accounting policies**

The Company applied to this condensed consolidated financial statements (“condensed consolidated financial statements”) for the three-month period ended 30 June 2006”) all International Financial Reporting Standards (IFRS) effective for accounting periods beginning on 1 January 2006, and the standards that came into effect prior to 30 June 2006.

Effective 1 January 2005, the change in the Polish Accounting Act requires the Group to prepare its consolidated financial statement in accordance with IFRS that have been adopted by European Union (“EU”). At this particular time, due to the endorsement process of the EU, and activities of the Company, there are no differences in the policies applied by the Company between IFRS and IFRS that have been endorsed by the Commission of the European Communities.

The interim condensed consolidated financial statements have been prepared in accordance with IFRS and all applicable IFRS that have been adopted by EU.

The Company followed the same accounting policies and methods of computation in these condensed consolidated financial statements as compared with the consolidated financial statements for the year ended 31 December 2005.

With the effect from 1 January 2006, the IASB revised existing International Accounting Standards, as described below:

IAS 1 Presentation of financial statements

IAS 19 Employee Benefits

IAS 21 The effects of Changes in Foreign Exchange Rates

IAS 39 Financial Instruments: Recognition and Measurements

Following standards and interpretations came into effect since January 1, 2006:

IFRS 6 Explorations for and Evaluation of Mineral Resources

IFRIC 4 Determining whether an Arrangement contains a Lease

IFRIC 5 Rights to Interests arising from Decommissioning Restoration and Environmental Rehabilitation Funds

IFRIC 6 Liabilities arising from Participation in a Specific Market-Waste Electrical and Electronic Equipment

The Company reviewed the new standards, and the changes to the existing standards. They are not affecting these condensed consolidated financial statements.

The IASB also issued further new standards and interpretations which will be effective in the subsequent financial years:

IFRS 7 Financial Instruments: Disclosures

IFRIC 7 Applying Restatement Approach under IAS 29

IFRIC 8 Scope of IFRS 2

IFRIC 9 Reassessment of embedded derivatives

IFRIC 10 Interim financial report and impairment

**Globe Trade Centre S.A.**  
**Notes to the Condensed Consolidated Financial Statements**  
**for the three-month periods ended 30 June 2006, 2005 and year ended 31 December 2005**  
**(In thousands of US Dollars)**

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**3. Accounting policies (continued)**

The Company reviewed these new standards. As a result of implementation of IFRS 7 in the year beginning 1 January 2007 the disclosure of financial instruments may change.

The new standards and interpretations described in the preceding paragraphs will not materially affect the financial statements of the Group.

**Globe Trade Centre S.A.**  
**Notes to the Condensed Consolidated Financial Statements**  
**for the three-month periods ended 30 June 2006, 2005 and year ended 31 December 2005**  
**(In thousands of US Dollars)**

**4. Investment in Subsidiaries and Joint Ventures and associates**

The condensed consolidated financial statements include the financial statements of the Company, its subsidiaries and jointly controlled entity listed below together with direct and indirect ownership of these consolidated subsidiaries as at the end of each period:

Name	Holding Company	Country of incorporation	30 June 2006 **	30 June 2005 **	31 December 2005 **
GTC Mars Sp. z o.o. („GTC Mars”)	GTC S.A	Poland	100%	100%	100%
GTC Galeria Sp. z o.o. („GTC Galeria”) (***)	GTC S.A	Poland	-	100%	-
GTC Taurus Sp. z o.o. („GTC Taurus”)	GTC S.A	Poland	100%	100%	100%
GTC CH Galeria Sp. z o.o. („GTC CH Galeria”) (***)	GTC S.A	Poland	-	100%	100%
Darat Sp. z o.o. („Darat”)	GTC S.A	Poland	100%	100%	100%
GTC Konstancja Sp. z o.o. („GTC Konstancja”)	GTC S.A	Poland	100%	100%	100%
GTC Korona S.A („GTC Korona”)	GTC S.A	Poland	100%	100%	100%
Globis Poznań Sp. z o.o („Globis Poznan”)	GTC S.A	Poland	100%	100%	100%
GTC Alp Sp. z o.o (formerly „GTC Topaz”), („GTC Alp”)	GTC S.A	Poland	-	100%	-
GTC Vega Sp. z o.o. („GTC Vega”)	GTC S.A	Poland	100%	100%	100%
GTC Aeropark Sp. z o.o. („GTC Aeropark”)	GTC S.A	Poland	100%	100%	100%
GTC Topaz Office Sp. z o.o. („GTC Topaz Office”) (formerly „GTC Neptune”)	GTC S.A	Poland	100%	100%	100%
Globis Wrocław Sp. z o.o („Globis Wrocław”)	GTC S.A	Poland	100%	100%	100%
GTC Galeria Kazimierz Sp. z o.o („GTC Galeria Kazimierz”) (*)	GTC S.A	Poland	50%	100%	100%
GTC Nefrit Sp. z o.o. („formerly GTC Orion”)	GTC S.A	Poland	100%	100%	100%
GTC Satellite Sp. z o.o. („GTC Satellite”) (formerly “GTC Saturn”)	GTC S.A	Poland	100%	100%	100%
GTC Sonata Sp. z o.o („GTC Sonata ”)	GTC S.A	Poland	100%	100%	100%
GTC Kazimierz Hotel Sp. z o.o. („previously GTC Platinum”)	GTC S.A	Poland	100%	100%	100%
Rodamco CHI Sp. z o.o. („Rodamco CHI”)*	GTC S.A	Poland	50%	50%	50%
GTC Com 1 Sp. z o.o. („GTC Com 1”)	GTC S.A	Poland	100%	-	100%
GTC Kazimierz office Sp. z o.o. (previously GTC Com 2)	GTC S.A	Poland	100%	-	100%
GTC Com 3 Sp. z o.o. („GTC Com 3”)	GTC S.A	Poland	100%	-	-
GTC Com 4 Sp. z o.o. („GTC Com 4”)	GTC S.A	Poland	100%	-	-
GTC Com 5 Sp. z o.o. („GTC Com 5”)	GTC S.A	Poland	100%	-	-
GTC Galeria CTWA Sp. z o.o. („Galeria CTWA ”) (formerly „GTC Galaxy-Jupiter”)	G14TC S.A	Poland	100%	100%	100%
GTC Hungary Real Estate Development Company Ltd. (“GTC Hungary”)	GTC S.A	Hungary	97.5%	65.6%	97.5%
Vaci Ut 81-85 Ltd.	GTC Hungary	Hungary	97.5%	65.6%	97.5%
Riverside Apartments Ltd. (“Riverside”)	GTC Hungary	Hungary	97.5%	65.6%	97.5%
Vector-H Ltd.	GTC Hungary	Hungary	97.5%	65.6%	97.5%
INVentures Vagyonkezelő Kft.	GTC Hungary	Hungary	97.5%	-	97.5%
Residential Auto Kft.	GTC Hungary	Hungary	97.5%	-	97.5%
Office Auto Kft.	GTC Hungary	Hungary	97.5%	-	97.5%
Center Point I. Ltd. (“Center Point I”)	GTC Hungary	Hungary	97.5%	65.6%	97.5%
Lehel út 23 Kft.	GTC Hungary	Hungary	97.5%	-	-
Kékmadár Apartmanok Kft.	GTC Hungary	Hungary	48.8%	-	-
Center Point II. Ltd. (“Center Point II”)	GTC Hungary	Hungary	97.5%	65.6%	97.5%
River Loft Ltd.	GTC Hungary	Hungary	97.5%	65.6%	97.5%
GTC Real Estate Investments Romania B.V. (“GTC Romania”)	GTC S.A	Netherlands	94.6%	54.4%	94.6%
Complexul Multifunctional Victoria S.R.L	Titulescu Investments B.V	Romania	94.6%	54.4%	94.6%
Aurora Business Complex S.R.L	GTC Romania	Romania	94.6%	-	94.6%
Jasmin Residential Complex S.R.L	GTC Romania	Romania	94.6%	-	94.6%
Towers International Property S.R.L	GTC Romania	Romania	94.6%	54.4%	94.6%
Galeria Shopping Center S.R.L (formerly “International Hotel and Tourism S.R.L.”)	GTC Romania	Romania	94.6%	54.4%	94.6%
International Shopping Centre S.R.L	GTC Romania	Romania	94.6%	54.4%	94.6%
National Commercial Centers B.V	GTC Romania	Netherlands	94.6%	-	-
Mercury Commercial Centers S.R.L	GTC Romania	Romania	94.6%	-	-
Venus Commercial Centers S.R.L	GTC Romania	Romania	94.6%	-	-
Mars Commercial Centers S.R.L	GTC Romania	Romania	94.6%	-	-
Bucharest City Gate B.V	GTC Romania	Netherlands	94.6%	-	-
Titulescu Investments B.V (“Titulescu”)	GTC Romania	Netherlands	94.6%	54.4%	94.6%
GTC Real Estate Investments Serbia B.V. (“GTC Serbia”)	GTC S.A	Netherlands	97.5%	65.6%	97.5%
GTC Business Park Doo	GTC Serbia	Serbia	97.5%	65.6%	97.5%
Atlas Center Doo	GTC Serbia	Serbia	75%	-	-
GTC Commercial Centres Doo	GTC Serbia	Serbia	97.5%	65.6%	97.5%
GTC Real Estate Developments Doo	GTC Commercial Centres Doo	Serbia	97.5%	-	97.5%
GTC Commercial Development Doo	GTC Serbia	Serbia	97.5%	65.6%	97.5%
GTC Real Estate Investments Bulgaria BV („GTC Bulgaria”)	GTC S.A	Netherlands	95%	-	-
GTC Yuzhen Park EAD (“GTC Yuzhen”)	GTC Bulgaria	Bulgaria	95%	-	-
GTC Real Estate Investments Ukraine BV („GTC Ukraine”)	GTC S.A	Netherlands	95%	-	-
GTC Real Estate Investments Slovakia BV („GTC Slovakia”)	GTC S.A	Netherlands	95%	-	-
GTC Real Estate Developments Bratislava B.V. (“GTC Bratislava”)	GTC Slovakia	Netherlands	68%	-	-
GTC Real Estate Vinohrady s.r.o (“GTC Vinohrady”)	GTC Bratislava	Slovakia	68%	-	-
GTC Real Estate Investments Croatia BV („GTC Croatia”)	GTC S.A	Netherlands	97.2%	82.5%	97.2%
Euro Structor Doo	GTC Croatia	Croatia	68.0%	57.8%	68.0%
GTC Neketrine Zagreb Doo (“GTC Zagreb”)	GTC Croatia	Croatia	97.2%	82.5%	97.2%

\* Proportionate consolidation.

\*\* Share of GTC.

\*\*\*The company was merged with GTC and ceased to exist.

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**4. Investment in Subsidiaries and Joint Ventures and associates (continued)**

Investment in Associates

The Company has a 31.6% interest in the following associates:

Lighthouse Holdings Limited S.A. (“Lighthouse”)  
Vokovice BCP Holding S.A. (“Vokovice”)  
Holesovice Residential Holdings S.A. (“Holesovice”)  
CID Holding S.A. (“CID”)

The above associates hold between 87.5% to 95.5% in companies which are involved in real estate development in Czech Republic (see note 10).

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**5. Projects description**

The Company is developing and leasing or selling space to commercial and individual tenants, through its direct and indirect investments in subsidiaries and associates.

Current projects in different stages of development are described in the tables below:

Completed projects:

Country	Property	Total rentable/saleable space (sq.m)	Details
Poland	Mokotow Business Park	107,200	Nine office buildings in Warsaw
	Galeria Kazimierz (100% of area)	36,200	Shopping centre in Krakow
	Galeria Mokotow (100% of area)	58,600	Shopping centre in Warsaw
	Galileo office building	10,300	Office building in Krakow
	Konstancja Residential phase 2	16,000	Residential project in Konstancin
	Globis Poznan office building	13,000	Office building in Poznan
	Topaz office building	11,000	Office building in Warsaw
Hungary	Center Point I	18,600	Office building in Budapest
	Center Point II	23,000	Office building in Budapest
	Riverside 1 residential project (over 95% has been sold)	33,500	Residential project in Budapest
Romania	America House	26,000	Office building in Bucharest
Serbia	GTC House- Office	13,500	Office building in Belgrad
Czech (*)	Lighthouse Towers	27,140	Office building in Prague

(\*) Project located in Czech Republic are operated through associates

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**5. Projects description (continued)**

Projects under construction / to be constructed:

Country	Property	Estimated Net Rentable/Saleable space (sq.m)	Details
Poland	Globis Wroclaw	14,000	Office building in Wroclaw
	Newton	10,400	Office building in Krakow
	Edison 1	10,000	Office buildings in Krakow
	Paskal	3,000	Office buildings in Krakow
	Galeria Kazimierz Hotel+office	13,000	Commercial project in Krakow
	Vega	18,500	Office building in Warsaw
	Nefryt building	15,300	Office building in Warsaw
	Galileo Gardens	28,000	Residential projects in Krakow
	Galeria Czestochowa	50,000	Shopping center in Czestochowa
	Konstancja Residential other phases	31,000	Residential project in Konstancin
	Lodz office 1	25,000	2 Office buildings in Lodz
	Lodz office 2	27,000	Office building in Lodz
	Poznan residential	14,000	Residential project in Poznan
	Platinum Business Park	45,000	Commercial project in Warsaw
	Konstancja Residential phase 3	8,400	Residential project in Konstancin
	Konstancja Commercial	42,000	Commercial project in Konstancin
	Aeropark (6 buildings)	51,000	Commercial project in Warsaw
Hungary	Centre Point Phase II	23,000	Office project in Budapest
	District 11	42,000	Residential project in Budapest
	Spiral	39,000	Office buildings in Budapest
	Gateway	73,200	Office project in Budapest
	Riverloft – Residential	13,500	Residential project in Budapest
	Riverloft – Commercial	5,800	Commercial project in Budapest
Czech (*)	Bess	7,500	Office building in Prague
	Green City (Jarow)	88,000	Residential project in Prague
	Prague Marine (Holesowice)	205,000	Residential/retail project in Prague
	Sarka BP	23,400	Vokovice (existing logistic center to be converted into residential project)
Romania	Galeria Bucharest	54,000	Shopping centre in Bucharest
	Aurora Business Park	29,000	Office project in Bucharest
	Jasmin	30,000	Residential project in Bucharest
	Rose Garden	58,500	Residential project in Bucharest
	Puerta - the gate	38,000	Office project in Bucharest
	Felicity	100,000	Residential project in Bucharest
	Aura Buzau	41,500	Shopping centres in Romania
	Green Dream	24,800	Residential project in Bucharest
Slovakia	Dubrowka	13,600	Residential project in Bratislava
	Park	9,600	Residential project in Bratislava
	Vinohrady Bratislava	350 units	Residential project in Bratislava

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**5. Projects description (continued)**

Projects under construction / to be constructed

Bulgaria	Sofia	12,000	Office project in Bulgaria
	Sofia Nissan	5,900	Office project in Bulgaria
Serbia	19 Aveniya	16,700	Office project in Belgrade
	Park Apartments	13,100	Residential project in Belgrade
Croatia	Golf	10,400	Residential project in Zagreb
	Avenue Mall	32,800	Shopping and office centre in Zagreb

(\*) Project located in Czech Republic are operated through associates

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

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**6. Events in the period**

In February 2006, Topaz office building in Warsaw was successfully completed.

On 24 March 2006, GTC completed a successful issuance of 1.712 million new shares at a price of PLN 285 (USD 87.4) per share (see note 14).

In March 2006, America House office building in Bucharest was successfully completed.

In March 2006, GTC purchased, for its nominal value being the fair value, 95% stake in GTC Slovakia

In April 2006, GTC purchased, for its nominal value being the fair value, 95% stake in GTC Bulgaria.

In April 2006, GTC established its new subsidiary GTC Ukraine, in which it holds 95%.

In April 2006, Center Point II office building in Budapest was successfully completed.

On 21 December 2005, GTC and Fellstone Limited signed a conditional Preliminary Share Purchase Agreement for the sale of 50% stake in the company that holds Galeria Kazimierz shopping centre. On 28 April 2006 the share purchase agreement of 50% of the registered capital of GTC Galeria Kazimierz was concluded between GTC and Fellstone Limited. As of 30 June 2006, the Company proportionally consolidated assets and liabilities of GTC Galeria Kazimierz (see note 16).

On 1 May 2006 the Company entered into an agreement with Mr Eli Alroy and AYRAD, a company controlled by him regarding amongst other, matters further disclosed in notes 18 and 21.

On 26 June 2006 Mr Eli Alroy exercised 117,917 Subscription Warrants at a price of PLN 1 together with 8,396 Subscription Warrants at a price of PLN 42.82; as a result, the remaining 22,482 Subscription Warrants expired and will not be exercised.

On 30 June 2006, GTC has agreed to terms to purchase an A-class office building, currently under construction, located in Chisinau, the capital city of Moldova.



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**7. Revenue from operations**

Revenue from operations comprises the following:

	Six-month period ended 30 June 2006 <i>(unaudited)</i>	Six-month period ended 30 June 2005 <i>(unaudited)</i>	Three-month period ended 30 June 2006 <i>(unaudited)</i>	Three-month period ended 30 June 2005 <i>(unaudited)</i>	Year ended 31 December 2005
Office and Commercial revenue	39,033	31,713	19,940	17,295	70,417
Residential revenue	13,818	13,816	6,081	6,850	25,222
	<u>52,851</u>	<u>45,529</u>	<u>26,021</u>	<u>24,145</u>	<u>95,639</u>

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 US Dollar or Euro.

**8. Cost of operations**

Costs of operations comprise the following:

	Six-month period ended 30 June 2006 <i>(unaudited)</i>	Six-month period ended 30 June 2005 <i>(unaudited)</i>	Three-month period ended 30 June 2006 <i>(unaudited)</i>	Three-month period ended 30 June 2005 <i>(unaudited)</i>	Year ended 31 December 2005
Cost of office and commercial operations	10,645	8,593	5,342	3,783	19,404
Residential costs	10,189	8,605	4,589	1,712	19,177
	<u>20,834</u>	<u>17,198</u>	<u>9,931</u>	<u>5,495</u>	<u>38,581</u>

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**9. Segmental analysis**

The Group's business activities, which are the primary segments, can be categorised into two main segments:

1. Development and rental of office space and shopping malls ("rental") and
2. Development and sale of houses and apartment units ("residential").

All the Group's activities and assets are located in Poland, Hungary, Romania, Serbia, Croatia, Bulgaria, Ukraine, Slovakia.

Segment analysis for the six-month periods ended 30 June 2006 and 30 June 2005 is presented below:

	Poland		Hungary		Romania		Serbia		Croatia		Consolidated	
	For the period ended		For the period ended		For the period ended		For the period ended		For the period ended		For the period ended	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005	30 June 2006	30 June 2005	30 June 2006	30 June 2005	30 June 2006	30 June 2005	30 June 2006	30 June 2005
Rental income	33,315	29,518	2,394	2,057	1,557	-	1,767	84	-	54	39,033	31,713
Residential income	2,946	12,731	10,872	1,085	-	-	-	-	-	-	13,818	13,816
<b>Total income</b>	<b>36,261</b>	<b>42,249</b>	<b>13,266</b>	<b>3,142</b>	<b>1,557</b>	<b>-</b>	<b>1,767</b>	<b>84</b>	<b>-</b>	<b>54</b>	<b>52,851</b>	<b>45,529</b>
Rental costs	8,722	8,141	722	407	772	-	429	45	-	-	10,645	8,593
Residential costs	2,221	7,585	7,968	1,020	-	-	-	-	-	-	10,189	8,605
<b>Total costs</b>	<b>10,943</b>	<b>15,726</b>	<b>8,690</b>	<b>1,427</b>	<b>772</b>	<b>-</b>	<b>429</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>20,834</b>	<b>17,198</b>
Rental result	24,593	21,377	1,672	1,650	785	-	1,338	39	-	54	28,388	23,120
Residential result	725	5,146	2,904	65	-	-	-	-	-	-	3,629	5,211
<b>Total result</b>	<b>25,318</b>	<b>26,523</b>	<b>4,576</b>	<b>1,715</b>	<b>785</b>	<b>-</b>	<b>1,338</b>	<b>39</b>	<b>-</b>	<b>54</b>	<b>32,017</b>	<b>28,331</b>

The segment results in Bulgaria, Ukraine, and Slovakia in the reported periods were nil.

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Segment analysis for the three-month periods ended 30 June 2006 and 30 June 2005 is presented below:

	Poland		Hungary		Romania		Serbia		Croatia		Consolidated	
	For the period ended		For the period ended		For the period ended		For the period ended		For the period ended		For the period ended	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005	30 June 2006	30 June 2005	30 June 2006	30 June 2005	30 June 2006	30 June 2005	30 June 2006	30 June 2005
Rental income	16,378	16,110	1,262	1,047	1,389	-	911	84		54	19,940	17,295
Residential income	1,319	6,029	4,762	821	-	-	-	-	-	-	6,081	6,850
<b>Total income</b>	<b>17,697</b>	<b>22,139</b>	<b>6,024</b>	<b>1,868</b>	<b>1,389</b>	<b>-</b>	<b>911</b>	<b>84</b>	<b>-</b>	<b>54</b>	<b>26,021</b>	<b>24,145</b>
Rental costs	4,334	3,572	417	166	387	-	204	45	-	-	5,342	3,783
Residential costs	1,213	899	3,376	813	-	-	-	-	-	-	4,589	1,712
<b>Total costs</b>	<b>5,547</b>	<b>4,471</b>	<b>3,793</b>	<b>979</b>	<b>387</b>	<b>-</b>	<b>204</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>9,931</b>	<b>5,495</b>
Rental result	12,044	12,538	845	881	1,002	-	707	39	-	54	14,598	13,512
Residential result	106	5,130	1,386	8	-	-	-	-	-	-	1,492	5,138
<b>Total result</b>	<b>12,150</b>	<b>17,668</b>	<b>2,231</b>	<b>889</b>	<b>1,002</b>	<b>-</b>	<b>707</b>	<b>39</b>	<b>-</b>	<b>54</b>	<b>16,090</b>	<b>18,650</b>

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**10. Investment in associates**

The Company has a 31.6% interest in the following associates:

Lighthouse Holdings Limited S.A.  
Vokovice BCP Holding S.A.  
Holesovice Residential Holdings S.A.  
CID Holding S.A.

The above associates are involved in real estate development in Czech Republic.

The investment in associates comprises the following:

	30 June 2006 <i>(unaudited)</i>	30 June 2005 <i>(unaudited)</i>	31 December 2005
Shares	6,308	6,308	6,308
Translation differences	652	(131)	164
Equity profit	2,109	1,416	1,989
Investment in shares	9,069	7,593	8,461
Loans granted	8,898	11,003	11,066
Investment in associates	17,967	18,596	19,527

**11. Other non-current assets**

Included within other non-current assets are the following:

	30 June 2006 <i>(unaudited)</i>	30 June 2005 <i>(unaudited)</i>	31 December 2005
Lease origination costs	952	4,153	624
Tenants deferred incentive expenses	-	230	-
Deferred debt expenses (*)	-	-	451
	952	4,383	1,075

(\*)Expenses related to loan that has not been drawn-down.

**12. Accrued income**

Accrued income consists of the following:

	30 June 2006 <i>(unaudited)</i>	30 June 2005 <i>(unaudited)</i>	31 December 2005
Sale of residential units	8,639	5,386	1,711
Sale of subsidiary	-	-	26,505
Services and other	813	794	963
	9,452	6,180	29,179

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**13. Long-term loans**

Long-term loans comprise the following:

	<b>30 June 2006 (unaudited)</b>	<b>30 June 2005 (unaudited)</b>	<b>31 December 2005</b>
Loan from BPH Bank (GTC Mars)	110,718	117,634	114,167
Loan from Aareal Bank (Rodamco CH1)	54,486	53,543	53,842
Loan from BPH (GTC Taurus)	18,430	19,476	18,971
Loan from Aareal Bank (GTC Galeria Kazimierz) (*)	47,431	81,282	77,675
Loan from WBK (Globis Poznan)	11,718	9,297	11,212
Loan from WBK (GTC Korona)	12,798	8,663	11,398
Loan from EUROHYPO (GTC Alp) (**)	-	7,774	-
Loan from EUROHYPO (GTC Topaz office)	18,882	1,479	17,752
Loan from MKB (Centre Point I)	39,671	39,664	37,529
Loan from MKB (Centre Point II)	21,934	5,780	16,077
Loan from MKB (Riverloft 1)	12,840	3,377	7,376
Loan from MKB (Riverloft 2)	-	-	1,879
Loan from MKB (Spiral)	7,620	-	8,791
Loans from GTC Real Estate	2,300	8,491	2,097
Loan from EBRD and Raiffeisen Bank (GTC Serbia)	28,620	12,355	11,953
Loan from EBRD and Raiffeisen Bank (GTC Romania)	34,783	8,281	27,774
Loan from OVAG (GTC Croatia)	-	4,897	-
Loan from MKB and Zagrebacka Banka (GTC Croatia)	25,220	-	5,037
Loans from minorities in subsidiaries	14,858	16,702	3,138
Deferred issuance debt expenses	(5,414)	(5,816)	(5,184)
	<b>456,895</b>	<b>392,879</b>	<b>421,484</b>

The loans conditions are described in the consolidated financial statement prepared under IFRS for the year ended 31 December 2005.

(\*) Decrease results from the sale of 50% in Galeria Kazmierz

(\*\*) Sold in December 2005

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**13. Long-term loans (continued)**

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

	<b>30 June 2006</b> <i>(unaudited)</i>	<b>30 June 2005</b> <i>(unaudited)</i>	<b>31 December</b> <b>2005</b>
Current portion of long term loans:			
Loan from BPH Bank (GTC Mars)	7,300	6,500	7,000
Loan from Aareal Bank (Rodamco CH1)	2,448	2,450	2,448
Loan from BPH (GTC Taurus)	1,111	1,046	1,092
Loan from Aareal Bank (GTC Galeria Kazimierz)	1,998	3,284	3,811
Loan from WBK (Globis Poznan)	644	483	600
Loan from WBK (GTC Korona)	610	450	610
Loan from EUROHYPO (GTC Topaz office)	515	373	337
Loan from EUROHYPO (GTC Alp)	-	172	-
Loan from MKB (Centre Point I)	1,311	2,157	1,200
Loan from MKB (Centre Point II)	583	-	-
Loan from MKB (Riverloft 1 )	12,840	-	314
Loan from MKB (Spiral)	316	-	1,206
Loan from EBRD and Raiffeisen Bank (GTC Serbia)	1,106	2,859	875
Loan from OVAG (GTC Croatia)	-	4,897	-
Loan from EBRD and Raiffeisen Bank (GTC Romania)	1,580	34	554
Loans from minorities in subsidiaries	-	6,168	-
Deferred issuance debt expenses	(76)	(76)	(76)
	<b>32,286</b>	<b>30,797</b>	<b>19,971</b>

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**13. Long-term loans (continued)**

	<b>30 June 2006</b> <i>(unaudited)</i>	<b>30 June 2005</b> <i>(unaudited)</i>	<b>31 December</b> <b>2005</b>
Long term portion of long term loans:			
Loan from BPH Bank (GTC Mars)	103,418	111,134	107,167
Loan from Aareal Bank (Rodamco CH1)	52,038	51,093	51,394
Loan from BPH (GTC Taurus)	17,319	18,430	17,879
Loan from Aareal Bank (GTC Galeria Kazimierz)	45,433	77,998	73,864
Loan from WBK (Globis Poznan)	11,074	8,814	10,612
Loan from WBK (GTC Korona)	12,188	8,213	10,788
Loan from EUROHYPO (GTC Alp)	-	7,401	-
Loan from EUROHYPO (GTC Topaz office)	18,367	1,307	17,415
Loan from MKB (Centre Point I)	38,360	37,507	36,329
Loan from MKB (Centre Point II)	21,351	5,780	16,077
Loan from MKB (Riverloft 1)	-	3,377	7,062
Loan from MKB (Riverloft 2)	-	-	1,879
Loan from MKB (Spiral)	7,304	-	7,585
Loan from GTC Real Estate	2,300	8,491	2,097
Loan from EBRD and Raiffeisen Bank (GTC Serbia)	27,514	9,496	11,078
Loan from EBRD and Raiffeisen Bank (GTC Romania)	33,203	8,247	27,220
Loan from MKB and Zagrebečka Banka (GTC Croatia)	25,220	-	5,037
Loans from minorities in subsidiaries	14,858	10,534	3,138
Deferred issuance debt expenses	(5,338)	(5,740)	(5,108)
	<u>424,609</u>	<u>362,082</u>	<u>401,513</u>

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**14. Capital and Reserves**

As at 30 June 2006, the shares structure is as follows:

Number of Shares	Share series	Total value In PLN	Total value in USD
13,928,621	A	13,928,621	4,151,730
115,224	B	115,224	26,660
23,544	B1	23,544	5,849
835,654	C	835,654	183,824
996,162	D	996,162	247,469
3,968,915	E	3,968,915	985,968
223,034	F	223,034	69,178
1,712,000	G	1,712,000	524,880
<b>21,803,154</b>		<b>21,803,154</b>	<b>6,195,558</b>

All shares are entitled to the same rights.

Movement in number of shares:

The reconciliation of the number of shares outstanding as at the beginning and at the end of the respective periods is presented below:

	<b>30 June 2006</b> <i>(unaudited)</i>	<b>30 June 2005</b> <i>(unaudited)</i>	<b>31 December 2005</b>
Number of shares as at the beginning of the year	19,964,841	19,868,120	19,868,120
Issuance of shares (seria E)	1,712,000	-	-
Issuance of shares (seria F)	126,313	96,721	96,721
Number of shares as at the end of the period	<b>21,803,154</b>	<b>19,964,841</b>	<b>19,964,841</b>



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**14. Capital and Reserves (continued)**

Movement in share premium:

	<b>30 June 2006 (unaudited)</b>	<b>30 June 2005 (unaudited)</b>	<b>31 December 2005</b>
Balance at the beginning of the year	140,198	138,209	138,209
Issuance of shares	149,174	98	98
Shares issuance expenses	(1,849)	-	-
Share based payment	1,028	1,173	1,891
Tax benefit resulted from shares issuance expenses	351	-	-
Balance at the end of the period	288,902	139,480	140,198

The major shareholder of the Company as of 30 June 2006 was GTC Real Estate N.V. with total number of shares held 10,119,378 which constitute 46.4% of total shares.

Other shareholders who as of 30 June 2006 held above 5% of the Company shares were as follows:

- ING Nationale Nederlanden
- Commercial Union

On 24 March 2006, GTC completed a successful issuance of 1.712 million new shares at a price of PLN 285 (USD 87.4) per share.

On 26 June 2006 Mr Eli Alroy, the chairman of the Supervisory Board, exercised 117,917 Subscription Warrants at a price of PLN 1, 8,396 Subscription Warrants at a price of PLN 42.82. The remaining 22,482 Subscription Warrants expired and will not be exercised.

Certain key management personnel are entitled to a total of 200,000 Company Phantom Shares executable as follows:

Number of Tranches	Number of Phantom Shares granted	Cumulative Number of Phantom Shares granted	First Exercise Date	Final Exercise Date
1.	50,000	50,000	1 January 2007	31 December 2010
2.	50,000	100,000	1 January 2008	31 December 2010
3.	50,000	150,000	1 January 2009	31 December 2010
4.	50,000	200,000	1 January 2010	31 December 2010

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**14. Capital and Reserves (continued)**

The Phantom Shares grant the entitled persons a right for a settlement from the Company in the amount equal to the difference between the average closing price for the Company's shares on the Warsaw Stock Exchange during the 30-day period prior to the date of delivery to the Company of the exercise notice, and PLN 225 per share (adjustable for dividend). The Company as its discretion may settle it in the form of cash. As at the granting date the average fair value of share options amounts to USD 28 per option.

The settlement of the phantom shares (cash or equity) is the decision of the shareholders of the Company.

Phantom shares expenses have been provided for assuming equity payments will be affected.

The Supervisory Board granted certain employees the rights to purchase 21,000 series B1 shares for its nominal value in 2 equal tranches on May 2006, 2007.

The vesting condition for all share based payments requires from the person entitled to those instruments to remain as a key management personnel during the vesting period.

The total shares based payment expenses in the six month period ended 30 June 2006 and 2005 were USD 1,028 thousand and USD 1,172 thousand, and for the three month period ended 30 June 2006 and 2005 were USD 581 thousand and USD 486 thousand. Those expenses are included within the administration expenses.

Movement in shares or phantom shares designated to key management personnel were as follows:

Number of shares	Seria B+B1	Seria F	Phantom shares (as described above)
Number of options/shares not vested as of 31 December 2005	29,223	297,590	-
Number of options/shares granted in the period (subject to vesting period)	21,000	-	200,000
Number of options exercised in the period	-	(126,313)	-
Number of options expired in the period		(22,482)	
Number of options/shares not vested as of 30 June 2006	50,223	148,795	200,000

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**14. Capital and Reserves (continued)**

On 29 March 2006, the Company concluded an ordinary shareholder meeting. The ordinary shareholder meeting decided that the profit accounted under Polish Accounting Standards, in the statutory financial statements for the year 2005, shall be retained as follows:

An amount of 2,500 thousand PLN (757 thousand USD) transferred to Capital reserve (“Fundusz Zapasowy”).

The remaining profit for the year 2005 is retained as retained earning.

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**15. Earnings per share**

	<u>Six-month period ended 30 June</u>		<u>Three-month period ended 30 June</u>		<u>Year ended 31 December 2005</u>
	<u>2006</u> <i>(unaudited)</i>	<u>2005</u> <i>(unaudited)</i>	<u>2006</u> <i>(unaudited)</i>	<u>2005</u> <i>(unaudited)</i>	
Net profit after tax (USD)	130,903,000	42,235,000	46,404,000	5,439,000	140,145,000
Weighted average number of shares for calculating basic earnings per share	20,898,759	19,954,688	21,676,841	19,964,841	19,960,071
Basic earnings per share (USD)	6.26	2.12	2.14	0.27	7.02
Weighted average number of shares for calculating diluted earnings per share	21,024,935	20,136,259	21,806,838	20,147,062	20,154,179
Diluted earnings per share (USD)	6.23	2.10	2.13	0.27	6.95

	<u>Six-month period ended 30 June</u>		<u>Three-month period ended 30 June</u>		<u>Year ended 31 December 2005</u>
	<u>2006</u> <i>(unaudited)</i>	<u>2005</u> <i>(unaudited)</i>	<u>2006</u> <i>(unaudited)</i>	<u>2005</u> <i>(unaudited)</i>	
Weighted average number of shares for calculating basic earnings per share	20,898,759	19,954,688	21,676,841	19,964,841	19,960,071
Adjustment for share options	126,176	181,571	129,997	182,221	194,108
Weighted average number of shares for calculating diluted earnings per share	21,024,935	20,136,259	21,806,838	20,147,062	20,154,179

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**16. Sale of subsidiary**

On 21 December 2005, GTC and Fellstone Limited signed a conditional Preliminary Share Purchase Agreement for the sale of 50% stake in the company that holds Galeria Kazimierz shopping centre. On 28 April 2006 the share purchase agreement of 50% of the registered capital of GTC Galeria Kazimierz was concluded between GTC and Fellstone Limited.

The Company's interest (100%) in GTC Galeria Kazimierz as of 28 April 2006 comprised the following:

	<b>28 April 2006</b>
Non current assets	176,326
Current assets (other than cash)	5,473
Cash	2,653
Current liabilities	(8,660)
Long term liabilities	(96,126)
Net assets	79,666

Cash resulted from sale of subsidiaries comprises the following:

	<b>30 June 2006</b>	<b>30 June 2005</b>	<b>31 December 2005</b>
Cash inflow resulted from sale of GTC Galeria Kazimierz	48,655	-	-
Cash inflow resulted from sale of GTC Alp (*)	25,447	-	-
Cash in GTC Galeria Kazimierz at the sale date	(1,326)	-	-
Cash in GTC Alp at the sale date	-	-	(14,060)
Cash inflow resulted from sale of subsidiaries	72,776	-	(14,060)

(\*) GTC Alp sold on 29 December 2005, payment for the shares received in January 2006

**17. Purchase of shares in subsidiaries, net of cash acquired**

	<b>30 June 2006</b>
Real estate under construction	9,184
Investment property	2,506
Inventory	12,588
Current liabilities	(2,294)
Long-term loans	(4,451)
Minority interests	(1)
Total paid	17,532

The amounts of expenditures for the period ended 30 June 2005 and 31 December 2005 amounted to 684 and 28,128 respectively. These expenditures relates to the acquisition of minority shares in the subsidiaries

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**18. Related party**

The Company granted key personnel, a total amount of 200,000 Company Phantom Shares (see note 14).

In addition, key management personnel are entitled to an annual bonus, in aggregate, as following:

- 0.36% of the Group's net profit after tax
- 2% of the Group's annual profits before tax excluding (i) any pre-tax influence of revaluations, (ii) any pre-tax influence of capital gains, and (iii) the effects of minority interests on all the above;
- 1.2% of the net increase (after tax) in the value of any capital asset sold during the year, calculated as the gap between the net proceeds from the sale and the total cost of the asset sold, excluding the effects of minority interests.

The Company has agreed that in the event that GTC undertakes any investment through a new subsidiary, Mr. Alroy, chairman of the supervisory Board, or AYRAD, a company controlled by him (together "Alroy"), are entitled to acquire shares in such subsidiary in an amount equal to 5% of the combined holding of GTC and Alroy.

GTC undertakes to advance Alroy with loans, in all amounts that Alroy is required to invest in a subsidiary with respect to his founding shares (see note 19).

GTC granted Alroy an option (Put Option) to sell to GTC any or all of his shares in GTC's subsidiaries within a certain period following termination of Alroy's relationship with such subsidiary or with GTC.

Alroy granted GTC an option (Call option) to buy any or all of his shares in GTC's subsidiaries within 30 days following the expiration of the above mentioned Put option.

The exercise price of the options shall be the fair value of the shares being transferred, as of the date of the Put or Call exercise notice.

The Supervisory Board granted certain employees the rights to purchase 21,000 series B1 shares for its nominal value in 2 equal tranches on May 2006 and 2007.

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**19. Loans granted**

Loans granted from GTC to Alroy (see note 18) are usually nominated in Euro or USD and carry in interest rate of LIBOR/Euribor +3%, Alroy is required to lend this amount to subsidiaries at the same rate.

The loans will be repaid based on the repayment of shareholders loans by the relevant subsidiary.

**20. Other income**

GTC Mars received from the city council a decision approving an amount of overpaid property tax. The overpaid property tax will be deducted from future property tax payments or refund in cash during a time schedule to be agreed.

As result of the above, USD 3,463 thousand was recognised within other income.

**21. Proportionate consolidation**

As of 30 June 2006, the Company proportionally consolidated assets and liabilities of Rodamco CH1 and GTC Galeria Kazimierz.

The Company's interest in the above companies comprises the following:

	30 June 2006	30 June 2005	31 December 2005
Cash	9,519	2,106	3,373
Blocked deposits	4,031	760	1,084
Non current assets	226,327	100,106	136,634
Current assets (other than cash and blocked deposits)	772	408	521
Long term liabilities	(119,058)	(55,437)	(62,527)
Current liabilities	(7,936)	(3,311)	(4,337)
<b>Net assets</b>	<b>113,655</b>	<b>44,632</b>	<b>74,748</b>

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**22. Financial liability**

On 1 May 2006, GTC granted Alroy an option (Put Option) to sell to GTC any or all of his shares in GTC's subsidiaries within a certain period following termination of Alroy's relationship with such subsidiary or with GTC (see note 18).

As of 1 May 2006, GTC recognized a financial liability under the above contract at its fair value. The minority interest reported in the financial statements was reclassified to a financial liability and the difference between the fair value of that liability and the minority interest as of 1 May 2006, was charged against retained earnings.

Any subsequent re-measurement of financial liability will be accounted for through the profit and loss account.

The main assumptions applied in determining the fair value of the financial liability were as follows:

In determining the fair value of the financial liability management have estimated the expected fair value of each project taking into account the current development of the project using market information and management judgment based on past experience within all subsidiaries in which Alroy has a minority shareholding.

Buildings classified as investment properties were valued based on recent valuations of the assets carried out by an independent valuer.

Projects under construction, designated for commercial projects and land plots were revalued based on market information, using the management's assessment, taking into consideration the current stage of the project.

Residential projects were revalued based on the capitalization of the estimated future profits from each specific project.



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**23. Selected financial information translated into Euro**

According to the statutory reporting requirements selected financial information of the Group that was translated into Euro comprises the following:

<u>In thousands of</u> <u>Euro</u>	<b>30 June 2006</b> <i>(unaudited)</i>	<b>30 June 2005</b> <i>(unaudited)</i>	<b>31 December 2005</b>
Revenues from operations	43,000	35,417	76,837
Gross margin from operations	26,049	22,039	45,841
Profit from continuing operations before tax and finance income / (costs)	132,308	50,591	157,293
Profit for the period	109,513	32,293	115,741
Assets	1,121,767	1,247,748	894,350
Liabilities	467,154	874,852	432,669
Total equity	654,613	372,896	461,681
Current assets	312,139	139,602	150,215
Current liabilities	69,247	61,073	54,940

The USD/Euro rates used for translation the above information, were as follows:

	<b>30 June 2006</b>	<b>30 June 2005</b>	<b>31 December 2005</b>
Average rate for the period	1.23	1.29	1.24
Rate at the end of period	1.27	1.21	1.18

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**24. Subsequent events**

On 19 July 2006 the court approved a split of the Company's shares. As result of the split each holder of the company's share with a nominal value of PLN 1 is entitled to 10 shares with a nominal value of PLN 0.1 each.

The split took effect on 9 August 2006.

**25. Other**

The condensed consolidated financial statements were authorised for issue by the Management Board on 10 August 2006